

3.6 REPORTING PHASE

EXHIBIT C - Trade Compliance Interim / Final Verification Report

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Trade Compliance
Interim/Final Verification Report
Dated May 15, 2007

For the period

January 1, 2006 to December 31, 2006

Canada Border Services Agency
Trade Compliance
Atlantic Region

Table of Contents

Verification Report

Purpose	4
Objectives	4
Scope	4
Verification Error Summary	5
Requirements	6
Summary of Adjustments	7
Administrative Monetary Penalty System	8
Monitoring	9
Dispute Procedures	10
Contact	10

Appendices

A	Systems Review	11
B	Accounting For Goods	12
C	Tariff Classification	14
D	Valuation	20
E	Origin (Tariff Treatment)	22
F	Embargoed Goods	25
G	<i>Special Import Measures Act (SIMA)</i>	26
H	Drawbacks and Duties Relief	27
I	Statistics Canada Requirements	28

Attachments

1	Roll-up of Samples Verified (CBSA Programs)
2	Roll-up of Samples Verified (Statistics Canada)

PURPOSE

This report provides a summary of the results of the Trade Compliance Verification, hereafter referred to as the verification, a description of the errors found along with requirements and recommendations to assist you in correcting the errors. Details of the verification findings and errors found for the records reviewed have been provided in the appendices to this report, to enable you to submit the required corrections. This report is considered specific information that may give ABC International "reason to believe" under section 32.2 of the *Customs Act*.

OBJECTIVES

The objectives of the Verification were to:

- Assess the level of compliance with 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;
- Provide client assistance and advise on the correct accounting of goods, to enable the client to self adjust; and
- Identify areas of potential concern, for which corrective action may be required.

SCOPE

The scope of the verification included goods imported by ABC International, Business Number 123456789RM0001, during the period January 1 2006 to December 31, 2006. During this period, the company imported goods with a value for duty of \$500,000,000.00. Duties of \$14,000.00 and GST of \$35,000,000.00 were paid on these goods. This verification was also based, in part; on the company's last completed fiscal period, April 1, 2005 to March 31, 2006 and availability of data.

To measure compliance, 25 Canada Customs Coding Form (B3) lines were selected. The verification was conducted, in part, by means of an on-site verification of ABC International's Canadian operations and included an examination of the entry documentation and the records that are maintained at 3234 Dutch Village Road, Halifax.

A review of systems and procedures related to import and export activities was performed. The following CBSA program areas were verified:

- i) Accounting for Goods;
- ii) Tariff Classification (includes End Use and Canadian Goods Returned);
- iii) Valuation;
- iv) Origin (Tariff Treatment);
- v) Embargoed Goods;
- vi) SIMA;
- vii) Duties Relief; and
- viii) Statistics Canada data elements.

It should be noted that we found no evidence of activity for the SIMA or Duties Relief/Drawbacks programs relating to the samples. Accordingly detailed appendices do not appear in the body of this report for these programs.

The verification was conducted in accordance with subsection 40(1), and sections 42 and 42.01 of the *Customs Act* and in accordance with CBSA verification standards and other procedures as considered necessary in the circumstances.

VERIFICATION ERROR SUMMARY

The following table contains an error summary for the 25 Canada Customs Coding Form (B3) lines or partial lines verified for each of the CBSA programs and an additional 10 records selected for review of ABC International's accounting for goods. A roll-up of all verified samples (records selected for verification) can be found in Attachment 1 to this report.

(The following tables are linked to the CM Workbook)

CBSA Programs Summary

Programs	Lines Verified	Lines In Error	Error Rate By Line	VFD Sample Declared	Total VFD In Error	Error Rate By Value
Classification	25	13	52%	\$ 847,236.00	\$ 490,167.00	57.85%
Tariff Item Code	0	0	0	-	-	0.00%
Valuation	25	14	60%	\$ 847,236.00	\$ 56,821.00	6.71%
Origin	16	4	25%	\$ 168,215.00	\$ 25,808.00	15.34%
Accounting for goods	20	2	10%	\$ 1,450,000.00	\$ 238,026.00	16.42%
SIMA	2	0	0.00%	\$ 30,000.00	\$ 00.00	0.00%
Duties Relief	0	0	0.00%	\$ -	\$ -	0.00%
Overages/Shortages	0	0	0.00%	\$ -	\$ -	0.00%

This table contains an error summary for the 25 B3 lines verified on behalf of Statistics Canada. A roll-up of all verified samples for the Statistics Canada variables can be found in Attachment 2 to this report. Please note that entry types F, 20, 21, 22 and 30 are not considered samples for Statistics Canada purposes.

Statistics Canada Summary

Statistics Canada Variables	Lines Verified	Lines In Error	Error Rate By Line
Value for Duty Code	25	4	16%
Value for Duty	25	14	56%
HS Classification	25	14	56%
Tariff Code	0	0	0.00%
Quantity	25	5	20%
Country of Origin	25	4	16%
Place of Export	25	4	16%

REQUIREMENTS:

The “Requirements” sections of the Tariff Classification, Value for Duty (VFD) and Origin (Tariff Treatment (TT)) appendices of this report provides specific information that may give ABC International “reason to believe”. Please note the following legislative references relating to corrections to declarations:

- Subsection 32.2(2) of the *Customs Act*, hereafter referred to as the *Act*, provides that a correction must be submitted within 90 days after the importer, owner, or person has “reason to believe” that the declaration of origin (other than under a free trade agreement: ss 32.2(1)), declaration of tariff classification, or declaration of value for duty made under this *Act* for any of those goods is incorrect; pay any amount owing as duties as a result of the correction to the declaration and any interest amount owing or that may become owing on that amount.
- Subsection 32.2(4) of the *Act* states that, “the obligation under this section to make a correction in respect of imported goods ends four years after the goods are accounted for under subsection 32(1), (3) or (5).”
- Subsection 32.2(5) of the *Act* states that, “this section does not apply to require or allow a correction that would result in a claim for a refund of duties.” Such adjustments may be filed under paragraph 74(1)(e) of the *Act*.
- Failure to make the required changes herein, within 90 days of the Final Verification report, may result in the CBSA adjusting the transactions on your behalf under section 59 of the *Act* and may result in administrative monetary penalties being applied to ABC International. Please refer to Memorandum D11-6-6, Self-Adjustments to Declarations of Origin, Tariff Classification, Value for Duty and Diversion of Goods, for more information concerning self-adjustments under section 32.2 of the *Act*.

Your requirements are provided in the applicable appendices of this report. There may be instances where you are required to make corrections for a period of less than four years, based on the CBSA Re-assessment Policy.

In addition, a Detailed Adjustment Statement (DAS) will be issued for the errors found in the verification sample, whether or not there is a financial impact. See Summary of Adjustments for details.

SUMMARY OF ADJUSTMENTS

The following table provides a list of the DAS(s) that have or will be issued to ABC International. These adjustments relate to the specific transaction numbers of the samples reviewed during this verification.

Sample Number	Adjustment Number	VFD in Error	Duties Payable	GST Payable	Adjustment Total (not including interest)
1	00005001234567	\$520.23	\$23.41	\$1.63	\$25.04
2	00005010234567	\$38,646.08	\$0.00	\$2,704.02	\$2,873.16
25	00005012563974	\$10,350.00	\$0.00	\$0.00	\$0.00
Totals		\$39,166.31	\$23.41	\$2,705.65	\$2,898.20

(The above chart is for demonstration purposes only and does not tie into this report)

Details can be found in the specific program appendices as well as the roll-up of samples reviewed in Attachment 1 to this report.

ADMINISTRATIVE MONETARY PENALTY SYSTEM

The Administrative Monetary Penalty System (AMPS) is a civil penalty regime that encourages compliance with CBSA administered legislation through the application of monetary penalties. An AMP applies to contraventions of the *Customs Act*, the *Customs Tariff*, and their regulations, as well as contraventions of the terms and conditions of licensing agreements and undertakings.

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. An AMP does not affect businesses that continue to comply with CBSA requirements and regulations.

AMPS penalties are issued on a Notice of Penalty Assessment (NPA), which serves to document the contravention and assess the penalty amount owing. A summary of AMPS penalties resulting from this verification is provided in Table 1 below.

For further information please refer to Customs Memorandum D22-1-1, Administrative Monetary Penalty System. Additional information regarding AMPS penalty amounts related to each contravention can be found on the Canada Border Services Agency Web site located at:

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

AMPS PENALTIES

The following table provides a summary of AMPS penalties. ABC International will receive an NPA to this effect.

Table 1

Sample Number	Contravention Number	Contravention
SUP	C070	Importer failed to account for goods in prescribed time
SUP	C070	Importer failed to account for goods in prescribed time
8, 10	C082	Importer failed to correct tariff classification within 90 days
8	C083	Importer failed to correct value for duty within 90 days

MONITORING

The errors identified in the program area(s) may be monitored at a later date for compliance. Detailed information regarding errors can be found in the specific program appendices.

DISPUTE PROCEDURES

A dispute resolution process is available, should you disagree with re-determinations as outlined on a CBSA generated DAS or with any of the adjustments that are made by ABC International.

When you file a correction under section 32.2 of the *Customs Act*, the result is a re-determination under paragraph 59(1)(a) of the *Act* or, alternatively, if the CBSA makes a further re-determination under paragraph 59(1)(b) of the *Act*, the CBSA will issue a notice under subsection 59(2) of the *Customs Act*. When all duties and taxes are paid, you are then entitled to file a dispute notice under subsection 60(1) of the *Act*. You must do this within 90 days of the date of the subsection 59(2) notice.

Please, refer to Memorandum D11-6-7, *Importer's Dispute Resolution Process for Origin, Tariff Classification and Value for Duty of Imported Goods*, for further information about the dispute resolution process.

With respect to disputes under the SIMA, please refer to Memorandum D14-1-3, *Procedures for Making a Request for a Re-Determination (an appeal) of Goods Under the Special Import Measures Act*.

Additional information regarding dispute procedures can be found on the Canada Border Services Agency Web site located at:

<http://www.cbsa-asfc.gc.ca/general/disagree/importations-e.html>

CONTACT

Should ABC International require additional information concerning this report please contact **Compliance Verification Office, name at Telephone Number.** For any other CBSA inquiries contact **Client Services Officer, name at Telephone Number.**

APPENDIX A

SYSTEMS REVIEW

A review of ABC International's systems and procedures, as they relate to import and export activities, was undertaken to determine how CBSA information is maintained. This included a review of the internal controls and the identification of system links between the various accounting systems and the system used to account for goods to the CBSA.

Observations:

The following observations are provided to make you aware of the weaknesses in system linkages pertaining to the CBSA.

This section should contain at minimum the following information: type of system, where sample was extracted from, whether or not linkages exist and provide detail on findings.

(If no findings were evident please provide the following wording: "No issues have come to the attention of the CBSA at this time with respect to ABC International's systems and procedures as they relate to the CBSA; therefore, there are no immediate requirements or recommendations to be made".)

APPENDIX B

ACCOUNTING FOR GOODS

All goods imported into Canada must be properly declared to the CBSA. The importer must have on file a copy of the Canada Customs Coding Form (B3) or Customs Automated Data Exchange (CADEX) release package.

In order to verify the accurate accounting of goods, additional samples were selected from ABC International's records and traced to the corresponding B3 transactions.

If no errors were found for non-account, include the following: "No issues have come to the attention of the CBSA at this time with respect to Accounting for Goods; therefore, there are no immediate requirements or recommendations to be made".

Accounting for Goods	Lines	Lines	Error Rate	VFD Sample	Value of	Error Rate
	Verified	In Error	By Line	Verified	Non-Account	By Value
	10	2	20%	\$ 1,450,000.00	\$ 238,025.96	16.4%

(The above chart is linked to the CM Workbook)

The following table details the importations that were not accounted for to CBSA.

Non-Account

Sample Identifier	Vendor Name	Invoice Number	Cdn \$ VFD Amount
SUP	Empac	96452	\$209,343.76
SUP	Adco	10193	\$28,682.20
	Total		\$238,025.96

Note: The exchange rate has been determined based on the date of direct shipment annotated on the commercial invoice.

Requirement(s):

ABC International is responsible to account for the goods identified in the above table as “non-account”, if you have not already done so, please account for these goods as soon as possible.

AMPS

As ABC International did not account for the goods within the prescribed time; the following AMPS penalties are applicable.

Sample Number	NPA Number	Contravention Number	Contravention
SUP 1		C070	Importer failed to account for goods in prescribed time

Recommendation(s):

It is recommended that ABC International verify procedures to match documentation for imported goods to CBSA declarations to ensure that all goods are accurately accounted for to the CBSA as per section 32 of the *Act*.

Company's Response:

APPENDIX C

TARIFF CLASSIFICATION

All imported goods must be properly and accurately described and correctly classified in accordance with the *Customs Tariff* and its regulations. *End Use comments are to be inserted here if applicable. Canadian Goods Returned (CGR) comments to be inserted here if applicable. (Only insert the above comment if an error was found for Tariff Classification, End Use or CGRs).*

For this program review, 25 invoice lines were verified. It was determined that 13 lines were classified incorrectly. Incorrect descriptions on the commercial invoice caused many imported goods to be misclassified. One line had an incorrect statistical suffix; this represents an error for Statistics Canada purposes only.

(Roll-up of all verified samples can be found in Attachment 1)

(If no errors were found, include the following statement: "No issues have come to the attention of the CBSA at this time with respect to Tariff Classification, therefore there are no immediate requirements or recommendations to be made".)

(The following tables are linked to the CM Workbook)

Classification	Lines Verified	Lines In Error	Error Rate By Line	VFD Sample Declared	Total VFD In Error	Error Rate By Value
	25	13	52%	\$847,236.00	\$486,893.00	57.47%

Class Error Level	Lines In Error	Error Rate By Line	VFD In Error	Error Rate By Value
Chapter Change	5	20%	\$76,388.00	9.02%
Heading Change	2	8%	\$66,120.00	7.8%
Sub-Heading Change	5	20%	\$341,347.00	40.29%
Tariff Item Change	1	4%	\$3,038.00	0.36%
Classification Errors (Chap 01-97)	13	52%	\$486,893.00	57.85%
Tariff Item Code Error (Chap 98-99)	0			
Total Classification Errors	13	52%	\$486,893.00	57.47%
Statistical Suffix Change	1	4%	\$3,273.38	0.39%

Rationale for Classification Decisions

(When referring to the sample please provide complete product description, including model, style and classification as entered and as determined as well as all relevant legal and explanatory notes and General Interpretative Rules (GIR). Include Technical Reference System (TRS) rulings, Customs Notices, etc., if applicable.) This will be necessary when determining whether a previous administrative monetary penalty (AMP) has been applied to the same model and style.

Classification Changes for Chapter

Sample # 2 and 5, ladies dress pumps style # 2234, classified under tariff classification number 6305.33.00.10 should be classified under tariff classification number 6403.99.30.00. Footwear is classified under Section XII, Chapter 64. This is supported by Note 1(n) to Section XI, which states that Section XI (Chapter 63) does not cover footwear or parts of footwear, gaiters or leggings or similar articles. This classification is in accordance with GIR 1, in that the ladies dress pumps meet the terms of the applicable heading, subheading (and tariff item), as other women's footwear valued at \$30 or more per pair, containing outer soles of rubber, plastics, leather or composition leather and uppers of leather. In addition, this classification is supported by the Explanatory Notes to Chapter 64, General Note A (1), which describes high-heeled shoes as being covered under that Chapter.

Sample # 7, ladies leather sandals style # 4113, classified under tariff classification number 6302.60.00.10 should be classified under tariff classification number 6403.20.00.00 as footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe. Footwear is classified under Section XII, Chapter 64. This is supported by Note 1(n) to Section XI, which states that Section XI (Chapter 63) does not cover footwear or parts of footwear, gaiters or leggings or similar articles. This classification is made in accordance with GIR 1. If sandals do not meet the specific description of having "... leather straps across the instep and around the big toe" and are valued over \$30, the classification should be completed under number 6403.59.20.90 as "other women's footwear, valued at \$30 or more per pair".

Sample # 8, ladies canvas sport loafer style # 1122, classified under tariff classification number 6302.59.00.00 should be classified as tariff classification number 6404.11.19.90, as previously ruled on Advanced Ruling # 134789, as other footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials. Footwear is classified under Section XII, Chapter 64. This is supported by Note 1(n) to Section XI, which states that Section XI (Chapter 63) does not cover footwear or parts of footwear, gaiters or leggings or similar articles. This classification is also made on the basis that the soles are solely of rubber and the uppers must be made from fabric being a heavy, plain weave or

basket weave fabric, tightly woven with a minimum per cent cover of 99%, solely of vegetable textile fibers, of a weight of 200g/m² or more, excluding coatings or laminations. Should the uppers be of textile material that does not meet these criteria, and then the footwear should be classified under classification number 6404.1.99.90. These suggested classifications are in accordance with GIR 1.

Sample # 10, men's wing tip dress shoe style # 3002, classified under tariff classification number 6303.92.10.00 should be classified under tariff classification number 6403.59.90.91, as previously determined in verification case #331-01, as other men or boys' footwear with outer soles of leather and not covering the ankle. Footwear is classified under Section XII, Chapter 64. This is supported by Note 1(n) to Section XI, which states that Section XI (Chapter 63) does not cover footwear or parts of footwear, gaiters or leggings or similar articles. This classification is in accordance with GIR 1.

Classification Changes for Heading

Sample # 11 and 14, boy's casual loafer style # 9998, classified under tariff classification number 6403.99.30.00 should be classified under tariff classification number 6404.19.90.91, as other men or boys' footwear with outer soles of rubber, plastics, leather or composition leather and uppers of **textile materials**. This classification is made in accordance with GIR 1. Heading 64.03 only applies to shoes with uppers made of leather.

Classification Changes for Subheading

Sample # 17, ladies leather dress sandal style # 7878 classified under tariff classification number 6403.99.30.00 should be classified under tariff classification number 6403.20.00.00, as footwear with outer soles of leather, and uppers, which consist of leather straps across the instep and around the big toe. This classification is made in accordance with GIR 1. If sandals do not have "leather straps across the instep and around the big toe" then subheading 6403.59 would apply, as other footwear **not covering the ankle**.

Sample # 18, men's casual shoe style # 6688, classified under tariff classification number 6404.99.30.00 should be classified under tariff classification number 6404.19.90.91, as other men or boys' footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials. This classification is made in accordance with GIR 1. Subheading 6404.99, as used by the importer, does not exist.

Sample # 19, 21 and 23, men's canvas deck shoe style # 8811, classified under tariff classification number 6404.11.19.90 should be classified under tariff classification number 6404.19.30.91. This classification is in accordance with GIR 1 and is made on the basis that men's canvas deck shoes do not qualify as tennis shoes, basketball shoes, gym shoes or training shoes, as outlined in subheading 6404.11. Rather, these shoes fall under subheading 6404.19 as other footwear, with outer soles solely of rubber and uppers of canvas, being a heavy, plain weave or basket weave fabric, tightly woven with a minimum percent cover of 99%, solely of vegetable textile fibers, of a weight of 200 g/m² or more, excluding coating or laminations.

Classification Changes for Tariff Item

Sample # 24, ladies leather pointe shoes style # 1234, classified under tariff classification number 6404.20.90.92 should be classified under tariff classification number 6404.20.10.00, on the basis that they meet the terms of this item as being pointe shoes or block toe shoes, for professional dancers employed by full-time dance companies. This classification is made in accordance with GIR 1. Footwear meeting the terms of subheading 6404.20, but which are not pointe shoes, would be classified under tariff item 6404.20.90 as "other".

Changes for Statistical Suffix

Sample # 25, ladies pointe shoes style # 4321, classified under tariff classification number 6404.20.10.11 should be classified under tariff classification number 6404.20.10.00, on the basis that they meet the terms of this item as being pointe shoes or block toe shoes, for professional dancers employed by full-time dance companies which meet Canada Council standards of professionalism or for ballet students in full-time attendance at a ballet school which meets Canada Council curriculum standards. This classification is made in accordance with GIR 1. The statistical suffix of "11", under tariff item 6404.20.10, as used by the importer, does not exist.

Requirement(s):

It is required that ABC International indicate the name of the product and product number as described on the package on the Canada Customs Invoice, as per Memorandum D1-4-1, *Canada Customs Invoice Requirements*.

Statement to use when no previous reason to believe exists

The CBSA's re-determinations and, the final report, are ABC International's reason to believe that the original declarations are incorrect. ABC International is required to correct **all transactions** of the same goods as indicated in this report, whether or not there is a financial impact, pertaining to Tariff Classification. ABC International shall correct for its previous twelve-month fiscal period from the date of notification of verification (insert date of notification letter), up to and including the end of the verification (if this is the Final Report, enter date here) and all future importations of the same goods.

Statement to use when previous reason to believe existed

ABC International was previously provided with specific information ("reason to believe") on the goods identified in the table below. ABC International is required to correct all transactions of the same goods listed below, back to the earliest date of the specific information, to a maximum of four years as provided for in the *Customs Act*. All future importations of the same goods are to reflect that which was set out in the original decision(s).

(List the specific information reason to believe and date, for example)

Sample Number	Description/Issue	Reason to Believe & Date	Reassessment Period
8	Ladies canvas sport loafer style # 1122	National Customs Ruling # 134789 (April 15, 1995)	From the date of this report (August 30, 2006) back to the earliest date of the specific information. (Max. 4 Years)
10	Men's wing tip dress shoes style # 3002	Verification Case # 331-01 (March 27, 2003)	Correct all incorrect declarations from August 30, 2006 back to March 27, 2003.

AMPS

As ABC International had prior reason to believe and self-corrections were not submitted within 90 days, the following AMPS penalties are applicable

Sample Number	NPA Number	Contravention Number	Contravention
8	99887	C082	Authorized person failed to make the required corrections to a declaration of tariff classification within 90 days after having reason to believe that the declaration was incorrect.
10	99887	C082	Authorized person failed to make the required corrections to a declaration of tariff classification within 90 days after having reason to believe that the declaration was incorrect.

Recommendation(s):

It is recommended that ABC International carefully review the tariff classification of the goods when new products are imported or changes are made in the *Customs Tariff* and, if necessary, request an Advanced Ruling, as outlined in Memorandum D11-11-3, Advance Rulings for Tariff Classification.

It is recommended that ABC International carefully review previous Tariff Classification Rulings issued by the CBSA and, if necessary, update or request a new ruling in accordance with Memorandum D11-11-3.

It is recommended that the importer have a Tariff Classification Rating Guide. The guide should be kept updated with the correct tariff classification to reflect any rulings, CBSA Notices or amendments made to the *Customs Tariff*, with a proper description of the commodities, product names and numbers.

It is recommended that the company update its database to ensure that the product codes, importer's unique SKU, vendor ID, model and style designation assigned to the various commodities are reflective and correspond with the goods imported, as well as the description on the Canada Customs Invoice.

Company's Response:

APPENDIX D

VALUATION

The value for duty (VFD) of all goods imported into Canada must be calculated and declared in accordance with the provisions of sections 46 to 55 of the *Customs Act*.
(Only insert the above comment if an error was found for valuation.)

After a review of ABC International's records it was determined that 14 lines had errors in the value for duty.

(If no errors were found insert the following: "No issues have come to the attention of CBSA at this time with respect to Value for Duty; therefore, there are no immediate requirements or recommendations to be made".)

(Roll up of all verified samples can be found in Attachment 1)

Valuation	Lines Verified	Lines In Error	Error Rate By Line	VFD Declared	VFD In Error	Error Rate By Value
Over Valued	25	7	28%	\$ 847,235.75	\$ 56,279.00	6.64%
Under Valued	25	7	28%	\$ 847,235.75	\$ 540.89	0.06%
Total	25	14	56%	\$ 847,235.75	\$ 56,820.62	6.71%

(The above chart is linked to the CM Workbook)

Rationale for Valuation Decisions

For this program review, 25 invoice lines were verified. It was determined that 14 lines (sample # 1, 3, 4, 6, 8, 9, 10, 12, 13, 15, 16, 20, 22 and 25) were valued incorrectly due to the incorrect currency conversion rates being used. This occurred because the company used a set date of direct shipment for each month, instead of using the actual date of direct shipment pertaining to each specific shipment.

The CBSA has determined that samples # 8 and 10, which have value errors, as indicated above, also had classification errors and are reflected in the Tariff Classification Section of this report because they have been determined to be in a dutiable tariff classification.

Requirement(s):

It is required that the proper currency conversion be used in reporting the VFD to CBSA.

Statement to use when no previous reason to believe exists

The CBSA's re-determinations and, the final report, are ABC International's reason to believe that the original declarations are incorrect. ABC International is required to correct **all transactions** with the same issue(s) as indicated in this report, whether or not there is a financial impact, pertaining to Valuation. ABC International shall correct for its previous twelve-month fiscal period from the date of notification of verification (insert date of notification letter), up to and including the end of the verification (if this is the Final Report enter date here) and all future importations involving the same issue.

Statement to use when previous reason to believe existed

ABC International was previously provided with specific information ("reason to believe") on the issues identified in the chart below. ABC International is required to correct **all transactions** with the same issue listed below, back to the earliest date of the specific information, to a maximum of four years as provided for in the *Customs Act*. All future importations involving the same issue(s) are to reflect that which was set out in the original decision(s).

(List the specific information reason to believe and date)

Sample Number	Description/Issue	Reason to Believe and Date	Reassessment Period

AMPS

As ABC International had prior reason to believe and self-corrections were not submitted within 90 days, the following AMPS penalties are applicable.

Sample Number	NPA Number	Contravention Number	Contravention

Recommendations:

Company's Response:

APPENDIX E

ORIGIN (Tariff Treatment)

Proof of origin must be in the importer's possession and presented upon request for all goods imported under a preferential tariff treatment. The Verification undertaken was only to determine if the importer's requirement, to have a valid Certificate of Origin on file, for all goods imported under a preferential tariff treatment was fulfilled. This review should in no way be misconstrued as meaning that a determination as to the origin of the goods has been made or that the goods claimed under a NAFTA preferential tariff treatment meet the rules of Origin set out in Memorandum D11-5-1, *NAFTA Rules of Origin*.

(Insert paragraphs for GPT, CIFTA, etc., as required for example.)
ABC International must meet the rules of Origin set out in Departmental Memorandum D11-4-4, *Rules of Origin respecting the General Preferential Tariff (GPT) and Least Developed Country Tariff (LDCT)*; D11-4-2, *Proof of Origin of Imported Goods Regulations*, outlines the requirements for the GPT and LDCT proof of Origin.

Only insert the above two paragraphs, if errors were found for those specific tariff treatments (TT).

(If no errors were found insert the following: "No issues have come to the attention of the CBSA at this time with respect to Origin (Tariff Treatment); therefore there are no immediate requirements or recommendations to be made".)

(Roll up of all verified samples can be found in Attachment 1)

Origin	Lines Verified	Lines In Error	Error Rate By Line	VFD Sample Declared	Total VFD In Error	Error Rate By Value
NAFTA	7	3	42.86%	\$ 58,878.00	\$ 24,750.00	42.04%
Other Preferential	9	1	11.11%	\$ 109,337.00	\$ 1,058.00	0.97%
Origin Program*	16	4	25%	\$ 168,215.00	\$ 25,808.00	15.34%

* Note: The program total error rates represent the total preferential tariff errors over the total lines verified.

(The above chart is linked to the CM Workbook)

Rationale for Tariff Treatment Decisions:

No Certificates of Origin were on file for 4 of the 16 invoice lines reviewed.

Samples # 1

It was confirmed that the Form A Certificates of Origin or appropriate documents were not available to cover the imported products.

Samples # 6, 18 and 23

ABC International did not include the exporter's Certificate of Origin in the sample package, and did not submit them upon request.

Requirement(s):

Documentation requirements for proof of origin must be maintained as per Memoranda D11-4-2, *Proof of Origin*; D11-4-14, *Certification of Origin*; D11-4-18, *Uniform Regulations Chapters Three and Five of NAFTA*; D11-4-4, *Rules of Origin Respecting the General Preferential Tariff and Least Developed Country Tariff*, and Section 35.1 of the *Customs Act*.

When claiming a preferential tariff treatment, ABC International must keep on file a completed Certificate of Origin for all goods and present it upon request. (Only include this last sentence if completed certificates were not on file.)

Statement to use when no previous reason to believe exists

The CBSA's re-determinations and, the final report, are ABC International's reason to believe that the original declarations are incorrect. ABC International is required to correct all transactions of the same goods as indicated in this report, whether or not there is a financial impact, pertaining to Tariff Treatment. ABC International shall correct for its previous twelve-month fiscal period from the date of notification of verification (insert date of notification letter), up to and including the end of the verification (If this is the Final Report enter date here) and all future importations of the same goods.

Statement to use when previous reason to believe existed

ABC International was previously provided with specific information ("reason to believe") on the goods identified in the chart below. ABC International is required to correct all transactions of the same goods listed below, back to the earliest date of the specific information, to a maximum of four years as provided for in the *Customs Act*. All future importations of the same goods and issue are to reflect that which was set out in the original decision(s).

(List the specific information reason to believe and date)

Sample Number	Description/Issue	Reason to Believe and Date	Reassessment Period

AMPS

As ABC International had prior reason to believe and self-corrections were not submitted within 90 days, the following AMPS penalties are applicable:

Sample Number	NPA Number	Contravention Number	Contravention

Recommendations:

Company's Response:

APPENDIX F

EMBARGOED GOODS

ABC International submitted a written declaration stating that they are following the regulations outlined in the *Export and Import Permits Act* and they have not dealt with any embargoed goods. Our review indicated that the client did not have any import activity involving the countries on the Area Control List.

Requirement(s):

Recommendation(s):

Company's Response:

APPENDIX G

SPECIAL IMPORT MEASURES ACT (SIMA)

None of the invoice lines selected in the sample pertained to imported goods that would attract SIMA duties. Therefore, samples of two transactions requiring payment of anti-dumping duties were specifically identified from ABC International's records.

For each of the goods selected in the sample, ABC International provided a copy of the B3 as proof of release and proper declaration.

(If there were no findings insert the following: "No issues have come to the attention of the CBSA at this time with respect to SIMA; therefore there are no immediate requirements or recommendations to be made".)

SIMA	Lines Verified	Lines In Error	Error Rate By Line	VFD Sample Declared	Total VFD In Error	Error Rate By Value

(The above chart is linked to the CM Workbook)

Requirement(s):

Recommendation(s):

Company's Response:

APPENDIX H

DRAWBACKS AND DUTIES RELIEF

ABC International prepares its own drawback claims (K32s). The client maintains control of inventory for export. Although most activity is domestic, some sales are for export.

There were no drawback claims presented within this verification period.

(If there were no findings insert the following: "No issues have come to the attention of the CBSA at this time with respect to Duties Relief; therefore there are no immediate requirements or recommendations to be made".)

Requirement(s):

Recommendation(s):

Company's Response:

APPENDIX I

STATISTICS CANADA REQUIREMENTS

The International Trade Division of Statistics Canada, under the authority of the *Statistics Act*, is responsible for the diffusion of data concerning the activities and welfare of all Canadians. Accordingly, Statistics Canada is also responsible for the collection, processing and diffusion of data concerning the exchange of goods between Canada and foreign countries.

Import statistics measure which goods are being brought into the country, their values, quantities, mode of transport, country or United States state of origin, country or United States state of exit, and port of entry. Export statistics measure similar data.

Trade statistics are required by government to make policy decisions regarding controls, competitiveness of Canadian companies, negotiations of trade agreements, remission of duty, etc. The private sector uses merchandise trade data to determine sources of input, markets for their products and who their competition is outside the country. The academic sector uses such data for various studies, which may feed into government policy decision-making as well as private sector production and marketing decision-making.

Canada Border Services Agency (CBSA) personnel performed the verification of statistical data elements on behalf of Statistics Canada. These data elements are required for all goods that are accounted for to the CBSA.

The results of the verification, based on the 25 lines reviewed, are presented as follows. Please note that entry types F, 20, 21, 22 and 30 are not considered samples for Statistics Canada purposes.

Statistical Variables Reviewed

Value for Duty Code

Statistics Canada publishes import (and export) data by value. VFD code reflects established provisions of the *Customs Act*, which, since January 1, 1985, reflects valuation methods based on the World Trade Organization Valuation Code System (previously GATT). This data element is required on all import transactions to identify the relationship between the importer and their vendor as well as identify the method in which valuation of imported goods is determined.

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

Value for Duty

The VFD of all goods imported into Canada must be calculated and declared in accordance with the provisions of Sections 46 to 55 of the *Customs Act*. When verifying this data element Statistics Canada compares the value rounded to the nearest dollar.

(Only insert this comment if an error was found for valuation.)

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

HS Classification

All imported goods must be properly described and correctly classified in accordance with the *Customs Tariff* and its regulations. Statistical suffix errors identified at the 9th and 10th digit of the classification number are considered errors for Statistics Canada purposes only. Refer to Tariff Classification Appendix for details.

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

Tariff Code (End Use Program of CBSA)

This data element is only verified where a Tariff Code is entered at the time the goods are accounted for to CBSA.

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

Quantity/Unit of Measure

Statistics Canada releases data on imports, which shows the commodity, value and quantity (whenever collected). The quantity information without the identification of the unit involved (i.e. tonnes, litres) would be meaningless to the data user.

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

Country of Origin

Statistics Canada publishes Canadian Merchandise Import Data (customs based) by Country or State of Origin. Normally trade data is used on an origin basis. Most countries publish their trade statistics on a Country of Origin basis. For Statistics Canada, the Country of Origin is where the goods were grown, mined or manufactured.

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

Place of Export

Balance of Payments data are published on the basis of Place of Export, (as opposed to customs based, which uses the country of origin). National Accounts considers the Place of Export a more appropriate measure of the country/state with which the transfer of ownership actually takes place. This information is used as a proxy to trace the flow of funds between countries.

No errors were found for this statistical data element and therefore there are no immediate recommendations.

The following samples were found to be in error for this statistical data element.
Samples numbers:

Method of Reporting United States Freight

Canada and the United States entered into a Trade Data Exchange agreement in 1990. As part of this agreement United States freight is required for all shipments where the Place of Export is the United States and the value is equal or greater than CAN\$2500.

Insert a statement here to indicate the method for reporting United States freight that you have received from the company. For example - ABC International has indicated that the amount of freight reported to CBSA is done as a flat rate of \$400.00 per shipment. This reflects an average of the actual freight costs.

Requirements:

It is required that any information provided to an officer in the administration or enforcement of the *Customs Act*, the *Customs Tariff* or the *Special Import Measures Act* or under any other *Act of Parliament* that prohibits, controls or regulates the importation or exportation of goods, shall be true, accurate and complete.

Recommendations:

It is recommended that ABC International take the necessary steps to correct the Statistics Canada errors and to eliminate the causes of such errors.

A roll-up of all verified samples for the Statistics Canada Variables can be found in Attachment 2 to this report.

Samp #	Accn't Date	Description of Goods	Com Inv. Number	Transaction Number	Line #	PLI*	ADJ*	Error* Ind	Class As Decl'd	Class As Det'd	VFD of Sample Decl'd	VFD of Sample Det'd	T Code* Decl'd	T Code Det'd
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
SUP														
SUP														
SUP														
SUP														
Columns Totalled			All Program Error Indicator: Line Errors = 0							\$ - \$ -				

*PLI = partial line indicator
ADJ = adjustment Error Ind.
Ind. = error indicator
T Code =Tariff Code
TT= Tariff Treatment

Samp #	TT* Decl'd	TT* Det'd	Duty Paid	Duty Amt Det'd	Duty Owed Or Owing	Excise Tax/Duty Paid	Excise Tax/Duty Det'd	Excise Tax/Duty Owed/Owing	SIMA Paid	SIMA Det'd	SIMA Owed	GST Paid	GST Det'd	GST Owed Or Credit	Comments
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
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22															
23															
24															
25															
SUP															
SUP															
SUP															
SUP															
SUP															
SUP															
SUP															
Roll-Up Sample From CMI Workbook															
Columns Totalled	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$

Samp #	Accn't Date	Transaction Number	Line #	PLI	Error Ind	VFD Code Decl'd	VFD Code Det'd	VFD B3 Line Decl'd	VFD of Sample Decl'd	VFD of Sample Det'd	Class As Decl'd	Class As Det'd	T Code Decl'd	T Code Det'd	UOM Decl'd	UOM Det'd
1																
2																
3																
4																
5																
6																
7																
8																
9																
10																
11																
12																
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*PLI = partial line indicator
ADJ = adjustment Error Ind. = error indicator
T Code =Tariff Code
TT= Tariff Treatment

Statistics Canada Sample From CM Workbook

Samp #	B3 Qty Decl'd	Partial Line Qty Decl'd	Qty Det'd	Origin Decl'd	Origin Det'd	PI Exp Decl'd	PI Exp Det'd	Type Decl'd	Office Decl'd	Comments from Valuation Regarding Statistics Canada	Comments from Classification Regarding Statistics Canada	Comments from Origin Regarding Statistics Canada
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
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