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**TO:** Deans, Directors, Department Heads and Administrative Assistants

**FROM:** Jim Woytuik – Manager, Supply Management Services

**DATE:** November 27, 2002

**SUBJECT:** **CCRA Compliance Programs & Its Affect on Your Import & Export Shipments**

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The purpose of this memo is to advise you of CCRA's Customs compliance rules, which became effective October 7, 2002 and to advise you of actions that should be taken to avoid penalties.

#### **OVERVIEW OF CCRA's COMPLIANCE REQUIREMENTS**

The Canada Customs & Revenue Agency (CCRA) is responsible for establishing compliance in two main areas: protection of the Canadian border and the administration of Canada's trade data and revenue. In 1998, CCRA introduced their new Multi-Program Review compliance program in an effort to enforce compliance issues. The program introduced the Simplified Tariff and adjustments to the Customs Act, which placed more responsibility on the Importer of Record and included the Periodic On-Site Verification Review Program. The reasons for these amendments were to simplify import/export procedures as a response to the Canadian industry, and to lessen the regulatory burden (by both the government and the business community).

CCRA's move towards Periodic On-Site Verification (i.e. periodic audits of importers to determine compliance) will move CCRA away from reliance on enforcement measures. In brief, the shifting focus of Customs has meant movement from border control of commercial goods to "post-entry" verification at the importer's premises. In the past, compliance had been verified one import transaction at a time. CCRA would deal with importers through many different parts of their organization, sometimes for a single importation. As part of a different approach to verification, a team of officers will review import transactions at the importer's premises and verify all trade and revenue programs at once. CCRA identified that audit trails proving imported goods were correctly classified under the Harmonized System (HS) would be required and penalties may be imposed for non-compliance. CCRA attested that compliance has its privileges as it provides incentives for those who act compliantly and disincentives for those importers who ignore their responsibility.

By 1999, CCRA announced their intention to enforce the Customs Act and Regulations via the Administrative Monetary Penalty System (AMPS). The need for AMPS was justified for a number of reasons, but CCRA's primary concern is to maintain border security. The events of Sept 11, 2001 amplified this concern. AMPS is designed to be the leverage that forces companies to follow the rules. AMPS will allow Customs to penalize not only importers, but also suppliers/exporters, carriers and Customs brokers who are not in compliance. Previous sanctions for Customs violations take the form of seizures, ascertained forfeiture and criminal prosecution. AMPS, on the other hand, will provide a system of graduated fines that is meant to be more flexible and fair. The new AMPS program was repeatedly delayed and became effective on October 7, 2002.

According to Livingston International Inc., "On May 1, 2002, the Canada Customs and Revenue Agency (CCRA) implemented *Mandatory HS* as part of its new Advanced Commercial Information (ACI) program.

Under *Mandatory HS*, which is Phase I of ACI, goods imported into Canada valued at \$1,600 Canadian or more must include the correct 10-digit HS (Harmonized System) code for each shipment, or the CCRA will not release the goods. If the shipment contains more than one commodity, the 10-digit HS code must be for either: a) the highest value invoice line; or b) a reasonable representation of the goods within the shipment.

This new program is aimed at helping the CCRA deal with the large increases in commercial shipments entering Canada and finding more efficient ways of enforcing trade laws and regulations, by streamlining processes and reducing Agency costs. In doing so, however, the CCRA has placed an additional burden on importers and their agents – Customs brokers.

ACI will be phased in over 18 months, effective May 1, 2002, with a single HS code for each shipment. By November 2003, the CCRA will require an HS code for all invoice lines and mandatory electronic data on shipments hours in advance of their arrival at the border. This electronic information will be transmitted over an integrated electronic highway, linking carriers, trade chain partners, brokers and importers with Customs. The CCRA expects this initiative will enable it to better meet its protection mandate, so it can focus resources on trade of unknown or higher risk.

Prior to May 1, 2002, importers or their Customs brokers could release goods into Canada under the *Release on Minimum Documentation* (RMD) program. Under RMD, if full and complete information was not known about a shipment, including the HS code, the goods could still be released in a timely fashion. The importer and/or Customs broker then had five days to determine the correct HS code, complete the B3 information package and submit it to the CCRA.

Under *Mandatory HS*, the process is significantly different. Now, importers or their Customs brokers must have a complete and accurate HS code at the time the shipment enters the country in order for the shipment to be released. The five-day time frame to complete missing information or determine the accurate HS code has been eliminated. This is a major change to the way importers and Customs brokers process goods at the border.

The CCRA's *Mandatory HS* represents a major change to the custom broker's workflows, staffing requirements and information technology systems. In addition, more work effort is required on the custom broker's part to release imports." This increased effort will reflect an increased cost with the custom broker's clients."

## **WHAT IS THE IMPACT ON THE UNIVERSITY?**

Every importer will go through a CCRA audit over the next few years. The result will be a report card type of review. If it is a poor report, the University's "Importer Profile" will be affected which may result in possible monetary fines, scrutinized shipments and border delays.

This means that the importer's internal controls and records are very important to CCRA. As a result, departments must scrupulously follow all regulatory processes as described by CCRA and the University.

Additional administrative costs and increased pricing relating to the University's brokerage contract will be necessary as our custom broker will be assessing a new service fee per transaction to recover increased costs. This Mandatory HS-ACI Phase One fee of \$2.50 will apply only to shipments imported into Canada valued at \$1,600 Canadian or more.

## **WHAT IS THE UNIVERSITY DOING?**

As described, Customs compliance is *not* new! However, CCRA's method by which to enforce compliance is new and officially began on October 7, 2002. Information about pending changes will be communicated campus-wide through written notices, the Supply Management Newsflashes, and Information Sessions relating to brokerage information.

The University will be reviewing its current practices and having extensive dialogue with our custom brokers to determine which agency will provide the best solutions to be compliant with the CCRA requirements. Purchase order information will be reviewed and modified, if necessary, to provide detailed instructions to suppliers regarding shipping to Canada.

Through systems enhancements, education, understanding of the financial risk, and senior administration support, the University will work to insure our activities meet compliance issues. The challenges are many due to the diverse nature of University importations, the large number of suppliers, and decentralized receiving. Supply Management Services will be taking measures to assume more responsibility for importations through administering a number of initiatives in an effort to meet Customs compliance. These include:

- increased communication to suppliers.
- maintaining required data through electronic data storage that records all University import shipments.
- reviewing all NAFTA Certificates of Origin (COO) for accuracy of information.
- working with suppliers to correct NAFTA (COO) if there are any anomalies.
- reviewing shipment notices from the Customs broker regarding duty payouts and determining the course of action.

### **HOW WILL THE PENALTY SYSTEM WORK?**

If a Customs officer detects a Customs violation, the importer's compliance history is checked to determine the appropriate penalty. Penalties for infractions will range from a warning to \$25,000 per infraction. The penalty level will be set, taking into account factors such as the compliance history of the importer and the seriousness of the breach. The automated penalty assessment processing system will generate and record all penalty assessments issued to an importer on a national basis. A Notice of Penalty Assessment (NPA) will be issued and must be treated like an invoice for a Customs contravention.

### **PROBLEM AREAS FOR UNIVERSITY IMPORTATIONS**

Valuation is a huge area of concern in that there are many shipments that are purposely undervalued by the shipper. These can include materials for review such as, books, manuscripts, x-rays, gifts, awards, software, sample shipments and unsolicited shipments.

Sample shipments and unsolicited shipments are difficult to monitor and control. Frequently these shipments are undervalued and do not include sufficient data on Canadian and U.S. Customs documentation. Also, if a University purchase order or PCard payment is not associated with the shipment, all paperwork relating to the transaction must be kept for 7 years. To avoid penalties, departments receiving these types of shipments must maintain receiving documents for 7 years.

Personal shipments from outside Canada sent to University addresses continue to be another problem area. Although this practice is not permissible, some shipments continue to be accepted by departmental personnel. Implications for the University are as follows:

- These shipments are considered to be the University's responsibility by CCRA, until all applicable duties and taxes have been paid.
- Failure to pay duties and taxes on these shipments could result in a suspension of the University's import privileges by CCRA.
- Failure to file appropriate paperwork and pay duties and taxes could lead to fines against the University.

### **HOW CAN WE AVOID PENALTIES?**

It is very important for all departments to assist with compliance efforts. Effective management of the Customs function is **everybody's responsibility**. Listed below are several ways in which YOU can help to avoid penalties:

- CCRA requires that all goods sent or received must have the following supporting information:
  - Fair market value of the goods. (This includes sample shipments.)



## **FREQUENTLY ASKED QUESTIONS**

This will be evaluated on a case by case basis.

It is best not to sign for the shipment and to notify the shipper that this is not an acceptable practice. However, it is likely that the declared value will not be known at the time of receipt since the paperwork is seldom included with the shipment. If you were to sign for it, review the paperwork and if incorrect, you should notify the shipper of the error and obtain revised documentation that shows the correct value, the courier tracking number, the waybill, PO number (if applicable), and contact Percy H Davis immediately. They will try to intercept the paperwork, however, there is **no guarantee** that this can be caught prior to the shipment's clearance. **Remember, a value of "\$1.00" or 'no value' is not acceptable to CCRA!**

Anytime you receive a shipment that is undervalued, or if there is any part of the documentation that is incorrect, i.e. description, quantity, etc., you must notify Supply Management Services so that the supporting copies of the documents can be forwarded to Percy H Davis for an entry amendment. An additional charge may be applicable if archived documents must be retrieved. Failure to file an amended entry within a reasonable timeframe may result in an AMPS penalty.

CCRA does not view these types of shipments as "free". A fair market value must be attributed to the books or samples. By signing for these shipments, you accept all responsibility for fees that may be due such as GST, brokerage and possible duty charges, as well as any penalties for incorrect information. If you do not wish to assume this responsibility, refuse the shipment.

A suggested way to control shipping and receiving is to centralize this function within your department, faculty or building. Many departments and faculties have designated individuals who coordinate purchasing requirements and handle the shipping and receiving on behalf of faculty and staff. This applies to any goods that are ordered by any method, i.e. Purchase Order, PCard, or samples as well as any goods being shipped from the department.

Please send it to Supply Management Services **immediately** along with all supporting documentation. Failure to handle correspondence within the stipulated timeframe may result in an AMPS penalty.



# UNIVERSITY OF REGINA

## SUPPLY MANAGEMENT SERVICES

3737 Wascana Parkway  
College West Building Room 146  
Regina SK S4S 0A2 Canada  
Phone: (306) 585-5003 Fax: (306) 585-4985

## INSTRUCTIONS FOR SHIPMENTS TO CANADA

*The following information is being supplied to facilitate a problem-free entrance of the attached order into Canada. We request your assistance in following these instructions carefully. Failure to do so may result in border delays, seizure of goods, monetary fines and destroyed shipments. Thank you in advance for your cooperation.*

### THE FOLLOWING INFORMATION MUST BE INCLUDED WITH ALL SHIPMENTS:

- A Canada Customs Invoice or a Commercial Invoice.
- A **Purchase Order number** and a University of Regina (**U of R**) **department contact name, phone number** and **address** should appear on **ALL documents** plus **the University's Customs Broker: Percy H Davis**
- The actual value of goods and currency of settlement, (U.S. funds, Canadian funds, etc.) If "no charge" samples or "free goods" are being sent, the actual replacement value of the sample must be indicated. Stating a value of \$1.00 is not acceptable.
- The Country of origin (where the goods were manufactured, NOT where the goods are being shipped from).
- A detailed description (ie: "printed matter" is not adequate). The description **MUST** fully describe the contents of the shipment.
- A NAFTA Certificate or Statement of Origin (if applicable).
- 100% accuracy – essential on ALL paperwork.

### The following check-marked statements apply to this order:

- Fax a Canada Customs Invoice to: Percy H Davis Custom Brokers Ltd., 1791 Smith St., Regina, Saskatchewan, Canada, S4P 4C4 Fax # 306-757-2459. Tel # 306-352-2662. (This applies to shipments greater than \$1,600 Canadian)
- If shipping via "mail" or "ground courier", address the packages with the 'SHIP TO' information indicated on the PO, complete with the dept. contact name & phone number, the PO number, c/o Percy H Davis Ltd, No.1 Main Street, Portal, North Dakota, 58772.
- NAFTA qualified goods of US, Mexican, or Puerto Rican origin must include a NAFTA Certificate or Statement of Origin. A completed form must be included with shipping documents. (This applies to shipments greater than \$1,600 Canadian)
- NAFTA qualified goods of US, Mexican or Puerto Rican origin, must include a NAFTA Certificate of Origin. Omission of this document may result in additional duties. (This applies to shipments greater than \$1,600 Canadian)
- Two copies of MSDS are required for products covered under WHIMIS. (Shipments of animal origin, serums, chemical/biologicals, hazardous goods, large quantities of cleaning supplies.) Indicate the Purchase Order number and enclose the forms with the shipment.
- All equipment must be CSA, Entela, CGA, ULC, UL, Warnock Hersey, or ETL approved.

### Contacts for further information:

The U of S Customs Broker  
Percy H Davis Custom Brokers Ltd.  
1791 Smith St.  
Regina, Saskatchewan S4P 4C4 CANADA  
Tel # 306-352-2662  
Fax # 306-757-2459

Please contact Supply Management Services  
to obtain information on:

- a) Completion Guidelines for a Canada Customs Invoice
- b) Completion Guidelines for a NAFTA Certificate of Origin

Any questions on shipping to Canada, please refer to the Purchase Order for the Supply Management Services contact or contact \_\_\_\_\_ Telephone \_\_\_\_\_

(January 27, 2003)



# UNIVERSITY OF REGINA

## SUPPLY MANAGEMENT SERVICES

3737 Wascana Parkway  
College West Building Room 146  
Regina SK S4S 0A2 Canada  
Phone: (306) 585-5003 Fax: (306) 585-4985

### University of Regina's Custom Broker:

### Percy H. Davis Ltd.

1791 Smith St.  
Regina SK S4P 4C4 Canada  
Phone: (306) 352-2662 Fax: (306) 757-2459

### NAFTA CERTIFICATION

1. Following is the statement for Low Value (\$1600.00 Canadian funds) shipments, which can be placed directly on the invoice for NAFTA Certification.

*I certify that the goods referenced in this invoice comply with the origin requirements specified for these goods in the NAFTA Agreement, and that further processing or assembly outside the territories of the parties has not occurred subsequent to processing or assembly in the NAFTA region.*

(Signature) \_\_\_\_\_

2. Following is the format for the NAFTA Certificate for Low Value (\$1600.00 Canadian funds) shipments on a form which accompanies the invoice:

### Statement of Origin for Commercial Importation of less than \$1600.00 Canadian Funds

*I certify that the goods referenced in this invoice/sales contract (Invoice # \_\_\_\_\_) originate under the rules of origin specified for these goods in the North American Free Trade Agreement (NAFTA), and that further production or any other operation outside the territories of the Parties has not occurred subsequent to production in the territories.*

Name: \_\_\_\_\_ Telephone: \_\_\_\_\_

Title: \_\_\_\_\_ Fax: \_\_\_\_\_

Company: \_\_\_\_\_

Status: Exporter \_\_\_\_\_ Producer \_\_\_\_\_ of the certified goods.

Country of Origin: United States \_\_\_\_\_ Mexico \_\_\_\_\_ Mexico & the United States \_\_\_\_\_

(For the purposes of determining the applicable preferential rate of duty as set out in Annex 302.2, in accordance with the Marking Rules or in each Party's schedule of tariff elimination).

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

3. For shipments in excess of \$1600.00 Canadian funds, the actual NAFTA Certificate of Origin Form must be completed in order to qualify under the preferential tariff rates.

Please Note: Under the AMPS regulations, use of preferential rates without a NAFTA being in the possession of the importer or broker is subject to a monetary penalty.