

## 3.5 EXECUTION PHASE

### EXHIBIT W – Working Papers

<b>Document Name</b>	Working Papers
<b>Document Number</b>	3.5W
<b>When/How Used</b>	Working papers serve as the connecting link between the various stages of the verification, planning of the verification, recording of the information obtained and analyzed throughout the verification, and the final report presented to the client. They are a record of the officers' information, analysis, and rationale.
<b>Created on</b>	February 10, 2003
<b>Last Updated On</b>	February 28, 2007
<b>Document Owner</b>	
<b>Division</b>	Compliance Management HQ
<b>Contact Person</b>	Contact your local compliance verification office at: <a href="http://cbsa.gc.ca/contact/listing/indexpages/index-e.html">http://cbsa.gc.ca/contact/listing/indexpages/index-e.html</a>

### Other Stakeholders

# Working Papers

Working papers are all the documents contained in the working paper file. They serve as the connecting link between the various stages of the verification, planning of the verification, recording of the information obtained and analyzed throughout the verification, and the final report presented to the client. It serves as a record of results of the verification work performed and forms the basis of the officer's conclusions and recommendations presented in the verification report. In essence, they are a record of the officer's information that has been collected, analysis, and rationale.

## General

There are two types of working papers, whether they are created or obtained by the CVO:

➤ **Examples of working papers created by the officer:**

These include, but are not limited to, correspondence, company plant tour, notes and observations, records of conversations, photographs, memos or notes to file, spreadsheets recording the sample results, program summary working papers (objective, sources of information, methodology, findings, conclusion, recommendations, error rate calculation).

➤ **Examples of working papers obtained by the officer:**

These include, but are not limited to, copy of trial balance, flowchart, organizational chart, purchase orders, invoices, bills of lading, technical specifications copy of the company's analysis gathered during the verification.

These documents become working papers when the officer signs, indexes, and places them in the verification file.

A CVO or manager should be able to reconstruct the determinations made by the verification team from reviewing the working papers. This is imperative, given that the team may need to demonstrate that the verification was well planned and adequately supervised; that the information collected was appropriate, sufficient, and relevant to the verification period, and that the verification report summarizes the results of the review. Working papers include documents that the company has submitted before and throughout the verification, analysis of these documents, analysis of information available within the CBSA and verification programs, results from previous verifications, the verification programs, and any other information required for planning the verification.

## Purpose of Working Papers

Working papers serve the following vital functions within the verification process:

1. Assist the officer throughout the verification by:
  - documenting the objectives and approach to the verification (verification planning memorandum);
  - providing an organized framework for the verification (verification planning memorandum);
  - simplifying and organizing verification material for writing the verification report (summary working paper); and
  - recording the reasons for changes to the plan or scope of the verification, as defined in the verification planning memorandum (program working papers).
2. Document the systems and the internal controls of the company, including flowcharts or descriptions of the systems and their import and export activities, descriptions of the records, typical reports, and unique features.
3. Provide a link between the planned verification programs (objectives and procedures) to the procedures actually conducted by justifying and explaining modifications to the original plan.
4. Support the verification report and findings by providing the data necessary for the preparation of the report, for example:
  - a description of procedures followed (verification programs);
  - a description of records examined (spreadsheet, summary working paper);
  - a description of information obtained (memorandum to file, summary working paper, spreadsheet); and
  - confirmation that work performed by the team was reviewed by the team leader (supervisor's file review notes, supervisor's file review checklist).
5. Provide a basis for supervision and review by:
  - reducing the chance of omissions or incorrect procedures;
  - facilitating input from management by highlighting areas which may differ from the original plan; and
  - facilitating the final review and approval process.

## **Characteristics of Good Working Papers**

The characteristics of good working papers are organization, completeness, clarity, conciseness, ease of preparation, ease of review, and integration.

### **Organization**

Standard methods of filing, indexing, and cross-referencing have been established for compliance verification. The use of a standard index helps to ensure that the file is complete. A standard indexing and referencing system helps the reader of a file locate supporting material quickly.

Each document is identified with the file number, document date and source, and electronic file name, where applicable. All working papers must be cross-referenced to their source(s) and to their summaries or reports, and must be numbered in accordance with the indexing system.

### **Completeness**

Working papers should record the analysis of the information that led to the conclusion, including:

- the verification objective;
- the verification procedures performed to collect sufficient, appropriate verification information to allow the officer to make a conclusion on the verification objective;
- an analysis supported by the information that was collected to see if the verification objective was met; and
- the conclusions supported by the analysis to state whether or not the verification objective was met.

Completeness of working papers can be enhanced by using standard forms, which should be completed and maintained, in every verification file. Examples of standard forms include a planning checklist, file completion checklist, and verification programs, which can be modified to address the concerns of the verification.

### **Clarity and Conciseness**

Working papers should be clear and concise. Clarity in the preparation of schedules requires experience, care, and planning. The important should be distinguished from the trivial, and non-essential information should not be included.

Conciseness calls for point form notes rather than lengthy narratives. All schedules prepared should be well thought out and logical.

## **Ease of Preparation**

Working papers should be designed in a way that makes them easy to prepare. A cumbersome schedule wastes not only the preparer's time, but also the time of the person who reviews the file, for example, the manager, and anyone else who uses the working papers.

## **Ease of Review**

Ease of review requires not only good organization, clarity, and conciseness as already discussed, but also:

- logical summation of results;
- highlighting of important findings; and
- a method of revealing omissions, such as a procedure in a verification program not being completed.

## **Integration**

Working papers are more valuable on the job and during review if they help to:

- tie the procedures performed to underlying objectives;
- integrate the planning and documentation of substantive procedures (i.e. results of sample tests) with the results of the internal control evaluation and compliance procedures; and
- integrate other related parts of the verification.

## Preparation of Working Papers

COMPONENTS	SPECIFICS
<b>Identification</b>	<ul style="list-style-type: none"> <li>• Client name and file number</li> <li>• Period of the verification</li> <li>• Name of officer who prepared the working paper in the top right hand corner</li> <li>• Date working paper was prepared in the top right hand corner</li> <li>• Initials of the reviewing supervisor/chief/manager</li> <li>• Page number (in accordance with the index) in the top right hand corner</li> <li>• Diskette filename in the bottom left hand corner</li> <li>• Purpose, source, methodology, findings, conclusions, recommendations and error rates, where applicable</li> <li>• Cross reference, if related to more than one working paper</li> <li>• Schedules and analyses prepared by the client should indicate the following;               <ul style="list-style-type: none"> <li>- document name</li> <li>- prepared by client (PBC)</li> <li>- name of client representative who provided the document</li> <li>- date the document was received</li> <li>- source of document (e.g., name of manual or report document is taken from)</li> </ul> </li> </ul>
<b>Tick Marks and other notations</b>	<ul style="list-style-type: none"> <li>• Discrete, neat, and legible marks should be used on working papers.</li> <li>• No marks or notations should be made on the client's records or any other original document.</li> <li>• Marks should be described in a legend at the bottom of each working paper.</li> <li>• If the same mark is used throughout a section or file, a standard legend can be used and each page referenced to the standard legend.</li> </ul>
<b>Indexing</b>	<ul style="list-style-type: none"> <li>• Indexing leaves a clear verification trail for the CVO or manager</li> <li>• Standard indexing systems should be used for all verification files.</li> </ul>

COMPONENTS	SPECIFICS
	<ul style="list-style-type: none"> <li>Each working paper should be indexed using red ink/pencil in the upper right hand corner, using the appropriate letter for the file section and a number. Advantages of this type of indexing include: <ul style="list-style-type: none"> <li>provide consistency, since the same capital letter stands for the same section in all files;</li> <li>using a letter and number for each caption avoids the necessity of double lettering and provides for continuity within a section;</li> <li>working papers are all filed in logical sequence generally following the verification program; and</li> <li>any subject matter in a set of working papers can be easily located.</li> </ul> </li> </ul>
<b>Cross-referencing</b>	<ul style="list-style-type: none"> <li>If information is carried from one working paper to another, it should be cross-referenced on the applicable working papers by including the working paper index number next to the applicable information. More specifically: <ul style="list-style-type: none"> <li>if the information is from another working paper, the cross-reference should be to the left of (or above) the applicable information in red ink/pencil; or</li> <li>if the information goes to another working paper, the cross-reference should be to the right of (or below) the applicable information in red ink/pencil.</li> </ul> </li> </ul>
<b>File Structure</b>	<ul style="list-style-type: none"> <li>Follow the standard index, wherever possible.</li> <li>Each section of the file should have an index identifying working papers contained in that section.</li> <li>Each trade program's main section provides a brief summation of important findings/results, which will: <ul style="list-style-type: none"> <li>outline steps taken during the verification;</li> <li>note where the verification deviated from the planning memorandum and/or verification program;</li> <li>outline cross-referencing to other sections; and</li> <li>describe the reasoning behind the conclusions.</li> </ul> </li> </ul>

## Confidentiality of Information

All working papers, created or obtained by the CVO, are the property of the CBSA. This applies whether a CVO or a company official prepared the papers. CVOs must respect the confidential nature of the information contained in the working papers and must not disclose any such information to other parties, including other departments, agencies, or organizations unless in accordance with section 107 *Customs Act*.

CVOs should ensure that there is no access to working papers by unauthorized persons. Care should be exercised in handling and safeguarding working papers at all times, including data contained on diskettes or laptop computers. The CBSA's principles require encryption of all electronic data using approved software. Client data that is not required after completion of the verification should be returned. Storage media should be overwritten.

## **Working Papers and Cross Referencing**

The work of a verification centres on the systematic preparation of a series of working papers and the relationship between them.

The purpose of this section is to explain, with respect to cross-referencing:

- How to prepare an Index;
- How to complete the Verification Programs;
- How to complete the Summary Working Paper; and
- How to use Verification Tick Marks.

### **Standard Index - [See Standard File Index](#)**

To assist in the preparation of a complete and comprehensive file, a "Standard Index" is used. This index will ensure that a consistent (standard) approach will be used to construct the working paper file. An index, which lists the grouping of working papers by topic, must be at the front of each section. Each working paper number consists of two elements, an alpha, which identifies the working paper section and a numeric, which identifies the placement of the working paper within that section. By numbering the working papers in this manner, working papers can be easily located within the file.

In our example, the Index is numbered L, which indicates that this is the tariff classification section of the working paper file. The 10 series of numbers identifies that all working papers in this grouping will be the verification program.

e.g. Page three of the second supporting document in the Tariff Classification section would be numbered as **L40.20.3**:



<b><i>Section</i></b>	<b><i>Subsection</i></b>	<b><i>Number</i></b>	<b><i>Page</i></b>
Tariff	Supporting		
Classification	Documents	2	3
<b>L</b>	<b>40.</b>	<b>20.</b>	<b>3</b>

When information is carried from one working paper to another, it should be cross-referenced on both working papers. This is done by including the working paper number in red next to the applicable information. Information *coming from* another working paper is cross-referenced to the left of (or above) the applicable information. Information *going to* another working paper is cross-referenced to the right of (or below) the applicable information.

### **Verification Programs - See example of Verification Program Tariff Classification (Exhibit W, Index L)**

"Verification Programs" is the name of the tool primarily used by officers to review trade programs, such as Tariff Classification, Value for Duty and Origin. Each verification program has its own set of procedures to be followed.

The list of procedures provides columns for the officer's initials and reference. As each procedure is completed, the officer responsible for completing the procedure will initial the "done by" column and reference the corresponding working paper. If a procedure has not been completed, an explanation must be documented in those areas in lieu of your initials and reference. An explanation must also be given when a procedure has been altered or modified.

In our example, Ms. Teamwork (MT) has completed the 4<sup>th</sup> procedure and has referenced it to the tariff classification spreadsheet. We know this because her initials appear in the "done by" column and because L30 appears in the "ref" column. Ms. Teamwork has not completed the 6<sup>th</sup> procedure and has therefore provided the required explanation. **Summary Working Paper - See example of ABC Summary Working Paper**

A "Summary Working Paper" summarizes the activities undertaken for each of the trade programs. It provides a snapshot of the findings and conclusions for each of the trade programs. The information captured on the summary working paper includes:

- a) the findings resulting from the procedures undertaken (which may include an error rate table summary),
- b) the conclusion reached as a result of the findings,
- c) the requirements and recommendations that will be made to client.

The information contained on the summary working paper under the headings: findings and recommendations, must be cross-referenced. When information is carried from one working paper to another, it should be cross-referenced on both working papers. This is done by including the working paper number, in red pencil/ink, next to the applicable information.

### **NOTE**

Information **coming from** another working paper is cross-referenced to the left of /or above the applicable information; or,

Information **going to** another working paper is cross-referenced to the right of/or below the applicable information.

In our example, under "Findings" we see that the information in the second bullet **comes from** the program verification spreadsheet and that it **goes to** the interim verification report. We know this because **L30** appears to the left of the information and **A30** appears to the right.

### **Verification Spreadsheet**

The spreadsheet is used to maintain control and to document the findings of the procedures that have been undertaken for each of the items verified for the program under review. All identified errors must be substantiated by supporting documentation that has been collected and retained in the verification working paper file. The errors must be cross-referenced for the supporting document to the summary working paper.

In the example given, the description "Aluminium blocks" **comes from** the commercial invoice and **goes to** the summary working paper. We know this because **L40.2** appears to the left and **L20.1** appears to the right. You will notice on the summary working paper that this information ultimately **goes to** the report as indicated by the reference **A30**.

## Verification Tick Marks

Verification tick marks are used to identify a verification activity that has been performed. They are usually explained in a legend at the bottom of a working paper. When standard tick marks are used throughout the file an index explaining the marks may be prepared and inserted in section B of the file, thus eliminating the need to explain them each time that they are used. The use of standard tick marks facilitates the efficient completion of the verification.

The verification tick mark should always be placed on the right hand side of the information that is being referred to with the exception of the "footed" mark, which appears directly below a column that has been added.

Standard verification tick marks are as follows:

<b>/</b> "Footed	<b>GL</b> " Agreed to general ledger
<b>Z</b> " Cross-footed	<b>PJ</b> " Agreed to purchases journal
<b>α</b> "Verified calculation	<b>P</b> " Physically examined good
<b>CD</b> " Agreed to cash disbursements journal	<b>PBC</b> " Document prepared (produced) by client
<b>GJ</b> "Agreed to general journal	<b>CC</b> "Agreed to cancelled cheque returned by bank

**Company Name**  
**Compliance Verification**  
**Verification Period**  
**Standard File Index**

<b>A. VERIFICATION REPORTING</b>	A05 File Completion Checklist
	A10 Final Report including Cover Letter
	A20 Company Submissions
	A30 Interim Report including Cover Letter
	A40 Detailed Adjustment Statements
	A50 Notice of Penalty Assessments
	A60 T151's
	A70 Rulings Issued
<b>B. FILE REVIEW</b>	B10 Regionally Developed Reports
	B20 Manager's File Review Checklist
	B30 Compliance Management Workbook Checklist
	B40 Record of Time – Verification Case
<b>C. MONITORING ISSUES &amp; CONCERNS</b>	C10 Recommendations for Future Verification
	C20 Unresolved Issues (K14D's etc)
	C30 Client Assistance/Guidance Provided

#### **D. VERIFICATION PLANNING**

- D10 Planning Checklist  
(Planning 3.4 Exhibit A)
- D20 Verification Planning Memorandum  
(Planning 3.4 Exhibit J)
- D30 Client Contact Information Sheet (Pre-  
Planning Exhibit D)
- D40 Supporting Documentation

#### **E. CORRESPONDENCE AND MEETINGS**

- E10 Authorization and Release Forms
- E20 General Correspondence (notification  
letter, facimiles, letters, e-mails, etc.)
- E30 Record of Phone Calls
- E40 Record of Meetings / Meeting  
Agendas / Meeting Notes

#### **F. SYSTEMS QUESTIONNAIRE**

- F10 Systems Questionnaire
- F20 Systems Review Summary Working  
Papers
- F30 Systems Descriptions
- F40 Walk through

#### **G. SAMPLING**

- G10 Sampling Methodology
- G20 Sampling Summary Working Papers  
(FIRM Reports, WIN Idea, etc.)
- G30 List of Transactions Selected for  
Verification
- G40 Supporting Documentation

#### **H to O PROGRAM VERIFICATION AND ANALYSIS**

- H10 Accounting Verification Procedures  
(Execution 3.5 Exhibit J)
- H20 Accounting Summary Working Paper
- H30 Multi-program Workbook Accounting  
for Goods Spreadsheet
- H40 Supporting Documentation

**H to O PROGRAM VERIFICATION  
AND ANALYSIS (CONTINUED)**

- I10 Embargo Goods Verification  
Procedures (Execution 3.5 Exhibit L)
- I20 Embargo Summary Working Paper
- I30 Spreadsheet
- I40 Supporting Documentation
  
- J10 Tariff Classification & End Use  
Verification Procedures  
(Execution 3.5 Exhibit Q & M)
- J20 Tariff Classification Summary Working  
Papers
- J30 Compliance Management Workbook  
Classification Spreadsheet(s)
- J40 Supporting Documentation
  
- K10 Valuation Verification Procedures  
(Execution 3.5 Exhibit R)
- K20 Valuation Summary Working Papers
- K30 Compliance Management Workbook  
Valuation Spreadsheet(s)
- K40 Supporting Documentation
  
- L10 Origin (Tariff Treatment) Procedures  
(Execution 3.5 Exhibit O & P)
- L20 Origin Summary Working Papers
- L30 Compliance Management Workbook  
Origin Spreadsheet(s)
- L40 Supporting Documentation
  
- M10 Duties Relief Procedures  
(Execution 3.5 Exhibit K)
- M20 Duties Relief Summary Working  
Papers
- M30 Compliance Management Workbook  
Duties Relief Spreadsheet(s)
- M40 Supporting Documentation

**H to O PROGRAM VERIFICATION  
AND ANALYSIS (CONTINUED)**

- N10 SIMA Procedures  
(Execution 3.5 Exhibit S)
- N20 SIMA Summary Working Papers
- N30 Compliance Management Workbook  
SIMA Spreadsheet(s)
- N40 Supporting Documentation

- O10 Statistics Canada Procedures  
(Execution 3.5 Exhibit T)
- O20 Statistics Canada Summary Working  
Papers
- O30 Compliance Management Workbook  
Statistics Canada Spreadsheet(s)
- O40 Supporting Documentation

**P to T Other Areas of Concern**

- P10 CITES Procedures (Section 4)
- P20 CITES Summary Working Papers
- P30 Spreadsheet(s)
- P40 Supporting Documentation

- Q10 Sample
- Q20 Supporting Documentation

- R10 Unsolicited Goods Procedures  
(Execution Exhibit U)
- R20 Unsolicited Goods Summary Working  
Papers
- R30 Compliance Management Workbook  
Unsolicited Goods Spreadsheet(s)
- R40 Supporting Documentation

- S10 Goods and Services Tax Procedures  
(Execution 3.5 Exhibit N)
- S20 GST Summary Working Papers
- S30 Compliance Management Workbook  
(Classification Sheet in CM Workbook)
- S40 Supporting Documentation

## T10 Other Documents



# **Example of Index L Tariff Classification Section of Working Paper File**

**ABC Company Ltd.**

**Compliance Verification**

**January 1, - December 31, 2004**

## **Tariff Classification**

- 10 Verification Program
- 20 Summary Working Paper
- 30 Program Verification Spreadsheet
- 40 Supporting Documentation
  - 1 Minutes from Interview
  - 2 Commercial Invoice

## Verification Program-

**L10.1**

### Tariff Classification

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COMPANY ABC Company FILE NO. (ABC Co.)

PERIOD January 1, 2002 TO December 31, 2002

### Verification Objectives

For the selected sample:

- Determine whether the imported goods are properly and accurately described.
- Determine whether the tariff classification applied to the imported goods is in full accordance with the legislative provisions of the *Customs Tariff*.
- Determine whether the commodity profile (rating guide) is maintained by the importer/broker and is accurate.

It must be emphasized that a product cannot be classified or a previous classification cannot be verified without a thorough understanding of the product or finished article. If at the end of the following steps it still is not evident where the product is to be classified, the issue should be referred to headquarters for consultation and, if necessary, further policy research.

## L10.2

TARIFF CLASSIFICATION VERIFICATION PROCEDURES	DONE BY	REF.
For the selected sample:		
<p>1. Obtain information such as:</p> <ul style="list-style-type: none"> <li>• Descriptive (e.g., manufacturer's) literature for the subject goods that thoroughly describes the goods. This may include: <ul style="list-style-type: none"> <li>- their composition;</li> <li>- information that illustrates and identifies the goods and shows their integration into a complete machine or article</li> <li>- fully illustrates and identifies their recommended functions;</li> <li>- depicts their mechanical functions;</li> </ul> </li> <li>• A complete parts list;</li> <li>• an illustration and description of how each of the imported parts and accessories are integrated into a complete unit,</li> <li>• Mill certificate;</li> <li>• Any previous classification opinions issued by the Agency on these goods;</li> <li>• Copy of the relevant purchase order(s) and commercial invoice(s);</li> </ul>	MT	<span style="color: red;">L40.1</span> <span style="color: red;">L40.2</span>
<p>2. Determine if any further manufacture is required prior to first use and describe this process.</p> <ul style="list-style-type: none"> <li>• If required, request a sample of the imported product. If the product is hazardous or requires special handling the importer should ship (courier) the sample directly to the CBSA's laboratory at:</li> </ul> <p style="margin-left: 40px;">Canada Border Services Agency Laboratory and Scientific Services Directorate 79 Bentley Avenue Ottawa, Ontario K2E 6T7</p> <p>(See section 4, Laboratory and Scientific Services Procedures)</p>	<span style="color: red;">Further mfg. is not req'd.</span>	<span style="color: red;">L40.1</span>

TARIFF CLASSIFICATION VERIFICATION PROCEDURES	DONE BY	REF.
3. Review the supporting documentation obtained in Step 1 to identify what goods were imported.	<i>MT</i>	<b>L40.2</b>
4. Determine the tariff classification of the item, through the application of: <ul style="list-style-type: none"> <li>• General Interpretive Rules (GIR) for the interpretation of the Harmonized System;</li> <li>• Legal notes;</li> <li>• Explanatory Notes;</li> <li>• Supplementary Canadian notes;</li> </ul> Reference should be made to: <ul style="list-style-type: none"> <li>• TRS Decisions or advance rulings and NCRs;</li> <li>• Compendium of Classification Opinions (H.S.);</li> <li>• CITT and FC decisions;</li> <li>• Administrative Policies Memorandum D10-14 / 15;</li> <li>• Customs Notices;</li> <li>• Laboratory and Scientific Services Directorate (LSSD) reports on identical or similar products</li> </ul> Consideration should be given to any Tariff (Chapters 98 and 99) or other Remission (e.g., Orders-In-Council) provisions that may relate to goods or their use.	<i>MT</i>	<b>L30</b>
5. Compare the classification as determined in Step 4, with the classification declared on the import declaration document. Identify any discrepancies and note the level of classification (i.e., heading, subheading, tariff item or statistical suffix) at which the error occurred.	<b>MT</b>	<b>L30</b>
6. Where it exists, request from the client a copy of their rating guide and assess: <ul style="list-style-type: none"> <li>• if the information (description, identification numbers, etc.) is sufficient to allow the goods to be classified correctly; and,</li> <li>• whether or not opinions or decisions on previous importations have been cross-referenced and incorporated into the rating guide.</li> </ul>	<b>Client does not maintain a rating guide</b>	
7. Enquire and obtain any classification rulings issued by the CBSA. The importer or broker would provide them.	<i>MT</i>	<b>L40.1</b>

TARIFF CLASSIFICATION VERIFICATION PROCEDURES	DONE BY	REF.
8.Document the findings.	<i>MT</i>	<i>L20.1</i>
9. Record results in the Compliance Management Workbook (multi-program verifications only). The CM workbook calculates the percentage of errors, which will be included in the Final Report to the client.	<i>MT</i>	<b>L30</b>
10. Prepare requirements and recommendations, on the classification of goods, to be incorporated into the Final Verification Report.	<i>MT</i>	<i>L20.3</i>

## EXAMPLE SUMMARY WORKING PAPER

### **L20.1**

**TARIFF CLASSIFICATION**

**ABC COMPANY LIMITED**

**File No. (ABC Company)**

**Prepared by: M. Teamwork**

**Date: Aug. 15, 2004**

**Approved by: J. Boss**

**Date: Aug. 22, 2004**

### **Findings:**

*£ 40.1*

- The classification is determined by the broker based on the CCI description of the goods supplied by ABC Company.

*£30*

- The tariff classification of the good as determined compared to as accounted for to the CBSA:

Sample #4 has been determined as follows:

Unwrought aluminium blocks, non-alloyed, specifically provided for under 7601.10.10.20 in accordance with GIR #1, reference is also made to Explanatory Note section note 2(a) of Section XVI Section (II) Parts, general note on page #1131.

**A 30**

## L20.2

### Conclusion:

Based on the above findings it has been determined that:

- incomplete descriptions on the Canada Customs Invoice lead to incorrect classification; and
- goods have not been correctly classified in accordance with the *Customs Tariff* and related Regulations and legislation.

### Summary Error report: \_

<b><u>L30</u></b>	Number of records	Number of records in error	% of error*	Declared VFD of records	Declared VFD of records in error	% of declared VFD in error**
LEVEL OF ERROR						
CHAPTER	160	12	6.28%	\$1,064,880.00	\$52427.00	4.92%
HEADING	160	3	1.57%	\$1,064,880.00	\$1309.00	.12%
SUBHEADING	160	7	3.66%	\$1,064,880.00	\$12830.00	1.2%
TARIFF ITEM	160	1	.52%	\$1,064,880.00	\$6871.00	.65%
CLASSIFICATION	160	0	0%	\$1,064,880.00	\$0.00	0%
TOTAL	160	23	%	\$1,064,880.00	\$73437.00	%

**A 30**

Error calculation: \* # of records in error ÷ # of records X 100 = % of error

\*\* declared VFD of records in error ÷ declared VFD of records X 100 = % of declared VFD in error

**Recommendations:**

Based on the above findings it is recommended that:

- a more complete description of the goods is made available to the broker;
- the client exercises greater care to ensure that goods are classified in accordance with the *Customs Tariff* and related regulations; and
- a rating guide be developed for frequently imported goods.

**A30**



Program Verification Spreadsheet

											\$ in error at each level					Basis for determination	
	Item #	Source doc #	Ref	Description	Ref	Transaction #	Line #	Declared VFD	Classification declared	Classification determined	A	B	C	D	E		Basis for determination
1	1	234		gear motors	I	13245113400668	1	3487.68	8501101029	8501101029							
2	2	1122		lead bars	P	12345115300311	5	3144.42	7803001000	7801001000							
3	3	2145		rubber strips	I	12345114510462	1	3640.00	4008110090	4008110090							
4	4	608568	L40.2	aluminum blocks	I L20.1	12345006857113	1	3822.86	8471909090	7601101020	3822.86						GIR 1; section XVI note 2a L20.1
5	5	3399		gear motor	P	12345005800511	2	1792.84	8501311100	8501311100							
21	179	99		lapping machine parts	P	12345005812885	2	800.00	8460409090	8460409090							
22	181	1009		computer	PL	12345987582235	3	1151.69	8471500090	8471500090							
23	182	545		addressing machine	P	12345864445254	5	4750.23	8472200000	8472200000							
24	183	835		metal moulds	PL	12345692585533	1	1809.00	8480410000	8480410000							
25	184	100		transmission shaft	I	12345897777875	1	500.00	8483101090	8483101090							
TOTAL								1064880.00			\$52,427.00	\$1,309.00	\$12,830.00	\$6,871.00	\$0.00		

Legend:

A= Chapter

B= Heading

C= Subheading

D= Tariff Item

E= Classification

P= Physically examined goods

PL= Determined description based on product description

I= determined description based on supplier invoice

/ = Footed

Z= Cross footed

TOTAL \$ IN ERROR

\$73,437.00 Z

L20.2

## L40.1

ABC COMPANY LIMITED

TARIFF CLASSIFICATION

MINUTES FROM INTERVIEW August 10,2004

File No.(ABC Company)

Prepared by: Ms. Teamwork

Date: Aug. 2, 2004

### In attendance

M. Teamwork - CBSA

B. There - Controller

W. Capable - CBSA

D. Com - Head Clerk

The following is a recap of the questions/answers from the interview with company personnel concerning the classification of goods:

**Question:** *Does ABC Company have and/or use a rating guide?*

**Response:** (B. There) No.

**Question:** *How is classification determined?*

**Response:** (Dotty Com) I fill out a CCI and send it to our broker.

**Question:** *Do you conduct any type of review of the import documentation to verify the classification number?*

**L20.2**

**Response:** (B. There) Not really. If we notice that the duty rate is different from the last time the goods were imported, we may call the broker to ask why.

**Question:** *Does ABC require any further manufacture prior to first using any of the imported products?*

**Response:** No not at all. We order all imports directly from our vendors and distribute these goods to various Canadian manufacturers. You will see that the prices we pay are reflective of going market rates. We have no need to have any further manufacturing because none of the products we buy require modification. **L10.2**

**Question** *Does the company (and Broker) have any rulings provided by the CBSA for the goods in question?*

**Response:**

No. **L10.2**

Ph. (213) 555-1212 Fx.(213) 121-5555 Internet:  
<http://www.ever.com>

INVOICE NO.  
608568

DATE: 12-Apr-02 £30  
TERMS: US funds

**L 40.2**

**Victor Plastics**  
**895 5th Avenue**  
New York, New York  
90678

Ship To:  
ABC Company  
1200 Park Cresent  
Echo Lake, Nowhere  
Canada  
A0B 1C2

PLEASE SEND ALL REMITTANCE TO:

as above

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**ABC Company**  
**1200 Park Cres.**  
**Echo Lake, Nowhere**  
**Canada**  
**A0B 1C2**

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**ABC Company**  
**1200 Park Cres.**  
**Echo Lake, Nowhere**  
**Canada**  
**A0B 1C2**

SALE	DEPT.	CUSTOMER NO.	ORDER NO.	SHIP VIA		
	XFR	REL-2W	16-SPT	Aeropuerto Brasila		
PRODUCT NO.		DESCRIPTION	SHIPPED	BK. ORDER	PRICE	AMOUNT
HS50-4GWM		Aluminum blocks Unwrought, non- alloyed	1		2871.09	2871.09

*Rec'd from J. Smith August 12, 2002*

Invoice Total \$2,871.09