

3.5 EXECUTION PHASE

EXHIBIT E - Sampling Approach for Single Program Verification (SPV) On-Site and Desk

Document Name	Sampling Approach for Single Program Verification (SPV) On-Site and Desk
Document Number	3.5E
When/How Used	Used to provide guidance in determining the appropriate population source from which the sample will be selected, as well as the sample size.
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Contact	Contact your local compliance verification office at: http://cbsa.gc.ca/contact/listing/indexpages/index-e.html

Other Stakeholders

Sampling approach for Single Program Verification (SPV) On-Site and Desk

Population Guidelines

The purpose of this section is to provide guidance in determining the appropriate population source (client's records (CR) or (FIRM)) from which the sample (records selected for review) will be selected. **The population should be selected based on the client's last completed fiscal year.**

The main consideration is whether import information, as provided, is correct or is complete. The first can generally be determined by selecting a sample from FIRM, while the later can only be determined by selecting a sample from the client's records.

If at any time there is a question as to the completeness of the FIRM sample (records selected for review) with respect to the issue being verified, the CVO should request the sample from the CR.

The CVO may choose a combined approach, FIRM/CR, when selecting a sample.

Population Guidelines

Issue: Valuation <i>Sub-Issue</i>	Population source
<i>Sale for export</i>	FIRM
<i>Purchaser in Canada</i>	FIRM
<i>Unacceptable method of valuation</i>	FIRM
<i>Commissions (1)</i>	CR
<i>Assists (2)</i>	CR
<i>Royalties (3)</i>	CR
<i>Subsequent proceed, post importation payments or fees (4)</i>	CR
<i>Packing costs and charges</i>	FIRM
<i>Freight added or deducted</i>	FIRM
<i>Other Deductions</i>	FIRM
<i>Rebate after importation</i>	FIRM

The following are supplemental guidelines that may be used to obtain the population source for issues related to CR sampling with the valuation program and sub-issues mentioned above:

1. Commissions

Every record in a ledger, daybook, cashbook, invoice book or other book of account that substantiates the payments for commissions made.

2. Assists

Complete details regarding any of the following goods and services supplied directly or indirectly by your firm for use in connection with the production of the imported goods. Assists may also include services and goods provided at free of charge or at a reduced cost. The assists are as follows:

- a) materials, components, parts incorporated in the imported goods;
- b) tools, dies, moulds, etc. utilised in the processing of the imported goods;
- c) materials consumed in the processing of the imported goods;
- d) engineering work, artwork, design work, development, and etc. undertaken outside Canada.

3. Royalties

Details of royalties or license fees (including payments for patents, trademarks and copyrights) that your firm must pay or will pay, directly or indirectly, in respect of the goods under review.

4. Subsequent proceed, post importation payments or fees

Details post importation or/and management payments, or fees that your firm must pay or will pay, directly or indirectly. Describe the nature of services that are encountered in respect to post importation (management) payments or fees made. The basis on which it is paid or payable and proof that actual services are being provided and paid for.

The following are guidelines that may be used to obtain the sample source for issues related to other Customs Programs:

Issue: <i>Sub-Issues</i>	Sample Source
Tariff Classification	FIRM
<i>End Use</i>	FIRM
Origin (Exporter)	
<i>Tariff Change</i>	CR Questionnaire
<i>Certificates of Origin</i>	CR Questionnaire
Duties Relief	
<i>Duty Deferral</i>	CR Client transactions
<i>Drawbacks</i>	CR Client transactions
<i>Textile Remissions</i>	CR Client transactions
Special Import Measures Act (SIMA)	
<i>Anti-dumping</i>	CCS FIRM
<i>Countervailing</i>	CCS FIRM
Non-Account	CR Vendor transactions
Tariff Rate Quota	FIRM
Embargoed Goods	CR Vendor and/or Client transactions

Sampling Guidelines for Single Program Verifications (SPV) On-Site and Desk

The purpose of sampling is to select a sample of transactions (records selected for review) that are representative of the importations pertaining to the national or regional priority commodity or issue. The CBSA has moved toward a focussed risk based sampling approach. The sample may consist of major transactions, vendors, classifications, seasonal merchandise and related party transactions etc. depending on the commodity or issue being verified. This sample will be used as a basis for determining the client's compliance levels with the trade program(s).

When doing single program verification for a specific commodity or issue, the population may consist of imports with similar quantities or value of the same goods. When selecting the sample the CVO must ensure that the sample is representative of the importations pertaining to the national or regional priority commodity or issue for the period under review. (The period under review is the client's last completed fiscal year). The CVO may wish to use, as a resource, the sampling guidelines described in Section 3.5 Exhibit D (Sampling Guidelines for On-site, Multi-Program Verification) for information on obtaining a sample through stratification, random and judgemental sampling methods.

The Sample Source

Refer to the population guidelines to determine the appropriate sample source.

The Sample Size

The appropriate sample size can be determined according to the chart below.

Population Size	Sample Size
1 to 100 records	15 records
101 to 200 records	20 records
Greater than 200 records	25 records

There may be instances when the suggested sample size is either too many or too few. There may be instances when the client only imports one or two classifications from one or two vendors. In this case, 15 records may be overly redundant and the CVO responsible for sampling can justify using a smaller sample size. Similarly, there may be cases where the 25 records do not

adequately cover all of the main classifications; vendors etc. and therefore, more records may need to be reviewed.

Multiple Lines

When sampling from FIRM, the sample consists of B3 transaction lines, which pertain to a commercial invoice or invoices or multiple lines on one invoice. The CVO will need to first perform a cursory review of the commercial invoices pertaining to the sample B3 transaction lines in order to determine which invoice line(s) will be verified. It is not the intent of SP to verify all invoice lines of every invoice. Again, the CVO responsible for sampling must use judgement to select lines from the commercial invoices that are fairly reflective of the client's business. This may require having to look at more than one line per invoice. Keep in mind that each invoice line verified is considered a separate sample and must be recorded as such in the Compliance Management Workbook (CM Workbook). The important issue is that the final sample of invoice lines be representative.