

Spring 2012



## Report of the Auditor General of Canada to the House of Commons

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### CHAPTER 1

#### Border Controls on Commercial Imports



Office of the Auditor General of Canada

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OAG

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## **CHAPTER 1**

### **Border Controls on Commercial Imports**

## Performance audit reports

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada under the authority of the *Auditor General Act*.

A performance audit is an independent, objective, and systematic assessment of how well government is managing its activities, responsibilities, and resources. Audit topics are selected based on their significance. While the Office may comment on policy implementation in a performance audit, it does not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and Office policies. They are conducted by qualified auditors who

- establish audit objectives and criteria for the assessment of performance;
- gather the evidence necessary to assess performance against the criteria;
- report both positive and negative findings;
- conclude against the established audit objectives; and
- make recommendations for improvement when there are significant differences between criteria and assessed performance.

Performance audits contribute to a public service that is ethical and effective and a government that is accountable to Parliament and Canadians.

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# Border Controls on Commercial Imports

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## Main Points

### What we examined

Under various acts and regulations, federal government organizations are responsible for ensuring the safety of commercially imported consumer goods that have been identified as a risk to the health and safety of Canadians. The Canada Border Services Agency (CBSA) is tasked with ensuring that commercially imported consumer goods enter Canada in conformity with applicable laws and regulations.

To achieve this, the CBSA works with other federal government organizations to implement controls at the border. Controls at the border include administration of import requirements (for example, permits and authorizations), detection and interception of shipments targeted by federal organizations as high risk or non-compliant, and examination of selected shipments for admissibility into Canada. These controls are part of a broader product safety regime that also includes both pre- and post-border controls, such as licensing and market surveillance, and is supported by importers' voluntary compliance. The regime is intended to control any high-risk products that are allowed to enter the country and thereby help ensure the safety of imported products in the marketplace.

We examined the part of the product safety regime that is implemented at the border. Looking at selected commercially imported goods—including fertilizers, health products, pest control products, consumer products, consumer fireworks, vehicles, and tires—we examined how the CBSA, the Canadian Food Inspection Agency, Health Canada, Natural Resources Canada, and Transport Canada work together to ensure that products comply with applicable legislation when they enter Canada.

Audit work for this chapter was substantially completed on 30 September 2011. Further details on the conduct of the audit are in **About the Audit** at the end of this chapter.

**Why it's important**

The volume of imports into Canada is so large that it is not practical for federal organizations to apply border controls to every shipment, nor is it necessary. According to the CBSA, it processed and released 13 million shipments of commercial products in the 2010–11 fiscal year, about four million of which were subject to federal import requirements. Federal organizations must balance the requirement to examine shipments with facilitating the free flow of goods. To do this, they need to have systems and practices that can identify and concentrate on high-risk shipments of commercially imported products.

Potentially unsafe products entering Canada without appropriate controls carry risks that could include illness and death. Even a less serious incident can have a significant effect on Canadian consumer confidence in imported products.

**What we found**

- In most cases, imported consumer goods in our audit that pose a risk to the health and safety of Canadians are adequately controlled at the border by the Canada Border Services Agency, the Canadian Food Inspection Agency, Health Canada, Natural Resources Canada, and Transport Canada. With a few exceptions, the administration of import requirements and automatic targeting of high-risk shipments are working as intended.
- In the small percentage of cases where goods that did not meet import requirements were allowed to enter the country, most were products for which there was no agreement in place between Health Canada and the CBSA. While the CBSA has formal arrangements with the three other organizations in our audit, as yet it has no formal agreement with Health Canada that documents respective roles, responsibilities, policies, and procedures for implementing controls on several products under Health Canada's responsibility, such as medical devices and pest control products. Until there is a formal agreement, border services officers do not have consistent instructions on procedures to follow for those products.
- Border lookouts and examinations are reserved for higher-risk shipments and they consume resources, yet their results are poorly documented. For example, examination results were recorded incorrectly or incompletely in 40 percent of cases we examined. Consequently, we could not determine whether the examinations are working as intended, nor can the organizations requesting them. Moreover, among the audited organizations there are gaps in the monitoring of all three border controls. For example, the CBSA's target monitoring reports are inaccurate and incomplete. These gaps

make it difficult for federal organizations to know how well the controls are working and where resources and effort can be directed most effectively to manage risk.

**The entities have responded.** The entities agree with all of the recommendations. Their detailed responses follow the recommendations throughout the chapter.



## Introduction

**1.1** Each year, millions of imported products cross Canada's borders, destined for the Canadian marketplace. Many commercial products must meet specific requirements defined in federal legislation before they can be imported into Canada, especially those that have been identified as a risk to the health and safety of Canadians. Various federal organizations, such as the Canadian Food Inspection Agency (CFIA), Health Canada, Natural Resources Canada, and Transport Canada, administer this legislation. They have established product safety controls before goods are imported, during the importing process, and after products have entered the country. This regime is intended to control any high-risk products that are allowed to enter the country and thereby help ensure the safety of imported products in the marketplace.

**1.2** Without appropriate controls, some products could enter Canada that may present serious risks to the health and safety of Canadians. Even a less serious incident can have a significant effect on Canadian consumer confidence in imported products. Imported consumer goods have attracted more attention since 2007, when contaminated toothpaste and toys with lead paint and magnetic parts that could cause choking entered the country. As a result, in December 2007, the Prime Minister announced the Food and Consumer Safety Action Plan. The plan provided additional resources to Health Canada, the CFIA, the Public Health Agency of Canada, and the Canadian Institutes of Health Research to improve controls at all stages of the product safety regime. The plan focused on the following three key areas:

- Active prevention initiatives included enhanced guidance for industry on regulatory requirements, steeper fines and penalties, development of safety standards, and more accessible consumer safety information.
- Targeted oversight initiatives included enhanced licensing and compliance verification, improved surveillance, and mandatory reporting of adverse events and incidents.
- Rapid response initiatives included risk communication to federal organizations and the public and the power to recall products from the marketplace.

**1.3** The three border controls we examined in this audit—administration of import requirements, targeting of high-risk shipments, and examinations—support targeted oversight and rapid response.

**Release**—A decision by the Canada Border Services Agency to allow goods to leave customs control and enter the Canadian marketplace. This may occur at border points of entry or at inland customs offices.

### Shared federal responsibility for controlling imports of consumer goods

**1.4** The Canada Border Services Agency (CBSA) is required to ensure that commercially imported consumer goods enter Canada in conformity with applicable legislation. The *Customs Act* requires that all imported goods be reported to the CBSA and makes the Agency responsible for determining whether to **release** the goods into Canada. Border services officers have the power to examine, detain, or seize imported goods if they suspect non-compliance with legislation, including laws under the jurisdiction of other federal organizations. All these other federal organizations must therefore collaborate with the CBSA to ensure that goods entering Canada meet the requirements of the legislation they administer.

**1.5** In the 2010–11 fiscal year, the CBSA processed 13 million shipments of commercially imported products. In addition to being subject to the requirements of the *Customs Act*, the CBSA estimates about four million of these commercial import transactions also fell under one or more other federal laws or regulations. Federal organizations cannot examine every shipment. They must balance the requirement to examine shipments with facilitating the free flow of goods. To do this, federal organizations need to have systems and practices that can identify and concentrate on high-risk shipments of commercially imported products.

**1.6** In the 2010–11 fiscal year, the five audited organizations reported they spent approximately \$200 million to administer program activities intended to ensure the safety of the imported products included in the scope of the audit. This amount includes the border controls examined by the audit.

**1.7** Exhibit 1.1 summarizes the goods included in the scope of our audit, the laws that regulate them, and the four federal organizations responsible for controlling the importation of these goods. The exhibit also summarizes the import requirements, the requirements administered by CBSA officers, and the risks to Canadians if the goods do not meet these requirements.

**Exhibit 1.1** Import requirements for goods included in the audit

Federal organizations responsible for imported goods and their relevant legislation	Import requirements	Actions required at the border by the Canada Border Services Agency	Risks of non-compliance with requirements
<p><b>Canadian Food Inspection Agency (CFIA)</b></p> <p><i>Fertilizers Act</i> and associated regulations</p> <p>The CFIA must ensure that imported regulated fertilizer and supplement products are safe for humans, plants, animals, and the environment; effective for their intended purpose; and properly labelled.</p>	<b>Fertilizers and supplement products</b>		
	<p>Import requirements vary by nature of the product, country of origin, and use of the product. These could include registering products, obtaining permits, and adhering to specific packaging and labelling requirements. Some low-risk products are exempt from import requirements.</p>	<p>Border services officers are expected to review the shipment's supporting documentation and the request for release. Low-risk imports do not require any action by border services officers.</p>	<p>A toxic fertilizer or supplement could have an immediate or long-term harmful effect on the environment, might endanger the environment on which human life depends, or might endanger human life or health.</p>
<p><b>Health Canada</b></p> <p><i>Food and Drugs Act</i>, the <i>Controlled Drugs and Substances Act</i>, the <i>Pest Control Products Act</i>, the <i>Canada Consumer Products Safety Act</i>, the <i>Hazardous Products Act</i>, and their associated regulations</p> <p>Health Canada is responsible for protecting the public by addressing or preventing risks to human health or safety that imported products pose.</p>	<b>Health products (including drugs, natural health products, and medical devices)</b>		
	<p>Import requirements vary by product, but may include market authorization (human-use drugs, natural health products, some medical devices), obtaining permits, site or establishment licensing (human-use drugs, natural health products, some medical devices), and adhering to packaging and labelling requirements.</p>	<p>Border services officers are expected to contact Health Canada if they have a compliance concern or need more information. However, if the shipment contains a controlled substance, the officer must verify the import permit against the quantity for each individual shipment, and ensure that the importer is licensed.</p>	<p>Unauthorized health products may be ineffective, unsafe, and of poor quality. For example, severe side effects might occur if Canadians take an unauthorized drug or natural health product.</p>
	<b>Regulated consumer products (toys, child care items, cribs, cradles, strollers, consumer chemicals, and cosmetics)</b>		
	<p>Import requirements include labelling and meeting safety and performance standards. Cosmetic preparations are also subject to the <i>Food and Drugs Act</i> and its regulations regarding composition, safety, labelling, and advertising.</p>	<p>Border services officers are expected to contact Health Canada if they have compliance concerns or need more information.</p>	<p>Consumer products that do not meet Canadian regulations could cause injury or death.</p>
<b>Unregulated consumer products</b>			
<p>There is no import requirement for unregulated consumer products.</p>	<p>Border services officers have no requirements concerning these products unless Health Canada has identified a product as high risk and asked the Agency to target it for inspection. Officers are then to follow instructions that Health Canada provides.</p>	<p>Consumer products, such as ski helmets, that do not meet Canadian standards could cause injury or death.</p>	

**Exhibit 1.1 Import requirements for goods included in the audit (continued)**

Federal organizations responsible for imported goods and their relevant legislation	Import requirements	Actions required at the border by the Canada Border Services Agency	Risks of non-compliance with requirements
<p><b>Health Canada (continued)</b></p>	<b>Pest control products</b>		
	<p>Products must bear the approved label for sale in Canada, and an import declaration form must be included at the time of release.</p>	<p>Border services officers are expected to contact Health Canada if they have a compliance concern or need more information.</p>	<p>An unregistered pest control product may be unsafe for any use, and often does not contain precautions or instructions in either of Canada’s official languages. This could lead to accidental misuse or injury.</p>
<p><b>Natural Resources Canada (NRCan)</b></p> <p><i>Explosives Act</i> and associated regulations</p> <p>NRCan is responsible for ensuring that only fireworks that are safe and authorized under the explosives regulations are imported into Canada.</p>	<b>Consumer fireworks</b>		
	<p>The product must be on the list of authorized explosives and have an import permit.</p>	<p>Border services officers are expected to validate the Explosives Import Permit. If the shipment is not as described in the permit or the goods are not accompanied by a permit, officers are to detain the explosives and refer them to NRCan for review.</p>	<p>Unauthorized fireworks could result in injury, property damage, or death.</p>
<p><b>Transport Canada</b></p> <p><i>Motor Vehicle Safety Act</i></p> <p>Transport Canada regulates the importing of vehicles and vehicle products to reduce the risk of death, injury, and damage to property and the environment.</p>	<b>Vehicles</b>		
	<p>Imports must be accompanied by a vehicle import form, a statement of compliance label, a vehicle identification number, a certificate of title, and manufacturer’s certificate of origin or salvage title.</p>	<p>Border services officers are expected to ensure that vehicles meet all import requirements, that the vehicle form is completed correctly, and that they stamp the form.</p>	<p>Foreign manufacturers must design and build vehicles that meet standards and regulations under Canada’s <i>Motor Vehicle Safety Act</i>. Vehicles that do not meet standards increase the risk of death, injury, and damage to property and the environment.</p>
	<b>Tires</b>		
<p>On-road new tires must be accompanied by a declaration that the tire complies with Canadian Motor Vehicle Tire Safety Regulations. On-road used tires require a United States Department of Transportation (DOT) symbol on the tire and the identification number.</p> <p>Off-road used tires must display an “Off-road use only” designation.</p>	<p>Border services officers are expected to verify the importer’s declaration of compliance, and the DOT symbol (on-road used) or off-road use designation.</p>	<p>On-road tires must meet Canadian or United States standards. Tires that do not meet standards increase the risk of a crash or injury.</p>	

## Border control processes

**1.8** Federal organizations responsible for ensuring that imported goods meet all Canadian requirements also rely on importers' voluntary compliance with federal legislation. Commercial clients (importers, brokers, carriers, and freight forwarders) report the goods they want to import by submitting detailed information about the goods and the importer before or upon arrival at the border. Commercial clients are required by legislation to provide accurate and complete information. Border services officers review this information to decide whether to release the goods into Canada.

**Target**—An automated notice that **ACROSS**, the Canada Border Services Agency's importing information system, issues whenever an importer's business number or other data triggers an alert. Officers must analyze and follow instructions accompanying the target. Targets can also be issued via email from Agency headquarters directing officers to take specific action regarding shipments.

**ACROSS**—The Accelerated Commercial Release Operations Support System of the Canada Border Services Agency, which enables importers and brokers to transmit information about their imports electronically. A border services officer reviews the information, decides whether to release the shipment, and sends the response back to the importer or broker electronically.

**Referral**—A request from the Canada Border Services Agency to an appropriate federal organization to validate the admissibility of a shipment based on legislative requirements. Referrals are communicated by phone, facsimile, or email.

**1.9** Federal organizations may request that the CBSA target and intercept shipments for examination at the border. To determine whether a shipment represents a high risk and should be detained for examination, border services officers use these **targets**, automated systems, their own judgment, and advice from other federal organizations. If an officer decides that an examination is not required, the Agency releases the goods. If the officer decides an examination is required, the officer directs the goods to an examination facility, where the goods are released only if they pass the examination.

**1.10** The CBSA may **refer** information about the shipment to the appropriate federal organization for document review; or it may conduct a physical examination on behalf of the appropriate federal organization; or an inspector from the appropriate federal organization may conduct a physical examination. Commercial shipments can be examined at a facility at the port of entry or, in certain cases, inland.

## Focus of the audit

**1.11** The objective of the audit was to determine whether the Canada Border Services Agency (CBSA), the Canadian Food Inspection Agency (CFIA), Health Canada, Natural Resources Canada (NRCan), and Transport Canada control, at the border, selected commercially imported products that pose a risk to the health and safety of Canadians.

**1.12** We examined the product safety regime that is implemented at the border. We did not audit, and therefore cannot comment on, the effectiveness of pre- and post-border controls or voluntary compliance. Controls before goods are imported and after they have entered the country have been the subject of other audits: most recently, in the 2011 Fall Report of the Auditor General, Chapter 4, Regulating Pharmaceutical Drugs—Health Canada, and the 2011 June Report of

**Trusted trader programs**—Three Canada Border Services Agency programs (Free and Secure Trade, Partners in Protection, and Customs Self Assessment) that designate certain companies as trusted and low risk because they have met certain system and risk requirements and are subject to Agency audit.

the Auditor General, Chapter 6, Regulating Medical Devices—Health Canada. We also did not audit goods imported as part of the CBSA’s **trusted trader programs**.

- 1.13** We examined federal organizations’ systems and practices for
- administering import requirements (permits, licences, certificates, or other authorizations);
  - targeting commercially imported consumer goods that pose a risk to the health and safety of Canadians; and
  - examining commercially imported consumer goods that pose a risk to the health and safety of Canadians.

**1.14** More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendations

### Administering import requirements

- 1.15** We examined whether the Canada Border Services Agency (CBSA), the Canadian Food Inspection Agency (CFIA), Health Canada, Natural Resources Canada (NRCan), and Transport Canada administer import requirements for commercially imported products that pose a risk to the health and safety of Canadians by
- documenting the administration of requirements;
  - following the roles, responsibilities, policies, and procedures for administering import requirements; and
  - monitoring the administration of requirements, as Treasury Board policies require.

#### **Most systems and practices for administering import requirements are well documented, but some need improvement**

**1.16** Under the *Canada Border Services Agency Act*, the CBSA may enter into agreements or arrangements with federal organizations to provide services, such as administering import requirements, on their behalf. Such agreements document the import requirements, the products to which they apply, and the roles and responsibilities of the federal organizations involved in administering these requirements. Cooperation and coordination between the CBSA and the CFIA, NRCan, and Transport Canada are outlined in a series of bilateral memoranda of understanding (MOUs) that describe each party’s roles and responsibilities for collecting and exchanging information, targeting high-risk shipments, examining shipments, and monitoring compliance.

**1.17** Cooperation and coordination between the CBSA and federal organizations are also described in a series of internal CBSA memoranda, called D Memoranda. These documents outline the legislation, policies, and procedures that the CBSA uses to administer specific customs programs, including the importation of certain goods that fall under the jurisdiction of other federal organizations. These D Memoranda also outline roles, responsibilities, and service standards. For the products included in our audit, current D Memoranda exist for those products under the responsibility of the CFIA, NRCan, and Transport Canada, and for some Health Canada products.

**1.18** Between 2000 and 2004, the CBSA stopped administering several Health Canada requirements at the border, including those for medical devices and pest control products and some for human-use drugs and controlled substances. These requirements were paper-based and required border services officers to process permits and other documents, and forward them to Health Canada. This practice was not consistent with the CBSA's efforts to automate the importing process. The CBSA's decision to stop administering Health Canada's requirements meant that although legislation required importers to provide permits or import declaration forms with their shipments of some products, border services officers no longer reviewed the permits or forms.

**1.19** In 2003, Health Canada expressed concerns about the impact that the CBSA decision would have on the Department's ability to fulfill its mandate to control imports of some products. The two organizations therefore agreed to increase information exchange and targeting and to finalize an umbrella MOU that was already under development. The goal of the umbrella MOU was to clarify—for drugs, chemicals, pest control products, medical devices, and consumer products—the roles and responsibilities for collecting and exchanging information, targeting, examining shipments, and monitoring. The MOU was signed in November 2011, but no annexes have been agreed on. The annexes are an integral part of the MOU because they clarify roles, responsibilities, policies, and procedures of each participant for each program. Thus, while the MOU was an important first step, until the annexes are agreed on, the goal established in 2003 to clarify roles and responsibilities for control activities has not been met.

**1.20** Health Canada still expects that border services officers will refer shipments if they have any concerns about compliance with the Department's import requirements. The CBSA, however, does not have the same expectation of its officers for all Health Canada products. As explained in the following section, we found that, in most cases where goods that did not meet their import requirements

were allowed to enter the country, they were products for which there is no agreement in place between Health Canada and the CBSA. A formal agreement would provide all border services officers with correct contact information and consistent instructions on procedures to follow, including when to refer a product and to which Health Canada program.

**1.21 Recommendation.** To define and clarify roles, responsibilities, policies, and procedures for administering import requirements, the Canada Border Services Agency and Health Canada should prepare and finalize annexes for all programs identified in their 15 November 2011 umbrella memorandum of understanding. The Canada Border Services Agency should then document or update instructions to border services officers for these programs and products.

**The Agency's and the Department's response.** Agreed. The Agency and the Department will work together to complete annexes to the umbrella memorandum of understanding with related procedures that clearly define the roles and responsibilities of each organization for the border administration of the Department's import requirements. One to two annexes would be completed by March 2013, with all completed by March 2014.

#### **Import requirements were administered correctly, with a few exceptions**

**1.22** We assessed whether the federal organizations included in our audit follow the roles, responsibilities, policies, and procedures for administering import requirements. We examined a representative sample of 57 import transactions for regulated commercially imported products that were processed during May 2011. With respect to NRCan, we examined six randomly selected import transactions for fireworks, as there were too few fireworks transactions in May 2011 to include them in the representative sample.

**1.23** We found that the roles, responsibilities, policies, and procedures for administering import requirements were followed, except for two of the six fireworks transactions. When import requirements are not administered correctly, it does not always mean that the good is not compliant with safety regulations. For example, if an importer did not submit the required permit, it could mean either that the importer does not have a permit or that the importer has a permit but did not include it with the shipment. We therefore asked NRCan and the CBSA to review the transaction information for these two cases. They confirmed that, for one fireworks transaction, the importer did not have the necessary permit.

**1.24** For five percent of transactions in our representative sample, administrative procedures were not strong enough for border officers to identify non-compliant goods. As a result, goods were allowed to enter the country, even though they did not meet their import requirements. These included a small quantity of an unregistered pest control product, and Class I medical devices (the lowest-risk class under the Medical Devices Regulations) when the importer did not have an appropriate establishment licence to demonstrate that it has the proper systems in place to safely manage the distribution of the device. These are goods for which there is currently no agreement between Health Canada and the CBSA to administer import requirements at the border.

**The Canada Border Services Agency’s framework to monitor administration of import requirements needs improvement**

**1.25** The third element we examined, to assess whether the federal organizations included in our audit are administering import requirements at the border as intended, was their monitoring systems and practices.

**1.26** In 2009, the CBSA published an internal audit report on its administration of import requirements. The audit focused on a different set of controlled goods than those examined in our audit, but also found gaps in the administration of import requirements at the border. The audit therefore recommended that the Agency improve its monitoring of border controls. In response, the CBSA implemented a process monitoring framework.

**1.27** The framework is a checklist that requires supervisors to verify whether border services officers ensure that import requirements are met. The methodology provides different options to supervisors to conduct monitoring, depending on the size and complexity of the port of entry. However, for the results to be compared over time or from one location to another, supervisors need to report details on the methodology they used. We found, in most cases, they did not. We also found that there were few reports on results. Because the framework requires that only problems be reported, we could not determine whether the existence of few reports meant there were no problems to report, or the monitoring work had not been conducted. As a result of these design and implementation weaknesses, the framework does not provide the CBSA with the monitoring information it needs to detect changes in the effectiveness of border controls.

**1.28** The CFIA also has a process that is explicitly designed to monitor compliance with importing processes and requirements for fertilizers

and supplements. The three other federal organizations rely mainly on their post-border monitoring processes, such as market surveillance, for assurance that their requirements are administered at the border as intended. We found that, despite the shared responsibility to control imports at the border, the CBSA and the other federal organizations included in our audit did not systematically share their monitoring information with each other. Sharing information about whether import requirements are being met, how often, and what types of problems need attention would help federal organizations identify whether changes to the effectiveness of this control have occurred, and where to direct resources and effort.

**1.29 Recommendation.** The Canada Border Services Agency should ensure that the Process Monitoring Framework reporting includes enough information for the Agency to assess whether border controls are working as intended, share the results with relevant federal organizations, and act on the results.

**The Agency's response.** Agreed. The Agency will replace the Process Monitoring Framework with a new review structure. The new structure will streamline the Agency's review process by aligning the review criteria and strategy with high-risk areas of business and audit priorities that affect port of entry operations nationally. The new structure will also include a log that records when issues and results are communicated to relevant organizations to ensure that issues are addressed. The Agency will develop and implement the new review structure by July 2012.

### Targeting imported consumer goods

**1.30** When federal organizations identify high-risk commercially imported products that fall under their respective jurisdiction, they ask the Canada Border Services Agency (CBSA) to target and intercept these shipments. Targets are requested when, for example, an importer has previously brought in goods that were not properly declared or the federal organization has determined that a good is dangerous.

**1.31** We examined whether the CBSA, the Canadian Food Inspection Agency (CFIA), Health Canada, Natural Resources Canada (NRCan), and Transport Canada document systems and practices for conducting targeting activities, follow targeting instructions as intended, and monitor the results.

**1.32** There are two types of targets: automated targets and border lookouts. An automated target is entered into ACROSS and is used to intercept a shipment based on targetable data, such as an importer's business number. ACROSS automatically flags a shipment for

interception if the information the importer provides matches the characteristics defined in the target. Border services officers are expected to assess the target instructions and examine the shipment or refer it to the appropriate federal department, if required.

**1.33** However, shipments that the CBSA and the other federal organizations would like to target cannot always be identified in ACROSS. Some of the data items that ACROSS uses to target are not specific enough to identify all goods with import requirements. In these circumstances, the CBSA issues a border lookout, which is an instruction to border services officers to take specific action when they identify a shipment meeting established criteria. Border lookouts are communicated by email and all officers are expected to be aware of active lookouts.

**1.34** For the products included in our audit, for the period between November 2010 and June 2011, there were 250 automated targets and 47 border lookouts, almost all of which were on products that Health Canada is responsible for.

#### **Instructions are being followed for automated targets, with a few exceptions**

**1.35** We found that all five federal organizations document the way automated targets and border lookouts are to be conducted and follow the roles, responsibilities, policies, and procedures for creating targets. The CBSA then tests whether the automated target will intercept shipments as intended.

**1.36** To assess whether border services officers followed the target instructions, we selected a representative sample of 50 shipments from those intercepted as a result of an automated target between 1 November 2010 and 30 June 2011. For 84 percent of transactions, officers followed the instructions that accompanied the target. In 12 percent of transactions, all of which were targeted on behalf of Health Canada, border services officers detained and examined the shipments but did not refer them to the Department. Rather, they concluded that the goods did not match the target and released them. We asked Health Canada to verify whether its target instructions had been correctly followed in these cases. The Department stated that they had not been correctly followed and that it expected information about the shipments to be referred. However, its target instructions did not state that there was no room for officers' discretion. These results reinforce the need for the two organizations to clarify their procedures for border controls.

**1.37** For the other four percent of transactions, also Health Canada targets, we found the goods were released without being detained, examined, or referred to the Department as instructed. The transactions included a natural health product that was suspected of containing lithium, which poses a health risk, and an importer whose shipments were all to be detained because of a history of non-compliance. For this four percent, CBSA officials could not explain why border services officers did not follow the target instructions.

#### **Information to monitor targets is inaccurate and incomplete**

**1.38** The CBSA usually maintains automated targets and border lookouts for a limited period of time. It then asks the requesting federal organization whether the target should be removed, revised, or renewed. The requesting organization therefore needs a process to monitor the effectiveness of the target to guide its decision. This includes assurance that information about targeting activities and results is accurate and complete.

**1.39** The CBSA's National Risk Assessment Centre (NRAC) produces monthly monitoring reports about automated targets that are shared with the relevant federal organizations. However, the Agency does not analyze these reports, although its targeting policies and procedures require that it do so. Moreover, our review of the monthly monitoring reports found that some of the information was inaccurate or incomplete. For example, shipments that met target characteristics were recorded as intercepted, even though they had not been intercepted because the target had expired. As well, examination results included in the reports did not always show whether targeted shipments were compliant and therefore whether the targets were effective.

**1.40** Transport Canada relies on the NRAC monthly reports to monitor the results of its targets and decide whether to renew, revise, or remove them. The CFIA, NRCan, and Health Canada supplement the monthly reports by directing their inspectors to watch for the targeted products as part of their market surveillance activities.

**1.41** Even though border lookouts are considered as high a risk as automated targets, we found that their results are not documented. Moreover, the federal organizations included in the audit do not have monitoring systems and practices in place to know whether these lookouts are implemented correctly or result in the interception of shipments.

**1.42** These gaps in the information about targeting activities and results mean that, despite the time and resources each federal organization involved has invested, accurate and complete information is not available to effectively manage the targeting process.

**1.43 Recommendation.** The Canada Border Services Agency should implement a quality assurance process for its automated target monitoring reports, and develop a means to monitor and report on the effectiveness of border lookouts.

**The Agency's response.** Agreed. The Agency will implement an effective quality assurance and monitoring process that will ensure accurate and complete reporting of results of other federal organizations' targets and border lookouts on a timely basis. This will allow for timely sharing of information with relevant federal organizations about the effectiveness of the Agency's actions on their behalf. Given that this process must reflect the business processes being introduced with the Agency's implementation of a new targeting model, scheduled to begin on 1 April 2012, these measures will be completed by 30 June 2013.

### Examining imported consumer goods

**1.44** Examinations are conducted to confirm that shipments comply with requirements. There are two types of commercial examinations: document review and physical examination. During a document review, the Canada Border Services Agency (CBSA) sends the relevant federal organization the information that the commercial clients have submitted, including photocopies of labels or photographs the officers take of the product. The organization reviews the information and recommends that the CBSA refuse the shipment, release it, or examine it further. A physical examination ranges from a visual observation of the shipment to laboratory testing.

**1.45** Usually, border services officers conduct the examinations. As a result, the officers rely on instructions from the federal organizations to understand what to look for during the examinations.

**1.46** We examined whether the federal organizations included in our audit conduct document reviews and physical examinations at the border by

- documenting the way examinations are to be conducted;
- following the roles, responsibilities, policies, and procedures for examinations; and
- monitoring examination activities and results.

**Procedures for examining high-risk products are well documented, with some exceptions**

**1.47** The CBSA has a Customs Enforcement Manual, D Memoranda, and memoranda of understanding with other federal organizations that provide border services officers and superintendents with information about the policy, guidelines, and procedures for examining commercial shipments. These documents also include any service standards that have been agreed to between the CBSA and the other federal organizations. The memoranda generally instruct border services officers to contact the relevant federal organization for more information, and provide contact details.

**1.48** More detailed instructions on how to examine particular shipments are provided in target instructions that explain what action border services officers are to take once they have intercepted a shipment, or in the response federal organizations provide once officers refer a shipment to them. To assess whether the instructions that the federal organizations provided were the same as those that the CBSA entered in ACROSS, we selected a representative sample of 44 targets from those requested by Health Canada between November 2010 and June 2011. We also examined all 8 targets requested by the Canadian Food Inspection Agency (CFIA), Natural Resources Canada (NRCan), and Transport Canada for the same period. We found that most of the instructions were the same, but for five percent of the 44 Health Canada targets, the instructions changed or excluded information. For one target, for example, the request from Health Canada was to detain two health products, but the CBSA's target instructions listed only one of the products.

**Only Health Canada monitors referrals of shipments from the Canada Border Services Agency**

**1.49** The CBSA, the CFIA, NRCan, and Transport Canada do not have systematic processes for recording when and why a border services officer refers a shipment, which shipment was referred, or any direction provided. As a result, the organizations cannot assess whether the CBSA followed their recommendations or whether they responded to referrals within agreed service standards. Therefore, we were unable to assess whether these federal organizations followed policies and procedures for referrals.

**1.50** In 2010, Health Canada established customs border centres in British Columbia and Ontario as pilot projects. The units are staffed by Health Canada officials who respond to and track CBSA referrals.

Prior to December 2011, the centres provided a single point of contact for all Health Canada product control programs, only in these two regions. In other regions, border services officers were still required to contact the Health Canada program responsible for each type of good directly, and Health Canada did not systematically document or track referrals. In December 2011, Health Canada expanded the single point of contact to all regions.

**1.51** As a result of their more systematic approach to tracking referrals, the border centres can determine whether they meet the service standards that Health Canada set to respond to CBSA requests for assistance.

**1.52** Health Canada does not always record which shipment was referred by the CBSA, but the information the Department collected was sufficient to allow us to assess whether the CBSA followed the Department's recommendations and refused shipments of health products. We reviewed a representative sample of 49 refusal recommendations. We found that the CBSA took the action recommended by Health Canada in 96 percent of transactions. However, in four percent, shipments of natural health products were released, even though Health Canada recommended the shipments be refused entry into Canada.

**1.53 Recommendation.** The Canadian Food Inspection Agency, Health Canada, Natural Resources Canada, and Transport Canada should assess Canada Border Services Agency referrals systematically to determine whether responses are provided within agreed service standards and whether recommendations are followed. Each organization should use the results of this assessment to determine whether further action is required.

**The Canadian Food Inspection Agency's response.** Agreed. The Canadian Food Inspection Agency will conduct an assessment of its fertilizer referral process to the Canada Border Services Agency by Fall 2012 to determine if a formal monitoring program is required.

**Health Canada's response.** Agreed. Health Canada will develop service standards for each program as part of the development of program annexes with the Canada Border Services Agency (see response to recommendation 1.21). Health Canada also commits to monitoring i) compliance with agreed upon service standards, and ii) referrals from the Canada Border Services Agency in order to determine if the Agency is following Health Canada recommendations.

**Natural Resources Canada's response.** Agreed. For the Explosives Program, a new recording system was developed in October 2011 and is currently being implemented by NRCan officers located in Ottawa for all referrals coming from border services officers. This is also being communicated by the end of Quarter 1, 2012, to all NRCan officers who may be contacted by border services officers.

**Transport Canada's response.** Agreed. Transport Canada has consulted with the Canada Border Services Agency and has agreed to review the appropriateness of current service standards with respect to referrals and make changes as required to the Memorandum of Understanding between the two organizations. The Department will also review the requirement to provide written confirmation regarding the status of vehicles within a one-hour time frame. This is expected to be completed by July 2012.

Transport Canada and the Canada Border Services Agency have agreed that Transport Canada will create a tracking system to record referrals where Transport Canada, or its designated representative, has instructed the Canada Border Services Agency to deny entry of any goods referred. The system will record the Agency transaction number, the vehicle identification number(s), and the recommendation provided to the Agency. This system is expected to be in place by April 2012.

Transport Canada will compare the referrals contained in the tracking system to those imported vehicles found to be inadmissible in any post-importation audit, and will forward these results to the Canada Border Services Agency quarterly for comment and resolution.

### **Information is lacking on whether physical examinations produce intended results**

**1.54** The CBSA has a Border Risk Management Plan, which aims to efficiently allocate the Agency's resources to identify, interdict, and mitigate threats to border security. The plan states that accurately recorded results of physical examinations are necessary if the CBSA is to implement its risk management strategies properly. The CBSA therefore requires border services officers to record examination comments and codes in ACROSS. This information is also necessary to enable the CBSA to monitor whether border services officers have conducted the examinations that the other four federal organizations request.

**1.55** To assess whether officers record examination results correctly, we selected a representative sample of 50 transactions from May 2011 in ACROSS. We also reviewed a non-representative random sample of

five import transactions for fireworks, as there were too few transactions to include them in the representative sample.

**1.56** We found that officers recorded examination results incorrectly or incompletely in 40 percent of transactions in the representative sample, and in all five fireworks transactions. For 20 percent of transactions and three fireworks cases, no examination comments were entered, contrary to CBSA policy. This means that there was no confirmation that the required examination was conducted to verify that the goods were as described and met import requirements. For example, in the case of an imported fertilizer targeted by the CFIA, there was a concern that the product contained phosphite, a substance considered a pest control product. Imported fertilizers containing this substance have different import requirements than other fertilizers. However, no examination results were entered. Therefore, there is no assurance that the border services officers checked to confirm the product did not contain phosphite.

**1.57** For the other 20 percent of transactions and the other two fireworks cases, an incorrect examination code was entered. The CBSA uses examination codes in reports to monitor the quality and effectiveness of examinations by, for example, analyzing the proportions of examinations that find non-compliant shipments. If the codes are inaccurate, the CBSA does not have correct information about the effectiveness of its examination activities.

**1.58** In addition to results generated from examination codes, the CBSA uses its Process Monitoring Framework to monitor whether border services officers documented the results of examinations and followed instructions from federal organizations. However, again, because of weaknesses in the framework, it does not provide the Agency with assurance that results are being recorded as required (see our recommendation in paragraph 1.29).

**1.59** We found a good practice concerning examination results for **border blitzes**. During our audit period, Health Canada conducted one border blitz on goods included in the scope of the audit at five ports of entry in Quebec. After the blitz, Health Canada and the CBSA shared the results of the exercise. In our opinion, sharing blitz results is a valuable way for each organization to understand how importers comply with import requirements and where to direct resources to stop non-compliant shipments in the future.

**Border blitz**—A project coordinated between federal organizations and the Canada Border Services Agency that takes place at a specific port of entry during a limited period of time. It targets shipments of high-risk products through document reviews and physical examinations to determine if these products can be allowed into Canada.

## Single Window Initiative

**1.60** In 2005, the Canada Border Services Agency (CBSA) received \$10 million to develop a Single Window Initiative. It is intended, in part, to improve control at the border by better identifying goods with import requirements, validating permits and other authorizations, and enabling the CBSA to exchange information with other federal organizations to better manage risk. The initiative is also intended to improve the administration of responsible federal organizations' import requirements by allowing importers to submit information on their shipments once, electronically. Twelve federal organizations are participating in the Single Window Initiative.

### **The Single Window Initiative to improve control at the border has achieved few of its goals**

**1.61** We examined whether the Single Window Initiative was well managed according to best practices for information technology projects. We found that the CBSA had met few of its original project timelines and goals, and had not followed the project's oversight process.

**1.62** At the time of the audit, the CBSA had begun sharing commercial customs data electronically with five federal organizations, including three of the federal organizations included in this audit, through a project called Pathfinder. Other Pathfinder links were under development. The project plan, schedule, and cost estimates were not completed until after project development had been under way for two years, and shortly before the initial projects were implemented.

**1.63** For a few programs, exchanging information through Pathfinder meets the goals of the participating federal organizations for the Single Window Initiative. However, for most of their programs, these organizations have concluded that they would benefit from achieving the Single Window Initiative's other goals: better identification of goods, validation of permits and authorizations, and a single point for importers to submit information electronically. These organizations concluded in 2007 that they needed to develop a business case for additional funding. The CBSA initially intended to complete this business case in 2007, with a planned implementation date of 2010. However, the Agency and its partners did not complete necessary analyses in time. New deadlines for the business case (in 2008, 2009, and 2010) were also missed. At the time of the audit, a renewed effort was under way to complete a business case by the end of 2011 as part of the Perimeter Security and Economic Competitiveness Action Plan. In December 2011, the government announced that electronic decision processes would be implemented for Health Canada, the Canadian

Food Inspection Agency, Transport Canada, and Foreign Affairs and International Trade Canada through the Single Window Initiative by December 2013.

## Conclusion

**1.64** We found that, in most cases, the Canada Border Services Agency (CBSA), the Canadian Food Inspection Agency (CFIA), Health Canada, Natural Resources Canada (NRCan), and Transport Canada adequately control, at the border, selected commercially imported consumer goods that pose a risk to the health and safety of Canadians. Based on our review of transaction information from the CBSA's databases, the controls to administer import requirements and to automatically target high-risk shipments are working as intended. That is, in almost all cases, roles, responsibilities, policies, and procedures were followed.

**1.65** We found, however, that improvements are needed in the management of border lookouts and examinations. Because their results are poorly documented, information was not available for us to determine whether these controls are working as intended. The CBSA does not keep a record of how many border lookouts result in shipments being stopped. As for examinations, although the CBSA requires that officers document examination results, this is not done consistently, and results are not always entered correctly. Consequently, it is not possible to determine whether border services officers carried out examinations in accordance with their instructions. Yet, border lookouts and examinations consume additional time and resources, and are reserved for shipments that are considered high risk.

**1.66** There are gaps in the monitoring practices for all three border controls—administration of import requirements, targeting of high-risk shipments, and examinations. This makes it difficult for federal organizations to know how well these controls are working and where resources and effort can be directed most effectively to manage risk. Specifically:

- The CBSA's Process Monitoring Framework is a checklist that requires supervisors to verify whether border services officers ensure that various border controls are working as intended. However, because of weaknesses in the framework, the results cannot be compared over time or from one location to another, and there were few reports on results.

- The CBSA's target monitoring reports are inaccurate and incomplete.
- The CBSA, the CFIA, NRCan, Transport Canada, and Health Canada in some regions do not have systematic processes for recording when and why a border services officer refers a shipment, which shipment was referred, or any direction provided. As a result, the organizations cannot assess whether the CBSA followed their recommendations or whether they responded to referrals within agreed service standards.

**1.67** The CBSA has formal arrangements with all four federal organizations in our audit. However, respective roles, responsibilities, policies, and procedures for implementing border controls are not yet documented for all Health Canada programs and products. In 2003, the CBSA and Health Canada committed to reaching an agreement that would clarify each party's roles and responsibilities. A memorandum of understanding was signed in November 2011, but none of the annexes that clarify roles, responsibilities, policies, and procedures for each program has been agreed on. We found that, in most cases where goods were allowed to enter the country, even though they did not meet their import requirements, they were products for which there was no agreement in place between Health Canada and the CBSA at the time of the audit. A formal agreement would provide all border services officers with correct contact information and consistent instructions on procedures to follow, including when to refer a product and to which Health Canada program.

**1.68** Although under way since 2005, the Single Window Initiative to control at the border has met few of its original project timelines and goals. As well, the CBSA has not followed the project's oversight process. In the meantime, the improvements that the CBSA says the initiative will make remain unrealized.

## About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

### Objectives

To determine whether the Canada Border Services Agency (CBSA), the Canadian Food Inspection Agency (CFIA), Health Canada, Natural Resources Canada (NRCan), and Transport Canada control, at the border, selected commercially imported products that pose a risk to the health and safety of Canadians.

### Scope and approach

The audit scope focused on control at the border, to ensure key controls in the process of importing a shipment into Canada are operating as intended. These controls are the administration of import requirements, the targeting of high-risk shipments, and examinations.

In this audit, we focused on consumer goods imported in significant volumes or those that might be difficult to assess for risk and compliance because of weak systems to flag problems. We therefore included in the scope of the audit the following federal organizations and the goods they regulate:

- the CBSA;
- the CFIA, for fertilizers and supplements;
- Health Canada, for pharmaceuticals, non-prescription medicines, natural health products, medical devices, regulated and non-regulated consumer products, and pest control products;
- NRCan, for consumer fireworks; and
- Transport Canada, for vehicles and tires.

Commercially imported consumer goods refers to those that, with their components, parts, accessories, and packaging, are imported into Canada through the CBSA's commercial stream and that may reasonably be expected to be obtained by an individual and used for non-commercial purposes, including for domestic, recreational, and sports activities.

Goods imported through CBSA's trusted trader programs were excluded from the scope of the audit. We also did not examine the other product control processes that the audited organizations may use to ensure the safety of imported goods, such as the licensing and inspection of manufacturing or distribution facilities, or market surveillance activities. We did not examine the responsible federal entities' processes for issuing licences, permits, or other authorizations needed to import goods, nor their processes for identifying high-risk goods to be targeted by the CBSA.

We interviewed officials, reviewed documents, and conducted process and system walk-throughs at the national headquarters of the five federal organizations included in the scope of the audit. We also interviewed officials and reviewed documents in regional offices of the CBSA, the CFIA, and

Health Canada in British Columbia, Ontario, and Quebec—the regions through which the majority of imported goods enter Canada. We did not visit regional offices of Transport Canada and NRCan, because, for the programs included in our audit, the departments conduct most of their import control activities centrally.

In addition, we conducted file reviews of four representative samples of import transactions.

- To assess whether import requirements were administered as intended, we randomly selected 57 import transactions for goods regulated by the CFIA, Health Canada, and Transport Canada, from a total of 29,951 import transactions for these goods processed in May 2011.
- To assess whether automated target instructions were followed as required, we randomly selected 50 import transactions out of a population of 3,635 import transactions for goods regulated by the CFIA, Health Canada, NRCan, and Transport Canada. These import transactions contained goods that had been intercepted by an automated target between November 2010 and June 2011.
- To assess whether information about examinations was correctly recorded, we randomly selected 50 import transactions out of a population of 2,323 import transactions for goods regulated by the CFIA, Health Canada, and Transport Canada. These import transactions contained goods that had been referred for examination in May 2011.
- To assess whether goods recommended for refusal were refused entry, we randomly selected 49 import transactions out of a population of 1,201 transactions that had been recommended for refusal by Health Canada between November 2010 and June 2011.

Each of the random samples is considered accurate within 10 percent, 9 times out of 10.

We randomly selected six additional fireworks transactions to examine the effectiveness of the controls for the administration of import requirements, and five for examinations. This information could not be obtained from the representative samples, because there were too few NRCan transactions in each of the sampled populations.

To assess whether target instructions were properly entered into ACROSS, we conducted a file review of 44 automated targets from a population of 242 targets requested by Health Canada between November 2010 and June 2011. We also examined all of the 8 automated targets requested by the CFIA, NRCan, and Transport Canada for the same period.

## Criteria

<b>To determine whether the Canada Border Services Agency, the Canadian Food Inspection Agency, Health Canada, Natural Resources Canada, and Transport Canada control, at the border, selected commercially imported consumer goods that pose a risk to the health and safety of Canadians, we used the following criteria:</b>	
<b>Criteria</b>	<b>Sources</b>
<p>The federal organizations administer relevant requirements for consumer goods that pose a risk to the health and safety of Canadians by</p> <ul style="list-style-type: none"> <li>• documenting the administration of relevant federal organization requirements;</li> <li>• following the roles, responsibilities, policies, and procedures for administering pertinent federal organization requirements; and</li> <li>• monitoring the administration of relevant federal organization requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Canada Border Services Agency Act</i></li> <li>• <i>Customs Act</i></li> <li>• <i>Controlled Drugs and Substances Act</i></li> <li>• <i>Explosives Act</i></li> <li>• <i>Fertilizers Act</i></li> <li>• <i>Food and Drugs Act and Regulations</i></li> <li>• <i>Hazardous Products Act</i></li> <li>• <i>Motor Vehicle Safety Act</i></li> <li>• <i>Pest Control Products Act</i></li> <li>• Policy on Management, Resources and Results Structures, Treasury Board, 2010</li> <li>• Policy on Information Management, Treasury Board</li> </ul>
<p>The Canada Border Services Agency manages the Single Window Initiative consistent with IT project management best practices by</p> <ul style="list-style-type: none"> <li>• establishing a governance and accountability structure,</li> <li>• managing the project based on risk management principles,</li> <li>• identifying key stakeholders and defining their needs,</li> <li>• aligning the project with the business strategy of the Agency, and</li> <li>• assessing its capacity to deliver on the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on the Management of Projects, Treasury Board</li> <li>• Policy on Information Management, Treasury Board</li> <li>• Directive on Management of Information Technology, Treasury Board</li> <li>• Standard for Organizational Project Management Capacity, Treasury Board</li> <li>• Control Objectives for Information and Related Technology, IT Governance Institute</li> </ul>
<p>The federal organizations target and intercept consumer goods that pose a risk to the health and safety of Canadians by</p> <ul style="list-style-type: none"> <li>• documenting how targeting activities are to be conducted;</li> <li>• following the roles, responsibilities, policies, and procedures for targeting; and</li> <li>• monitoring targeting activities and results.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Canada Border Services Agency Act</i></li> <li>• <i>Customs Act</i></li> <li>• Framework for the Management of Risk, Treasury Board</li> <li>• Policy on Management, Resources and Results Structures, Treasury Board, 2010</li> <li>• Policy on Information Management, Treasury Board</li> </ul>

To determine whether the Canada Border Services Agency, the Canadian Food Inspection Agency, Health Canada, Natural Resources Canada, and Transport Canada control, at the border, selected commercially imported consumer goods that pose a risk to the health and safety of Canadians, we used the following criteria: (continued)

Criteria	Sources
<p>The federal organizations examine, at the border or through follow-up examinations, consumer goods that pose a risk to the health and safety of Canadians by</p> <ul style="list-style-type: none"> <li>• documenting how examinations are to be conducted;</li> <li>• following the roles, responsibilities, policies, and procedures for examinations; and</li> <li>• monitoring examination activities and results.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Canada Border Services Agency Act</i></li> <li>• <i>Customs Act</i></li> <li>• <i>Controlled Drugs and Substances Act</i></li> <li>• <i>Explosives Act</i></li> <li>• <i>Fertilizers Act</i></li> <li>• <i>Food and Drugs Act</i></li> <li>• <i>Hazardous Products Act</i></li> <li>• <i>Motor Vehicle Safety Act</i></li> <li>• <i>Pest Control Products Act</i></li> <li>• Framework for the Management of Risk, Treasury Board</li> <li>• Policy on Management, Resources and Results Structures, Treasury Board, 2010</li> <li>• Policy on Information Management, Treasury Board</li> </ul>

Management reviewed and accepted the suitability of the criteria used in the audit.

### Period covered by the audit

The audit focused on the Canadian import control regime during the period November 2010 to September 2011. However, some documents reviewed go back to 2003. Audit work for this chapter was substantially completed on 30 September 2011.

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## Appendix List of recommendations

The following is a list of recommendations found in Chapter 1. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<b>Administering import requirements</b>	
<p><b>1.21</b> To define and clarify roles, responsibilities, policies, and procedures for administering import requirements, the Canada Border Services Agency and Health Canada should prepare and finalize annexes for all programs identified in their 15 November 2011 umbrella memorandum of understanding. The Canada Border Services Agency should then document or update instructions to border services officers for these programs and products. (1.16–1.20)</p>	<p><b>The Agency’s and the Department’s response.</b> Agreed. The Agency and the Department will work together to complete annexes to the umbrella memorandum of understanding with related procedures that clearly define the roles and responsibilities of each organization for the border administration of the Department’s import requirements. One to two annexes would be completed by March 2013, with all completed by March 2014.</p>
<p><b>1.29</b> The Canada Border Services Agency should ensure that the Process Monitoring Framework reporting includes enough information for the Agency to assess whether border controls are working as intended, share the results with relevant federal organizations, and act on the results. (1.25–1.28)</p>	<p><b>The Agency’s response.</b> Agreed. The Agency will replace the Process Monitoring Framework with a new review structure. The new structure will streamline the Agency’s review process by aligning the review criteria and strategy with high-risk areas of business and audit priorities that affect port of entry operations nationally. The new structure will also include a log that records when issues and results are communicated to relevant organizations to ensure that issues are addressed. The Agency will develop and implement the new review structure by July 2012.</p>

Recommendation	Response
<p><b>Targeting imported consumer goods</b></p> <p><b>1.43</b> The Canada Border Services Agency should implement a quality assurance process for its automated target monitoring reports, and develop a means to monitor and report on the effectiveness of border lookouts. (1.38–1.42)</p>	<p><b>The Agency’s response.</b> Agreed. The Agency will implement an effective quality assurance and monitoring process that will ensure accurate and complete reporting of results of other federal organizations’ targets and border lookouts on a timely basis. This will allow for timely sharing of information with relevant federal organizations about the effectiveness of the Agency’s actions on their behalf. Given that this process must reflect the business processes being introduced with the Agency’s implementation of a new targeting model, scheduled to begin on 1 April 2012, these measures will be completed by 30 June 2013.</p>
<p><b>Examining imported consumer goods</b></p> <p><b>1.53</b> The Canadian Food Inspection Agency, Health Canada, Natural Resources Canada, and Transport Canada should assess Canada Border Services Agency referrals systematically to determine whether responses are provided within agreed service standards and whether recommendations are followed. Each organization should use the results of this assessment to determine whether further action is required. (1.49–1.52)</p>	<p><b>The Canadian Food Inspection Agency’s response.</b> Agreed. The Canadian Food Inspection Agency will conduct an assessment of its fertilizer referral process to the Canada Border Services Agency by Fall 2012 to determine if a formal monitoring program is required.</p> <p><b>Health Canada’s response.</b> Agreed. Health Canada will develop service standards for each program as part of the development of program annexes with the Canada Border Services Agency (see response to recommendation 1.21). Health Canada also commits to monitoring i) compliance with agreed upon service standards, and ii) referrals from the Canada Border Services Agency in order to determine if the Agency is following Health Canada recommendations.</p> <p><b>Natural Resources Canada’s response.</b> Agreed. For the Explosives Program, a new recording system was developed in October 2011 and is currently being implemented by NRCan officers located in Ottawa for all referrals coming from border services officers. This is also being communicated by the end of Quarter 1, 2012, to all NRCan officers who may be contacted by border services officers.</p> <p><b>Transport Canada’s response.</b> Agreed. Transport Canada has consulted with the Canada Border Services Agency and has agreed to review the appropriateness of current service standards with respect to referrals and make changes as required to the Memorandum of Understanding between the two organizations.</p>

Recommendation	Response
	<p>The Department will also review the requirement to provide written confirmation regarding the status of vehicles within a one-hour time frame. This is expected to be completed by July 2012.</p> <p>Transport Canada and the Canada Border Services Agency have agreed that Transport Canada will create a tracking system to record referrals where Transport Canada, or its designated representative, has instructed the Canada Border Services Agency to deny entry of any goods referred. The system will record the Agency transaction number, the vehicle identification number(s), and the recommendation provided to the Agency. This system is expected to be in place by April 2012.</p> <p>Transport Canada will compare the referrals contained in the tracking system to those imported vehicles found to be inadmissible in any post-importation audit, and will forward these results to the Canada Border Services Agency quarterly for comment and resolution.</p>

