



Ottawa, July 3, 2009

MEMORANDUM D3-1-6

In Brief

CANADA BORDER SERVICES AGENCY (CBSA) POST AUDIT SYSTEM

1. The Memorandum D3-1-6, dated September 5, 2008, supersedes Memorandum D3-1-6, dated March 20, 1995.
2. This In Brief page has been revised to denote changes made as a result of the Government of Canada's Paperwork Burden Reduction Initiative. This revision replaces the In Brief page dated September 5, 2008.
3. In accordance with the above, the following changes were made:
 - (a) Paragraph 1(b) Air (1), (2), (3), Privileges of the Customs Post Audit System (Memorandum D3-1-6, dated March 20, 1995), were deleted as the details are available in the modal specific Memorandum (D3-2-2, *Air Cargo – Import and In-transit Movements*).



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Ottawa, September 5, 2008

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CANADA BORDER SERVICES AGENCY (CBSA) POST AUDIT SYSTEM

This memorandum outlines and explains the Canada Border Services Agency (CBSA) Post Audit System under which qualifying companies may transport goods in-bond under limited physical control subject to the availability of records proving that the cargo was disposed of according to Sections 18 and 20 of the *Customs Act*.

GUIDELINES AND GENERAL INFORMATION

Privileges of the CBSA Post Audit System

1. The following are the privileges extended to post audit carriers by mode:

(a) **Highway**

(i) In the case of post audit highway carriers, loads are not sealed on entry into Canada, resulting in faster release times at the border. Furthermore, the post audit carrier's terminal may be used for break bulk, with goods reported to the highway sufferance warehouse at destination for CBSA purposes.

(ii) In situations where border services officers select a load for an enforcement check, which cannot be done at the border facility, this load will be sealed. The carrier will be advised to report to the highway sufferance warehouse that is nearest to the carrier's terminal or to the sufferance warehouse that is nearest to the first point of delivery. During an enforcement check, border services officers will examine the load to verify compliance with CBSA regulations and procedures, as well as compliance with any other acts and/or regulations that relate to other government agencies on behalf of whom the CBSA partially administers or enforces legislation and regulations (e.g., agricultural regulations, health and welfare, sales tax on vehicle).

(iii) Memorandum D3-4-2, *Highway Cargo – Import Movements*, contains reporting requirements for post audit highway carriers.

(b) **Air**

Memorandum D3-2-2, *Air Cargo – Import Movements*, contains reporting requirements for post audit air carriers.

(c) **Rail**

(i) Post audit rail carriers must report at first point of arrival in Canada.

(ii) Memorandum D3-6-6, *Rail Cargo - Import Movements*, contains reporting requirements for post audit rail carriers.

(d) **Containers**

(i) Containers, in Canada under the control of post audit container operators and pool car operators, may remain in the country for up to six months. Also, subject to certain conditions, containers under the post audit system may be used for limited movement of domestic goods.

(ii) Memorandum D3-7-1, *CBSA Marine Operations Cargo Containers Used in International Service*, contains reporting requirements for containers under the post audit system.

2. In addition to the above, memoranda that are specific to a mode of transportation, carriers should also refer to Memorandum D3-1-1, *Policy Respecting the Importation and Transportation of Goods*, and Memorandum D8-4-2, *Reporting and Summary Accounting of Vehicle Repairs by Highway Carriers*.

Criteria for Admittance to the CBSA Post Audit System

3. In order to qualify for admittance to the CBSA Post Audit System, the applicant must:

(a) have a third party relationship or, in other words, not be related to either the shipper or the consignee;

(b) be licensed by appropriate regulatory authorities to engage in the international carriage of goods;

(c) have approved CBSA bonded carrier status and have been a bonded carrier for one year;

(d) be responsible for making the initial report to the CBSA of all import shipments made by that company into Canada;

(e) permit agency auditors access to all company records for the purpose of determining eligibility for the system and compliance with CBSA reporting requirements;

(f) have available, for the purpose of the opening audit (the facilitation audit), the CBSA cargo reporting documents covering at least the last calendar year;

(g) must be able to isolate cargo moving into Canada from all other cargo being carried by the company;

(h) maintain an audit trail that allows an auditor to correlate a shipment, identified in the revenue accounting records as having entered Canada, with the cargo control document and to verify its report to the CBSA;

(i) maintain systems for the reporting of overage and shortage, COMAT (imports made for the use and consumption of the company), and for the reporting of repairs made outside Canada;

(j) import a sufficient volume of goods to warrant the cost to the Agency of maintaining the company on the post audit system. This volume figure must be determined on a case-by-case basis.

Audit Trail Requirements

4. During both the initial facilitation audit to determine eligibility and subsequent verification audits, agency auditors will be reviewing company records relating to the reporting of import shipments and, where non-duty paid equipment is used, the use of that equipment in Canada.

5. Consequently, auditors will require access to such records as:

- (a) bills of lading
- (b) waybills
- (c) invoices
- (d) CBSA Cargo Control Document(s)
- (e) electronic Advance Commercial Information reports
- (f) equipment lists
- (g) equipment usage logs
- (h) dispatch records
- (i) accounts receivable
- (j) accounts payable

Note: This is not an all-inclusive list and additional information may be required, depending on the nature of the carrier's operation.

6. All of the documentation required for an audit must be available within the applicant's records. Audits will not be conducted at more than one company to track down any shipment.

7. A post audit carrier is permitted to contract with another carrier to transport goods into Canada on behalf of the post audit carrier. However, the goods must be reported to the CBSA under the post audit carrier's cargo control documents and carrier code. Furthermore, the audit trail for these goods must be maintained in the post audit carrier's books and records.

8. Applicants must maintain an internal system of control over the use of non-duty paid equipment entering Canada in the course of international service, as well as over non-duty paid equipment pick-up on interlines. The system must be able to provide the following information:

- (a) equipment identifiers. i.e. serial numbers
- (b) dates of import shipments to Canada
- (c) probill numbers
- (d) origins of shipments
- (e) destinations of shipments

9. For additional information on the use of non-duty paid equipment engaged in the international commercial transportation of goods and persons, refer to Memorandum D3-1-5, *International Commercial Transportation*.

General

10. Post audit privileges are not transferable and cannot be sold or disposed of through amalgamation or change of ownership.

Additional Information

11. The CBSA's Border Information Service (BIS) line responds to public inquiries related to import requirements of other government departments, including Industry Canada. You can access BIS toll-free throughout Canada by calling **1-800-461-9999**. If you are calling from outside Canada, you can access BIS by calling 204-983-3500 or 506-636-5064 (long-distance charges will apply). To speak directly to an agent, please call during regular business hours from Monday to Friday (except holidays), 8 a.m. to 4 p.m. local time. More BIS information can be found on the CBSA's Web site at www.cbsa.gc.ca.

12. For more information on Carrier and Cargo Programs, visit the CBSA Web site.

13. Please direct all applications to:

Carrier and Cargo Programs
Commercial Border Policy Division
Admissibility Branch
Canada Border Services Agency
150 Isabella Street, 4th Floor
Ottawa ON K1A 0L8

Fax: 613-957-9717

14. Carrier and Cargo Programs will review the completed application. Those applicants that successfully pass the application review and provide updated cargo control documents will be approved, on a probationary basis, until an on-site facilitation audit can be performed by the regional Trade Compliance Division. The facilitation audit will include an evaluation of company books and records. Findings, in the form of a report, will be forwarded to Carrier and Cargo Programs with a recommendation as to whether or not the company should be allowed to remain on the post audit program.

15. Acceptance of a company into the post audit system in no way relieves that company from compliance with CBSA requirements in general. Failure to comply with these requirements may result in the company's exclusion from the system.

REFERENCES

<p>ISSUING OFFICE – Carrier and Cargo Programs Commercial Border Policy Division Admissibility Branch</p>	<p>HEADQUARTERS FILE – 7690-0</p>
<p>LEGISLATIVE REFERENCES – <i>Customs Act</i></p>	<p>OTHER REFERENCES – D3-1-1, D3-2-2, D3-4-2, D3-6-6, D3-7-1</p>
<p>SUPERSEDED MEMORANDA “D” – D3-1-6, March 20, 1995</p>	

Services provided by the Canada Border Services Agency are available in both official languages.

