

CBSA On-Site Verification Information Sheet

On-site verifications focuses on all imports or a specific commodity or issue pertaining to a client's import transactions over a specified period of time. Supported by a strong client assistance program, this verification process will facilitate access to import and export information and establish a positive relationship between the client and the Canada Border Services Agency (CBSA)

On-site verifications will examine a client's records at their premises, retrieve and confirm the information necessary to verify compliance and provide the client with timely answers to any questions or concerns that they may have with the process.

The Canada Border Services Agency Web site found at <http://www.cbsa-asfc.gc.ca/menu-eng.html> is a source for information on CBSA programs and procedures.

Statistics Canada and CBSA Partnership

High-quality trade data is essential for both good business decisions and effective government policies. The need for high-quality trade data is even more important as trade law and agreements become more complex. Statistics Canada (STC) is the only provider of Canada's international trade statistics. Merchandise trade statistics are compiled from the administrative import and export records of the CBSA. Statistics Canada is a full partner with CBSA in ensuring that the trade statistics are accurate and complete. The two agencies signed a Memorandum of Understanding in 1993 recognising their joint responsibilities concerning the quality and accuracy of trade statistics.

Compliance Verification

CBSA is responsible for establishing compliance in two main areas: protection of the Canadian border and the administration of Canada's trade data and revenue. Verification of compliance at the border may be carried out by an analysis of the information provided during reporting and a physical examination of the goods, prior to release into Canada. Later, when goods are accounted for and duty and taxes paid on the imported goods, CBSA may verify the level of compliance with for example, the *Customs Act*, the *Customs Tariff*, the *Special Import Measures Act* (SIMA), the *Statistics Act* and their related regulations, with respect to the importation of goods.

The **Multi-Program Verification** focuses on a sample of records from all importers over a specified period and assesses the level of compliance with the trade data and all the CBSA programs relative to the selected samples.

The **Single Program On-Site Verification** focuses on a specific commodity or issue and assesses the level of compliance with the trade data and one or more specific CBSA program.

AMPS

The Administrative Monetary Penalty System (AMPS) is a civil penalty regime that encourages compliance with CBSA administered legislation through the application of monetary penalties. AMPS is a system of monetary penalties that will address non-compliance with CBSA legislative, regulatory or program requirements. AMPS will impose monetary penalties in proportion to the type, frequency, and severity of the infraction. Most penalties are graduated and will take the compliance history of the client into consideration. Anyone who is involved in importing or exporting goods and who fails to comply with the requirements of CBSA legislation may be subject to an AMPS penalty. AMPS will not affect businesses that continue to comply with CBSA requirements and regulations. For additional information regarding AMPS, including the contraventions, please refer to the Canada Border Services Agency web site located at:

<http://www.cbsa-asfc.gc.ca/menu-eng.html>

Our Continuing Commitment to Business

On-site, there will be frequent discussions between the Compliance Verification Officer and your staff. They will use these opportunities to discuss their findings, confirm facts, obtain additional information and deal with matters that can be resolved informally and quickly. The CBSA will help you gain the knowledge you need to conduct business in international and domestic markets by providing you with:

- ☑ explanations of decisions;
- ☑ information on the full-range of options and entitlements that may be available to your business; and
- ☑ information on available Statistics Canada trade data.

What is the notification process?

With this brochure, you will have received written notification that an on-site trade compliance verification is scheduled. Shortly, compliance verification officers will contact you for information about your systems, information regarding your importing activity and other relevant information.

Before we arrive, you will receive confirmation of the details and dates of the verification. Further, we will be available to meet with you and your staff, during the opening meeting, to answer any questions you may have. The participation of your customs broker or other service provider at any time during the verification process remains your prerogative.

Your active participation and assistance at this stage and throughout the verification will ensure that our work is realistically scheduled with minimum disruption to your business.

What is the scope of the verification?

The on-site verification may consist of two main components:

- 1 SYSTEMS QUESTIONNAIRE**
To document your accounting systems and procedures related to import and export activities.
- 2 PROGRAM COMPLIANCE**
To test your compliance with various CBSA-related requirements, including the reporting of goods.

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What will be verified?

Some areas that may be examined in an on-site verification, where applicable, are:

- classification of goods under the *Customs Tariff*;
- proper supporting documentation for the rules of Origin (Exporter Verifications);
- Tariff Treatment;
- Value for Duty;
- GST and Excise Tax on imported goods;
- Anti-Dumping and Countervailing duties under the *Special Import Measures Act*;
- diversions;
- end-use and/or end-users;
- Duty Deferral;
- report, release, accounting, payment, and adjustments;
- pertinent requirements of other government departments, such as permits; and
- requirements of Statistics Canada for trade data.

TYPICAL SOURCE DOCUMENTS REVIEWED DURING A TRADE

COMPLIANCE VERIFICATION:

- | | |
|--------------------------------------|--|
| • Purchase Orders | • Overage and Shortage Reports |
| • Invoices | • Accounts Payable Listings |
| • Bills of Lading | • Journal Entries |
| • Cargo Control Documents | • Cancelled Cheques |
| • Receiving Vouchers or Memos | • Correspondence Files Related to Imports |
| • Packing Slips | • Bank Drafts |
| • Inventory Records | • General Ledger & Trial Balance |
| • Vendor Lists | • Financial Statements |
| • Certificates of Origin | • CBSA Accounting documents |

WHAT ARE THE PROCEDURES?

1 SYSTEMS QUESTIONNAIRE

In most verifications we will document your systems and procedures, as they relate to import and export activities, to determine how CBSA information is maintained. This includes the identification of system links between the various accounting systems as they relate to accounting of goods to CBSA. Our officers will consult with company officials throughout this part of the verification.

General Procedures

- Review and document the systems and procedures related to processing importations.
- Examine the process and system links to verify that all import transactions are reported and accounted for to CBSA.

Systems verified will usually include, but are not restricted to, the receiving systems, the accounting systems (e.g., general ledger, receivables, payables, pricing files, etc.) and systems used for providing information to CBSA.

2 PROGRAM COMPLIANCE

The CBSA will determine your current level of compliance with import requirements.

General Procedures

- Conduct a thorough analysis of the general ledger including inquiries into some accounts.
- Determine which records may be verified (following the systems review).
- Select a representative sample.
- Verify that the records selected were properly reported and accurately accounted for.
- Verify compliance with one or more applicable Trade program(s).
- Verify compliance with Statistics Canada trade data requirements.
- Report on compliance.

Non-Compliance

When non-compliance is found, you will be provided with a summary of the errors as well as requirements and recommendations to assist you in correcting and meeting your legislative requirements. A dispute resolution process is available should you disagree with our requirements.

Confidentiality

Sub Section 107(2) of the Customs Act:

Prohibition – provision or use of customs information – Except as authorized under this section, no person shall

- (a) knowingly provide, or allow to be provided, to any person any customs information;
- (b) knowingly allow any person to have access to any customs information; or
- (c) knowingly use customs information.

Full Disclosure

You will be provided with a copy of the interim verification report that will explain the objectives, procedures, findings, requirements and recommendations of the verification. You will be given the opportunity to respond to these findings and the final verification report will reflect your comments.

IMPORTANT LINKS CBSA LOOKS AT

Quantity links

A client must consider its entire business activities to determine the total population of transactions that must come under scrutiny by their internal customs area or service provider. A client should review its entire scope of operations to determine the flow of all goods, flowcharting all the variations. It may be beneficial to consult with other divisions to ensure the flowchart captures all rare or unusual occurrences. Do all goods enter and leave from a single company location and does a single receiving system collect the total population of transactions for CBSA purpose? What information flows out of the receiving system, towards the internal customs area or the service provider? How are shortages or overages reported?

Financial Links

Each client should examine its various business lines in detail, to determine all of the information that may be needed. This will include any dutiable royalties, assists or transportation costs associated with the imported goods. This information may be either linked to or sent directly to the customs area or service provider.

Sourcing Links

Each transaction must then be determined to be domestic or imported. A client must examine its systems to establish where this sourcing information would be best applied and how to direct the information into the customs area. For example, the system may be asked to 'tag' for customs shipments with certain suppliers; invoices or by the packing slip at the receiving point, or it may be added to the purchase order information when the receiving documents are matched. The tag used by each client will depend upon an analysis of its operations to determine what will produce reliable and consistent results.

Communication Links

Communication strategies must be developed to ensure ongoing awareness of trade data requirements from other business areas in the company that may affect the integrity of its customs systems links, for example:

- communication with the service provider;
- internal procedures manual;
- contracts with other companies;
- technical product expertise for classification purposes;
- information exchanges for new products; and
- awareness of customs requirements by all managers and staff.

Please note that the information contained in this paper is provided as general information. It should be noted that each verification is unique and, when appropriate, more or less information/documentation may be requested and verified. For further information on the CBSA On-Site Verification Process, contact:

Compliance Verification Officer:

Telephone:

Date:

Facsimile: