

Chapter 5

Canada Customs and Revenue Agency

Travellers to Canada:
Managing the Risks at Ports of Entry

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Canada Customs and Revenue Agency

Travellers to Canada: Managing the Risks at Ports of Entry

Main Points

5.1 The Canada Customs and Revenue Agency has many efforts under way to modernize its Customs operations and to make effective use of technology. However, we found that it needs to make some significant improvements.

5.2 A well-articulated and comprehensive compliance strategy is a key element of promoting compliance. Customs does not yet have an overall compliance strategy that clearly describes its plans for encouraging voluntary compliance and that outlines its approach to responsible enforcement.

5.3 We found that risk assessment is incomplete: Customs does not have important information it needs from a variety of departments and agencies to fully assess the risks its inspectors face. It needs to know where the risks are highest so it can determine the best way to control them. We have recommended that Customs work more diligently to obtain information on the risks arising from the responsibilities it carries out at ports of entry on behalf of other departments — Citizenship and Immigration Canada, Health Canada and the Canadian Food Inspection Agency, for example — and include them in its national risk assessment. It also needs to have up-to-date memoranda of understanding with those departments, setting out their respective roles and responsibilities.

5.4 We also found that Customs inspectors at the border and at airports need to be better equipped to do their complex job. They must enforce customs and excise legislation and make a variety of decisions for many other government departments. In processing travellers, Customs inspectors have only a short time to make these decisions. Customs does have information, systems and training to assist its officers but the information is not shared consistently, the systems need improvement and the training is uneven.

Background and other observations

5.5 In 1998–99 the Customs program of the Canada Customs and Revenue Agency processed over 104 million travellers who entered Canada at ports of entry. About half were returning Canadian residents. Most travellers enter Canada by highway from the United States (79 percent) or at airports (17 percent). Since 1991–92 the number of travellers coming by highway has decreased, while the number of air travellers has grown by almost 48 percent, owing partly to the Canada-United States Open Skies Agreement.

5.6 Over the years, Customs' role has evolved from mainly collecting revenue to one of facilitating the entry of travellers and goods, while protecting Canadian society and promoting the competitiveness of Canadian businesses.

5.7 Customs operates in an environment that continues to change. To help it deal with change, it developed discussion papers in 1990 and again in 1998 as blueprints for the direction it would take in the future and the initiatives it would employ. Customs has taken some major steps toward reaching the goals it set for itself in 1990. It recently released a draft five-year action plan to implement the initiatives identified in its 1998 discussion paper.

The Canada Customs and Revenue Agency's responses to our recommendations are included in the chapter. The Agency agrees with the seven recommendations, and its responses describe a number of actions under way to deal with them.

Introduction

5.8 Canada's tourism and international trade are on the rise. Consequently, the Customs program of the Canada Customs and Revenue Agency (the Agency) must carefully integrate its roles of facilitating the movement of people and goods, protecting Canada against inadmissible people and contraband, and promoting the competitiveness of Canadian business.

5.9 In 1998–99, Customs processed over 104 million travellers, 79 percent of whom arrived by highway. Seventeen percent entered at airports and the rest by ship, rail or other means. About half were returning Canadian residents (see Exhibit 5.1). The rest — mostly United States residents — were tourists, business travellers, immigrants or people coming to study in Canada.

5.10 Customs has no control over people's arrival times at Canada's ports of entry, and normally has to provide immediate service. At the height of cross-border shopping in 1991–92, Customs dealt with 128 million travellers entering Canada. The number of highway travellers has since decreased by 27 percent; however, the number of air travellers has grown by almost 48 percent, owing partly to the Canada-United States

Open Skies Agreement. As a result, Customs is trying to speed up its processing of travellers and reduce their waiting time, while maintaining a strong enforcement presence.

A changing environment

5.11 The Customs organization has been around since the 1800s, when its main role was to raise revenue. Since then, its role has evolved into one of revenue collection and border protection — on its own behalf and that of other government departments. Methods for processing travellers entering Canada remained basically the same for years but, by the late 1980s, the environment and technology had changed and Customs needed to keep pace.

5.12 The late 1980s and early 1990s were a time of expanding traffic congestion at major Customs offices, intense public pressure to reduce delays, and cost restraint in government. Customs wanted to streamline the movement of low-risk people and goods across the Canadian border and enhance its enforcement programs through risk analysis and selective inspection. In March 1990, Customs issued a discussion paper, "Customs 2000: A Blueprint for the Future", that set out its vision for moving into the year 2000. The paper re-examined the conduct of Customs business and set

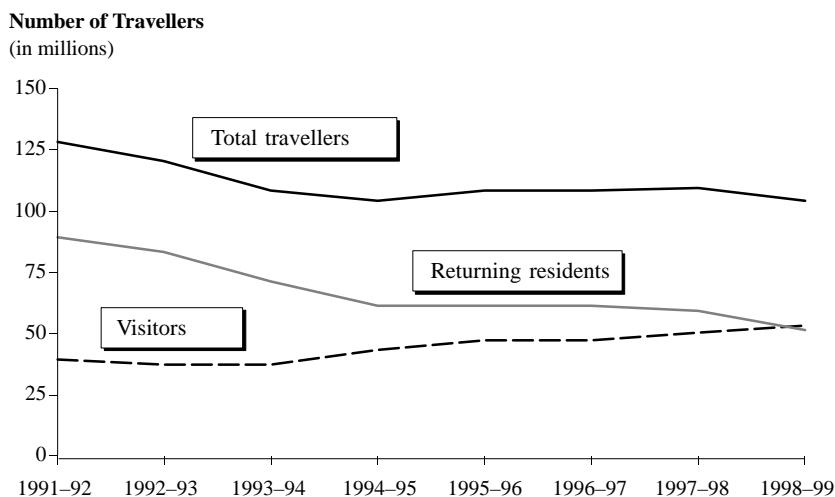


Exhibit 5.1

Returning Residents and Visitors to Canada

Source: Canada Customs and Revenue Agency

While Customs still collects revenue, its main role now is to protect the border and facilitate the entry of travellers.

out an approach for responding to the growing demands on Customs from government, the private sector and the public.

5.13 Over the ensuing years, Customs has worked on developing these initiatives. While it has not accomplished all it set out to do in the travellers program, it has taken some major steps toward the goals it set for itself in 1990.

5.14 The environment in which Customs operates continues to change. Under NAFTA, travellers are bringing more goods into Canada duty-free, so the emphasis on revenue collection has been reduced. Also, personal traveller exemptions nearly doubled in 1995 and the seven-day personal exemption was recently increased to \$750, so fewer returning travellers have duties and taxes to pay. This has diminished the risk that they will not declare legitimate goods they bring in. So, while Customs still collects revenue, its main role now is to protect the border and facilitate the entry of travellers.

5.15 In this changing environment, Customs needs to respond quickly and effectively to the expectations of government and the public. As part of an evaluation exercise and to help redefine its relationship with its clients, Customs released a new “Blueprint” discussion paper in October 1998. The paper set out commitments, strategic goals and program initiatives. The Blueprint points out that in the present climate of cost restraint, the Agency must decide which programs to develop, and which of those have priority. After releasing the paper, Customs spent six months consulting with clients, stakeholders, other government departments, Agency staff and unions, and the Canadian public. The Agency produced a consultation report dated June 1999, and later prepared a draft five-year action plan indicating future priorities and a schedule for implementing several initiatives.

5.16 We encourage Customs to adjust its programs quickly to deal with the changing environment.

Focus of the audit

5.17 The audit examined the way Customs manages the risks posed by travellers and their accompanying goods at the time of their arrival in Canada at legal ports of entry. Other agencies are responsible for the rest of the Canadian border, and for dealing with illegal immigrants on the high seas and people leaving Canada. We did not examine those responsibilities. Nor did we examine commercial operations, which we plan to cover in future audits. Our work focussed on whether Customs had a compliance strategy for responding to the operating environment and making adjustments, how it equips its officers to do their jobs, and how it works with other government departments. We also reviewed CANPASS (Highway), a program to speed pre-approved low-risk travellers through Customs.

5.18 We concentrated on airports, land border ports of entry, and headquarters functions. Further details on the audit are presented at the end of the chapter in the section **About the Audit**.

Observations and Recommendations

Importance of a Compliance Strategy

5.19 A key element of the Customs mandate is to control the entry of persons and goods into Canada through legal ports of entry. Besides administering customs and excise legislation, Customs administers or enforces parts of about 70 other Acts of Parliament. For example, under the *Immigration Act*, Customs inspectors are authorized to act as Immigration officials in determining whether to admit travellers to Canada. On behalf of the Canadian Food Inspection

Agency (CFIA), Customs helps ensure that travellers are not importing animals and plants and their products (including food) that could spread disease or pests to Canadian crops and herds. For Environment Canada, Customs checks that species controlled under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) have permits to enter Canada. For Health Canada, Customs helps to control the importation of communicable diseases by infected individuals entering Canada and also checks for controlled goods, such as pharmaceuticals.

5.20 Customs is committed to promoting voluntary compliance and self-assessment as the best way to administer the laws protecting Canada's borders. It operates on the assumption that most travellers will comply with the law when they know the requirements. Thus, Customs tries to foster a culture of compliance by educating the public on the one hand and enforcing the law on the other.

5.21 To promote compliance, Customs needs to have a well-articulated and comprehensive compliance strategy. Among other things, this strategy needs to address the responsibilities that Customs carries out for other government departments. Besides serving as a planning document for the Agency, a compliance strategy would help front-line Customs inspectors understand the Agency's mandate and goals. It would also support its reporting to Parliament on performance.

5.22 A compliance strategy would outline the reasons for various activities designed to ensure compliance. It would explain how Customs seeks to integrate activities that promote or encourage compliance — such as educating the public and providing easy-to-use forms — and those that enforce compliance, such as examinations and seizures. A compliance

strategy would outline how Customs plans to work with the other government departments for which it carries out responsibilities. It would also discuss the measures and approaches it has already taken, the results it is achieving, and its plans for improvement. It would provide measures of compliance and show how these have changed over time.

5.23 In 1997 the Agency published a compliance strategy for its income tax and excise tax lines of business, but Customs has not yet developed a national compliance strategy.

5.24 **Customs should develop and document an overall compliance strategy that clearly describes its plans for encouraging voluntary compliance and outlines its approach to responsible enforcement. The strategy should include the responsibilities it carries out on behalf of other government departments.**

Agency's response: In April 2000, Customs will implement an overall customs compliance strategy incorporating a Customs Compliance Improvement Plan, including other government departments' requirements. The fully integrated national plan will encompass a border and post release verification plan in support of responsible enforcement. As well, the client service component of the overall plan will focus on activities designed to educate and inform so as to promote voluntary compliance by all clients when entering or leaving Canada.

Risk assessment is incomplete

5.25 A major part of developing a compliance strategy is understanding what risks exist and how significant they are, and then determining the best way to control them. Customs has defined risk as the likelihood that an event (and its impact) will occur that threatens its ability to protect Canadians' health, safety and economic prosperity and to safeguard Canada's sovereignty. In other words, risk

Customs needs a comprehensive compliance strategy to promote compliance and to address the responsibilities it carries out for other government departments.

A major part of developing a compliance strategy is understanding what risks exist and how significant they are, and then determining the best way to control them.

is the chance that illegal activities will occur, such as the smuggling of contraband (illegal drugs, alcohol and tobacco) or the unlawful entry of inadmissible people. Threats to health and safety include the illegal entry of infectious or contagious diseases and other communicable diseases and of firearms.

5.26 Our 1991 Report Chapter 15 on Customs operations noted that there had been no comprehensive assessment of the risk of drug smuggling inherent at various ports. We noted that a risk assessment would better equip Customs to develop and rank control procedures in an action plan for drug interdiction. Since then, Customs has taken several steps to assess the risks it faces.

5.27 In 1996–97, Customs conducted a national assessment of risks at ports of entry. This was based on an assessment at each of 229 ports, including inland offices and mail-processing plants. The assessment rated environmental factors that affect risk at each port, such as population size, volume of traffic and the presence of major access routes to large cities. Customs also assessed the history of enforcement at each port (numbers and types of seizures) and the potential for customs violations, based on knowledge of criminal organizations operating in the area and the potential for conspiracy. Each port was rated using these factors and ranked by level of risk compared with the other ports.

5.28 In 1998, Customs produced a national Contraband Strategy Risk Assessment. The assessment ranked the top modes of transportation at highest risk for contraband. To determine what commodities to include in the assessment and to gauge their relative risk, Customs used four criteria:

- size and extent of the smuggling problem with each commodity;
- degree of harm to society and to the Canadian economy;

- public and government priorities and expectations; and
- vulnerability of processes and controls.

5.29 Besides the risk of contraband and customs violations, Customs must manage other risks posed by travellers and their accompanying goods at ports of entry in the responsibilities it undertakes for other government departments. These other risks, such as entry of inadmissible people and communicable diseases, were not included in either of Customs' national risk assessments. We recognize that Customs is not solely responsible for identifying and controlling the risks associated with other departments' mandates. In our view, the other departments are responsible for ensuring that Customs is fully aware of all the risks that it bears for them so it can include them in its national risk assessment. We were informed that other departments do not provide Customs with an overall assessment of their risks. Since Customs is on the front line and has already developed a major risk assessment for contraband commodities, it needs to strongly encourage all players to work together to identify the risks now missing from its national risk assessment.

5.30 Customs should strive to obtain information from other government departments on the risks arising from the responsibilities it undertakes on their behalf, and should include them in its national risk assessment.

Agency's response: Customs agrees with the recommendation. By September 2000, Customs will have commenced a dialogue with other government departments for which it undertakes responsibilities and will seek their concurrence to work closely together on a risk management approach to their program needs. These organizations will be encouraged to conduct risk assessments to bring focus to their needs, which in turn will permit Customs to better apply an integrated risk management approach to all enforcement

and client service responsibilities it undertakes on behalf of other government departments. Customs will also work to capture these issues in memoranda of understanding as opportunities arise.

Customs Inspectors Play a Vital Role

5.31 Customs inspectors have complex jobs. As already noted, along with Customs legislation they must also administer parts of approximately 70 Acts of Parliament for other departments. Inspectors must know about passport and visa requirements and laws governing goods, endangered species, agricultural products, weapons, narcotics and pornographic materials that travellers may carry. For over a century, Customs inspectors have used risk assessment to decide whether to admit a traveller immediately or to undertake a thorough inspection.

5.32 Travellers' contact with Customs starts at the primary inspection line (PIL). At airports and land border ports of entry, the PIL generally consists of a line of booths staffed by Customs inspectors. The PIL inspector determines a person's right to enter Canada and bring in goods. Travellers arriving in Canada by air are asked to complete the Customs Declaration Card before arriving at Customs. The card allows them to have their declarations of citizenship and goods ready for the PIL, where a Customs inspector reviews the declaration and conducts a brief interview.

5.33 At land border ports of entry, travellers approaching the Customs inspection point simply stop at a PIL booth. They remain in their vehicles while the inspector conducts the primary interview. In contrast to the declaration card procedure at airports, the highway interview often involves no documents.

5.34 At ports of entry, the PIL inspector must decide to admit the

traveller to Canada or to require a secondary examination for Customs or another government department (for example, Citizenship and Immigration Canada, CFIA or Health Canada). For Citizenship and Immigration, the PIL inspector may refer a traveller to on-site Immigration officials at the port of entry if the traveller's admissibility is in question or if documentation is required.

5.35 The extent of a secondary examination depends on the reason for the referral. In some cases, the Customs inspector may simply ask to see the goods the traveller is declaring. In other cases there may be a thorough examination of the traveller, the goods and, at land border ports of entry, the vehicle.

5.36 At airports, Customs inspectors are usually in the PIL booth or in secondary examination for their entire work shift. At land border crossings, inspectors often rotate out of the PIL every hour and into another phase of the operation, such as secondary examination or handling payments of duties and taxes in the office.

5.37 Customs has informed us that it has stationed inspectors at 13 international airports and 147 land border crossings along the Canada/United States border. Approximately 2,600 full-time equivalent staff process travellers at these locations.

Improvements Needed in Information Sharing, Tools and Training

5.38 Customs inspectors at the PIL must decide quickly whether to let travellers go on their way or to send them for secondary examination. Unlike the Agency's tax operations, Customs must enforce the travellers program at the time and point of arrival. Thus, it is vital that Customs inspectors have the information, tools and training they need to make correct decisions in the short time available.

Customs inspectors must know about passport and visa requirements and laws governing goods, endangered species, agricultural products, weapons, narcotics and pornographic materials that travellers may carry.

Customs must process travellers at the time and point of arrival.

In carrying out responsibilities on behalf of other departments, Customs needs to have formal arrangements and exchange information to ensure that all players understand their roles and responsibilities.

Information sharing and communication

5.39 There is a need to improve the sharing of information within Customs.

All levels of the organization across the country need to exchange relevant, reliable and up-to-date information. Officials must have the appropriate information to make the best decisions, whether for determining risk, choosing areas to target for possible non-compliance, or deciding whether or not a traveller is complying with the law.

5.40 Customs obtains and produces a lot of information, such as its policies and procedures, lookouts (information on a person, goods or a vehicle suspected of contravening a law for which Customs and/or other government departments are responsible), and intelligence bulletins on recent seizures of contraband and methods of concealment. Inspectors also provide intelligence information and enforcement actions to regional intelligence officers and analysts. Customs communicates this information through computer systems, publications, meetings and other avenues.

5.41 Staff at various levels want to improve the sharing of information. To illustrate:

- The 1999 Blueprint consultation report (see paragraph 5.15) states that staff strongly recommend improving internal communication, including sharing data and strengthening linkages within Customs.
- At a recent airport managers' conference, Customs managers recommended using regular conference calls to discuss information sharing, best practices, issues and problem solving.
- Staff we interviewed wanted either daily team meetings or short weekly briefings.

5.42 Customs needs to improve communication with other government departments. In carrying out

responsibilities on behalf of other departments, Customs needs to have formal arrangements and exchange information to ensure that all players understand their roles and responsibilities and are up-to-date on issues.

5.43 Our September 1999 Report Chapter 14, National Health Surveillance, pointed out how serious the lack of understanding of responsibilities can be. We noted an incident where Customs had detained an arriving air passenger suspected of being infected with a dangerous disease; the other passengers were released. The individual was eventually examined by Health Canada officials and then released. At the time, there was no special protocol at the airport that clearly specified roles and procedures for dealing with such incidents, and officials were confused about who had what authority. No one consulted federal quarantine officials about either the initial detention of the individual or the release of the other passengers. Customs inspectors at the port did not know that a Canadian contingency plan for dealing with dangerous communicable diseases even existed. Protocols have since been negotiated at four major international airports. Furthermore, in March 1999, Customs issued interim instructions to its officials for situations involving travellers who could be carrying infectious diseases. As well, Customs is currently working on a formal memorandum of understanding (MOU) with Health Canada.

5.44 In administering parts of other departments' legislation, PIL inspectors either make decisions themselves or refer certain cases to the departments for advice or examination. Since many departments do not work the same hours as Customs, information sharing can sometimes be complicated. To assist its inspectors, Customs often provides them with local instructions (including contact numbers where available) for making referrals to other departments not on the site when travellers are being processed.

5.45 Periodically, Customs' relationship with Immigration has been strained at some ports of entry. As one means to maintain good relations, Customs encourages its staff to share more information with Immigration. We noted several examples of staff from the two departments working closely together to understand each other's responsibilities. Many employees of both departments report that the relationship has improved. Customs and Immigration also hold monthly national meetings to promote communication, discuss various issues and projects, and monitor the results. Those attending the meetings generally agree that there has been noticeable progress in working together. But work is still needed to ensure that collaboration continues and remaining irritants are resolved.

5.46 To further clarify its roles and responsibilities in providing services to other departments, Customs has entered into MOUs with departments. It is currently revising MOUs with some departments and negotiating new ones with others.

5.47 Work began in 1995 to update the 1983 MOU with Immigration. In the summer of 1998, the regions provided feedback on a draft of the revised MOU. As recently as October 1999, Immigration noted in a meeting with Customs that it intended to provide Customs with a proposal for further revising the MOU. This whole process is taking much too long, and we think both departments need to resolve the matter on a priority basis.

5.48 Customs needs to further improve communication with other enforcement agencies. Illegal movements of goods and people respect no boundaries, and represent a high risk for Customs operations. In an effort to control these activities, Customs shares information with other enforcement agencies, both domestic and foreign. For example, on 24 February 1995, Canada

and the United States agreed to establish the Accord on Our Shared Border. Under the Accord both governments agree to, among other things:

- enhance protection by focussing more effective inspection efforts on drugs, smuggling, and illegal or irregular movement of people; and
- reduce costs for both governments by sharing research and development, equipment, facilities, information and training.

5.49 In 1997 the Canada-United States Cross-Border Crime Forum was established to consult on cross-border crime. Canadian and American representatives from several different agencies sit on various subgroups, such as the Joint Intelligence Committee and Joint Targeting Board. These groups carry out projects and report their findings/recommendations at the annual meetings of the Crime Forum. The recommendations point to the need to enhance and expand communication among law enforcement agencies in both countries.

5.50 Customs should:

- **improve the sharing of information among all levels of its field operations; and**
- **complete or update on a priority basis formal memoranda of understanding with other government departments on whose behalf it acts.**

Agency's response: Customs will continue to make efforts to improve the sharing of information among all levels of field operations, through formal distribution of policies and procedures and through the provision of training on new initiatives.

Customs will continue to work closely with other government departments on whose behalf it acts, to develop or update on a priority basis formal memoranda of understanding.

Work began in 1995 to update the 1983 Memorandum of Understanding with Immigration.

**Customs inspectors’
use of the PALS-Air
computer system is
low.**

Tools for Customs inspectors

5.51 Customs inspectors require tools like computer systems and supporting enforcement units to help them decide whether or not to allow travellers and their goods into Canada.

5.52 The Primary Automated Lookout System-Air (PALS-Air) is outdated. Customs inspectors on the primary inspection line (PIL) at the major airports use the PALS-Air computer system, which they activate by scanning a person’s passport or manually inputting the name and date of birth. The system compares this information with Customs and Immigration enforcement data in an Immigration database. It also compares it with “lookouts” (information on persons suspected of contravening an Act administered by Customs and/or other government departments). Lookouts may be put into the system at the local, regional or national level at any time. PALS-Air then provides possible name matches to help the PIL inspector determine if the person should be sent for secondary examination.

5.53 PALS-Air has been used in airports and bus terminals since 1991. The system is slow, cannot read bar-coded documents (other than passports) and relies primarily on a monthly bulk transfer of lookout and enforcement information rather than a direct link. Therefore, PALS-Air is an outdated tool for identifying high-risk travellers. We noted that Customs inspectors’ use of the system is low. In October 1999, for example, inspectors at the major airports used PALS-Air for 5.8 percent to 43.2 percent of travellers passing through the PIL. Customs plans to replace PALS-Air in 2000 with the Integrated Primary Inspection Line (IPIL) system, which it is currently testing.

5.54 Limitations of PALS-Highway. At land border crossings, Customs uses the Primary Automated Lookout

System-Highway (PALS-Highway) at the primary inspection line. The system reads licence plates and compares them against a database, checking for previous enforcement actions and/or lookouts associated with vehicles — but not necessarily with the travellers in the vehicles.

5.55 Customs inspectors must ensure that the licence plate on the vehicle matches what the licence plate reader records, so the PALS-Highway system can access any available information on the vehicle. We found that the automatic readers read the licence plates correctly about 70 percent of the time. For the remaining 30 percent of the time, especially in bad weather, Customs inspectors have to manually correct what the licence plate reader has recorded. This happens often enough to be bothersome and time-consuming.

5.56 Targeting is valuable. Customs finds targeting a valuable method of identifying high-risk travellers. Targeting is the review of available data in order to identify high-risk travellers before they arrive. For example, analyzing appropriate information can help determine that a known drug trafficker has just visited a country known to be a source of heroin and is returning to Canada.

5.57 Customs uses targeting in several different ways, supported by specialized intelligence units and enforcement units and by databases such as the Canadian Police Information Centre (CPIC). Regional intelligence units, staffed by officers and analysts, are involved in such activities as:

- providing front-line inspectors with lookout information for interdiction;
- receiving, analyzing, evaluating and disseminating intelligence information gathered from various sources for targeting;
- conducting risk assessments; and

- co-ordinating joint forces operations with other government departments and law enforcement agencies.

5.58 Customs uses flexible response teams, one type of specialized enforcement unit, to target high-risk travellers and support the front-line inspectors. Each team consists of a small group of inspectors headed by a superintendent. The teams are flexible in that they have the mobility, equipment and training to help interdict all types of contraband. They can respond quickly to assist with enforcement needs at ports of entry in their respective districts. Their responsibilities include:

- roving to identify high-risk travellers at airports;
- conducting intensive secondary examinations; and
- acting in joint enforcement operations with other government departments and outside agencies.

5.59 Customs also uses dogs to detect illegal drugs concealed on travellers or in their baggage or vehicles. The dogs are used in the PIL and in secondary examinations.

5.60 Information for targeting air passengers is poor. Passenger information received in advance of the passenger's arrival (such as full name, date of birth, travel routes and details of ticket purchase) would be very useful for targeting air travellers. There are Customs targeting units at airports in Toronto, Montreal, Vancouver and other locations. Customs officials at these airports have ad hoc arrangements with certain carriers that enable them to receive, at the carrier's discretion, information on passengers shortly before they arrive. In general, however, Customs work is hampered by a lack of timely information on air passengers. To improve its chances of identifying high-risk travellers while reducing the time spent processing low-risk travellers, Customs must be able

to obtain and analyze advance information on passengers. It considered this possibility in "Customs 2000: A Blueprint for the Future" but did not pursue the initiative at the time. Customs is now in the process of recommending changes to the *Customs Act* to enable it to obtain passenger information in advance. This is one of the major initiatives in its draft five-year action plan. Given the potential advantages, Customs needs to place a high priority on obtaining this information.

5.61 Better targeting for examinations needed. Traveller compliance with rules and regulations of Customs and other government departments is assessed during a "stint" by referring travellers at random to secondary examination. A stint measures performance and is conducted periodically at Customs ports by a team of staff. In 1998–99, compliance by highway travellers was assessed at 97.7 percent. (No results were available for air travellers, as Customs conducted no stints at airports that year.) Stints conducted over the years show that travellers' compliance at land border ports and airports has increased.

5.62 The number of travellers inspected in secondary examinations has increased by 109 percent over an eight-year period (see Exhibit 5.2). The same period saw an 18 percent decrease in the number of travellers entering Canada. This means that a traveller has a higher chance of being examined now than eight years ago. Meanwhile, the number of enforcement actions has declined by 63 percent over the last eight years. In fact, the actual "hit" rate for 1998–99 was 1.9 percent. In other words, officers examined the luggage, vehicle or person of about 50 travellers for every one they found who had not complied with Customs requirements. About 25 percent of enforcement actions involved high-risk infractions like bringing in drugs, undeclared weapons and jewellery. The declining hit rate could be due to several

Customs' flexible response teams can respond quickly to assist with enforcement needs at ports of entry in their respective districts.

Customs work is hampered by a lack of timely information on air passengers.

A traveller has a higher chance of being examined now than eight years ago.

factors, such as increasing levels of traveller compliance or problems in targeting. In our view, better targeting by Customs officers could reduce the number of travellers sent to secondary examination, without sacrificing the Agency’s enforcement objectives.

5.63 There are problems with a key information system. To enhance targeting and better detect contraband and inadmissible persons, Customs needs information on travellers. This includes information on criminal records, drivers’ licences and vehicle plates, stolen vehicles, arrest warrants, missing persons and property, firearms and missing children. The RCMP administers the special services that provide this information. Chapter 7 of this Report, RCMP — Services for Canada’s Law Enforcement Community, notes that there are several serious problems with the system that provides the information. For example:

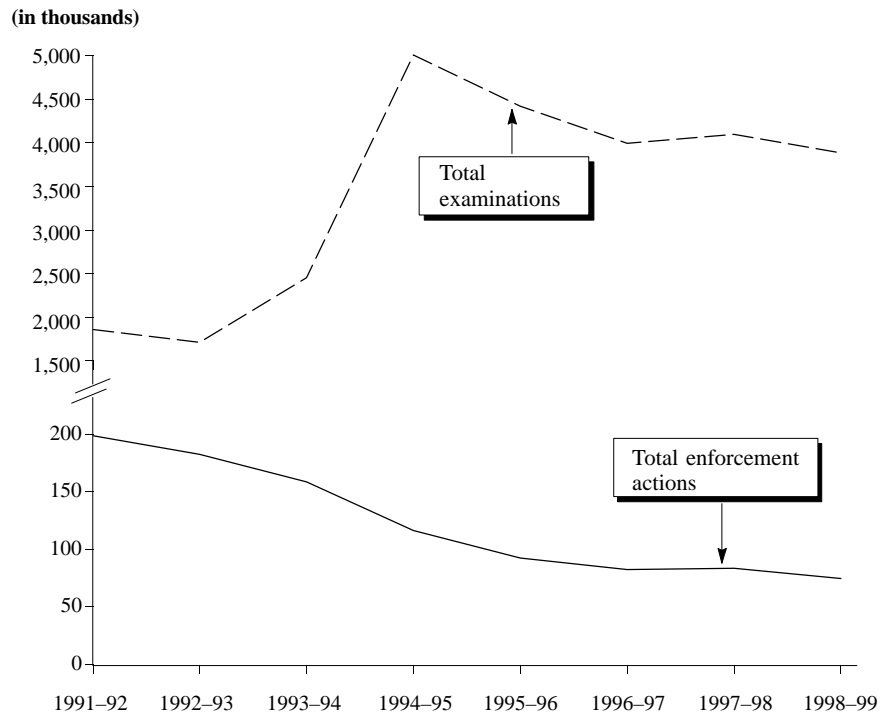
- There have been delays of two months to more than five months in entering records of new criminals and new crimes of “old” criminals into the system.
- A study completed in 1999 noted that the system is accessible only about 89 percent of the time and projected a further decrease in the availability of information to front-line law enforcement.

5.64 Until the RCMP resolves these problems, the effectiveness of Customs detection and targeting efforts could be severely hampered. This increases the risk that contraband and inadmissible travellers will enter Canada.

5.65 Customs should:

- **complete as soon as possible the installation of the Integrated Primary Inspection Line system at the airport primary inspection lines;**
- **explore the possibility of improving the automated licence plate reader in the Primary Automated Lookout**

Exhibit 5.2
Enforcement Actions Resulting From Examinations



Source: Canada Customs and Revenue Agency

System-Highway to make it more reliable; and

- **place a high priority on obtaining advance information on passengers for targeting efforts.**

Agency's response: National implementation of the Integrated Primary Inspection Line system (IPIL) is scheduled to commence on 1 August 2000.

Customs is actively pursuing with the vendor of the equipment improvements to the automated licence plate reader in the Primary Automated Lookout System-Highway.

As part of the Blueprint exercise, it has been proposed that Customs obtain advance passenger information to assist its targeting efforts. Consultation has been completed and implementation will be subject to supporting legislation.

Training needs of Customs staff

5.66 Training is a key element in providing Customs staff with the knowledge and skills to speed the entry of travellers and manage risk.

5.67 Customs has designed a number of courses to train staff who process travellers. These courses may be offered at the Agency training facility in Rigaud, Quebec, in the regions, or at the ports. Some courses are mandatory, such as the 14-week induction course for new recruits. The course informs new indeterminate staff of their responsibilities in traveller and commercial processing. It has components that cover, for example, prohibited goods, drug enforcement, cultural awareness and Customs' work on behalf of other government departments. After this induction course, there are discretionary, refresher or in-depth courses offered in a number of areas. In 1998-99, 393 staff members received mandatory training at the college in Rigaud.

5.68 In addition to formal training opportunities, Customs has developed

self-study packages, videos, and written procedures. A few training courses are also available in CD-Rom format and on the Agency's intranet. These are useful training media. Customs informs us that it is working to expand its self-directed training courses to provide "just in time" learning as close to the workplace as possible. Formal classroom training provides the added benefit of interaction with an instructor and conveys the importance that management attaches to the issues covered in the course.

5.69 Certain constraints limit the number of staff who can take available courses. Customs ports normally operate 7 days a week, 24 hours a day. When staff are absent on training, others must fill their positions. If this results in overtime, it puts a strain on the port budget. As well, courses at headquarters and in the regions offer only a few seats for each port. Because of these constraints, advance planning of training is crucial. However, none of the staff we interviewed has a training plan. In addition, many expressed concerns about the way available training is allocated. Furthermore, Customs has not maintained accurate training records to help management determine whether employees have received the training they need. After our audit, Customs informed us that it plans to introduce competency self-help kits to all employees by March 2000. These will allow employees and managers to identify gaps in competency and to base training on employee needs. In addition, Customs told us that the current training system will be replaced in April 2000 with a newly developed training management component of the Agency's Corporate Administrative System.

5.70 Need to improve relevance of training. As already noted, Customs provides a mandatory 14-week course to new indeterminate employees. The course covers the work requirements for Customs' modes of operations — air, highway and commercial. Customs has decided that the

In addition to formal training opportunities, Customs has developed self-study packages, videos, and written procedures.

Sixty percent of the staff we interviewed had not received Immigration refresher training.

current design of the course is no longer appropriate, as no staff work in all modes. It has consulted with the regions and is now revising the course to focus on specific modes of operations. Customs expects to offer a pilot version of the new course in May 2000.

5.71 Indeterminate staff are often recruited from term employees, but first they have to pass the 14-week course. Many term employees have already gained considerable on-the-job experience that is repeated in the 14-week course. The revised course needs to be tailored to the participant's knowledge level.

There is no training course designed specifically for term employees.

5.72 Consistent training not provided. Term employees represent 12 percent of the work force. They are an important part of port operations because they assume the responsibilities of indeterminate staff who are on long-term leave. Yet there is no training course designed specifically for them. Instead, they often receive the same initial training as students.

None of the staff we interviewed had taken a course in vehicle examination.

5.73 Students are also essential to Customs operations. They help in processing higher volumes of traffic at the PIL during the summer months, and fill in for inspectors on vacation. Training is important because it informs students about the complex requirements of Customs and other government departments in processing travellers, and helps them identify non-compliance. Although headquarters has developed a three-week course for new students, local ports sometimes shorten it to two weeks. After classroom training, students are expected to "shadow" or work closely with a regular Customs inspector. We noted that the time spent shadowing has varied from one day to one week. Refresher training for returning students also varied, from none at all to two weeks. Because students lack experience but make critical decisions at the PIL, we are concerned that reduced training time

could pose an unnecessary risk for Customs.

5.74 Ongoing training is needed.

Given the nature of Customs operations and the changing environment for enforcement, ongoing training is essential to keep skills up-to-date. However, apart from the initial 14 weeks of induction training, many long-term staff we interviewed had not received refresher training in the functions Customs performs for other departments. For example, 60 percent of the staff had not received Immigration training. Yet under the MOU with Citizenship and Immigration, Customs inspectors assigned to processing travellers are to receive training to maintain and upgrade their skills at least every three years.

5.75 We also found that after induction training, only 18 percent of the long-term staff we interviewed had taken cultural sensitivity training to help them deal with travellers from other countries, while 44 percent had received training in Aboriginal and native issues. During a recent study of visible minorities, some participants said that Canada Customs treats them differently from Canadian residents who are not members of a visible minority. From analyses of complaints made to regions and headquarters, we also found that intimidation, rudeness and offensive behaviour by officers was the largest category of complaint.

5.76 In our 1991 Report we noted the need for a Customs course in traveller vehicle examinations. However, none of the staff we interviewed had attended such a course, even though this is a large part of the work at land border crossings.

5.77 Staff we interviewed also expressed a need for ongoing training in drug enforcement. Fewer than 50 percent of the long-term staff we interviewed had taken a course in this area, apart from their initial induction training. After our audit, Customs informed us that it is developing new drug training modules and has already piloted and implemented some

of them. Staff we interviewed also expressed concern about the lack of training in changes to the Integrated Customs Enforcement System. Such training would allow them to use the system to maximum benefit.

5.78 We also noted a 1996 ruling by the British Columbia Supreme Court on a case related to a commercial shipment of books. The Court found that Customs officers lacked the necessary training to carry out their duties with respect to pornography. In response, Customs instituted new procedures for dealing with such materials. It also provided staff with a series of written directives, and established experts in each region to assist officers in identifying pornography and to provide information and training.

5.79 Customs should ensure that:

- **the training needs of all employees are assessed on a regular basis, training plans are developed annually and appropriate training is provided in a timely manner;**
- **training for term and student employees takes into account their skills, experience and the job requirements; and**
- **training records are complete and are used to assess whether employees have received the training they need.**

Agency's response: At the national level, Customs will, within the next year, create a learning strategy for the program that will outline priorities and plans for training and learning in response to our current and emerging needs. We will update it annually.

Customs will evaluate the situation concerning training of term employees and students and will develop a framework for a nationally consistent approach.

Customs will continue to ensure that training records are complete and that

employees receive the training they need. A new component of the Corporate Administrative System (CAS) will be introduced on 1 April 2000 that will allow for the efficient planning and managing of training activities and for the accurate reporting at the local, regional and national levels.

Expediting Travellers — CANPASS (Highway)

5.80 Customs needs to protect Canada's borders, but it also needs to ensure that honest travellers can enter Canada as quickly as possible. One of the initiatives to accomplish this is the CANPASS (Highway) program. Although its concept is sound, we have concerns about the way CANPASS has been implemented, partly because the Customs operating environment has changed.

5.81 The CANPASS (Highway) program was first introduced at the Douglas, British Columbia border crossing in 1991 as a response to the major traffic volumes of cross-border shoppers at that time. The program allows qualified travellers to enter the country using designated express lanes, normally without being interviewed by a Customs inspector. Canadian and U.S. citizens and residents qualify for CANPASS if they do not have a criminal record and have not been found violating Customs or Immigration legislation. Also, Customs provides CANPASS members who are Canadian citizens and permanent residents with self-declaration cards for declaring purchases. Duties and taxes owing are then charged to the members' credit cards. With faster processing of these low-risk travellers, Customs and Immigration personnel should be able to focus on travellers who present a higher risk.

5.82 Since 1991, CANPASS (Highway) has been expanded to 10 other locations. The purpose of the expansion was to:

- expedite low-risk travellers;

Customs needs to protect Canada's borders, but it also needs to ensure that honest travellers can enter Canada as quickly as possible.

**The potential of
CANPASS (Highway)
remains unrealized.**

- free up resources and move them to higher-risk areas; and
- meet Canada’s commitments under the Canada/U.S. Accord on Our Shared Border.

Cost savings have not yet been achieved

5.83 The potential of CANPASS (Highway) remains unrealized, and the anticipated savings have not yet materialized. One of the original objectives of CANPASS was to free up resources that could then be reallocated to higher-risk areas. This would be accomplished by having an officer monitor more than one CANPASS lane. However, the current volume of CANPASS vehicles (as shown in Exhibit 5.3) is too low to warrant more than one designated lane, except at the Whirlpool Bridge in Niagara Falls. Moreover, in the year after the Whirlpool Bridge was designated a CANPASS-only border point, vehicle traffic there dropped by 63 percent from the previous year, due in part to CANPASS. We also note that two ports with CANPASS since 1995 no longer have separate CANPASS lanes because of insufficient use. As well, two other CANPASS locations do not have a separate CANPASS lane.

5.84 We identified a number of possible reasons for the lower than expected use of CANPASS (Highway):

- Many of the CANPASS ports have facility constraints that hamper access to the CANPASS lane. For example, the bridge and tunnel crossings in Fort Erie and Windsor have facility constraints that force CANPASS members to wait in line-ups with regular traffic. Much of the relative success at Douglas, the initial CANPASS site, is because the CANPASS lane is accessible.

- The cross-border shopping phenomenon peaked in 1991. Since then, the number of travellers entering Canada by highway has declined by 27 percent. Consequently, less congestion at most land border crossings has reduced the potential benefit of CANPASS to travellers.

- Some travellers may be reluctant to provide Customs with a credit card number and to undergo the mandatory security check, which involves screening for a criminal record and for Customs and Immigration violations.

- Some travellers may find the self-declaration card, shown in Exhibit 5.4, complicated and time-consuming to complete.

5.85 Further, decisions to expand the CANPASS (Highway) program were made without benefit of feasibility studies to provide essential information, such as the number of potential participants, a marketing strategy and anticipated reductions in waiting time at the PIL. A feasibility study could also have indicated the impact of facility constraints, the cost of the expansion and projected future savings.

5.86 Customs informs us that CANPASS (Highway) will be expanded to the Bluewater Bridge in Sarnia in the summer of 2000, as a harmonized pilot project with the United States. However, we note again that a feasibility study was not conducted before the decision was

Exhibit 5.3

CANPASS Vehicles Processed as a Percentage of Total Vehicles

CANPASS ports	1998–99
Douglas, B.C.	26%
Boundary Bay, B.C.	16%
Pacific Highway, B.C.	n/a
Huntingdon, B.C.	n/a
Lacolle, Que.	1%
Osoyoos, B.C.	n/a
Aldergrove, B.C.	n/a
Whirlpool Bridge, Ont.	95%
n/a – A separate CANPASS lane does not exist	

Source: Canada Customs and Revenue Agency

Traveller Declaration Paper Work

“APPENDIX A”

Ontario PST Exemptions - CANPASS Participants

Effective April 16, 1999

EXEMPTION	DESCRIPTION
*CHILDREN CLOTHING	Including headgear
CANES, WALKING STICKS	For disabled
COAL	Coke (coal), coal gas
CORRECTIVE EYEWEAR	On prescription only
DIAPERS	For adults and children
FISH	Except for ornamental fish
FOOTWEAR UNDER \$30.00	Including skates and ice skates
GOLD	Unwrought or semi-manufactured
ORTHOPEDIC APPLIANCES	With or without prescription
OXYGEN	On prescription only
PETROLEUM GASES	
SANITARY NAPKINS	
SILVER	Unwrought
TAMPONS	
TREES, CHRISTMAS	In December
TWINE	Binder
WIGS	For men
WOOD	For furniture

CANPASS / SDS
Tariff Guide

Categories and Commodities	Duty U.S.	Duty Other	GST (HST)*	PST
Category 1 Carpeting Life jackets and belts Skates (ice and roller) Sleeping bags Telephones (portable and cellular) Textile articles (bedding, linen, towels, curtains)	0%	20%	7% (15%)*	X
Category 2 Clothing Footwear	0%	20%	7% (15%)*	X
Category 3 Basic groceries (non-taxable) Bread Cakes and pies Other baked goods (pkgs. of 6 or more) Canned food goods Daily products (maximum \$20) including: - Butter - Cheese - Ice cream - Milk/Cream - Yogurt Eggs (maximum 2 dozen) Fish and seafood Fresh or frozen fruit and vegetables Fruit and vegetable juices (large containers) Meat fresh or frozen (maximum 20 kg) including: - Chicken (maximum 10 kg) - Turkey (1 whole or maximum 10 kg of parts) - Beef and other meats Medications (including vitamins) Pasta	0%	7%	0%	NA
Category 4	0%	8%	7% (15%)*	X

How to complete your Traveller Declaration Card (TDC)

Use black ink. Do not use green or lightblue ink. Do not use a ball-point pen.

1. Shade in an appropriate exemption circle only if you qualify for one of these exemptions. Please refer to your Participant's Guide for more information.
2. Shade one of the boxes provided to indicate whether the goods you are returning are U.S. or Canadian origin.
3. Shade one of the boxes provided to indicate where the goods were made, if they were made in a country other than the U.S. or Canada, shade the country's "alpha-3" code.
4. Select the categories for your goods by using the Tariff Guide.
5. Print the actual dollar value of your goods, in the space provided beside the appropriate category numbers.
6. Shade the boxes for each category you shaded to show the dollar value, rounded to the nearest \$5. Use the least number of circles possible. For example, if you are importing goods valued at \$346.25 for Category 1, shade the circles as shown.

Traveller Declaration Card

Example only

24 Hour 48 Hour 7 Day

The goods are valued in:
U.S. Dollars Other Dollars

The goods were made in:
U.S. Other

Category 1 \$5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100 105 110 115 120 125 130 135 140 145 150 155 160 165 170 175 180 185 190 195 200 205 210 215 220 225 230 235 240 245 250 255 260 265 270 275 280 285 290 295 300 305 310 315 320 325 330 335 340 345 350 355 360 365 370 375 380 385 390 395 400 405 410 415 420 425 430 435 440 445 450 455 460 465 470 475 480 485 490 495 500 505 510 515 520 525 530 535 540 545 550 555 560 565 570 575 580 585 590 595 600 605 610 615 620 625 630 635 640 645 650 655 660 665 670 675 680 685 690 695 700 705 710 715 720 725 730 735 740 745 750 755 760 765 770 775 780 785 790 795 800 805 810 815 820 825 830 835 840 845 850 855 860 865 870 875 880 885 890 895 900 905 910 915 920 925 930 935 940 945 950 955 960 965 970 975 980 985 990 995 1000

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CANPASS and PACE
Traveller Declaration Cards

*Children's Clothing

a) Boys - up to and for boys, sized s

b) Girls - up to and for girls, sized s

- Step 1:** The purchases must be categorized by country of fabrication (either U.S. or other).
- Step 2:** A separate Traveller Declaration Card must be completed for U.S.-sourced goods and those from other countries.
- Step 3:** Purchases must be categorized by type of product (according to the CANPASS Tariff Guide).
- Step 4:** The purchases must then be totalled by category of good.
- Step 5:** Actual dollar values and the rounded dollar value must be recorded for each category.
- Step 6:** The traveller must also determine which goods are provincial sales tax (PST)-exempt.
- Step 7:** Actual dollar values and the rounded dollar value of PST-exempt goods must be recorded.

Although it introduced CANPASS (Highway) in 1991, Customs did not establish performance targets until 1999.

made to expand the program to this site. Customs has stated that the Sarnia project will be evaluated jointly to determine the best possible approach to harmonization, and a planned expansion to 12 other sites depends on the outcome of that evaluation.

Lessons learned were not incorporated during expansion of CANPASS (Highway)

5.87 In 1991, we reported on special-lane and express-lane pilot projects at four ports in southern Ontario. We concluded, based on low usage of the lanes, that the projects were not successful due to lack of pre-planning and to facility constraints. Both the Agency's Internal Audit Services Division and the Customs evaluation unit have expressed similar concerns about CANPASS.

5.88 There are also lessons to be learned from the current CANPASS (Highway) operations. The low rate of use at the Pacific Highway border crossing was partly due to its proximity to the CANPASS port in Douglas. The planned expansion of CANPASS to a second port in Lacolle, Quebec, and to the Queenston-Lewiston Bridge near Niagara Falls, Ontario could face the same problem. Interestingly, a similar American program to facilitate travellers at the Windsor Tunnel was discontinued because of low use. One year later, Customs introduced CANPASS at that same location. After our audit, Customs informed us that CANPASS has been expanded not only on the basis of traffic volumes but also to provide equal client service at similar ports.

Lack of performance targets to determine success of the CANPASS (Highway) program

5.89 Although it introduced the CANPASS (Highway) program in 1991, Customs did not establish performance targets to judge its success until 1999. In the meantime, it had expanded CANPASS

to seven sites, with considerably less success than at the initial site. Customs expanded the program to another three sites in August 1999. Good performance information would have alerted it to the need to determine why travellers were reluctant to participate, and might have led to improvements in the program.

5.90 The 1998–99 target for CANPASS (Highway) use was 10 percent of traffic volume. It is not clear how Customs could measure performance against this target at the four ports that have no separate CANPASS lanes and no way of recording CANPASS use. Nevertheless, Customs' 1999–2000 Report on Plans and Priorities states that 10 percent of travellers entering Canada by highway in 1998–99 used CANPASS. We note that this applies only to ports where CANPASS service exists.

5.91 Customs should:

- **determine the future need for the CANPASS (Highway) program before expanding it any further; and**
- **develop meaningful performance indicators for any new initiatives at an early stage and use those indicators to measure the success of the initiatives before expanding them.**

Agency's response: As part of Customs activities under the Canada/U.S. Accord on Our Shared Border (ACCORD), a commitment has been made to develop a framework and conduct an evaluation of the Harmonized Highway Pilot with the assistance of an independent consultant. Future decisions for expansion of such CANPASS programs will be based on the findings of this evaluation.

Customs has had a process in place since 1998 to develop detailed performance indicators for new traveller initiatives that form part of the CANPASS project. Customs will continue to develop and refine meaningful performance indicators to determine achievement of project

objectives and to recommend program adjustments.

Measuring Performance

5.92 To ensure that it is not delaying travellers unnecessarily and is detecting non-compliant travellers, Customs needs to gather credible and reliable performance information from the ports where travellers are processed.

5.93 Customs uses two main methods to measure its performance — ongoing data collection at ports of entry and periodic evaluation by means of “stints”. A stint measures performance and is conducted periodically at Customs ports by a team of staff.

Customs has established a number of performance indicators

5.94 In 1997, we issued a report on the concepts behind good performance reporting (Chapter 11, Moving toward Managing for Results). At that time, we recognized the commitment of Customs’ senior management to the concept of performance measurement, and the value of the stint in measuring performance.

5.95 Customs has developed three performance indicators to measure its success in expediting compliant travellers: traveller wait time, client satisfaction and CANPASS use. To measure the effectiveness of its enforcement actions, Customs uses three other performance indicators — traveller compliance, examination rate and hit rate. While we recognize these efforts to develop performance indicators, including targets, we have some concerns about how Customs measures performance against them and subsequently analyzes the information.

Weaknesses in measurement

5.96 Aside from the problems we noted earlier in measuring the success of CANPASS (Highway), we noted other

weaknesses. One of the crucial performance indicators is “wait time”, or the amount of time that a traveller has to wait in line before the first contact with a Customs inspector at the PIL. Current wait-time targets are 20 minutes at all ports on weekends, and 10 minutes at land border ports on weekdays. Customs decided not to measure wait times for 1998–99 so it did not report national wait-time results for either air or highway travellers. As well, across the country it is phasing in a new method of measuring wait time.

5.97 Customs measures client satisfaction by conducting detailed surveys as part of the stint process. It reported client satisfaction at 92 percent for 1998–99. However, this result is based on only one of many questions in the survey. When travellers are asked about their overall satisfaction with Customs, satisfaction drops to 84 percent across Canada.

Important information not gathered

5.98 Customs carries out an important part of its work for other government departments. In 1998–99, it recorded about 1.9 million referrals to Immigration, 180,000 referrals to the CFIA, and 54,000 to other government departments. However, Customs does not capture information on the results of those referrals. Consequently, it does not have systematic performance information on how well it is carrying out this part of its responsibilities.

5.99 A key feature built into the PALS-Highway system is the random selection of vehicles for secondary examination as they come through the PIL. Although Customs recognizes that random sampling is an integral part of measuring performance, we noted that not all randomly selected vehicles are sent for secondary examination and no statistics are kept on this. Nor are the results of secondary examinations of random referrals analyzed to monitor compliance

Customs measures client satisfaction by conducting detailed surveys as part of the “stint” process.

Customs does not have systematic performance information on how well it is carrying out its responsibilities for other government departments.

levels or possibly identify new areas of risk. Information on results could also be used to compare the effectiveness of random referrals with referrals selected by Customs inspectors.

Better systems are needed to provide performance information

5.100 In our 1997 Report Chapter 31, we noted that Customs’ information systems were inadequate for monitoring performance, and this had an impact on efficient and effective use of resources. Our current audit found that this is still the case.

5.101 Customs collects several statistics on activities at the local port level. These statistics are entered monthly on a “G11” system. Compiling the information involves extensive manual tallying of source documents, daily statistics sheets and logbooks. This is time-consuming, and the results are highly susceptible to errors in counting and recording. Information that is available in

computerized format is not rolled up monthly by the systems, so it has to be done manually.

5.102 Our audit also found that the G11 system cannot be closed off, thus permitting changes after year-end without providing an audit trail. We noted that plans to replace the G11 system with a new system called MIDAS (Management Information Decision Assist System) have been delayed for a number of years. Current plans are to implement MIDAS by 2004.

5.103 The number of stints dropped from 56 in 1996–97 to 12 in 1998–99 (see Exhibit 5.5). As already noted, no stints were conducted at airports in 1998–99. Customs plans 17 stints in 1999–2000, but none in the Atlantic region. When performance is measured at only a few Customs ports, we question whether the results apply nation-wide.

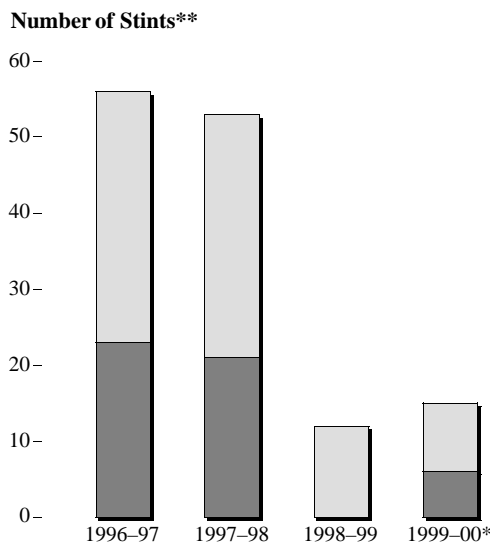
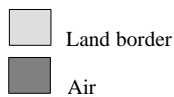
5.104 Customs should:

- **improve the way it measures and reports client satisfaction;**
- **gather and analyze performance information on the responsibilities it carries out on behalf of other government departments;**
- **make better use of the random selections built into its system and monitor and analyze the results; and**
- **improve the systems it uses to gather and report performance information, in order to improve efficiency and the integrity of the data.**

Agency’s response: Customs has initiated the Performance Management Project to improve results-based performance reporting across the programs. As part of this initiative, Customs will actively pursue improvements to the way it measures and reports on client satisfaction. We will ensure that this is done in conjunction with the balanced scorecard methodology adopted by the Agency.

Exhibit 5.5

Stints (1996–1997 to 1999–2000)



* 1999–2000 projected stints

** A stint measures performance and is conducted periodically at Customs ports by a team of staff.

Source: Canada Customs and Revenue Agency

Customs will continue to make efforts to improve the presentation and analysis of information required for evaluating programs it carries out on behalf of other government departments.

Customs will explore ways of using the random selections that are built into our current systems to measure compliance and conduct detailed analysis of the results.

Customs is currently working to enhance its current information systems and will explore opportunities to develop new ones that will improve the efficiency and integrity of program volumetrics and performance measurement data.

Reporting on performance

5.105 Under its governing legislation, the Agency is required to establish performance indicators and report on its performance toward its objectives and expected results. Many stakeholders — such as Parliament, the travelling public, other government departments and the airlines — have an interest in this information. Customs needs to consult with them in developing its performance indicators. It is important that Customs correct the deficiencies we have noted in measuring and analyzing the results, so it can be in a better position to report on performance as required by its Act.

Conclusion

5.106 Customs is not a new business — it has been protecting Canada's borders and facilitating trade and tourism for over a century. However, the environment in which it works is undergoing rapid changes, and Customs is trying to keep pace. Dealing with travellers coming into

Canada by the various ports of entry involves integrating facilitation and enforcement. Customs must ensure that it does not become a roadblock to legitimate tourism and trade activity; at the same time, it must protect the country against inadmissible travellers and contraband. An overall compliance strategy and a risk management approach are keys to accomplishing this.

5.107 We found that Customs has established means to manage the risk of non-compliance by travellers at the time they enter into Canada. However, significant improvements are needed. Customs does not have a comprehensive compliance strategy to articulate how it both promotes and enforces compliance of travellers entering Canada. Customs has produced risk assessments for its own operations. However, the assessments are incomplete. While Customs consults with other government departments on specific issues and projects, it needs to work more diligently to obtain information from other government departments on the risks arising from the responsibilities it undertakes on their behalf. It needs to include those risks in its national risk assessment. Further, Customs does not have current memoranda of understanding with other government departments on their respective roles and responsibilities. To help its inspection officers make correct decisions in the short time available to them, Customs provides information, systems and training. However, the information is not shared consistently, the systems need improvement and training is uneven. In addition, Customs has established performance indicators, but does not measure and analyze the results of certain referrals or gather performance information efficiently.



About the Audit

Objectives

The objective of the audit was to assess whether Customs has adequate procedures and policies to manage the risk of non-compliance by travellers at the time of their entry into Canada..

Scope

In carrying out the audit we focussed on the following areas:

- whether Customs has established and implemented an overall compliance strategy for its travellers operations.
- the work Customs does with other government departments in carrying out responsibilities on their behalf.
- whether Customs provides its staff with adequate information, tools and training to do their job.
- whether Customs is appropriately measuring the results of operations and reporting performance.

Our examination was conducted in Customs' headquarters in Ottawa and at various regional offices, airports and land border ports of entry across Canada that are involved with the travellers program. The audit excluded a review of operations at marine and rail ports of entry. Our work included interviewing employees, reviewing relevant processes and documents, and observing operations at ports of entry. To determine the extent to which Customs training meets the needs of staff, we interviewed staff at all levels and reviewed training records at each of the ports we visited. Also, we interviewed staff in several other government departments at head office and at various regional and local offices.

On 1 November 1999, Revenue Canada became the Canada Customs and Revenue Agency (the Agency). In this chapter all references to the Agency include the Agency and its predecessor, Revenue Canada.

Criteria:

We expected that:

- Customs would have risk assessment and targeting processes that effectively differentiate between low-risk and high-risk travellers;
- Customs would appropriately plan and implement its new initiatives in alternative ways to process travellers and monitor results, thus ensuring that it is reaching its goals;
- Customs would have appropriate and complete performance indicators for its traveller processing to provide the information needed to measure the extent to which it is managing risk;
- Customs would have mechanisms and processes in place to ensure that it is appropriately managing risks arising from the responsibilities it carries out on behalf of other government departments; and
- Customs would ensure that management and staff are able to acquire and maintain the knowledge and skills needed to fulfil their role in risk management.

Audit Team

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