2007

A Status Report

of the
Auditor General of Canada
to the House of Commons

FEBRUARY

Chapter 5
Passport Services—Passport Canada

The February 2007 Status Report of the Auditor General of Canada comprises a Message from the Auditor General, Main Points—Chapters 1 to 7, an Appendix, and seven chapters. The main table of contents for the Report is found at the end of this publication.

Chapter

5

Passport Services
Passport Canada

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by the Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

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Passport Services
Passport Canada

Main Points

Passport Canada (formerly the Passport Office) is responsible for enforcing the Canadian Passport Order, which specifies who is entitled to a Canadian passport and what conditions must be met. We examined Passport Canada's progress in addressing our audit recommendations from April 2005, when we reported that it was struggling to meet heightened expectations for security and growing demands for service. In this follow-up audit, we assessed the measures that Passport Canada has taken in these areas since our previous audit.

Why it's important

Confidence in the passport (that the bearer is who he says he is) is critical to trade, the economy, and travel across borders. Passport Canada is responsible for issuing Canadian passports to eligible Canadian citizens and for revoking Canadian passports when entitlement has been compromised. In 2005–06 it issued an unprecedented volume of passports (over three million), as the proportion of Canadians holding a passport approached 40 percent.

What we found

- Overall, Passport Canada has made satisfactory progress toward addressing our recommendations in the relatively short interval since our 2005 audit. However, much work is left to do in order to resolve weaknesses that remain in the critical areas of security and verification of identity.

- Examiners now have appropriate tools and training to determine whether identity documents are authentic. Almost all key employees with access to critical assets had been cleared to the Secret level. But controls over access to the system are still weak. This means that people not authorized to issue passports could trigger the issuance process. Further, Passport Canada has not yet carried out a detailed assessment of security risk. Nor does its recently developed quality assurance program address a key area—how examiners arrive at the decision to grant a passport.

- Missions now print only emergency travel documents, and temporary passports with security features similar to those on passports printed in Canada. Related training has been developed for consular staff, based on domestic training material.

• Passport Canada has received good cooperation from Correctional Service Canada and the RCMP, which have information it needs to determine passport entitlement. It has significantly enlarged its "watch list" for names of people on parole or incarcerated, information it has used to refuse applications or investigate them further. However, it still has problems to resolve before it can process information from the Canadian Police Information Centre (CPIC) database that would allow it to check for those charged with serious crimes.

• Passport Canada relies on provincial and territorial registries and on Citizenship and Immigration Canada (CIC) for data to verify birth and citizenship information on passport applications. It is currently accessing this data instantaneously through electronic links as part of a complex project with two provinces and two federal partners. However, Passport Canada has not yet established necessary links to identity information with the other provinces and CIC. Efforts to do so continue.

• Passport Canada established a Project Management Bureau that brought appropriate discipline to the way improvement projects are managed. However, the large number and complex nature of the projects represent a challenge for an organization of Passport Canada's size, and there is a risk that a significant delay in any project could seriously impair Passport Canada's plans and operations.

Passport Canada has responded. Passport Canada has agreed with our recommendation and has indicated how it will address it.

Introduction

Special operating agency—An agency within a government department that has greater management flexibility in return for certain levels of performance and results.

5.1 Passport Canada is a **special operating agency** reporting to Foreign Affairs and International Trade Canada. It finances its operations from the user fees it collects. In 2005–06, Passport Canada

- issued about 3 million passports,
- collected revenues of $196 million that financed its operations,
- collected $63 million in consular fees that were deposited to the government's Consolidated Revenue Fund, and
- reported a net loss of $3 million.

Canadian Passport Order—An authority, approved by the Governor in Council, that specifies who is entitled to a Canadian passport and the various conditions for issuing, refusing, or revoking passports.

Certificate of identity—A document that is issued to persons legally landed in Canada for less than three years who are stateless or who are unable to obtain a national passport for a valid reason.

5.2 Passport Canada is responsible for enforcing the **Canadian Passport Order** when issuing travel documents such as passports and **certificates of identity**. Issuing the 24-page blue passport makes up over 98 percent of its business.

What we found in 2005

5.3 In our April 2005 Report, Chapter 3, we reported that the Passport Office (now Passport Canada and referred to as such throughout this chapter) was struggling to meet expectations for better security and increased demands for service.

5.4 The process of deciding who is entitled to a passport needed significant improvements. Passport Canada was unable to effectively carry out all its responsibilities under the Canadian Passport Order. We found weaknesses in

- monitoring of the quality of examiner decisions on who was entitled to a passport,
- risk assessment,
- security clearances for examiners,
- review and documentation of the information supplied by guarantors,
- control of access to the passport issuing system,
- the completeness and accuracy of Passport Canada's watch list, and
- the way investigations were managed.

5.5 As well, quality assurance and control measures for Passport Canada's process to determine passport entitlement were lacking.

Examiners did not have the proper tools to carry out their responsibilities efficiently, and consular officers issuing passports at missions abroad needed more thorough training. In addition, passports issued abroad were produced in less secure passport booklets.

5.6   Passport Canada had established, achieved, and published certain service standards for clients. However, it had not reported its performance on certain major service standards or its performance information about security issues.

5.7   Passport Canada did not have management systems and practices in place, including an integrated plan for human resources that would prepare it to meet future challenges effectively. Its management systems needed enhancement to help it

- set priorities for its many improvement projects according to approved criteria;

- integrate planning of new offices (location, building, or employees) into its strategic framework; and

- consider the impact of all improvement projects on one other.

5.8   Passport Canada and Foreign Affairs and International Trade Canada did not apply the regulations for ongoing consultation on service standards and how they relate to passport and consular fees. Passport Canada was not ready to carry out the new legislation on user fees because it lacked reliable information on the true cost of services.

Events since 2005

5.9   In the fall of 2005, Passport Canada representatives appeared before the House of Commons Standing Committee on Public Accounts to answer questions on our audit report and to present a comprehensive action plan for dealing with our recommendations. In May 2006, the committee tabled a report to Parliament on the hearing that included additional recommendations. The government responded to the committee's report in August 2006, toward the end of the examination phase of our follow-up audit. The committee's recommendations and our comments on the government's response to those recommendations are in Appendix A.

5.10   Since our 2005 audit, Passport Canada has embarked on an ambitious program of renewal. It has made some key organizational changes and undertaken major projects that will have a significant impact on the way it conducts business.

5.11 The approval of Passport Canada's budgetary plans was delayed by the election of a new federal government. Further, in July 2006, the Agency's Chief Executive Officer who had championed many of the changes and actions stemming from our recommendations was transferred to Foreign Affairs and International Trade Canada. Despite disruptions caused by these events, Passport Canada management expressed its continued commitment to implementing its action plan.

5.12 During 2005–06, Passport Canada processed an unprecedented 3 million passports. In comparison, it processed about 2.7 million passports in 2004–05 and 1.7 million in 2001–02. Passport Canada forecasts growth to 3.8 million passports by 2008–09. Nearly 40 percent of Canadians now hold a passport.

5.13 At the time of our 2005 audit, Passport Canada served Canadians through 30 offices across the country and 49 selected Canada Post Corporation outlets. Currently, there are 33 offices and over 90 Canada Post and Service Canada outlets. Consular staff continue to serve Canadians at missions abroad. However, all regular passports are now printed in Canada.

Focus of the audit

5.14 This follow-up audit examined the actions that Passport Canada took to address the findings and recommendations in our 2005 Report. We assessed its progress in carrying out each recommendation as either satisfactory or unsatisfactory, taking into consideration the complexity of each one, Passport Canada's dependence on partners, and the relatively short time elapsed. We focused on four main areas:

- security and identity verification,
- service to the public,
- management of improvement projects, and
- establishment of passport fees.

5.15 More details on the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

Observations and Recommendations

5.16 We expected that Passport Canada would have made significant progress in applying the recommendations in our April 2005 Report, Chapter 3. Overall, we found progress to be satisfactory, but there is much left to do. The Agency continues to face significant challenges in its attempts to balance security, service, and cost. Some of our 2005 recommendations called for longer-term action that we did not expect to be fully operational yet.

Verifying security and identity

Security risk has not been assessed

5.17 In 2005, we recommended that Foreign Affairs and International Trade Canada and Passport Canada

- conduct a detailed assessment of the risk related to passport examination and security functions;

- identify important gaps in the way the Agency fulfills its mandate under the Canadian Passport Order, and

- take appropriate action (Exhibit 5.1).

5.18 We believe this assessment is essential to identifying Passport Canada's priorities on passport examination and security issues.

5.19 Although Foreign Affairs and International Trade Canada and Passport Canada conducted a joint study on how passports are issued abroad, management at Passport Canada advised us that the more comprehensive assessment covering domestic operations was still being done at the end of our audit.

The recommendations of our April 2005 Report have been paraphrased throughout this chapter to enhance readability and to reflect name changes of the responsible organizations.

Exhibit 5.1 Progress on conducting a comprehensive risk assessment is unsatisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should conduct a detailed security risk assessment of the passport examination and security functions, identify important gaps in the fulfillment of its mandate under the Canadian Passport Order, and take appropriate action. (paragraph 3.58)	○

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

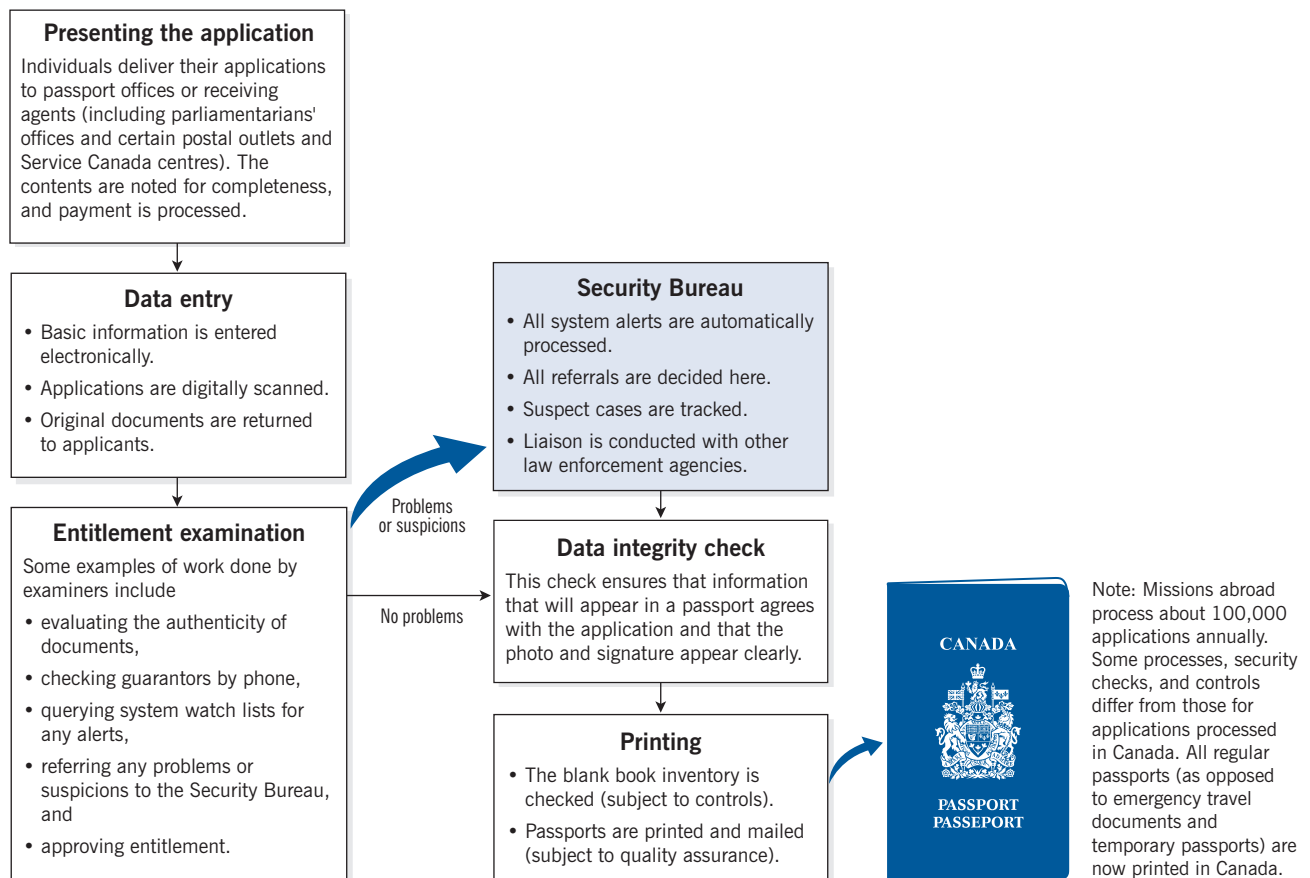○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

5.20   In our recommendation, we included examples of issues that the risk assessment should address. Those issues were identified because of weaknesses we observed during our audit. Passport Canada's action on those issues and our audit observations are described in the following sections.

Security clearance levels of Passport Canada employees are being reviewed and updated

5.21   Examiners are the key officers in the passport entitlement and issuance process (Exhibit 5.2). Examiners scrutinize each application and assess whether applicants are who they say they are and, if so, whether they are eligible for a passport under the Canadian Passport Order.

Exhibit 5.2 Passport entitlement and issuance process

Presenting the application

Individuals deliver their applications to passport offices or receiving agents (including parliamentarians' offices and certain postal outlets and Service Canada centres). The contents are noted for completeness, and payment is processed.

Data entry

- Basic information is entered electronically.
- Applications are digitally scanned.
- Original documents are returned to applicants.

Entitlement examination

Some examples of work done by examiners include
- evaluating the authenticity of documents,
- checking guarantors by phone,
- querying system watch lists for any alerts,
- referring any problems or suspicions to the Security Bureau, and
- approving entitlement.

Problems or suspicions

No problems

Security Bureau

- All system alerts are automatically processed.
- All referrals are decided here.
- Suspect cases are tracked.
- Liaison is conducted with other law enforcement agencies.

Data integrity check

This check ensures that information that will appear in a passport agrees with the application and that the photo and signature appear clearly.

Printing

- The blank book inventory is checked (subject to controls).
- Passports are printed and mailed (subject to quality assurance).

CANADA

PASSPORT
PASSEPORT

Note: Missions abroad process about 100,000 applications annually. Some processes, security checks, and controls differ from those for applications processed in Canada. All regular passports (as opposed to emergency travel documents and temporary passports) are now printed in Canada.

5.22 In 2005, we reviewed employee records to determine whether examiners had the level of security clearance required by the Government Security Policy (Exhibit 5.3). We found that most examiners had clearance at the "enhanced reliability" level. Some of these examiners were involved in all steps in issuing passports (full-job concept), from processing application documents to printing passport booklets using sensitive material and equipment. These examiners in full-job concept roles should have had the next level of clearance—the "secret" level. We expressed concern about this situation and that it was contrary to government policy. Ensuring that all staff are cleared to the appropriate security level is important to protect passport integrity.

5.23 Passport Canada uses Treasury Board policy as its standard for security levels. As a result of our 2005 audit, Passport Canada accelerated its planned review of clearance levels for all categories of employees.

5.24 At the time of our follow-up audit, almost all examiners with access to critical assets, according to the Government Security Policy, had been cleared to the secret level. In addition, almost all employees working in printing centres who may handle blank booklets and IT staff who have access to the system that issues passports had also obtained their secret clearance. Pending completion of clearing all employees whose jobs require access to critical assets, local offices had taken steps aimed at allowing only those with secret security clearances and related job responsibilities access to critical assets.

Exhibit 5.3 Progress on clearance levels is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should address examiners' security clearances. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Measures are being developed to ensure the quality of entitlement decisions

5.25 In 2005, we found that Passport Canada lacked a quality assurance system to support an examiner's decision on whether an applicant is entitled to a passport and whether that decision was made according to procedure (Exhibit 5.4).

5.26 Following our recommendation, Passport Canada developed a quality assurance program that it implemented in July 2006. Unfortunately, the program did not address the key issue of entitlement decisions. To accurately verify the information in passports and to assess how closely it was examined, the information entered into Passport Canada's system should be compared with the original application and original identity document such as the birth certificate or citizenship card. The original application is examined at the passport office counter and the original identity document is promptly returned. The new program assesses the accuracy of an applicant's information only after the documents are examined, the data entered into the system, and the applicant is no longer available for questioning. The program does not clearly specify a formal procedure for examining the original identity documents or how the decision to grant a passport is made.

5.27 At certain passport offices, we noted local quality assurance processes that compare the accuracy of input data and the printed passport. Those processes also do not assess how the critical decision on entitlement is made.

5.28 Passport Canada advised us that it continues to work on its quality assurance program and that the target date for full implementation is before 2008.

Exhibit 5.4 Progress on controls for entitlement is unsatisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	Progress
Passport Canada should introduce quality assurance and control measures for its key entitlement operations to ensure that the Agency conducts proper internal checks on initial decisions and properly controls access to critical assets. (paragraph 3.58)	○

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Examiners have received key tools for examining documents

5.29 In our 2005 audit, we found that examiners rarely used tools such as ultraviolet lights or magnifying glasses to examine the authenticity of identification documents because those tools were either not available or not readily accessible (Exhibit 5.5).

5.30 Following our audit, Passport Canada made these tools and related reference materials readily accessible to all examiners. Further, the Agency organized training on document authentication from the Royal Canadian Mounted Police (RCMP). The RCMP trained selected staff at Passport Canada headquarters who, in turn, trained their colleagues in the regions.

Exhibit 5.5 Progress on giving examiners tools is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	Progress
Passport Canada should provide examiners with the proper tools to discharge their responsibilities. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Targets for guarantor checks are now being met

5.31 Guarantors are either members of certain professional associations or individuals with certain accreditations who confirm the identity of an applicant by signing a declaration and a photograph of the applicant. Each guarantor must have known the individual for at least two years. Applicants who do not know an eligible guarantor must have their applications notarized. The signature of a guarantor is one of the main controls used to ensure that an applicant's identity is authentic.

5.32 In 2005, we found that guarantor checks (validating guarantors' credentials and information provided by them) were not being performed and documented according to Passport Canada's policy (Exhibit 5.6). One reason given, for one category of applications that we sampled, was that this requirement was misunderstood. We also found that the Agency could not demonstrate that it had met its objective of performing guarantor checks for a significant percentage of applications.

5.33 The Agency issued a job aid in February 2005 that described scenarios where a guarantor check is mandatory and set a target percentage of applications for which guarantor checks should be performed.

5.34 We examined a sample of applications from several categories of applications for which guarantor checks are mandatory, according to the job aid. We found that for a small number of applications in each mandatory category, Passport Canada was still not performing and documenting the checks as required. The Agency is tracking statistics on checks on a monthly basis. Those statistics show that all regional operations were generally achieving the target as of July 2006.

Exhibit 5.6 Progress on guarantor checks is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should address the conduct and recording of guarantor checks. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Confirming vital statistics remains difficult for examiners

5.35 Confirming the data that is critical in establishing Canadian citizenship, such as data on a birth or citizenship certificate, can be a long process. It takes contact and cooperation with Citizenship and Immigration Canada (CIC) or the relevant provincial registry, on a case-by-case basis. Establishing direct electronic links to provincial registries and CIC would allow examiners to confirm that data immediately and automatically, and it would help Passport Canada authenticate these documents. It would also allow the Agency to check fraudulent documents against reported deaths.

5.36 Passport Canada has not yet been able to establish the links it needs to assure the integrity of basic identification data, but the Agency continues to work with federal and provincial partners to this end (Exhibit 5.7). The Agency has been promoting the National Routing System (NRS). In the pilot phase, electronic links were established between Passport Canada, two federal partners (Statistics Canada and the Canada Revenue Agency), and two provinces. Several provinces and federal organizations participated as observers. The pilot

phase officially ended in March 2006. That project involved Passport Canada employees at headquarters checking some vital statistics electronically with the Alberta and British Columbia vital statistics organizations after examination was completed by employees at local offices. This practice was being continued with those two provinces.

5.37 Citizenship and Immigration Canada and the other provinces did not participate in the pilot project. In 2005, CIC advised Passport Canada that it could not participate beyond the role of an observer at that time, partly due to its new Global Case Management System being under development. CIC began analyzing a number of electronic link options in the summer of 2006. Both Passport Canada and CIC advised us after the examination phase of this audit that discussions on electronic link options have intensified. However, no option has been decided on and no target dates have been set.

5.38 Although the National Routing System project is an important initiative for establishing information-sharing platforms, it is a complex project and may not be retained as the preferred option. There is a lot left to do. Without timely cooperation among CIC, all the provinces and territories, and Passport Canada, examiners will continue to have difficulty confirming vital statistics.

Exhibit 5.7 Progress on efforts to establish links to other databases is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should work toward establishing electronic links with Citizenship and Immigration Canada and the provinces that could automatically validate the identity data on an application. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Controlling access to the system that issues passports remains weak

5.39 In 2005, we found that the access granted to the employees who operate the automated system that issues passports was poorly controlled (Exhibit 5.8). According to accepted IT security practice, we expected those individuals to have a unique user ID with a system profile that allows them to perform only the tasks for which they are authorized. Instead, we found duplicate, system, and generic user IDs.

We also found certain profiles with powerful rights and functions that could allow the holder to produce a passport without further checks. We anticipated that Passport Canada would have resolved these problems by the time of our follow-up audit.

5.40 Passport Canada undertook a process to clean up user IDs. The process was ineffective. We found that duplicate, system, and generic user IDs still exist. Some individuals who are not examiners still have the critical access rights or profile that allow them to trigger the production of a passport without authorization and independent verification.

5.41 The Agency also launched a monthly sampling procedure to confirm the validity and necessity of an employee's access. This procedure was also ineffective because the way that it was being conducted could not enable the detection of fake user IDs.

Exhibit 5.8 Progress on controlling access to the system that issues passports is unsatisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should address system profiles. (paragraph 3.58)	○

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Enforcing certain provisions of the Canadian Passport Order continues to be a challenge

5.42 Section 9 of the Canadian Passport Order lists the criteria under which the Agency may refuse to issue a passport to an applicant. Such individuals may have been charged with an indictable offence, imprisoned or forbidden to leave Canada, or convicted of an offence under Section 57 of the *Criminal Code*. Section 10 lists similar reasons for which a passport might be revoked.

5.43 Before approving an application, examiners check all applicants against the watch list from Passport Canada's information system. This automatic check is the main security control in the approval process.

5.44 In 2005, we reported that with the information available, Passport Canada could not properly enforce certain provisions of sections 9 and 10 of the Canadian Passport Order (Exhibit 5.9).

5.45 In 2005, Passport Canada had about 73,000 entries on its watch list. The list was created using information from a variety of sources (mostly on an informal basis) without automated data sharing. We acknowledged Passport Canada's dependence on other government departments and agencies for compiling this information. However, we highlighted that government departments and agencies maintain several databases that the Agency could access to make its watch list more complete. We cited the Canadian Police Information Centre (CPIC) database, which lists individuals wanted or on probation, as an example. We commented on the large discrepancy between the number of individuals on the CPIC database and the number on Passport Canada's watch list. Passport Canada had access to the database through a terminal at its headquarters, but the information had to be queried manually.

5.46 Passport Canada has made significant progress on a number of fronts to improve its watch list, but there remain a number of issues that Passport Canada must address to ensure that examiners can effectively enforce sections 9 and 10 of the Canadian Passport Order.

5.47 Since our 2005 Report, Passport Canada has signed two key memoranda of understanding with Correctional Service Canada (CSC) and the RCMP that include provisions for sharing information. Passport Canada also made administrative arrangements with Citizenship and Immigration Canada and the Canada Border Services Agency for some watch list information.

5.48 At the end of February 2006, Passport Canada and CSC started sharing information about federal offenders in prison or on parole. This automated exchange of information increased the number of entries on the watch list by about 23,000. As a result of this initiative and other initiatives, Passport Canada's watch list held about 147,000 entries by the end of March 2006. The Agency uses this information to assess new applicants. Using the new information on the watch list provided by CSC, Passport Canada was preparing 34 refusal letters to passport applicants at the end of July 2006. At the time of our audit, it was still evaluating the hundreds of potential matches generated by the first set of imported data and was considering revoking several hundred passports. However, the lack of dedicated staff available to conduct this task was slowing its efforts in enforcing sections 9 and 10 of the Canadian Passport Order.

5.49 By July 2006, Passport Canada had also tested automated data sharing with CPIC. A pilot project resulted in a number of cases that required investigation. After a preliminary assessment, the Agency

concluded that without a number of technological and other refinements to its evaluation of the data, it would need to greatly increase the number of specially trained investigators to follow up on cases identified through CPIC. The main reason was the estimated time to identify the pertinent records and evaluate the non-standardized information input into the database by all law enforcement agencies. Following this preliminary assessment, Passport Canada decided that it would identify more specifically what it needed to use data from CPIC, and it would develop a more precise definition of "criminality" for its watch list. This work is in the preliminary stages, and the Agency plans to complete it by the end of the 2006–07 fiscal year. Until Passport Canada finds ways to effectively get and use data related to criminality, it cannot effectively enforce sections 9 and 10 of the Canadian Passport Order.

Exhibit 5.9 **Progress on improving the watch list and sharing information is satisfactory**

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should address the completeness and accuracy of its watch list and methods used to share data with other federal and provincial agencies. (paragraph 3.58)	●
Passport Canada should work with Citizenship and Immigration Canada, the RCMP, and the Canada Border Services Agency to develop memoranda of understanding for the sharing of information vital to the enforcement of the Canadian Passport Order. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Addressing weaknesses in investigating sensitive cases is a longer-term project

5.50   The Security Bureau of Passport Canada collects information and conducts investigations on any security concerns, including potential matches against Passport Canada's watch list. At the time of our 2005 audit, the Bureau kept some manual records of its investigative activity, but those records did not allow the Agency to assess the outstanding workload, the rate at which investigations were concluded, or personnel requirements. We saw opportunities for more effective collaboration between Passport Canada and the RCMP (Exhibit 5.10).

5.51 Passport Canada signed a memorandum of understanding with the RCMP in December 2005 that calls for it to refer four specific types of cases to the RCMP for investigation and, where appropriate, prosecution.

5.52 The investigative unit within the Security Bureau implemented a database that tracks its operational activities. This database is an interim solution until a comprehensive case management system can be adopted. The case management system should allow the Security Bureau to

- better manage risk of passport fraud (for example, looking for patterns or focusing on higher-risk cases);
- better focus and prioritize investigations of security-related cases;
- better analyze, manage, and report on security-related activities and intelligence; and
- improve the general administration of the security program.

5.53 Passport Canada anticipates that this system will be ready by May 2008.

Exhibit 5.10 Progress on managing investigations is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	Progress
Passport Canada should address the management of investigations. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Risks associated with consular staff issuing passports at missions abroad are being addressed

5.54 We reported in 2005 that Passport Canada relies on Foreign Affairs and International Trade Canada consular staff to examine documents, approve applicants, and print and issue over 100,000 passports abroad each year.

5.55 We noted two key differences between mission and domestic passport services that posed an increased security risk:

- Consular staff did not consistently receive the same formal training or have qualifications equivalent to those of domestic examiners (Exhibit 5.11).

- The missions printed passports using older technologies and older passport booklets with weaker security features.

5.56 Passport Canada responded by returning the printing of passports to Canada in 2006. The majority of passports are now being printed in Canadian printing centres using the latest booklets and printing technologies available to the Agency. Missions now only print temporary passports and emergency travel documents. Temporary passports processed at missions are now printed on booklets with security features similar to those on regular passport booklets printed in Canada. From the end of January 2006 to the end of June 2006, the Foreign Affairs and International Affairs consular staff processed about 48,000 passport applications. Of those, missions printed about 2,000 temporary passports and emergency travel documents, or less than five percent of processed applications.

5.57 Passport Canada developed a training program for consular staff based on domestic training material. By June 2006, the program was being tested at a few missions. The Agency also established a new Foreign Operations Division within the Security Bureau to act as the primary liaison with clients, such as missions and Foreign Affairs and International Trade Canada headquarters, on all passport-related activities involving Canadian applicants abroad.

Exhibit 5.11 Progress on training consular staff is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	Progress
Passport Canada should provide more thorough examiner training for consular officers. (paragraph 3.58)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Serving the public

5.58 In our 2005 audit, we examined how Passport Canada developed and reported on standards, costing, and contingency planning for crises. We examined these activities against the Treasury Board's requirements and the Treasury Board-approved document from 1990 (when Passport Canada was established as a special operating agency) that outlined the Agency's accountability for its performance.

5.59 We reported weaknesses that included insufficient reporting on Passport Canada's security and corporate support activities (for example, information technology and human resources), inconsistent reporting on the quality of phone communications with clients, and little contingency planning for crises. We recommended that Passport Canada develop and report on additional service standards (Exhibit 5.12); develop risk management practices and short-term plans to deal with extreme fluctuations in demand for service; and examine how it delivers service to the public, influences demand, improves cost-effectiveness, and enhances security measures (Exhibit 5.13).

New measures for reporting on performance are ready, and additional standards are being developed

5.60 We examined Passport Canada's 2005–06 Annual Report. It covers performance on new standards of service for call centres (verbal communication with applicants) and correspondence (written communication with applicants).

5.61 Passport Canada is developing a new "balanced scorecard" structure for measuring performance, including measures for verifying identity and assessing security activities. Future annual reports should report on some of these measures.

Exhibit 5.12 Progress on reporting standards of service is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should develop and report on additional service standards, including information services such as email, other correspondence, and telephone, and track and control related costs. (paragraph 3.75)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Projects dealing with extreme fluctuations in demand are under way

5.62 The Agency has been using a new forecasting model over the past year that has been accurate to within five percent nationally. There are greater variances by region and by local office. An accurate forecast is important because it is used to determine the level of resources allocated to each local office. Large variances between the forecast and actual demand can affect the level of service to the public.

5.63 To assess Passport Canada's contingency plans for dealing with extreme fluctuations in demand, we used the United States Western Hemisphere Travel Initiative (WHTI) as an example, since it was at the forefront of US/Canada border issues in 2005. At the time of our audit, the WHTI legislation required Canadians to carry a valid passport when crossing into the US by air, beginning in 2007.

5.64 During our visits to local offices, we asked about their plans to deal with the potential increase in demand triggered by the WHTI. Although Passport Canada's corporate forecasting model takes into account the potential impact of WHTI on a national and local basis, most local offices did not have formal contingency plans. It was not clear whether they would be able to deal satisfactorily with a sudden, significant rise in the number of applicants.

5.65 Some local offices have used innovative approaches to try to influence demand. For example, several offices in the western region publish wait times for the day, average wait times by weekday, and average wait times by month on the Internet. This information can help applicants decide on the best time to come to the office in person, even out the workload for the office, and help maintain standards of service for wait times. Such initiatives help Passport Canada deal more effectively with demand. The Agency continues to address its readiness to deal with sudden fluctuations, and it is working on a national project to distribute the workload among offices.

5.66 Passport Canada is also working on a process to deal with renewal of passports. It is intended to be a more simplified and convenient process for qualified applicants and to increase efficiency. Passport Canada invited selected passport holders to participate, and it is assessing the results to potentially extend the opportunity to all passport holders. The Agency intends to focus resources on higher-risk cases while facilitating service for low-risk cases.

Exhibit 5.13 Progress on handling fluctuations in demand and examining service to the public is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should develop risk management practices and short-term plans to deal with extreme fluctuations in demand for service. (paragraph 3.75)	●
Passport Canada should examine its service delivery methods with a view to influencing demand while improving cost-effectiveness and enhancing security measures. (paragraph 3.75)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Managing improvement projects

5.67 In 2005, we recognized that Passport Canada faced considerable challenges in balancing adequate service at a reasonable cost against the demands of addressing security and verifying identity. The Agency was undertaking a number of large projects that would affect the way it conducts business. The majority of these projects will require years to complete and may require more funding than Passport Canada can collect from user fees. We examined the impact that the management of these projects would have on Passport Canada's readiness to balance service, cost, security, and identification issues (Exhibit 5.14).

5.68 We reported that management had not prioritized these projects, had no formal criteria for ranking or sequencing, and had not fully analyzed the impact of concurrent improvement projects on one other. The Agency had no long-term, consolidated human resources plan to address the impact of projects on the jobs of its employees. In our view, Passport Canada did not have adequate management systems and practices in place to meet future challenges.

5.69 We recommended that Passport Canada develop an integrated human resource plan without delay (Exhibit 5.15). We also recommended that its management systems be improved to

- set priorities for its many projects by ranking them according to approved criteria;

- integrate planning of new offices (location, building, and employees) into its strategic framework; and

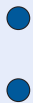- assess the impact of improvement projects on one another.

Significant steps have been taken to better manage key strategic projects

5.70   Passport Canada's primary response to our recommendation was to establish a Project Management Bureau that brought satisfactory changes to the way projects are managed. The Bureau established new processes that include key management criteria. Clear, precise, and measurable project objectives and goals are being set to meet corporate objectives. The approval process includes a Project Approval Board and a Project Review Board. As we recommended, project proposals and documents identify and assess alternatives, identify required resources, state key assumptions and constraints (including identifying and assessing risk), and consider integration with ongoing projects. This new management process organizes the way projects are managed and allows Passport Canada to prioritize the major ones.

5.71   Passport Canada has a large number of significant projects under way that present a considerable challenge for an organization its size. We examined 3 of the Bureau's 14 ongoing projects and found that they were integrated with other projects in some ways and addressed cross-impacts with other organizational issues.

5.72   The majority of projects are too new to fully assess. We requested status reports on 12 projects and found that all were on budget but only 5 were on schedule. Of the 5 higher-priority projects, 4 were behind schedule. We cannot predict whether these projects will be completed on time and on budget. However, there is a risk that a significant delay in any project may reduce the effectiveness of other improvement initiatives.

Exhibit 5.14 **Progress on prioritizing projects and integrating planning is satisfactory**

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should improve its management systems to enable it to • prioritize its many improvement initiatives by ranking them according to approved criteria, and	●
• integrate the planning of new offices into its strategic framework and consider the mid- to long-term impact of all improvement initiatives on each other. (paragraph 3.82)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

5.73 At the end of our follow-up audit, Passport Canada had just started developing an integrated human resource plan. However, since our 2005 audit, it has undertaken other important human resource projects. For example, it established new units such as the Foreign Operations Division and the Project Management Bureau. It also reclassified examiners' jobs to better reflect their roles and responsibilities.

Exhibit 5.15 Progress on developing and implementing integrated human resource plans is unsatisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should review, complete, and implement integrated human resource plans without delay. (paragraph 3.82)	○

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Establishing passport fees

Revolving fund—A fund provided for a particular purpose that is periodically replenished by transfers from other funds or, as in this case, by user fees.

5.74 Passport Canada operates on a **revolving fund** basis and must generate sufficient revenues through user fees charged for various travel documents to meet its expenses. Currently, the fee for the most commonly issued, 24-page, adult passport in Canada is $87. Of this amount, $62 supports the Agency's operations through its revolving fund, and the remaining $25 recovers the cost of consular services provided by Foreign Affairs and International Trade Canada at missions abroad and in Canada. Passport Canada does not provide or manage consular activities.

5.75 In the spring of 2004, Parliament passed new legislation governing user fees. This legislation imposes additional rules for transparency on how costs justify fees and what levels of service are expected. We reported that Passport Canada was not ready to comply with the legislation because it lacked reliable information on the cost of its activities. We recommended that the Agency improve its method of consulting with interested groups, establish appropriate mechanisms for resolving complaints about proposed fees (Exhibit 5.16), and develop reliable and necessary information on cost (Exhibit 5.17).

5.76 Passport fees are set by regulation. In 2005, we reported that Passport Canada did not comply with some of the key provisions of the regulatory process when it increased fees in 2001. We also found that it did not follow Treasury Board conditions for consular fees.

Passport Canada is better prepared to comply with the user fee legislation

5.77 In our follow-up audit, we found that Passport Canada had developed a plan to ensure that the requirements of the new legislation on user fees are addressed for the portion of the fee ($62) that covers passport services. The plan includes consulting with the Treasury Board Secretariat; however, it is on hold while the Agency explores other potential funding options from the government.

Exhibit 5.16 Progress on complying with the new legislation on user fees is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
In consultation with the Treasury Board of Canada Secretariat and Foreign Affairs and International Trade Canada, Passport Canada should review the process for setting the passport fee and consulting with clients on service levels to ensure compliance with the *Financial Administration Act*, user-fee legislation, and Treasury Board policies and guidelines. (paragraph 3.95)	●
Passport Canada should improve its method of client consultation to comply with new user fee legislation and ensure that it has an appropriate mechanism for resolving fee disputes. (paragraph 3.96)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

5.78 In 2006 Passport Canada developed a comprehensive activity-based costing model that allows it to evaluate the cost of its activities in detail. The Agency is currently assessing how this information can help it manage its business and support potential changes to its user fees.

Exhibit 5.17 Progress on developing reliable information on costs is satisfactory

Auditor General's April 2005 Report, Chapter 3	
Recommendation	**Progress**
Passport Canada should develop reliable cost information tied to service standards to justify current user fees and any future increases to user fees. (paragraph 3.96)	●

● **Satisfactory**—Progress is satisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

○ **Unsatisfactory**—Progress is unsatisfactory, given the significance and complexity of the issue, and the time that has elapsed since the recommendation was made.

Conclusion

5.79 Overall, we are satisfied with Passport Canada's efforts to address our recommendations and with the progress it has made in the short time since our 2005 Report. There are still some weaknesses in the critical areas of security and verification of identity.

5.80 Passport Canada still has much to accomplish to balance service, security, and costs. To preserve the integrity of passports, it is critical that the Agency establish electronic links to the databases of partner organizations on vital statistics and criminality.

5.81 Passport Canada is attempting to simultaneously carry out several substantial projects that will significantly reform the way it conducts business. However, a significant delay in any of these projects could seriously impair Passport Canada's plans and operations. The Agency will need the continued support of Foreign Affairs and International Trade Canada, the Treasury Board Secretariat, and other government departments to ensure that it reaches its goals.

5.82 **Recommendation.** In its annual report, Passport Canada should detail the progress it is making in carrying out the recommendations made by the Office of the Auditor General and the House of Commons Standing Committee on Public Accounts. It should describe its action plans and include target dates for completion and explanations for any variance with previous plans.

Passport Canada's response. Passport Canada has expended a great deal of effort to address the deficiencies identified in the April 2005 Report of the Auditor General. The Agency regards the necessary changes as work in progress; further improvements are planned but take time to implement due to their complexity. Passport Canada agrees to report progress in future annual reports.

The Passport Canada Action Plan, put in place to address the deficiencies outlined in the Auditor General's 2005 Report, outlines specific initiatives and contains target dates for delivery. The plan is reviewed and updated regularly. An updated Action Plan, with target dates and explanations of variance with previous plans, will be included as an appendix in the 2006–07 Annual Report.

For the most part, Passport Canada has addressed the six recommendations of the House of Commons Standing Committee on Public Accounts. The two outstanding recommendations relate to the need for more complete reporting in the Annual Report and a review

of the Agency's funding arrangement. Progress on these two items will also be reported in the 2006–07 Annual Report.

Canadians can be confident that improvements have been made and will continue to be made to ensure the security and integrity of the Canadian passport.

About the Audit

Objectives

The main objective of our audit was to assess the progress that Passport Canada had made in responding to the recommendations in our April 2005 Report, Chapter 3.

We wanted to determine whether Passport Canada had developed and implemented effective controls for issuing passports, and achieved reasonable levels of service at a reasonable cost.

Scope and approach

In our audit, we assessed the following:

- the security measures followed and verification of identity done by Passport Canada examiners and employees,
- the quality of service to the public that Passport Canada considers integral to its operations,
- management systems and processes that the Agency uses to manage major projects, and
- the Agency's readiness to comply with new legislation setting out user fees.

Our approach included reviewing documents from the regional offices and headquarters, interviewing management and employees (including visits to nine local offices in Western Canada and the Greater Toronto Area), sampling databases, performing quantitative and qualitative analyses, and observing operations.

Criteria

The criteria for the audit are the same as those for our 2005 audit and are based on the following documents—the Canadian Passport Order, Passport Services Fees Regulations, the *Financial Administration Act*, Treasury Board policies and guides, and Passport Canada's manuals and guides.

We expected Passport Canada to have adequate procedures and processes in place to ensure that passports are only issued to eligible Canadian citizens and that reasonable levels of service are established, achieved, and reported on. We also expected Passport Canada to have followed a formal project management process to improve service delivery and complied with the legislation setting out user fees.

Audit work completed

Audit work for this chapter was substantially completed on 15 August 2006.

Audit team

Assistant Auditor General: Richard Flageole
Principal: Paul Morse
Director: Dusan Duvnjak

Anthony Levita
Catherine Martin
Arnaud Schantz

For information, please contact Communications at 613-995-3708 or 1-888-761-5953 (toll-free).

Appendix A   Recommendations of the House of Commons Standing Committee on Public Accounts and comments of the Office of the Auditor General

Recommendation number	Report of the Standing Committee on Public Accounts (PAC)—May 2006	Office of the Auditor General comments on the government's response
1	That Passport Canada report no later than 1 September 2006 to the Standing Committee on Public Accounts on the progress it has made in implementing actions outlined in its action plan drawn up in response to the recommendations and observations made by the Auditor General of Canada.	The government submitted its response to the Report of the Standing Committee on Public Accounts on 16 August 2006. The response included a description of action taken in response to the committee's recommendations. It also included Passport Canada's *Update on Status of Action Plan to Address the Report of the Auditor General*—June 2006. This status report assesses Passport Canada's action on the recommendations made in our April 2005 Report, Chapter 3.
2	That Passport Canada include, in its performance report for the period ending 31 March 2006, a detailed discussion of the problems raised by the Auditor General of Canada in her April 2005 Report and the status of actions being taken in response. Where appropriate, a discussion of outcomes must also be provided, and this reporting must continue until all corrective measures have been implemented fully.	Passport Canada's draft 2005–06 Annual Report lists initiatives undertaken to address the Office of the Auditor General's observations. The draft Annual Report describes what has been done but does not fully describe what is outstanding; nor does it always indicate target timelines for those outstanding items.
3	That Passport Canada design a financial contingency fund and identify a target date for the establishment of such a fund when it reports progress on the implementation of its action plan in September 2006.	In its 16 August 2006 response, the government stated that a financial contingency fund had been created. A corporate reserve is to be established by setting aside a minimum of 2.5 percent of forecasted revenues. Access to the reserve should occur only as needed, based on Passport Canada's contingency strategy. We did not audit this initiative.
4	That Passport Canada review the adequacy of its current funding arrangement in light of rising costs associated with the need to develop, install, and operate new security technologies and that it use this review as a basis for discussions with Foreign Affairs Canada regarding potential changes to its funding policy. The review should examine the possibility of issuing passport renewals for 10-year periods.	The government's response stated that a comprehensive study of Passport Canada's funding issues would be undertaken. As part of the study, the government will examine, among other issues, the financial and security implications of a 10-year validity passport. The government response did not provide a time frame for completing the study. At the time of our audit, Passport Canada was conducting a study.

Recommendation number	Report of the Standing Committee on Public Accounts (PAC)—May 2006	Office of the Auditor General comments on the government's response
5	That Passport Canada strengthen its action plan by including the following clarifications: • a target date for full implementation of an appropriate quality assurance system for the work done by examiners; • the timeframe for the establishment of an operational system across jurisdictions to verify identity along with an indication where accountability will lie for its implementation; • target dates for establishment of electronic links for security data sharing in place under new memorandums of understanding (MOU); and • a target date for implementation of an improved cost system along with an indication of when stakeholders will be consulted on the costs and benefits of consular and passport fees. These elements must be incorporated into the action plan prior to 1 September 2006 and be referenced in the updated progress report to be given by Passport Canada at that time.	Passport Canada's June 2006 update on the status of its action plans lists actions taken and planned for the three fiscal years starting with 2005–06 to address our April 2005 Report's observations and recommendations. This chapter reports on the progress made in addressing our observations and recommendations.
6	That Passport Canada ensure that local staff processing passport applications in Canadian embassies and consulates satisfy the same security standards that examiners must meet in Canada, and that they receive the same quality and frequency of training.	This chapter comments on some key Passport Canada initiatives to improve control over passport issuance at missions, including the return to Canada of printing and new training initiatives for Canada-based staff. It does not address security standards and their implementation abroad.

Appendix B List of recommendations

The following is a list of recommendations found in Chapter 5. The number in front of the recommendation indicates the paragraph where it appears in the chapter.

Recommendation	Response
5.82 In its annual report, Passport Canada should detail the progress it is making in carrying out the recommendations made by the Office of the Auditor General and the House of Commons Standing Committee on Public Accounts. It should describe its action plans and include target dates for completion and explanations for any variance with previous plans.	Passport Canada has expended a great deal of effort to address the deficiencies identified in the April 2005 Report of the Auditor General. The Agency regards the necessary changes as work in progress; further improvements are planned but take time to implement due to their complexity. Passport Canada agrees to report progress in future annual reports. The Passport Canada Action Plan, put in place to address the deficiencies outlined in the Auditor General's 2005 Report, outlines specific initiatives and contains target dates for delivery. The plan is reviewed and updated regularly. An updated Action Plan, with target dates and explanations of variance with previous plans, will be included as an appendix in the 2006–07 Annual Report. For the most part, Passport Canada has addressed the six recommendations of the House of Commons Standing Committee on Public Accounts. The two outstanding recommendations relate to the need for more complete reporting in the Annual Report and a review of the Agency's funding arrangement. Progress on these two items will also be reported in the 2006–07 Annual Report. Canadians can be confident that improvements have been made and will continue to be made to ensure the security and integrity of the Canadian passport.

Report of the Auditor General of Canada to the House of Commons—February 2007

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