



Section 3

Performing Verification

3.4 PLANNING PHASE

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3.4 Planning Phase

In this phase, the CVO or verification team becomes familiar with the company and commodity or issues that are subject to the verification, by gathering the following information:

- The type of products imported within the national priority commodity sector;
- Who the main foreign vendors/suppliers for the priority commodity are;
- What the tariff classification and tariff treatments are for the priority commodities;
- What the relative volumes of imports for the specific classifications and tariff treatments are if the company imports seasonal merchandise;
- Related party transactions, if any; and
- Verification concerns or issues that need clarification and/or special attention.

This information will assist in identifying representative transactions that will be reviewed to test the client's compliance levels. It will also assist in the selection of a representative sample that covers issues such as classification, vendors, major products and specific issues within a National Priority area. This stage of the Planning Phase will help determine the extent of verification procedures necessary to draw conclusions and make valid recommendations.

Planning Phase Summary by type of Verification

Process Steps	Multi-Program Verification (MPV)	Single Program Verification (SPV)	
		SPV On-site	SPV Desk Verification
1. Open Client File	☑	☑	☑
2. Notify the Client	☑	☑	☑
3. Research Client Import History	☑	☑	☑
4. Verification Planning Memorandum	☑	☑	If required





Key Steps in Planning

1.0 Open Client File

- 1.1 Manager or CVO obtains regional case number and client file.
- 1.2 Workbook co-ordinator opens CM Workbook for case and notifies HQ that a verification case has been opened.
- 1.3 CVO completes administration related to the creation of client file.



2.0 Notify the Client

- 2.1 Prepare notification letter to formally notify the client of the verification; this letter may contain a request for further information.
- 2.2 Send the notification letter to the responsible senior company contact. In some cases, this is done by registered mail or fax.
- 2.3 Follow up phone call in 10 days to confirm receipt of letter and set date for opening meeting.



3.0 Research Client Import History

- 3.1 Run required FIRM reports to summarize importer's business.
- 3.2 Continue research and begin analysis of requested information.
- 3.3 Review BARKS for duties relief.
- 3.4 Review TRS for previous rulings and check CCS/ACROSS information.
- 3.5 Obtain ICES and AMPS client histories.
- 3.6 Review sample entries from records.
- 3.7 Review information collected from all sources and analyze, in order to identify issues and concerns.



4.0 Verification Planning Memorandum

- 4.0 Complete Verification Planning Memorandum.
- 4.1 Complete Client Profile Summary.
- 4.2 Include Reason for Verification Selection.
- 4.3 Complete Scope of the Verification, Sampling Methodology, Verification Process, General Verification Objectives.
- 4.4 State any specific concerns or issues noted that





appear to be specific to this file/importer.

4.5 Complete the Program Specific Objectives

4.6 Complete the Import History for the Verification Period (Priority Summaries).

4.7 Submit Verification Planning Memorandum to manager.

4.8 Review Planning Completion Checklist. Submit to manager.





Planning, Step-By-Step


1.0 Open Client File

The administrative considerations related to the upcoming verification are attended to in a manner that will facilitate the verification and provide a basis for accountability and subsequent review.

	<u>On-Site</u>	<u>Desk Verification</u>
	O.S.	D.V.
1.1 Manager or CVO obtains regional case number and opens client file.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
1.2 Workbook coordinator opens CM workbook for case.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
1.3 CVO completes administration related to the creation of a hard copy file for the client, as well as an on-line reference file for use during the verification. CVO should review CM Workbook checklist (See Exhibit M, CM Workbook Checklist and Exhibit A, Planning Checklist) and create a Record of Time-Verification Case.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

2.0 Notify the Client

The client is apprised of the upcoming verification in a professional and courteous manner, as per the Verification Standards (2.7, of Section 2). Sufficient notice and preparation time for the client is provided.

	<u>On-Site</u>	<u>Desk Verification</u>
	O.S.	D.V.
 <i>If client is non-resident, see sub-section 2.8, item 14 in Section 2, Notification Requirements when Conducting Non-Resident Verifications.</i>		
2.1 2.1.1 Prepare notification letter to formally notify the client of the verification; this letter may contain a request for further information. See Exhibit C, Notification Letter (On Site) and Exhibit E, Notification Letter (Desk) Modification to these letters required if CSA importer. See Section 4.4 step 2.0 if the client is a CSA applicant/participant.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>





	O.S.	D.V.
2.1.2 Include Exhibit F, Systems Questionnaire . If CSA importer include Release/Reporting System Questionnaire see Section 4.4 Exhibit B.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2.1.3 Include two sample transaction numbers to use during the systems walkthrough. Disregard this step if CSA importer.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<div style="border: 1px solid black; padding: 10px;"> <p>⇒ <i>This should include a detailed listing of the transactional information (transaction number, vendor, date of accounting, etc.) as well as a description of which documents are required to support the two sample packages i.e. B3, commercial invoice, bill of lading, certificates of origin, proof of payment.</i></p> </div>		
2.1.4 For some multi-program on-site verifications, all samples may be extracted during this phase, if sampling from FIRM. (See Execution Section 3.5 step 7.2 for sampling procedures.) For CSA importers, exclude X type B3s from your FIRM request.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
(See Section 4.4, Exhibit C for information about X type adjustments.)		
2.1.5 Include Exhibit G, CBSA On-Site Verification Information Sheet . Not necessary for CSA clients.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2.1.6 Include Exhibit H, Authorization to Share Information .	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2.1.7 Include the scope and objectives of the impending verification and the relevant authority under the <i>Customs Act</i> . (This is illustrated in the sample letters in Exhibit C and E.)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2.1.8 Include an initial list of materials and documents needed by the verification team (Exhibit D, Information Required by the CBSA). For CSA importer see Section 4.4 Exhibit A, Information Required by the CBSA .	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2.1.9 Ensure that the letter also requests the client to provide the documents (and, for on-site: the completed Systems Questionnaire) within 30 calendar days from the date of the Notification Letter.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2.1.10 Ensure that letter is prepared under your manager's or CVO's signature. (Regional Decision). (Letter may be	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>





	signed by CVO for desk verifications.)	O.S.	D.V.
2.1.11	Date the letter.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2.2	Send the notification letter to the responsible senior company contact. In some cases, this is done by registered mail or fax. (The CVO should have a document indicating when the letter was sent.)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2.3	Follow-up on the notification letter with a telephone call to the responsible company official in 10 days to ensure receipt and confirm visit for on-site verification, where applicable.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2.3.1	Confirm a date to receive document, required for review, prior to first visit.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2.3.2	Confirm timing and expectations, to ensure client staff availability and access to information.	<input checked="" type="checkbox"/>	<input type="checkbox"/>





3.0 Research Client Import History


This step builds on the profiling done in Section 3.3 during the pre-planning for the client and the information obtained during this step should be included in Exhibit J in Section 3.4, Verification Planning Memorandum (VPM).

This step should be initiated while the CVO is awaiting a response from the client to the notification letter and continues following receipt of the requested information from the client. The objectives are to gather additional knowledge relating to the client's business; to verify the tariff classifications utilized by the client; to determine significant vendors; to identify tariff treatments used by the client; to understand the production cycles and related seasonal merchandise the client deals with; to make relevant comparisons to determine trends; to identify concerns specific to the client; and to create a permanent reference file that will form part of the verification working papers.

	On-Site	Desk Verification
	O.S.	D.V.
3.1 Run additional FIRM reports to summarize the client's business, as required. (See Section 3.3, Exhibit C, Client Data Summaries (FIRM).)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3.2 Continue research and begin analysis of requested information as per Exhibit D, Information Required by the CBSA or for CSA Importers see Section 4.4 Exhibit A	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3.2.1 Review client's organization chart showing structure, ownership, affiliates, divisions and key personnel. For CSA Importers, this information is available from the CSA Compliance Manager.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.2.2 Review most recently available annual report; audited financial statements and corresponding trial balances.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.2.3 Review copies of any license/royalty agreements, patents, trademarks, copyrights, quota and profit sharing agreements.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.2.4 Review complete foreign vendor (suppliers) list.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.2.5 Review of Systems Questionnaire or Release/Reporting System Questionnaire for CSA clients.	<input checked="" type="checkbox"/>	<input type="checkbox"/>





3.2.6	Review two sample transactions and back-up documentation, if available. Disregard this step if CSA importer.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.3	Review BARKS to identify duties relief activities.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.4	Review TRS for previous rulings and check CCS/ACROSS information for client.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3.5	Have a report run by someone who has access to the Integrated Customs Enforcement System (ICES) or Administrative Monetary Penalty System (AMPS) for previous enforcement history.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3.6	Review sample entries from record room. This will familiarize the officer with the client's importations and the type of documentation provided at time of entry e.g. permits, invoices. May highlight areas of concern such as assists, freight costs, and related companies. Disregard this step if CSA client.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> if required
3.7	Review information collected from all sources and analyze to identify issues and concerns, (See Exhibit I, Client Concerns) including adequacy of number of transactions for a representative sample.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<div> <i>Maintain Client profile information as a key component of the verification working papers that will be part of the permanent file for this client's verification. (See example Exhibit J, Verification Planning Memorandum)</i></div>			





4.0 Verification Planning Memorandum

The Verification Planning Memorandum (VPM) summarizes the information gathered during the planning phase and outlines the scope and issues of the verification, the verification period under review, summarizes the vendors and commodities to be reviewed, locations to be visited, assignment responsibilities and milestones. Please see **Exhibit J, Verification Planning Memorandum** in the accompanying documentation section for a sample VPM.

		On-Site ↓ O.S.	Desk Verification ↓ D.V.
4.1	Summarize the foundational aspects of the client's business operation, and enter these in the <u>Client Profile Summary</u> . Include value of import history, value of sales, primary business lines, locations, and accounting information location(s) and resources.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.2	4.2.1 State the reasons why the client or activity was selected for verification under Reason for Verification Selection . (i.e., the client imports goods that have been identified as national priorities); and	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	4.2.2 Record the names of the CVOs and their specific case responsibilities under Verification Team Members and Assignment of Responsibility . In some cases, individuals outside the core verification team will be required to carry out the verification. This information should be identified here.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.3	4.3.1 Describe the scope of the verification under Scope of the Verification ;	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	4.3.2 Describe sampling rationale and methodology in the <u>Sampling Methodology</u> section. Indicate where the sample was/will be drawn from (provided by HQ/FIRM /client's records).		
	4.3.3 Complete the Verification Process summaries;		
	4.3.4 State the General Verification Objectives .		
	It is within this framework that the verification will be conducted.		
⇒	For the most part, the objective of performing a MPV will be the same for most clients but it is important for the VPM to		





		O.S.	D.V.
<i>outline: the period under review, tariff chapters which will be reviewed, the names of the programs that will be followed and the programs that will be specifically excluded from the verification.</i>			
4.4	4.4.1 State the Program Specific Objectives for each category program area listed:	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	4.4.2 Note the objectives listed, and determine if each is applicable, or if additional, file-specific objectives should be added.		
4.5	Include, under Import History for the Verification Period :	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	4.5.1 a brief summary of the main foreign vendors/suppliers on a global basis, and for the priority commodity, if applicable;		
	4.5.2 the tariff classifications and tariff treatments on a global basis, and within the priority commodity. (*Note: The first two charts in the Import History section of the verification planning memorandum are required. The remainder of the Import History may not be required for some SP verifications.)		
4.6	State any program-specific concerns that have come to light in the process of completing the foregoing sections of the Verification Planning Memo under Verification Concerns .	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Please refer to Exhibit A, Planning Checklist. This will help ensure that all of the planning steps have been performed.</i>			
4.7	Submit the Verification Planning Memorandum to manager for review and approval.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.8	Have manager review the File Completion Checklist, once the planning memorandum has been completed, to ensure all steps have been completed in planning phase. Manager then signs File Completion Checklist as reviewed and approved. (See Exhibit N, File Completion Checklist)	<input checked="" type="checkbox"/>	<input type="checkbox"/>





Planning Phase – At A Glance

1. Open Client File

Objectives	Procedures
<ul style="list-style-type: none">▪ To open client file.▪ To capture verification results, nationally.▪ To create a permanent reference file that will form part of verification working papers, and to ensure that all background and supporting materials are readily available.	<ul style="list-style-type: none">▪ Manager or CVO obtains regional case number.▪ Workbook co-ordinator opens CM Workbook for case and notifies HQ that a verification has been opened.▪ CVO to complete administration related to the creation of a hard copy file for the client, as well as an on-line reference file for use during the verification.

2. Notify the Client

Objectives	Procedures
<ul style="list-style-type: none">▪ To notify the client in writing of the impending verification and request additional information to assist in the verification.▪ To obtain samples required to perform a walkthrough of systems.▪ To confirm date of receipt of additional information and set date for opening meeting and systems walk-through.	<ul style="list-style-type: none">▪ Send client Notification Letter, along with the Information Required by the CBSA, CBSA On-site Verification Information Sheet, Systems Questionnaire and Authorization to Share Information.▪ Review FIRM download.▪ Follow-up with a phone call, 5-10 days later.





3. Research Client Import History

Objectives

- To continue to gather knowledge and develop a good understanding of the client's business and the variety of classifications of imports used by the client.

Procedures

- Gather, sort and analyze materials from various sources (FIRM, CCS, TRS, Internet, company documents and sample B3s etc.).

4. Complete Verification Planning Memorandum

Objectives

- To organize and summarize the information gathered during the planning phase; to outline the scope and issues of the verification; the verification period under review; the vendors and commodities to be reviewed, as applicable; the locations to be visited; assignment responsibilities; and specific areas of concern.
- To ensure that all of the required areas have been covered.

Procedures

- Verification Planning Memorandum should include sections for the following: company profile summary, company specific information, reason for selection, objective and scope, verification concerns, planned approach, assignment responsibility, and import history.
- Complete the Planning Checklist, as per **Exhibit A, Planning Checklist**.





Planning Phase

Accompanying Documentation and Templates

EXHIBITS	Version/ Date
A. Planning Checklist	Version1.3 / February 28, 2007
B. Not in Use	
C. Notification Letter (On-Site)	Version 1.3 / February 28, 2007
D. Information Required by the CBSA	Version1.3 / February 28, 2007
E. Notification Letter (Desk)	Version 1.3 / February 28, 2007
F. Systems Questionnaire	Version1.3 / February 28, 2007
G. CBSA On-Site Verification Information Sheet	Version1.3 / February 28, 2007
H. Authorization to Share Information	Version 1.3 / February 28, 2007
I. Client Concerns	Version1.3 / February 28, 2007
J. Verification Planning Memorandum	Version1.3 / February 28, 2007
K. Not in Use	
L. Not in Use	
M. Compliance Management Workbook Checklist	Version1.3 / February 28, 2007
N. File Completion Checklist	Version1.3 / February 28, 2007
O. Standard File Index	Version 1.3 / February 28, 2007

