



Passport
Canada

Passeport
Canada

Canada

A YEAR TO REMEMBER

ANNUAL REPORT 2007–2008



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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As federal servants, we are tasked with the duty to serve the Canadian public, and must sometimes do so under challenging conditions. The unprecedented volume of passport applications received throughout winter and spring 2007 presented Passport Canada with one of its most significant trials to date, and underscored the need for the Agency to modernize. Understaffing, obsolete technology, inadequate workspace and policies all served to augment the problem. It soon became clear that pervasive, systemic change was necessary.

“Virtually every aspect of our business was touched by this transformation, and we will undoubtedly continue to evolve to meet future challenges.”

A year later, we have changed the face of the organization, and have been enjoying the resultant success. Virtually every aspect of our business was touched by this transformation, and we will undoubtedly continue to evolve to meet future challenges.

A glance at our accomplishments over the course of the last year shows the extent of our transformation. With the assistance of the Public Service Commission, we hired, trained and oriented almost 1,500 new employees; we completely restructured our computer network; we upgraded our equipment; we opened a new central processing centre and a second regional facility in Mississauga; business hours were extended; offices were

enlarged; workflow was revamped to increase efficiency; service was broadened by adding new service points and holding passport clinics nationwide; and most importantly, the improvements were made without compromising the security and integrity of Canadian travel documents.

We have also enjoyed the benefits of three major achievements this past year: the simplified renewal process, the revised guarantor policy and the completion of a new processing facility for mail-in applications over a 26-week period. Collectively, these projects facilitate and shorten the passport process for both clients and staff.

We now face the future on a sound and firm base of success. This future will include the electronic passport, facial recognition, and a wide range of other technology enhancements that will bring long-term benefits. The global rate of change in both technology and security advancements will never abate, but I am confident in our ability to keep pace.

“We now face the future on a sound and firm base of success.”

Passport Canada employees have come through this exceptional period with tremendous dedication. Whatever the future brings, I know they will continue to persevere and succeed.

Gérald Cossette



PASSPORTS ISSUED SINCE 2003-2004



1.1 Resolving the Crisis – April to June 2007

Identifying the Issue

Shortly before the beginning of the fiscal year, the U.S. government's decision to require all Canadian travellers entering the country by air to have passports led to an unprecedented surge in passport applications. At that time, the Agency was already dealing with issues regarding staffing, outdated technology and inadequate service points, and this sharp increase in workload served to further exacerbate these problems.

Soon after this increase, our phone lines were overwhelmed with calls, and many Canadians were unable to get through. Mailed-in applications could not be processed promptly due to the high volume. Our service standards, which traditionally have been the hallmark of our performance, had begun to falter significantly, which was discouraging to clients and staff alike.

“While most of our efforts were initially dedicated to addressing the immediate situation, it became evident that we also had to **concentrate on finding long-term solutions**, as we knew demand would continue to rise over the coming years.”

While most of our efforts were initially dedicated to addressing the immediate situation, it became evident that we also had to concentrate on finding long-term solutions, as we knew demand would continue to rise over the coming years. The challenge was clear: reinstate our service standards on a much broader scale without compromising security.

The Response

As the problem was not limited to one area, the response had to be multifaceted and extensive. Where possible, existing offices were expanded to provide more space for both customer service and file processing. We organized evening shifts at 31 of our 33 offices, so staff could complete files that had been received during business hours. Opening hours were also extended in many cases.

“**As the problem was not limited to one area**, the response had to be multifaceted and extensive.”

We held weekend blitzes across the country, where staff dedicated extra time to eliminating the backlog. A specially trained team organized the transfer of files to offices nationwide to offset the workload. We modified workflow

systems to improve processing times and enable the passport officers to focus on the entitlement of applicants, rather than administrative issues. Contingency plans were developed to allow us to manage periods of particularly high volume.

“Our revamped website has attracted more than 32,000 visitors a day.”

Our call centre, Internet, and correspondence services also coped well with the high demand. Extra workstations were added at both the Montréal and Gatineau call centres, which considerably improved their service capacity. Our revamped website has attracted more than 32,000 visitors a day.

At year's end, the INFOPASS email service staff were responding promptly to about 1,200 inquiries a day. This service has enjoyed

a very positive reception from our clients. The correspondence unit received a record-breaking 78,386 inquiries in 2007–2008, about 8,000 more than the previous year. The majority of the correspondents were asking about the application process and requirements. Only 3% of correspondence received was negative.

Volume continued to increase throughout this period, up 30% over the previous year. The tenacity of our staff, combined with management improvements and technology upgrades, enabled us to manage the sharp increase in demand and to continually improve our working conditions as the year progressed.

“The correspondence unit received ... 78,386 inquiries in 2007–2008, about 8,000 more than the previous year.”

1.2 Rebuilding on a Solid Foundation – July to September 2007

At the beginning of the summer, an upgraded passport office was opened in Richmond, B.C. This new office provided about three times the working space, as well as room for expansion and adaptation for future needs. This boost in space allowed management to quadruple staff, an investment which was reflected in improved client service and a better working environment for staff.

“By year's end, our national network of offices and agents totalled 191 service locations, providing access to in-person service within 50 km to 95% of Canadians.”

Wider Service

Since 2002, our complement of 33 offices has been supplemented by a national network of 157 passport Receiving Agents (RAs). At present, trained Receiving Agent employees at 56 Canada Post outlets and 101 Service Canada centres review passport applications to ensure the applications are complete before forwarding them to Passport Canada for processing. In 2007–2008, the RA sites accepted 326,958 applications, a major increase from the 172,000 applications received in 2006–2007. By year's end, our national network of offices and agents totalled 191 service locations, providing access to in-person service within 50 km to 95% of Canadians.

In addition to increasing the number of permanent service locations, we expanded our outreach activities by holding 55 passport clinics. For these clinics, Passport Canada staff set up booths in public places to provide information and accept applications. More than 12,000 clients were served in this manner. We also set up booths at 23 travel shows—including one in Florida—so that travel agents and the public could have their questions answered in person.

Easier Passport Renewal

On August 15, the Simplified Renewal Process was introduced. This service enhancement had been pilot-tested several times since 2005, and by the summer of 2007, it was ready to be efficiently and securely implemented nation-wide.

“On August 15, the **Simplified Renewal Process** was introduced.”

With this new process, applicants renewing their passports now only need to submit a short, simplified application form, up-to-date photos and their current passport; neither proof of citizenship nor guarantor certification is needed. The new process has proven popular with both clients, who like its ease of use, and staff, who appreciate the increased efficiency. By the end of 2007–2008, passport renewals under the new process made up more than 30% of our overall volume of adult applications. This new process was implemented without compromising the security and integrity of the Canadian passport; stringent security checks are still conducted on each applicant.

Support from Government

It seemed demand for passport services would undoubtedly continue to grow as American travel policies gradually came into effect and international security concerns amplified. However, since our revenues only cover operating costs, we needed funding for

one-time investments to stay current with technological advances, handle demand, and meet international security standards.

The federal government provided access to \$55 million in special funding for 2007–2008 to help us cope with these pressures. This welcome support was used to buy faster passport printers, implement new security measures and set up a new central processing facility. We have also invested part of our reserve funds in similar improvements.

Improved Technology

A particularly significant investment for some of the funding was in new technology. We replaced the printers at the Mississauga processing centre to enable faster and better-quality production. Our national network of servers was replaced with cutting-edge equipment that is faster, more reliable and more secure. All desktop computers were upgraded and standardized, a revitalization of huge benefit to employee efficiency. Other technical investments focused on ensuring that our IT structure is kept up to date and well protected over the long term.

Investing in Employees

The increasing pressures on the Agency highlighted the already existing staffing issues. It quickly became clear that we needed to recruit and train new employees across the country, as well as provide updated training to current employees in the newly developed methods of operating. A massive staffing campaign was launched, and 1,448 new employees were hired. In an effort to help the new employees familiarize themselves quickly, we ran orientation sessions and offered training programs in such areas as operational procedures, identification of fraudulent documents and privacy legislation. New passport officers also served an apprenticeship of up to 10 weeks.

“Our national **network of servers was replaced with cutting-edge equipment** that is faster, more reliable and more secure.”

To ensure consistently high standards of client service across our network of service providers, we also provided training for over 300 Receiving Agent employees and implemented an enhanced online training program for more than 400 consular staff working in Canadian embassies abroad.

1.3 Maintaining Security – October to December 2007

Our efforts to improve service were complemented by several measures aimed at continuing and increasing security. Of these measures, the most evident to our clients was a new policy on who is eligible to confirm their identity, or guarantors.

A New Guarantor Policy

On October 1, 2007, we announced that applicants could use an eligible, current adult passport holder as a guarantor. Previously, guarantors had to belong to a limited range of professions. The new approach is both more convenient for Canadians and more secure. We continue to verify the identity of applicants through guarantor declarations, but now rely on our own comprehensive database of passport holders for crosschecks. Since our database contains more information and is more reliable than the occupational directories previously used, this process has considerably strengthened the security of identity verification.

“On October 1, 2007, we announced that **applicants could use an eligible, current adult passport holder as a guarantor.**”

Fraud Detection

Passport Canada works in collaboration with Citizenship and Immigration Canada, Correctional Services Canada and the Royal Canadian Mounted Police to maintain the security of the passport system. Sharing information with these partners helps us to ensure that passports are only issued where appropriate, and are revoked when necessary. In 2007–2008, we denied 44 passports to persons prohibited from leaving Canada under legislation implemented by Correctional Services Canada (full details of our fraud detection activities are included in Appendix A).

“**Facial recognition** represents a significant component of our security strategy, ...”

The development of facial recognition technology also continued in 2007–2008, and implementation is scheduled for 2009. This technology, which allows each applicant’s photograph to be compared against a database of previously issued passports, will help confirm whether a document has already been issued to the applicant under another name. Facial recognition represents a significant component of our security strategy, and will considerably reduce identity fraud in passport issuance.

Secure Case Management

Another important project is the Security and Intelligence Case Management System, which will improve management of security and intelligence, enhance passport integrity and strengthen the identity authentication process. It will also improve our ability to analyze and increase the efficiency of information sharing with our domestic and international collaborators. A contract to develop this system was awarded in January 2008, and we plan to implement by April 2009.

Ensuring Internal Security

Two incidents during 2007–2008 served to reinforce the importance of internal security. In November 2007, a former employee was sentenced to two years in prison and probation on charges related to issuing forged passports. Routine internal security work had revealed inconsistencies within our processing system and further investigation revealed that 14 files showed evidence of fraud. The case was referred to the RCMP. The individual was charged on multiple counts and pleaded guilty to all charges.

The story received little coverage in the media. The decisive way the incident was handled—from our comprehensive internal investigation, to the subsequent arrest and prosecution—suggests how highly our work is regarded by Canadians and how vital we consider the security and integrity of our operations.

“The *Canadian Passport Order* provides the authority for passports to be denied or revoked if national security is considered to be at risk.”

The second incident, late in November, involved an applicant who reported a vulnerability in our Passport On-line system. The system was briefly shut down for repair. The necessary upgrade was quickly carried out and trusted third parties confirmed the integrity of our network. Once again, our response was decisive and immediate.

Preserving Legislative Authority

The *Canadian Passport Order* provides the authority for passports to be denied or revoked if national security is considered to be at risk. In November 2007, this authority was challenged by an individual who had been denied a passport. In March 2008, the Federal Court of Canada declared the *Order* to be in conflict with the *Charter of Rights and Freedoms*, stating that refusing a passport violates the Charter right of citizens to leave the country, and that the *Order's* wording is too vague. We have taken the matter to the Federal Court of Appeal, in order to maintain the authorities that support our mandate. The case is expected to be heard in 2009.

1.4 Preparing for the Future – January to March 2008

The new year brought plenty of news for Passport Canada. We opened two new facilities, we were referred to in the 2008 Budget, and the U.S. government's timeline for new passport rules changed.

Expanding Our Operations

The operations facility at headquarters became increasingly inadequate as business volume accelerated. It became clear that a larger processing and printing plant was



essential to reducing processing times for mail-in applications. The project had to be finished in a very short timeframe if escalating demand were to be met. We retrofitted an existing building and worked quickly to install the equipment and information technology needed. In 26 weeks, the project team accomplished what would normally have taken 26 months, and the Gatineau Central Operations facility opened on January 3, 2008. Working in this new facility produced immediate results, and mailed-in applications were soon being completed in less than three weeks. Further, the building is a more secure environment and is better designed to meet future needs.

The following month saw the announcement of a new satellite passport office in Kelowna, B.C. Demand from the Okanagan Valley—more than 48,000 applications a year—had grown to the point that it could sustain the operation of a satellite office. This business decision was also supported by a number of other factors: the booming economy in the region, Agency underrepresentation in Western Canada, and the increasing number of new Canadians in the region, typically significant consumers of passport services.

Introducing the e-passport

The e-passport is the new international standard for secure travel documents, and is already being used in other G8 countries. An e-passport consists of a traditional paper booklet embedded with an electronic chip that is encoded with the same information found on the passport data page, as well as a digitized picture of the passport holder. The

encrypted information can only be decoded by authorized border officials using electronic readers. The e-passport will significantly increase protection against fraudulent use and tampering, and limit the risk of illegal migration and identity fraud.

“The e-passport is the new international standard for secure travel documents, ...”

In the 2008 Budget it was announced that an e-passport valid for 10 years will be fully implemented by 2011. A pilot project is scheduled for 2009. However, incorporating this kind of cutting-edge technology into our operations requires a significant financial investment. Consequently, this project will be underwritten by the \$55 million in new federal funds received in 2007–2008.

A Welcome Announcement

The American government’s decision to require passports for any entry to the U.S. has had major repercussions for both the Canadian government and its citizens. Fortunately, it was announced in March that the deadline for implementing the land and sea components of this law would be extended to June 1, 2009. This additional time allows us to provide Canadians with timely service when they plan to travel. We expect passport demand to remain high for many years, but welcome the challenge with determination and resolve.

Moving Forward

We will continue to expand our Receiving Agent network, so that obtaining a passport becomes even more convenient for our clients. As we know that people in small centres are less likely to hold passports than those in major cities, it is imperative that we reach all Canadians across the nation, to bridge the gap between urban and rural service accessibility.

To maximize the efficiency of our new central processing facility, we are reorganizing the work force to meet expected demand. At full capacity, the new plant can hold over 800 employees in each of two shifts, and process 32,500 passports a week. Our ongoing hiring and training programs will provide the skilled staff needed to reach those goals.

“We will continue to expand our Receiving Agent network, so that obtaining a passport becomes even more convenient for our clients.”

By December 2007, for the first time in over a year, we were able to issue passports in accordance with our service standards without requiring overtime from our staff. We intend to uphold this standard, to the benefit of both Canadian travellers and the work/life balance of our employees. A combination of new technology, improved management practices and strategic partnerships are essential to achieving this goal. The many projects planned or already under way will contribute to our future success.



2.

ABOUT PASSPORT CANADA

2.1 Our Mission

To issue secure Canadian travel documents through authentication of identity and entitlement, facilitating travel and contributing to international and domestic security.

2.2 Our Vision

We strive for global service, global security and global standards in providing state-of-the-art identity authentication and travel documents for the benefit of Canadians.

2.3 Our Values

We are defined and motivated by three cardinal standards: excellence, respect and integrity.

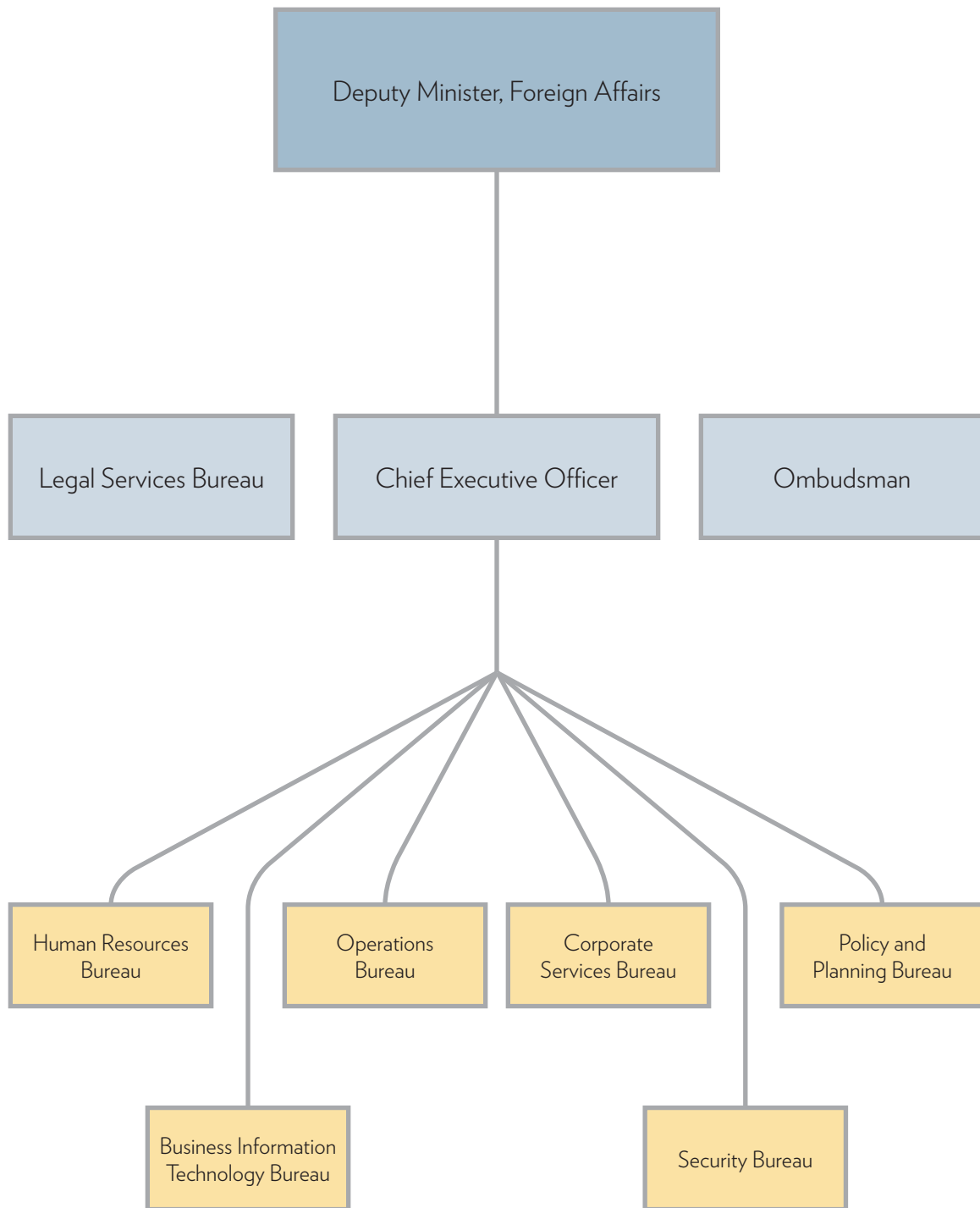
2.4 Our Structure

Our status as a Special Operating Agency within the federal government means that we operate on a self-funding basis, much like a private-sector enterprise. User fees provide most of our funding. The federal government funds only special projects designed to improve service or enhance the security of Canadian travel documents.

“We are defined and motivated by three cardinal standards: excellence, respect and integrity.”

Our Agency is managed by a Chief Executive Officer (CEO), who reports to the Deputy Minister, Foreign Affairs. The CEO chairs an executive committee that sets the overall strategic direction for the Agency and oversees major activities, policies and projects. Our administrative structure consists of six bureaus and four regional offices across the nation.

2.5 Passport Canada Organization



2.6 Our Clients

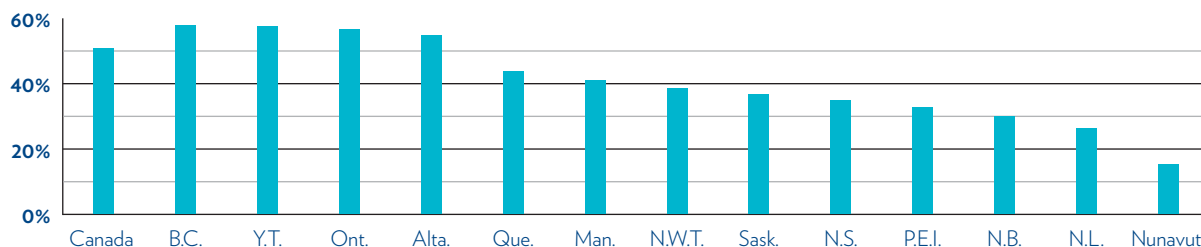
As of May 1, 2008, 50.75% of Canadians held a current passport. However, regional differences in this passport possession rate are evident. For example, the rate is highest in British Columbia, the Yukon Territory, Ontario and Alberta, ranging from 54 % to 57%, and above 40% in Manitoba and Quebec. Rates in the east are lower than in the rest of Canada, ranging from 26% to 38%, with Nunavut residents holding a passport at 15%.

The graph below shows the variation in the passport possession rate across the provinces and territories.

About 83% of our clients report that they travel for personal reasons, while 9% do so for business. About 21% travel to the U.S. by air and about 9% by land or sea.

“As of May 1, 2008, 50.75% of Canadians held a current passport.”

Figure 1: Passport Possession Rate



2.7 Our Products

Passport Canada produces eight types of travel documents:

- The *24-page passport* accounts for 98% of the documents we issue.
- Business people or others who travel more frequently receive a *48-page passport*.
- The *diplomatic passport* is issued to Canadian diplomats, senior government officials, diplomatic couriers or citizens who are official delegates to international diplomatic conferences.
- People representing the Government on other types of official business receive *special passports*.
- Canadian embassies worldwide can supply Canadians stranded abroad with *emergency passports*.
- *Refugee travel documents* are issued to people whom Citizenship and Immigration Canada considers refugees under the 1951 United Nations Convention, or to those who fall under the terms of the *Refugee Protection Act*. These may be used for travel everywhere except in the individual's country of origin. They are valid for two years and may be extended.
- Permanent residents of Canada who are without nationality or are unable to obtain travel documentation from their country of origin may obtain *certificates of identity*. Also

valid for two years and extendable, these documents are endorsed for travel to specific countries on an individual basis.

- A *temporary passport* is available to Canadians with urgent travel needs who

apply from abroad. It is valid for up to one year, depending on the applicant's travel plans, and must be exchanged for a regular passport within that time.

2.8 Our Service Channels

Passport Canada services are offered through a wide range of access points. Applications may be dropped off at our regional offices or Receiving Agent locations, completed via the Internet and submitted either in person or mailed in to our headquarters, or submitted through a Member of Parliament.

Our Receiving Agent network has considerably broadened access to passport services throughout the country, especially in rural, remote and northern locations. By partnering with Service Canada and Canada Post, we currently offer our services through 157 Receiving Agent locations.

Canadians living or travelling abroad can access passport services through all Foreign Affairs and International Trade Canada consular offices. Passport applications are received and approved at missions abroad; all passports

are printed in Canada to ensure they have full security features. Temporary and emergency passports can be issued promptly at missions abroad if needed.

“Our Receiving Agent network has considerably broadened access to passport services throughout the country, especially in rural, remote and northern locations.”

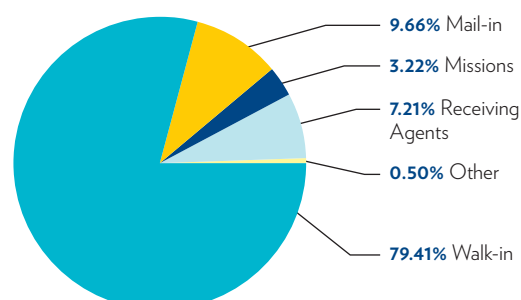
Inquiries may be made by phone at 1-800-567-6868 in both official languages. TTY service is available at 1-866-255-7655. Internet service is provided through our website at www.passportcanada.gc.ca. Our application forms are also issued in large-print or Braille format for use by the persons who are blind or visually impaired.

2.9 Our Performance

Walk-in service at Regional offices accounted for 79.4% of all applications submitted, an increase of 0.8%. This increase was likely due to the transfer of mail-in applications to the regional offices for processing (or for treatment). The percentage of Receiving Agent volumes increased 2.8% mainly due to the opening of 50 plus service Canada offices. The volume increase in the Receiving Agent channel did take away a share of applications from the mail-in channel where share decreased to 9.66% of total applications from 12.7%

although this may be an underestimation due to transfer of files for processing/treatment.

Figure 2: Percentage of Applications by Business Channel 2007–08



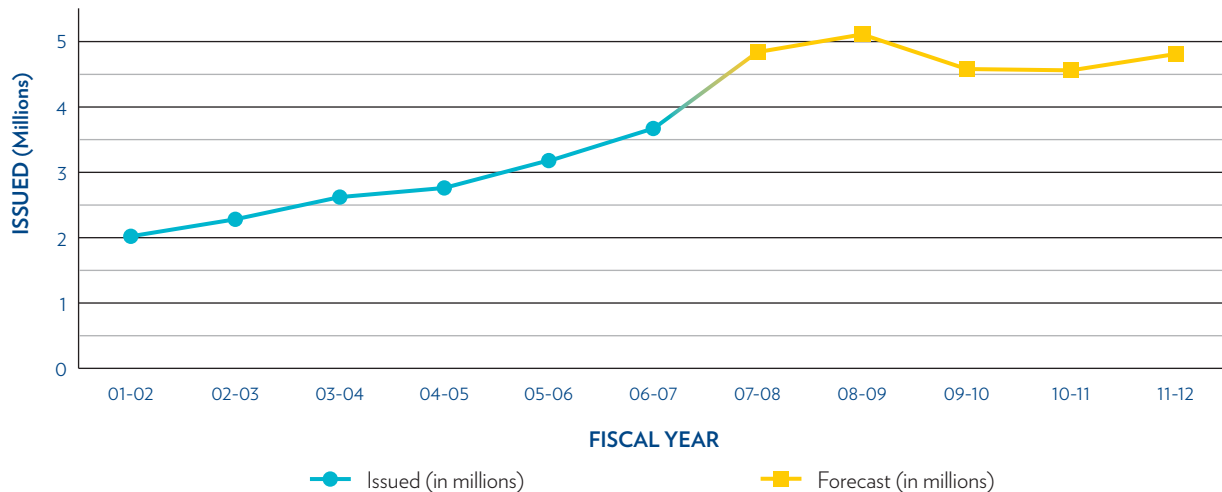
Passports Issued Since 2001–2002 and Five-Year Forecast

In 2007–2008, passports issued were up by 32% over the previous year (4.84M vs. 3.67M). The main factor associated with growth in passport demand was the Western Hemisphere Travel Initiative (WHTI).

“The main factor associated with growth in passport demand was the **Western Hemisphere Travel Initiative (WHTI)**.”

The graph below shows the steady growth rate in passport demand.

Figure 3: Passport Demand 2001–2012



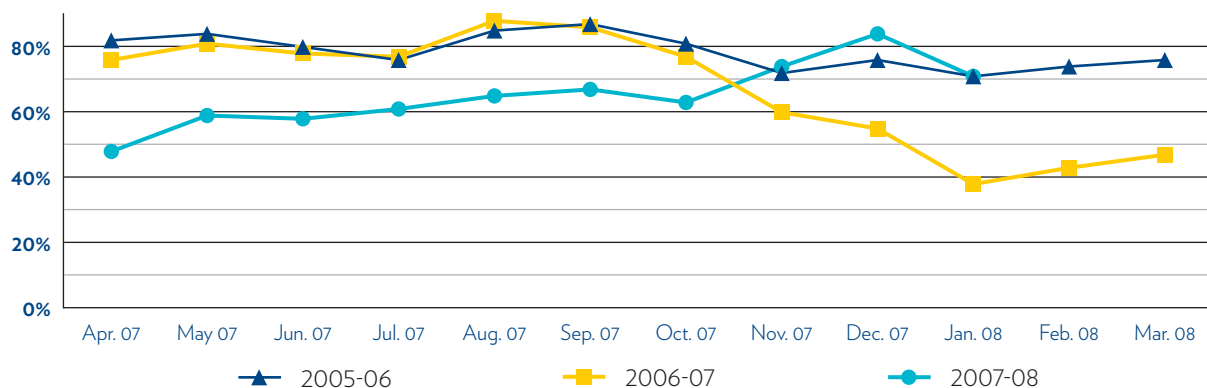
Percentage of clients waiting less than 45 minutes in walk-in offices

Passport Canada experienced record demand for passports over the past year, and took the steps necessary to return the wait times to acceptable levels as quickly as possible. The success of the measures taken is reflected in the result for December, one of our busiest

months, in which over 80% of our clients waited less than 45 minutes. This number exceeds the performance of the previous year for the same period.

Please note that due to technical difficulties, the data for the months of February and March could not be retrieved.

Figure 4: Percentage of Clients Waiting Less Than 45 Minutes



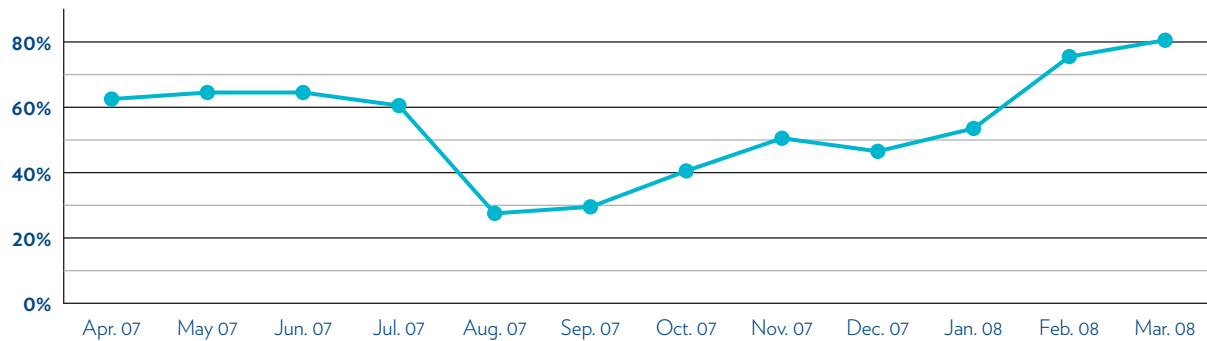
Wait time for completed calls

In 2007–2008, 54% of our clients waited 6 minutes or less in the telephone queue. An extraordinary increase of calls related to the high demand placed considerable operational pressure on this service. The telephone system was optimized by adding additional ports;

this measure improved accessibility, as reflected in the months of February and March.

“An extraordinary **increase of calls** related to the high demand placed considerable operational pressure on this service.”

Figure 5: Percentage of Calls Answered within Six Minutes



Turnaround times

Overall turnaround standards were met for 75.7% of applications during fiscal year 2007–2008. Urgent and Express service standards were met for 99% of applications. The record demand for passports during the early months of fiscal year 2007–2008 outstripped capacity by nearly 2 to 1. This surge in demand resulted in targets not being met during the first half of the fiscal year. Capacity

issues were promptly addressed, resulting in all channels being within service standards by December 2007.

“The **record demand for passports** during the early months of fiscal year 2007–2008 outstripped capacity by nearly 2 to 1.”

Figure 6: In-Person Service

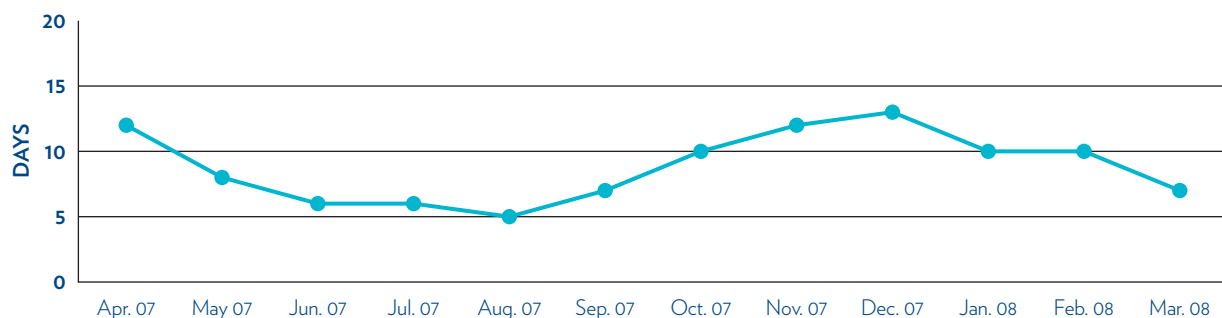


Figure 7: Mail Service

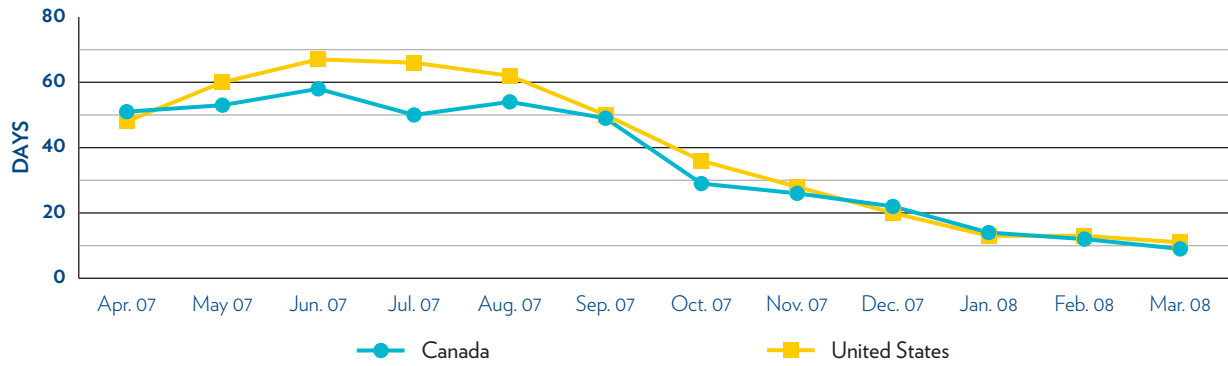
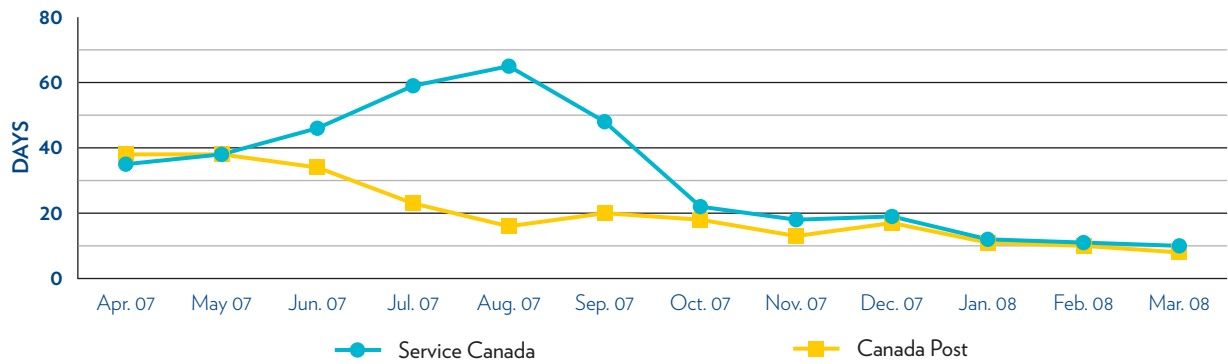


Figure 8: Passport Canada Processing Time for Files Submitted through Receiving Agents



3.

FINANCIAL STATEMENTS

AUDITORS' REPORT

To the Assistant Deputy Minister,
Corporate Services, Department of Foreign Affairs
and International Trade
Passport Canada Revolving Fund

We have audited the statement of financial position of **Passport Canada Revolving Fund** as at March 31, 2008 and the statements of operations and change in net assets and cash flow for the year then ended. These financial statements have been prepared to comply with Section 4 of the Treasury Board of Canada's *Policy on Special Revenue Spending Authorities* and the reporting requirements for revolving funds prescribed by the Receiver General of Canada. These financial statements are the responsibility of **Passport Canada Revolving Fund** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Passport Canada Revolving Fund** as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as described in note 2 to the financial statements.

The comparative figures as at March 31, 2007 are based upon financial statements which were reported on by other auditor.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Revolving Fund and the Treasury Board. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Ottawa, Canada,
May 30, 2008

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

 **ERNST & YOUNG**

PASSPORT CANADA REVOLVING FUND

STATEMENT OF MANAGEMENT RESPONSIBILITY

We have prepared the accompanying financial statements of the Passport Canada Revolving Fund as required by and in accordance with the policy of the Treasury Board on revolving funds and the reporting requirements and standards of the Receiver General for Canada. These financial statements were prepared by the management of the Fund in accordance with the significant accounting policies set out in Note 2 of the statements on a basis consistent with that of the preceding year. Some previous year's figures have been reclassified to conform to the current year's presentation.

Responsibility for the integrity and objectivity of these financial statements rests with the management of the Fund. The information included in these financial statements is based on management's best estimates and judgement with due consideration given to materiality. To fulfil its accounting and reporting responsibilities, the Fund maintains a set of accounts which provides a centralized record of the Fund's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Department of Foreign Affairs and International Trade's Departmental Performance Report is consistent with these financial statements.

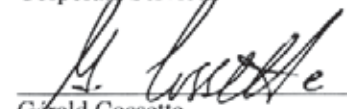
The Fund's directorate of financial services develops and disseminates financial management and accounting policies and issues specific directives which maintain standards of accounting and financial management. The Fund maintains systems of financial management and internal control which gives due consideration to costs, benefits and risks. The systems are designed to provide reasonable assurance that transactions are properly authorized by Parliament, are executed in accordance with prescribed regulations, and are properly recorded to maintain accountability of Government funds and safeguard the assets under the Fund's administration. The Fund also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization.

Management has presented the financial statements to the external auditor, who audited them and has provided an independent opinion which has been appended to these financial statements.

Approved by:



Denis Fortier
Director General
Corporate Services



Gerald Cossette
Chief Executive Officer
Passport Canada

June 3, 2008

Statement of Financial Position

As at March 31
(in thousands of dollars)

	2008	2007
Assets		
Current:		
Accounts receivable:		
Government of Canada	\$15,807	\$5,487
Outside parties	116	381
Prepays	4,124	746
Inventories	7,613	4,435
	27,660	11,049
Long-term:		
Capital assets ^(note 3) :		
At cost	146,938	117,973
Less accumulated amortization	97,713	85,287
	49,225	32,686
	\$76,885	\$43,735
Liabilities		
Current:		
Accounts payable and accrued liabilities:		
Government of Canada	\$4,573	\$3,734
Outside parties:		
Accounts payable	17,714	11,547
Vacation pay	3,926	3,324
Contractors' holdbacks	425	306
Deferred revenue	353	2,375
Current portion of the provision for employee termination benefits	511	666
	27,502	21,952
Long-term:		
Provision for employee termination benefits	15,677	13,690
	43,179	35,642
Net Assets ^(note 4)	33,706	8,093
Commitments ^(note 5)		
	\$76,885	\$43,735

The accompanying notes are an integral part of the financial statements.

Statement of Operations and Change in Net Assets

For the year ended March 31
(in thousands of dollars)

	2008	2007
Revenues:		
Fees earned	\$286,360	\$231,149
Miscellaneous revenues	3,378	375
	289,738	231,524
Cost of goods sold:		
Passport materials	19,187	17,758
Gross profit	270,551	213,766
Operating expenses:		
Salaries and employee benefits	163,313	121,880
Provision for employee termination benefits	2,440	1,895
Freight, express and cartage	27,815	21,255
Professional and special services	13,309	8,201
Amortization	12,426	12,518
Accommodation	12,266	11,126
Telecommunications	8,628	3,219
Information	6,464	1,977
Repair and maintenance	4,581	4,924
Passport operations at missions abroad ^(note 6)	4,447	4,447
Printing, stationery and supplies	3,725	3,034
Travel and removal	3,223	1,951
Postal services and postage	2,449	2,038
Rentals	485	371
Miscellaneous	217	61
	265,788	198,897
Net results	\$4,763	\$14,869
Net assets, beginning of the year	8,093	19,853
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	(10,802)	(30,409)
Contributed capital	31,652	3,780
Net assets, end of the year ^(note 4)	\$33,706	\$8,093

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flow

For the year ended March 31
(in thousands of dollars)

	2008	2007
Operating activities:		
Net results	\$4,763	\$14,869
Add:		
Provision for employee termination benefits	1,832	1,574
Amortization	12,426	12,518
	19,021	28,961
Changes in current assets and liabilities ^(note 7)	(10,906)	4,644
Net financial resources generated by operating activities	\$8,115	\$33,605
Investing activities:		
Capital assets acquired	(28,965)	(6,976)
Net financial resources used by investing activities	(28,965)	(6,976)
Financing activities:		
Contributed capital ^(note 4)	31,652	3,780
Net financial resources generated by financing activities	31,652	3,780
Net financial resources generated and change in the accumulated net charge against the Fund's authority during the year	\$10,802	\$30,409
Accumulated net charge against the Fund's authority, beginning of year	60,754	30,345
Accumulated net charge against the Fund's authority, end of year ^(note 4)	\$71,556	\$60,754

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

March 31, 2008

1. Authority and purpose:

The Passport Canada Revolving Fund (the “Fund”) was established in 1969 to provide for the issue of appropriate travel documents to Canadian citizens and to certain permanent residents of Canada who are unable to obtain valid passports from their country of origin. The *Revolving Funds Act* authorized the operation of the Fund.

The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$4,000,000 at any time. An amount of \$746,000 representing net assets assumed by the Fund and assets contributed to the Fund was charged to this authority when the Fund became budgetary in 1981.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the requirements of Section 4 of the Treasury Board of Canada *Policy on Special Revenue Spending Authorities* and the reporting requirements for revolving funds prescribed by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- employee’s vacation pay and termination benefits liabilities are based on management’s estimate of the liabilities rather than based on actuarial valuations;
- revenues from passport service request fees are recognized upon receipt of payment and verification of an application for completeness as stated in the Regulations prescribing fees for passport services; and,
- funding for capital assets received from Treasury Board is recorded as contributed capital and not as a reduction of the cost of capital assets.

Notes to the Financial Statements — page 2

March 31, 2008

2. Significant accounting policies (continued)

(b) Revenue recognition:

Revenues from passport fees are recognized upon request for a passport service, which is upon receipt of payment and verification of the passport application for completeness.

Deferred revenue is recognized for those passport applications for which the passport service request fee has been collected and deposited, but the applications have not been verified for completeness, as of March 31.

(c) Inventories:

The inventories of materials and supplies are carried at cost using the average cost method.

(d) Capital assets:

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, as follows:

Category	Estimated useful life
Capital Projects	Once in service, in accordance with asset category
Furniture	10 years
Electronic data processing (EDP) equipment	3 - 5 years
Other machines and equipment	5 years

Leasehold improvements are included in capital projects and are amortized on a straight-line basis on the lesser of the remaining term of the lease or estimated useful life of the improvement.

Expenditures associated with the Technology Enhancement Plan Project (TEP) are capitalized. The project costs have been separated in four categories, which are amortized on a straight-line basis over the estimated useful life of each category as follows:

Category	Estimated useful life
Technology Enhancement Plan Project:	
Machines and equipment	10 years
System	4 years
Furniture	10 years
EDP equipment	4 years

Notes to the Financial Statements — page 3

March 31, 2008

2. Significant accounting policies (continued)

(e) Employee termination benefits:

Employees of Passport Canada are entitled to specified termination benefits, calculated based on salary levels in effect at the time of termination as provided for under collective agreements and conditions of employment. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Pension plan:

Employees of the Fund are covered by the Public Service Retirement Pension Plan (the Plan) administered by the Government of Canada. Under present legislation, contributions made by the Fund to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of the Fund and are charged to operations on a current basis. The Fund is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The more significant areas requiring the use of estimates relate to employee termination benefits and to accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

(h) Financial instruments:

The fair value of financial instruments approximates costs unless otherwise specified. The Fund's financial instruments consist of accounts receivable, accounts payable, accrued liabilities and employee termination benefits. It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from those instruments.

Notes to the Financial Statements — page 4

March 31, 2008

3. Capital assets and accumulated amortization:

(in thousands of dollars)

Capital Assets	Balance, beginning of the year	Acquisitions	Disposals, transfers and adjustments	Balance end of the year
Technology enhancement plan project	\$33,877	-	-	\$33,877
Capital projects	76,714	27,152	(8,157)	95,709
Furniture	84	-	-	84
EDP equipment	6,969	1,792	6,739	15,500
Vehicles	-	18	-	18
Other machines and equipment	329	3	1,418	1,750
	\$117,973	\$28,965	-	\$146,938

Accumulated Amortization	Balance, beginning of the year	Amortization	Balance, end of the year	Net book value
Technology enhancement plan project	\$33,799	\$40	\$33,839	\$38
Capital projects	45,223	10,082	55,305	40,404
Furniture	65	9	74	10
EDP equipment	5,954	2,010	7,964	7,536
Vehicles	-	-	-	18
Other machines and equipment	246	285	531	1,219
	\$85,287	\$12,426	\$97,713	\$49,225

The capital projects category includes leasehold improvements.

Notes to the Financial Statements — page 5

March 31, 2008

4. Net assets:

(in thousands of dollars)

	2008	2007
Accumulated net charge against the Fund's authority	(\$71,556)	(\$60,754)
Accumulated surplus	57,334	52,571
Contributed capital	47,928	16,276
	\$33,706	\$8,093

Accumulated net charge against the Fund's authority:

Accumulated net charge against the Fund's authority is the cash position of the Fund, held by the Government on the Fund's behalf.

Accumulated surplus:

The accumulated surplus is an accumulation of each year's surpluses including the absorption of the opening net assets of \$746,000 upon establishment of the Fund.

Contributed capital:

In the year, Passport Canada received \$31,652,000 (2007 - \$3,780,000) from Treasury Board to fund capital projects, principally for National Security Initiatives and to address recommendations from the Office of the Auditor General.

5. Commitments:

Passport Canada rents office premises and other office equipment under long-term operating leases, which expire in 2018. Future minimum lease payments by year are approximately as follows:

(in thousands of dollars)

2009	\$33,665
2010	7,545
2011	6,056
2012	4,308
2013	3,765
2014 and thereafter	11,774
	\$67,113

Notes to the Financial Statements — page 6

March 31, 2008

6. Related party transactions:

Through common ownership, Passport Canada is related to all Government of Canada created departments, agencies and Crown corporations. Payments for passport operations at missions abroad, accommodation and legal services are made to related parties in the normal course of business. All related party transactions are accounted for at the exchange amount, which represents the consideration agreed to by both parties.

As part of its operations, Passport Canada, which is an agency of the Department of Foreign Affairs and International Trade (DFAIT), collects Consular fees on behalf of DFAIT Consular Affairs division. These fees are not recorded as revenues in the statement of operations and change in net assets. In 2008, the Fund collected and remitted to DFAIT \$93,760,600 (2007 - \$73,870,000) in consular fees.

7. Changes in current assets and liabilities:

(in thousands of dollars)

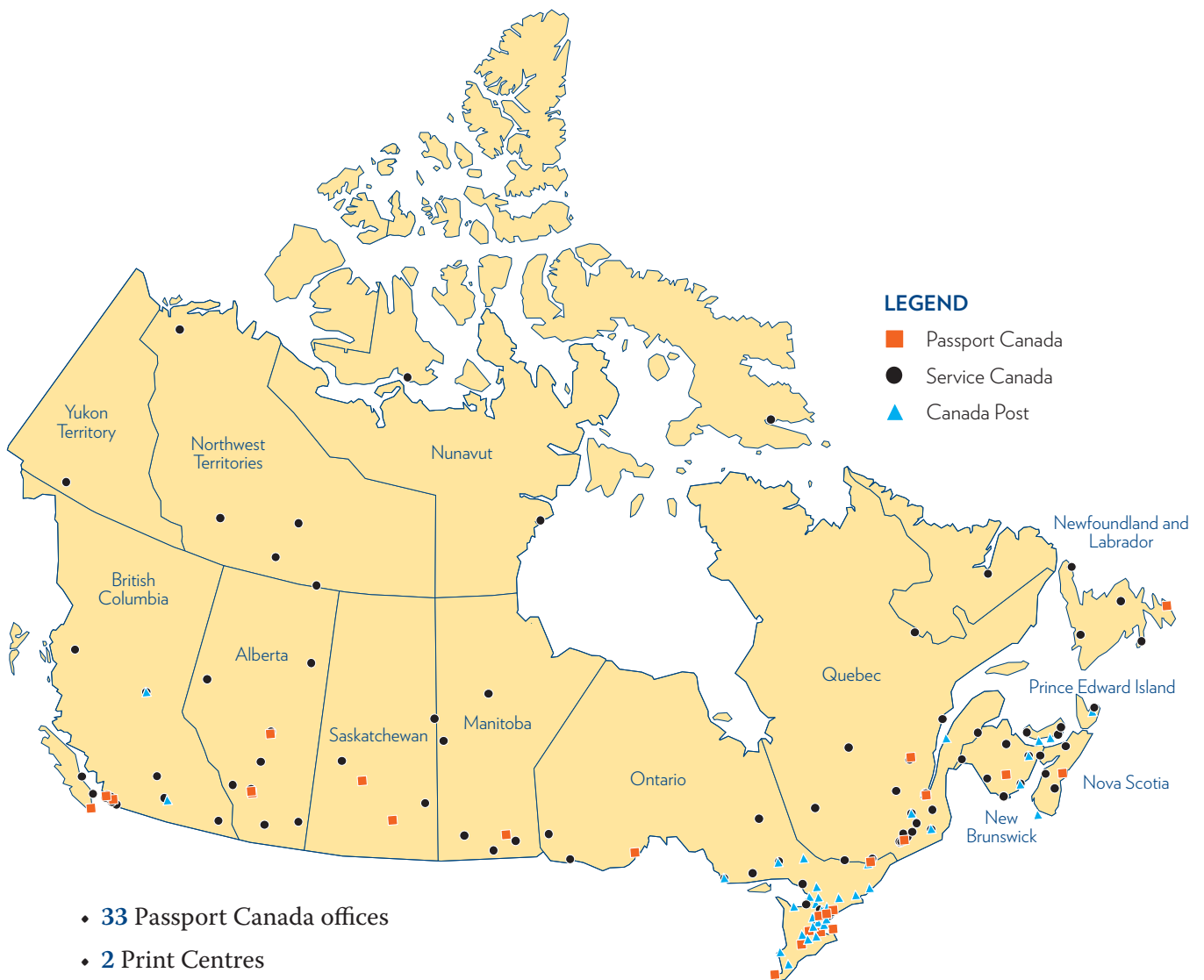
	2008	2007
Assets:		
Accounts receivable – Government of Canada	(\$10,320)	(\$3,314)
Accounts receivable – Outside parties	265	212
Prepays	(3,378)	568
Inventories	(3,178)	748
Accounts payable and accrued liabilities:		
Government of Canada	839	1,975
Outside parties – Accounts payable	6,167	1,758
Outside parties – Vacation pay	602	384
Outside parties – Contractors' holdbacks	119	92
Deferred revenue	(2,022)	2,221
	(\$10,906)	\$4,644

8. Comparative Figures:

Certain of the prior year's figures have been reclassified in order to conform to the presentation adopted in the current year.

4.

SERVICE LOCATIONS



- 33 Passport Canada offices
- 2 Print Centres
- 2 Call Centres
- 56 Canada Post receiving agents
- 101 Service Canada receiving agents

APPENDIX A

Passport Canada - Passport Services

Update on Status of Action Plan to
address the report of the Auditor General

JUNE 2008

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NOTE: If the actions related to a recommendation are fully completed, there will be no further status update.

CHANGE MANAGEMENT

3.65 Performance Information

Office of the Auditor General (OAG) Comment:

The business plans of the Passport Office further elaborate on three major areas of performance: service to the public, security, and the stability of its operation. It has included extensive information in its annual reports about service to the public; however, there is limited performance information to Parliament about security and the stability of its operations.

Passport Canada Response:

Identification of performance measures is an essential component of the Strategic Management Framework that will be implemented, and will assist with reporting requirements.

Actions completed

- Four teams have completed strategy maps. These were rolled up to become the Corporate Scorecard (2005–2006).
- The Corporate Scorecard, which includes performance measures linked to strategic objectives, was delivered to Passport Canada's Executive Committee in January 2006.
- A Communication Plan was developed in March 2006.

Ongoing actions

N/A

Delayed actions

- Delayed due to the volume crisis.
- Cascading of the Scorecard will become part of the integrated planning approach. This process will be developed for August 2008.

3.70 Contingency Planning

Office of the Auditor General (OAG) Comment:

There was no contingency plan, emergency fund or temporary service locations to deal with unprecedented demand. The Passport Office did not have an integrated risk management approach to ensure that it would be able to react to emergencies and cope with service demands before those emergencies became service failures.

Passport Canada Response:

Decisions regarding service points and improvements based on a risk management approach will be implemented.

Actions completed

- A financial contingency plan was presented to Passport Canada's Executive Committee on January 11, 2006.
- Business Continuity Plans for emergency preparedness have been completed for all 33 regional offices.
- An approved contingency plan was completed with the new Budget Management Framework. A contingency reserve of 2.5 percent of forecast revenues was established in the 2006–2007 budgeting exercise.
- A successful (within narrow parameters) study of like organizations to identify best practices in the area of volume management and contingency planning was conducted in 2007–2008.
- Workload management and volume distribution is now a normal part of operations. Evening shifts exist in most offices in order to cope with spikes in demand. Drop box processing of files alleviates long line-ups in regional offices (2007–2008).
- **Fully completed (will not appear in future updates).**

Ongoing actions

N/A

Delayed actions:

N/A

3.71 Forecasting and Influencing Demand

Office of the Auditor General (OAG) Comment:

Inability to forecast and influence demand places an undue burden on service.

The Passport Office does not have complete control over this phenomenon. However, it can influence demand to some degree. As early as its 2000–2002 business plan, it discussed the concept of “flattening the demand cycle”.

Passport Canada Response:

1. In December 2004, the forecasting model integrated some policy parameters in order to better measure demand.
2. The next steps for the Simplified Passport Renewal process have been identified. The focus has shifted to be more client-centred, and Simplified Passport Renewal will now be a self-identified process.
3. Systematic public consultation will be undertaken in order to better understand the causes of demand fluctuations and the impact of policies on demand. Working with the Conference Board of Canada, this consultation process will enable Passport Canada to obtain more precise forecasts that reflect social and political factors.
4. A pilot will be conducted for an appointment process whereby first-time applicants arrange a time to submit their application in person.

Actions completed:

1. - The forecasting model was completed in December 2004.
2. - Simplified Passport Renewal was launched in 2007.
3. - Surveys were conducted in December 2004, April 2005 and March 2006 (omnibus survey).
 - In 2007, Passport Canada developed an internal capacity to forecast demand and is using public opinion research in its passport demand model.
 - In January 2008, a telephone survey on passport demand was conducted in order to reach Canadians living near the border. A sample size of 4,000 was used.
 - In 2008–2009, Passport Canada plans to conduct similar surveys prior to each forecast to better estimate demand and subsequently adjust the forecast.
4. N/A

CONTINUES...

Ongoing actions:
1. N/A
2. N/A
3. - Ongoing surveys and reviews will be part of the forecasting process. - The volume forecast will be reviewed and revised, if required, based on survey data and a Conference Board update.
4. N/A
Delayed actions:
1. N/A
2. N/A
3. N/A
4. - A pilot of the appointment process was planned for two office locations but was delayed due to high volume. It is planned for the current fiscal year.

3.75 Reporting on Performance

Office of the Auditor General (OAG) Comment:

Develop and report on additional service standards, including information services such as email, other correspondence, and telephone.

Passport Canada Response:

The Annual Report for 2004–2005 included more performance information for security and stability as well as phone service standards and performance. Passport Canada will report more extensively on performance indicators for all service standards.

Actions completed:

- Standards for telephone enquiries were established and reported in the 2004–2005 Annual Report.
- Performance measures related to security and corporate improvement were developed as a result of the Strategic Management Framework and were reported in the 2005–2006 Annual Report.
- Passport Canada developed the following four performance indicators to measure Call Centre performance (using Treasury Board guidelines for measuring phone service performance):
 - Access to the phone system: 95 percent of callers will not get a busy signal
 - Access to agents: 80 percent of callers who request an agent will be put in the queue
 - Waiting times in the queue: 75 percent of callers will speak to an agent in less than eight minutes
 - Access to information through the interactive voice response (IVR) (no agent required): 60 percent of callers will find the information they require without speaking to an agent
- Passport Canada has been reporting performance indicators monthly since November 2005. Three improvement initiatives were undertaken to improve Call Centre performance:
 - Load-balancing with existing capacity: Calls from three area codes were reassigned to the Gatineau server from the overloaded Montréal server in February 2006.
 - Addition of new resources: 14 full-time and two part-time resources have been added, to handle call volumes more effectively.
 - Training of agents: In April 2006, call centre staff were trained to ensure that all agents have the knowledge they need to respond to all types of calls.
- The indicators were developed using Treasury Board guidelines and client surveys for measuring phone service performance.
- The new Call Centre service standards were reflected in the 2006–2007 Annual Report.
- Call Centre performance reports will be used to validate or update the framework so that targets reflect Passport Canada and client expectations. Passport Canada will also develop a business case for increasing or maintaining service targets, as required.

CONTINUES...

- Automated load-balancing: In May 2006, servers were upgraded with software that will automatically re-route callers to another server if their assigned server is full, or in case of server failure. This significantly increases the percentage of callers who have access to agents and reduces wait times in the queue.
- Priority queue for lost/stolen passports: A priority queue for lost or stolen passports was instituted in May 2006.
- New messages to reduce call length and volume: In September 2006, a script was included within the IVR that provides answers to common questions, encourages callers to visit the website if appropriate, and ensures people are prepared when an agent becomes available so that call times are reduced.
- Revamped website: Passport Canada launched a new, user-friendly website in the first quarter of 2006–2007. The new site is designed to reduce call volumes by making key information more accessible on the Internet.
- As of April 1, 2005 the following performance standards are in place for correspondence:
 - Letters with Minister's signature: 25 working days
 - Letters with CEO's signature: 25 working days
 - Emails (INFOPASS): two working days
 - Infopass status requests increased from 600/week to 3,500/day, which caused delays of up to 10 days for a response.
 - Volume has now decreased to 1,200/day and applicants are being contacted within 24 hours of receipt of the request.
- A report was prepared in March 2006 evaluating performance against correspondence service standards.
- With the implementation of the Mission Print Passport Project, an international service standard of 15 days has been established. The service level is being monitored weekly.
- Passport Canada has been undertaking a review of its existing service standards relating to client service to determine if the current standards are valid, and determine if there are any gaps. Initial findings were presented to Executive Committee for approval.
- As of September 4, 2007, the core office hours to the public for all regional offices are 8:30 a.m. to 4:30 p.m.

Ongoing actions:

- Passport Canada will continue to report more extensively on performance indicators for all service standards (including in its Annual Report).

Delayed actions:

N/A

3.77 and 3.82 Management of Improvement Initiatives

Office of the Auditor General (OAG) Comment:

The Passport Office has not prioritized those projects and weighed their relative importance. We found that the Office used no formal criteria to separate priority from non-priority projects, for ranking projects according to greater or lesser importance, or for sequencing projects in the order they must take place.

Passport Canada Response:

1. Project Management Bureau was established and will assess projects against stated criteria found in the Project Management Framework.
2. The Strategic Management Framework will assist in the identification of priorities that are in line with strategic goals and targets.

Actions completed:

1. - A Project Management Bureau was created in February 2005.
 - An updated corporate project governance structure and project framework was reviewed and approved by the Executive Committee in March 2006 and implemented in June 2006.
 - A priority-setting tool for corporate initiatives was integrated with the strategic management framework, and the new Management Committee is in the process of determining the prioritization of the strategic initiatives that are aligned to the four strategic themes.
 - Management Committee approved a business case assessment tool on January 31, 2007. This tool is an evaluation grid to aid Management Committee in making recommendations to the Executive Committee. A series of project management documents were also standardized. Further, conceptual business and technical diagrams and a master corporate plan for projects were developed.
2. - The Executive Committee has defined strategic initiatives aligned to the four strategic themes (2005–2006).
 - Four teams have completed the strategy maps that were rolled up to become the Corporate Scorecard (2005–2006).
 - The Corporate Scorecard was delivered to and approved by the Executive Committee in January 2006.
 - A Communications Plan was developed in March 2006.

CONTINUES...

- The Corporate Scorecard, which includes performance measures linked to strategic objectives, was delivered in March 2006. Performance measures address all areas of the organization and assist the Executive Committee in assessing performance in the areas of security, service to the public, finance and overall operations (2005–2006).
- A yearly strategic planning conference will be held in the fall with the Executive Committee and a review of priorities will be undertaken in relation to external and internal factors (2006–2007).
- The Management Committee is assessing a weighting criteria tool for initiatives, to be used to determine the prioritization of the strategic initiatives aligned to the four strategic themes (2006–2007).

Ongoing actions:

1. - A new planning process is being created to help assess the impact of new initiatives on the organization. This process includes the development of a three-year project portfolio for evergreening IM/IT and corporate projects that will help align the new project requests with the strategic goals and priorities.

2. N/A

Delayed actions:

1. N/A

2. - The implementation of an integrated planning process to assist in the identification of priorities was delayed due to the volume crisis. An integrated planning process will be developed for August 2008.

3.78 and 3.82 Management of Improvement Initiatives

Office of the Auditor General (OAG) Comment:

We found that management had not fully analyzed the impact of concurrent improvement projects on each other. We found that the quality of analysis for setting up new offices was poor and did not address many of the key requirements of a business case: cost benefit analysis; key assumptions and constraints; or implications on future operational cost.

Passport Canada Response:

1. A strategic management framework will be implemented to integrate strategic, human resources and business planning throughout Passport Canada.
2. An activity based management system will be implemented to assist with financial and human resources planning, facilitating alignment between resources and activities and the products and services offered.
3. A business case process was developed for all Passport Canada projects and initiatives.

Actions completed:

1. - A Corporate Scorecard linking strategic objectives with initiatives was delivered to the Executive Committee in January 2006.
- The Performance Report has been developed and is circulated monthly to the Executive Committee (2006–2007).
2. - The activity based management system was implemented in two phases, which are now both completed. This system is being used to cost projects and proposals and to plan, budget and reallocate resources (2007–2008).
- Phase 1 of activity based costing was completed and it established costs of all products, services and delivery channels (2005–2006).
- Phase 2, activity-based planning and budgeting in the entire organization, was completed (2007–2008).
3. - A business case process was completed on December 31, 2005.
- A process for costing has been integrated within the project management framework (2006–2007).
- The Management Committee approved a business case assessment tool on January 31, 2007. This tool is an evaluation grid to aid the Committee in making recommendations to the Executive Committee based on several important factors.

CONTINUES...

Ongoing actions:
N/A
Delayed actions:
1. - The integration of business, financial and human resources planning as part of the Balanced Scorecard process has been delayed due to the volume crisis. An integrated planning process will be developed for August 2008.
2. N/A
3. N/A

3.79 Management of Improvement Initiatives

Office of the Auditor General (OAG) Comment:

Project management and policy change initiatives have a direct impact on the jobs of Passport Office staff. We found no long-term, consolidated human resources plan to address the impact of Project Management and Policy change initiatives.

Passport Canada Response:

The Human Resources Plan will be reviewed and will be modified in consideration of emerging priorities.

Actions completed:

- A revised interim plan was developed and was implemented for 2005–2007.
- A National Recruitment and Resourcing Plan was developed for examiners (2005–2006).
- Given the significant changes introduced to HR management by the introduction of the *Public Service Modernization Act (PSMA)*, *Public Service Employment Act (PSEA)* and other new legislation in 2005–2006, Passport Canada focused its energies on these implementation issues. Training received by the Executive Committee in March 2006 provided the impetus for development of an integrated HR and business planning process in 2006–2007.
- Elements required before the development and implementation of a plan, such as an environmental scan, an analysis of HR trends and practices, and a demographic report, have been completed (2006–2007).
- Consultation in relation to, and submission of approved individual HR plans for each of the bureaus was completed on March 31, 2008. Consolidation and integration of individual bureau HR plans is being completed and should be published by fall 2008.
- To increase Human Resources Bureaus capacity to respond to Agency needs, an organizational review was undertaken and is being implemented through 2008.
- Training needs were identified for managers to provide the necessary understanding of the effect the necessary changes required by *PSMA* and to exercise their delegated authority. Taking into consideration operational pressures, most key managers have completed the required training.
- To respond to increasing volume demands Passport Canada carried out extensive recruitment across Canada. To accelerate the recruitment processes and assist in the implementation of the strategy, a project manager was hired to coordinate and manage this initiative (2007–2008).

CONTINUES...

Ongoing actions:

N/A

Delayed actions:

- The evolution of the Integrated Human Resources Plan will continue during 2008–2009.
- Executive Committee approved in principle the new Human Resources Bureau structure on April 30, 2007. Financial approval was provided to carry out the implementation, which was scheduled to start in the first quarter. However, due to operational requirements, the implementation was delayed until the fall.
- Lack of physical space is currently limiting Human Resources Bureau staffing. The new structure will be implemented incrementally. The terms of reference for the Human Resources Committee will be reviewed and increased to support the integrated HR and business planning more adequately. An HR delegation instrument was completed and approved in late September. New policies (e.g., acting nominations) are also being developed to support the management team.

3.81 Management of Improvement Initiatives

Office of the Auditor General (OAG) Comment:

Many technological and quality assurance improvements will need to be made to increase the security around the issuing of passports. As well, the Passport Office plans to make several changes to service delivery. In our view, even considering the improvements to service that have been made, its current management systems and practices are not adequate to meet those challenges of changes to service delivery.

Passport Canada Response:

1. A Continuous Improvement Council has been convened. It provides advisory oversight on issues of improvement and provides recommendations to the Executive Committee.
2. An integrated service strategy and model will be developed to analyze service from the client perspective and establish service principles upon which to base improvements.

Actions completed:

1. - In January 2006, the Council requested that directorates identify areas of improvement to address in fiscal year 2006–2007.
- In February 2006, the Council met and established priorities for improvement for fiscal year 2006–2007.
2. - In 2005–2006, the Integrated Service Strategy project began with an identification of the current service process from the client perspective.
- Service model principles were developed and presented to the Executive Committee (2006–2007).

Ongoing actions:

1. - In April 2006, a presentation of the strategy and approach was made to the Executive Committee. The strategy and approach will be incorporated and integrated into each bureau's business plan.
- In April 2006, bureaus began implementing the selected daily improvements.
2. - The service strategy and model are under development.
- Client service commitments and capabilities will be developed.
- Short-term and long-term initiatives to advance the strategy will be defined.

Delayed actions:

N/A

SECURITY AND IDENTIFICATION

3.28 Personnel Clearances

Office of the Auditor General (OAG) Comment:

Security clearance levels need to be reviewed and updated as required.

We are concerned that contrary to government policy, individuals with inadequate security clearance potentially have access to some critical assets.

Passport Canada Response:

1. Security clearances for those working with the issuance system have been updated.
2. An analysis will be undertaken to look at all Passport Canada positions and clearance requirements.

Note: The new requirement for Secret security clearances for all persons handling blank passports is linked to the declaration of passport blanks as a National Security Asset.

The Government of Canada National Security Policy now defines **Classified information** as “information related to the national interest that may qualify for an exemption or exclusion under the *Access to Information Act* or *Privacy Act*, and the compromise of which would reasonably be expected to cause injury to the national interest.”

Secret is now defined as the “level of classification that applies to information or assets when its accidental or deliberate compromise, removal, modification, interruption or destruction could reasonably be expected to cause serious injury to the national interest.”

The delivery of Canada’s passport program abroad necessitates hiring both non-resident Canadians and non-Canadian locally engaged staff. The requirement for a Secret security clearance is more tightly controlled since 9/11. Secret clearances are generally not possible for non-Canadian employees at Canadian missions abroad. For this reason, Passport Canada, along with Foreign Affairs and International Trade Canada (DFAIT), is analysing options, including the repatriation of entitlement privileges, so that missions abroad can continue to provide passport services while remaining in compliance with security policies.

Actions completed:

1. - The 42 full-service examiners now have the appropriate security clearance.
2. - Most of the analysis was completed during the 2005–2006 fiscal year.
 - Personnel clearances in the Call Centres and Print Centres have been upgraded.
 - A new Treasury Board Secretariat standard will affect security clearances, but the standard has not yet been released. Passport Canada is proceeding with security clearances based on expectations of this new standard.

CONTINUES...

- Clearances for employees in Central Operations have been upgraded.
- During the 2006–2007 fiscal year, Passport Canada continued to ensure that new officers are cleared to secret in preparation for the new standard. Existing officers, with access to classified assets, are cleared to secret.
- Steps to improve the security of handling passport assets at missions abroad are addressed in section 3.57 of this document.
- For locally engaged staff, Passport Canada is working with Foreign Affairs and International Trade Canada to minimize the risk this process imposes. Risk has been minimized through the repatriation of printing and will be further reduced through the repatriation of entitlement (2006–2007).
- Passport Canada is studying a phased approach, in consultation with DFAIT's Consular Affairs Branch, for the repatriation of the entitlement process (2007–2008).

Ongoing actions:

1. N/A

2. - A repatriation options paper is currently under development and is expected to be delivered to the Executive Committee by December 2008.

Delayed actions:

N/A

3.30 Quality Assurance

Office of the Auditor General (OAG) Comment:

Quality assurance of the examiner function is lacking.

A system that checks whether an examiner is making the proper decisions about the identity documents presented by an applicant and other entitlement functions.

Passport Canada Response:

A credible quality assurance program will be implemented. Independent audits will be performed by the Inspector General Office of Foreign Affairs and International Trade Canada based on established criteria, with the goal of identifying the baseline in this fiscal year.

Actions completed:

- In January 2006, the Executive Committee approved the funding and methodology for a quality assurance baseline activity based on the premise of a statistically sound and systematic review of passport application examination activities. The details of the activity were developed in consultation with the Inspector General Office, and the sampling methodology was developed in consultation with Statistics Canada.
- The quality assurance baseline activity evaluates critical points on the identity page of the passport. Elements include: surname, given name, date of birth, city of birth, country of birth and citizenship.
- A snapshot of quality was undertaken by Operations in July 2006, and this will form the baseline for comparison purposes.
- An improved remark system has been recently developed in order to allow employees to use predetermined remarks that are clear and easily understandable. This improvement increases the quality of the information contained in IRIS.

Ongoing actions:

N/A

CONTINUES...

Delayed actions:

- Passport Canada had to terminate its contract with the consultant due to difficulties related to the scope of the project.
- Based on the 2006 experience, Passport Canada will review its data entry error rate by sampling all business channels. Passport Canada will verify eight elements (previously identified) and will also add the verification of the documentary evidence of citizenship (DEC) information in our system based on the DEC submitted by the applicant. This validation consists of verifying specific fields of the original DEC that have been submitted in support of the application against the information contained in IRIS. The samples were determined in concert with Statistics Canada and are based on a study of the current volumes.
- A methodology for a more encompassing quality assurance program is being developed. The methodology will be established under current conditions and will be revised as processes are modified. Aspects being studied include the use of coaches and mentors to administer part of the program, the elaboration of a clear standard for employees, and a follow-up mechanism. Consultations with other countries and with Canadian organizations are also being organized. Implementation is planned for mid-fiscal year 2008–2009.

3.31 Document Verification Tools

Office of the Auditor General (OAG) Comment:

Examiners do not have all the proper tools readily available.

A black light is needed to see the security features on the latest Canadian citizenship card.

Magnifying glasses for document examination were generally not part of examiners' standard equipment.

Passport Canada Response:

1. Document identification tools to strengthen examiners' ability to verify the authenticity of identity documentation have been distributed.
2. Training material was developed to accompany the Document Identification Tools. Passport Canada is currently arranging fraud awareness training sessions with the RCMP.
3. Based on the fraud awareness training provided by the Royal Canadian Mounted Police (RCMP), the Human Resources Bureau will develop training modules for regions.
4. In addition to the Quality Assurance Program, Passport Canada is implementing both a Regional Security Advisor Program and a Compliance Program within the Security Bureau.

Actions completed:

1. - Completed.

2. - Completed and distributed in April 2005.

3. - Three fraud awareness training sessions were conducted and at least one employee was trained in each office in November and December 2005.

- Modules have been distributed. Training for all regions was completed in November 2006.

4. - Eight Regional Security Advisor positions have been classified and funded, and staffing was completed in June 2006. Two Security Advisors are located in each region.

- The Compliance Manager position has been created and staffed. Related training has been identified, some courses completed, and others confirmed or planned. The first compliance review was undertaken in October 2005 and action was initiated based on results. Job descriptions for four Compliance Officers have been classified.

CONTINUES...

- The first round of Compliance Officer staffing was completed and one position was staffed effective January 2007. Two additional Compliance Officer positions are not funded, pending further program development.
- At time of update, the Compliance team comprises the Manager and two officers.
- Compliance Section undertook a review during 2007–2008, which will be instrumental in streamlining system access controls.
- The *IRIS Access Control Guide* was launched on March 31, 2008, by the Compliance Section.

Ongoing actions:

- The Compliance Section workplan for 2008–2009 is under review, based on the actual staffing level.

Delayed actions:

- The evaluation of Regional Security Advisor and Compliance Officer presence to determine the effectiveness of the program has been delayed. Planning for this review will commence in 2008–2009 because of late deployment of the program.
- Six Regional Security Advisor positions are staffed and an advertised staffing process will be undertaken in 2008–2009 to fill the remaining two positions in Central Operations.

3.34 Guarantor Checks

Office of the Auditor General (OAG) Comment:

Checks on guarantor information are not performed as required.

Passport Office procedures require that examiners conduct guarantor checks on a significant percentage of applications. However, there is no national reporting on this activity, and the Passport Office could not demonstrate that this objective was achieved.

Passport Canada Response:

1. A job aid regarding guarantor checks has been distributed to Operations Bureau.
2. Evaluation of the value of the metric and the activity will be undertaken.

Actions completed:

1. 2005–2006

- A job aid regarding guarantor checks was distributed in February 2005. Training was completed across the country in the summer and fall of 2005.
- A database was created in June 2005 to report monthly on recorded guarantor checks. Examiners record their guarantor checks in the passport issuing system.
- Monthly reports on guarantor checks are now part of the overall monthly Report on Performance Indicators, which is submitted to Passport Canada's Executive Committee.
- By reallocating resources, guarantor check verification rates have increased significantly without impacting service delivery over the past year. In April 2005, the national verification rate was around 12%; in January 2006, it was over 19%.
- Substantial additional gains are impaired by potential impacts to service as well as resource constraints.

2. 2006–2007

- A review of the policy will be conducted following the evaluation of the value of the metric.
- Passport Canada will continue to work towards the 25% verification rate until the assessment of the metric and the policy review is complete. A strategy will be developed to ensure compliance with the policy through the Quality Assurance Program.

CONTINUES...

- At the end of January 2007, the target continued to be met. The evaluation is ongoing. Until such time as the 25% target for guarantor checks can be confirmed, efforts will focus on mandatory and recommended verifications.
- The new Guarantor Policy was implemented on October 1, 2007. With the new Guarantor Policy in place, we are able to verify the eligibility of all guarantors. One hundred percent verification is still used in all mandatory files and those deemed necessary by the Passport Officer.

Ongoing actions:

N/A

Delayed actions:

- Fully Completed

3.35 and 3.38 Vital Statistics Verification

Office of the Auditor General (OAG) Comment:

Examiner confirmation of vital statistics is difficult to perform.

Work toward establishing electronic links with Citizenship and Immigration Canada (CIC) and the provinces to validate automatically the identity data on an application.

Passport Canada Response:

An inter-departmental and inter-provincial project to establish electronic links with the provinces called the National Routing System (NRS), in order to authenticate birth certificates, is underway.

Actions completed:

- Passport Canada was leading a multi-jurisdictional, multi-departmental initiative, called the NRS. Its purpose was to establish links to provincial and territorial bureaus of vital statistics and CIC to allow passport examiners to immediately verify birth and citizenship data presented on passport applications, and check for death information to support the authentication of the passport applicant's identity. While the system was the subject of a pilot project, it has yet to receive final policy or funding approval.
- Leadership on the file was transferred to the Treasury Board Secretariat Chief Information Officer Branch in 2007, and Passport Canada continues to support the work.
- Statistics Canada has taken over leadership of the pilot. Passport Canada is now concentrating its resources over the next 18 months on its core mandate of delivering travel documents as record numbers of Canadians continue to apply for passport services ahead of the June 2009 implementation of the U.S. Western Hemisphere Travel Initiative (WHTI).

Ongoing actions:

N/A

Delayed actions:

N/A

3.36 Vital Statistics Verifications

Office of the Auditor General (OAG) Comment:

Confirming vital statistics is difficult for examiners.

Such links would provide immediate confirmation of data and allow examiners to check for reported deaths.

Passport Canada Response:

A survey of the number vital statistics verifications made and an analysis of the reasons for verifications has been undertaken.

Actions completed:

- A survey of the number of vital statistics verifications made was undertaken in each region in February 2005.
- The National Routing System project will address data sharing of vital events information. Please refer to sections 3.35 and 3.38 for more information concerning this project.

Ongoing actions:

N/A

Delayed actions:

N/A

3.41 Access to the Passport Issuance System

Office of the Auditor General (OAG) Comment:

Access to the passport issuing system needs to be restricted. We found very poor control over the granting of access rights to users. Data administrators, system administrators, case management officers, entitlement review analysts, and operational and non-operational office managers all have user access profiles that allow them to issue a passport.

Passport Canada Response:

1. Access to the issuance system (IRIS) has been rectified through a cleanup of user accounts and profiles.
2. An audit process will be established.

Actions completed:

1. - The Information Management and Technology Division performed several cleanups of inactive IRIS accounts and established a procedure whereby account administration requests for certain privileged IRIS applications have to be approved by Security.
 - In December 2005, Operations completed the reviews of its IRIS account profiles and user profile assignments to ensure they reflect security requirements and are given on a “need to have” basis.
 - To help ensure that these accounts remain current, Operations has as of May 2005 instituted an ongoing monthly review process. Each month, Operations selects a sample of 20 employees from the Human Resources Information System (HRIS) and confirms their IRIS profile and status with the relevant manager. Anomalies are corrected immediately and a copy of the report is filed with Registry.
 - The monthly review has been modified so that a sample of IRIS accounts is taken and then verified against HRIS. Following two years of monthly reviews, the review was done quarterly (2006–2007).
 - In 2007–2008, the quarterly review has been modified so that a sample of IRIS accounts is taken and then verified against HRIS.

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2. - The Business Information Technology Bureau has revised the *PPT-083 Account Creation/Deactivation Request* form to include more information for the creation of IRIS accounts. This information will include, but is not limited to, account expiry dates, profile change information and justifications for the change. Various reports are generated to monitor and delete expired and inactive accounts.

Ongoing actions:

1. - The last review was sent to each office in July 2007. The reviews are now done on an ongoing basis through the Compliance Group.

2. N/A

Delayed actions:

N/A

3.43 Watchlists

Office of the Auditor General (OAG) Comment:

The Passport Office cannot effectively enforce certain provisions of sections 9 and 10 of the *Canadian Passport Order*.

If applicants do not have alerts against their names on the automated watch list, examiners have no way of knowing whether decisions need to be made under section 9. Similarly, security personnel cannot know if they should consider revoking a person's passport under section 10. In addition, we could not find any documented criteria for making discretionary decisions to refuse or revoke a passport.

Passport Canada Response:

1. The Public Key Infrastructure has been installed and provides a secure electronic link to allow Passport Canada to share information with Correctional Services Canada and with Canada Border Services Agency/Citizenship and Immigration Canada.
2. Negotiation of additional Memoranda of Understanding with partner departments will expand Passport Canada's authority, ability, systems and resources to populate the system lookout list with current and appropriate data that enable examiners to make entitlement decisions.
3. The entry of this data in Passport Canada's system lookout list allows entitlement review analysts to confirm eligibility of applicants.
4. An analysis and breakdown of the process for the application of section 9 and 10 of the *Canadian Passport Order* was undertaken.

Actions completed:

1. - In 2005–2006, MOUs have been negotiated with:
 - Correctional Services Canada (CSC) - signed March 2005
 - Canadian Police Information Centre (CPIC) - completed and requires signature only
 - Canada Border Services Agency (CBSA)/Citizenship Immigration Canada (CIC) - signed June 2004. The MOU relates to data-sharing for lost and stolen passports.
 - Royal Canadian Mounted Police (RCMP) - signed December 2005
2. - MOU signed with the RCMP. (2007–2008)
3. - In January 2005, the Security Bureau established a working group and initiated a quality and quantity review of all information currently recorded and stored in their system lookout list. The review will include confirming the legal authority to collect and retain the information, and ensure that names are removed from the list as required by law. This review will be undertaken concurrent with the development of the case management system.

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<ul style="list-style-type: none"> - Passport Canada is participating in Phase 2 of the inter-departmental National Routing System project that should include citizenship verifications. - The project charter for the review of the System Lookout system was completed in June 2006. This document will clarify past use of fields, document procedures for continued use, and remove data for which there are no further legal grounds for retention. Funds will be requested through the internal budget review exercise and the project is expected to require 12 to 18 months to deliver. It has been moved to 2007–2008. Funding has been approved to allow the Security Bureau to proceed with phase 1 of the System Lookout Review, which consists of hiring one officer to draft policy and procedures for the use of the System Lookout.
<p>4. - The negotiation started in 2006 regarding the MOU between Passport Canada and the Canadian Security and Intelligence Service.</p>
<p>Ongoing actions:</p>
<p>1. - The MOU between Passport Canada and CIC (Intelligence) was to be negotiated in 2006, but was delayed. The scope of the MOU was larger than originally envisioned, which takes more time for development and negotiation. Information is being provided by Citizenship and Immigration Canada on citizenship revocations. (2006–2007)</p> <p>- An initial meeting has been held at the Director General level and the scope has been expanded to include DFAIT's Consular Affairs Branch.</p>
<p>2. N/A</p>
<p>3. - A proposal has gone forward to seek funding for subsequent phases.</p> <p>- A preliminary review of System Lookout categories and an assessment of the most contentious areas was concluded. Subsequent policy work on System Lookout use and maintenance and associated procedures will proceed concurrently with Security and Intelligence Case Management System (SICMS) development to ensure the new System Lookout approach is fully integrated with SICMS.</p>
<p>4. - Informal discussions are continuing. In light of recent jurisprudence, it is believed that Passport Canada will need to establish an exempt personal information bank under the <i>Access to Information Act</i> and <i>Privacy Act</i> as a precursor to entering into a formal agreement.</p>

CONTINUES...

Delayed actions:

1. - The MOU between Passport Canada and Citizenship and Immigration Canada (Intelligence) was to be negotiated in 2006, but was delayed. The scope of the MOU was larger than originally envisioned which takes more time for development and negotiation. Information is being provided by Citizenship and Immigration Canada on citizenship revocations (2006–2007).

2. N/A

3. N/A

4. N/A

Sections 9 and 10 of the *Canadian Passport Order*

9a - completed application	No issue. All passports are issued based on completed, signed application forms.
9b - stands charged in Canada	<p>Passport Canada established a secure link with the RCMP in April 2006 and ran 1,000 passport applicants against one of three CPIC databases as a pilot. CPIC data is available only in a free text format that requires manual intervention to analyze and process.</p> <p>Initial indications are that this program is not achievable within the current business model. The Submissions component of SICMS (phase 2), with improved data exchange technology, and a significant investment in incremental resources would be required to fully implement the program. In August 2007, a second CPIC proof of concept was conducted that allowed Passport Canada to further refine the expected resource requirements and possible business processes.</p> <p>Full implementation of CPIC checks will be included as one part of an interoperability project that will be implemented in parallel with the design and delivery of the Submissions component of SICMS and the amendment of the passport fee. The magnitude of the process is under review before implementation can occur.</p>
9c - charged outside Canada	<i>The Privacy Act</i> protects the rights of Canadian citizens who access Consular services through Canada's missions abroad. Security Bureau is exploring the feasibility of obtaining information on persons charged outside Canada through Interpol.

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9d - forbidden to leave Canada	<p>As per the MOU signed on March 31, 2005, a secure link was established with Correctional Services Canada in February 2006 to download, encrypt and save Correctional Services Canada data electronically. The Privacy Impact Assessment was signed off by DFAIT and forwarded to the Office of the Privacy Commissioner in February 2006. The initial download of 23,000 records took place in February 2006. A chain of technical problems was encountered from February to May 2006. As each problem was resolved, another surfaced. A technical solution was being tested in June that is expected to resolve all outstanding issues.</p> <p>The information provided by Correctional Services Canada relates to federal offenders only. An alternative for provincial offenders would be covered by CPIC as per 9b above.</p>
9e - Section 57	<p>Security Bureau planned to conduct an offline search of the CPIC database to identify the names and dates of persons convicted under Section 57 within five years from the date of conviction. RCMP CPIC Services have confirmed that they are unable to provide the required offline search. The Security Bureau will continue to collect this information on an ad-hoc manner through the relationship with the RCMP Immigration and Passport program.</p>
9f - indebted to the Crown	<p>Information is provided by Foreign Affairs and International Trade Canada in the form of CAMANT notes or emails.</p>
9g - has valid passport	<p>The Central Index will generate an alert if the applicant already holds a valid passport.</p>
10a - charged outside Canada with equivalent	<p>See 9c above.</p>
10b - assists to commit indictable offence outside Canada	<p>Information is received through Foreign Affairs and International Trade Canada, Canada Border Services Agency and other partners.</p>
10c - permits someone to use	<p>Information is received through Foreign Affairs and International Trade Canada, Canada Border Services Agency and other partners.</p>
10d - obtained falsely	<p>This is the focus of Security Bureau's intelligence program.</p>

3.43 Watchlists

Office of the Auditor General (OAG) Comment:

The Passport Office cannot effectively enforce certain provisions of sections 9 and 10 of the *Canadian Passport Order*.

If applicants do not have alerts against their names on the automated watch list, examiners have no way of knowing whether decisions need to be made under section 9. Similarly, security personnel cannot know if they should consider revoking a person's passport under section 10. In addition, we could not find any documented criteria for making discretionary decisions to refuse or revoke a passport.

Passport Canada Response:

Amendments to the application form regarding sections 9 and 10 of the *Canadian Passport Order* will be implemented.

Subsequent to the decision to amend the application form, Passport Canada determined that links with Canadian Police Information Centre (CPIC) would better address this deficiency.

Actions completed:

- In 2005–2006, Passport Canada approved and committed to implementing the amendment of all application forms to include information on criminal charges or probation orders.
- In 2006–2007, the links with CPIC continued to be tested with the goal of developing a unit to do this work by end of the fiscal year. A full-time manager was hired and a consultant engaged to support this initiative.
- A project officer was also staffed to lead the implementation of the project. A sample review of watchlist files to assess the organization, accuracy and validity of the data has been completed. Stakeholder input has been solicited and incorporated into proposals. Detailed recommendations have been compiled addressing watchlist categories/codes, retention of information, and options for the execution of a structure reorganization and system clean up have been completed.

Ongoing actions:

N/A

Delayed actions:

N/A

3.50-3.51 Weaknesses in the Investigation of Sensitive Cases

Office of the Auditor General (OAG) Comment:

In the absence of an effective case management system, the [Security] Unit has only some manual records on its investigative activity. Such records do not allow Passport Office to assess the outstanding workload, the rate of effective resolutions of investigations, or resources requirements.

Passport Canada Response:

1. A structure has been developed for Security files.
2. An MOU with the Royal Canadian Mounted Police (RCMP) is being updated to deal with case investigations.
3. The management structure of the Security Bureau has been modified.

Actions completed:

1. - While a case management system is being developed, Security Bureau records and tracks investigative workload on a spreadsheet and uses this to provide basic management information on investigations.

- The project team began documenting the business requirements.

- In January 2006 the Project Management Bureau engaged a contractor to conduct a needs analysis and to identify business requirements for a case management system by May 2006.

- In 2006–2007, Security Bureau initiated the development of a priority rating scale that is compatible with the RCMP Priority Rating of Operational Files system.

- The case management system high-level business requirements were completed in April 2006.

- A contract for the project, which is now called the Security and Intelligence Case Management System, has been awarded.
2. - An MOU was signed with the RCMP on December 15, 2005, and includes arrangements for case investigations.

- Security Bureau is drafting internal procedures for the management of files under the 2005 MOU with the RCMP. These procedures were completed in September 2006.
3. - The staffing of a Manager of Investigations is complete (2005–2006).

- The first round of Regional Security Advisor staffing is complete and six positions were staffed effective January 2, 2007.

CONTINUES...

Ongoing actions:

1. N/A

2. - Regional and central processes for referrals to the RCMP will be strengthened, and through follow-up with RCMP will ensure that the disposition of criminal investigations is documented on security files. Results will be analysed to promote effective referrals.

3. N/A

Delayed actions:

1. - The Security and Intelligence Case Management System project is at the business requirements collection stage with system deployment anticipated for April 2009.

2. N/A

3. - Six positions are staffed and an advertised staffing process will be undertaken in 2008–2009 to fill remaining two positions in Central Operations.

3.57 Issuance Abroad

Office of the Auditor General (OAG) Comment:

Control over issuance of passports by missions abroad presents several risks.

Consular staff do not consistently receive the same formal training and qualification as domestic examiners.

Missions still print passports using the older booklet.

Passport Canada Response:

1. Creation of a Foreign Operations Division within the Security Bureau with a mandate to:
 - Act as Passport Canada's primary liaison with Foreign Affairs and International Trade Canada (DFAIT) and missions,
 - Communicate passport program policies, procedures, directives, and tools to missions,
 - Align the Security Bureau with key corporate security and service initiatives impacting the passport program abroad,
 - Manage secure mission passport inventory,
 - Participate in Foreign Affairs and International Trade Canada-led mission program audits,
 - Generate annual baseline reports to facilitate strategic objectives, and
 - Provide subject matter expertise to internal/external stakeholders.

2. Passport production will be repatriated from missions abroad to Canada.

3. A baseline report on mission passport activity will be produced.

The baseline report is intended to be a primary source of information on all passport related activities undertaken at each issuing mission abroad. The report will provide the information from which mission risk assessments can be produced.

4. Consular training will be revised to be more in line with Passport Canada examiner training.

Actions completed:

1. - The Foreign Operations Division was created in May 2005. Phase 1 of staffing was completed by March 31, 2006.

- Full staffing of the Foreign Operations Division was completed by the end of fiscal year 2007–2008. (Partial funding and subsequent staffing has taken place. Further funding will be requested when accommodations have been secured).

2. - The pilot for Mission Print Passport Solution (MPPS) was successfully concluded in November 2005. The project was implemented worldwide by March 31, 2006. Missions now issue only International Civil Aviation Organization-compliant temporary passports to Canadians with an urgent requirement for travel.

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- Passports for Canadians who apply from abroad are issued at the Mississauga Print Centre, using the same high-quality documents received by Canadians in Canada.
- Live online quality assurance of mission files and correction of errors prior to print was implemented on April 1, 2006, as part of the alerts clearance process. A risk management plan was implemented on June 1, 2006, to manage this quality assurance process and includes the establishment of a permanent committee to monitor evolving risks and implement changes as the program evolves.
- MPPS has reduced the number of passports produced by missions by about 90 percent, as they now only issue temporary and emergency passports.
- Return of the stock of old blue books and labels has been initiated. In conjunction with Foreign Affairs and International Trade Canada's PMP provider, an inventory module was developed for installation in June 2006. Procedures have been distributed to missions and two employees were hired in June 2006 to track and manage the process.
- An inventory module was developed for installation in 2007. The inventory control program enables tracking of inventory from its release by the Passport Canada vault to the receipt and use by missions. The module was launched in May 2007.

3. - A baseline report *draft* was presented to the CEO on December 23, 2005.

- The baseline report was circulated to Directors General in June 2006, and will be a primary source of information on all passport related activities undertaken at each issuing mission abroad.

4. - Review of the training program with an online component is ongoing and has two phases:
- The first involves developing a distance-learning program that is more in-depth than the current training manual. PDF modules will be available on the intranet and participants will be required to complete an online exam.
 - Design of training modules for missions on Entitlement Policy was completed for March 31, 2006.
 - Consultations with DFAIT's Consular Bureau on content and design took place in February 2006.
 - Pilot of training modules started at five missions in July 2006.
 - The launch of the distance-learning program occurred in December 2006.

Ongoing actions:

1. N/A

CONTINUES...

2. - Passport Canada undertook a phased approach, in consultation with DFAIT's Consular Affairs, for the repatriation of the entitlement process. A repatriation options paper is currently under development and is expected to be delivered to the Passport Canada Executive Committee by December 2008.
3. N/A
4. - A report on the results of the 2007–2008 evaluations done by Consular employees will be completed by Summer 2008.
Delayed actions:
1. N/A
2. N/A
3. N/A
<p>4. - The Interactive training modules to be developed for training of staff at missions were delayed:</p> <ul style="list-style-type: none"> · A training strategy document was submitted in February 2008 to DFAIT Consular Affairs that proposed options towards completing initial certification of mission employees by the target date. · Two of the options proposed were to continue providing coaching sessions via conference calls to missions, and to develop training sessions that would allow employees leaving on posting to be certified before they arrive at post. · Development of the next generation of mission training has been deferred in order to enable us to provide additional support to missions attempting to certify their personnel as well as to create and implement in-class programs. · Additional support has been provided in the form of coaching conference calls and post-evaluation debriefs to assist employees in succeeding the evaluation. · In-class programs were developed for implementation in April 2008 for Ottawa based staff going on posting Spring 2008. Pilot sessions were held in April 2008. · The need and benefits of moving to a different online, more interactive, training program will be reviewed, analyzed and confirmed in the coming fiscal year, in order to provide a more interactive training solution. Plans for development, piloting and subsequent deployment in fiscal 2009–2010 will be undertaken.

3.58 Security Risk Assessment

Office of the Auditor General (OAG) Comment:

Conduct a detailed security risk assessment of the passport examination and security functions, identify gaps in the fulfilment of its mandate under the *Canadian Passport Order*, and take appropriate action. Such an assessment should address Passport Office examiner's security clearances, the conduct and recording of guarantor checks, system profiles, the completeness and accuracy of its watch list and methods used to share data with other federal and provincial agencies, its lessons learned process, and its management of investigations.

Passport Canada Response:

1. Foreign Affairs and International Trade has assisted in the development of the first risk assessment.
2. A risk assessment has been launched to address strategic risk in the area of security.
3. Risk analysis will be used in determining the requirements for the new issuance system.
4. The creation of new Regional Security units reporting to both regional and Passport Canada headquarters will further ensure that the security continuum, from identity verification to passport printing, is strengthened. In fiscal year 2005–2006, eight new regional security officers will be hired for this purpose. The units will be located in regional headquarters across the country and will support the compliance program, conduct on-site interviews of applicants with complex cases, and investigate fraudulent applicants or applications.

Actions completed:

1. - Passport Services at missions: A risk and control assessment of the Mission Print Passport Solution has taken place. Recommendations were made and action items were to be implemented in the response in 2006–2007.
 - Terms of Reference for a Risk Assessment Study of the entire issuance process, from receipt of the application to printing, have been completed (2005–2006).
 - Management of IT Security: An extension of the audit at Foreign Affairs and International Trade Canada, necessary to meet Treasury Board and Office of the Auditor General requirements, was completed in fiscal year 2006–2007.
 - The work towards conducting a risk assessment study of the issuance process has begun and workshops with program experts began in January 2007.
 - An audit of passport mission services abroad was completed by Foreign Affairs and International Trade in 2006–2007.
2. - Completed phase 1 risk analysis of the project (2005–2006):
 - The baseline report on operations abroad, prepared by Security Bureau, was a prerequisite for the development of a detailed security risk assessment.

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<ul style="list-style-type: none"> - Passport Canada redefined the mandate of the Security Bureau to identify core functions and processes. From this review, a three-year strategic plan and restructuring recommendation was developed (2006–2007). - Implementation of the plan has begun once staffing of the Director General of the Security Bureau was completed (2007–2008).
<p>3. - High-level requirements and associated workflows were identified for the next generation system. However, the Executive Committee decided to establish a service model that would identify process needs from the client's perspective. This model will help determine the system needs in support of the process.</p> <ul style="list-style-type: none"> - Service model principles were developed and were presented to the Executive Committee (2007–2008).
<p>4. - The first round of Regional Security Advisor staffing is complete and six positions were staffed effective January 2, 2007.</p> <ul style="list-style-type: none"> - Security Bureau is initiating a project to conduct a full review of the System Lookout system. This process will include clarification of past use of fields, documenting procedures for continued use, and removal of data for which there is no further legal grounds to retain. Funds will be sought internally for this initiative. - Funding has been approved for phase 1 of the System Lookout Review, which consists of hiring one officer to draft policy and procedures for the use of the System Lookout. A proposal has gone forward to seek funding for subsequent phases. - Six Regional Security Advisor positions are staffed.
Ongoing actions:
N/A
Delayed actions:
<p>1. - Completion of the risk assessment study has been delayed due to availability of key staff to participate in a timely manner. Work is ongoing and the project is expected to be completed in October 2008.</p> <ul style="list-style-type: none"> - The Risk Management Framework has been delayed and will be approved for further implementation.
2. N/A
3. N/A
<p>4. - An advertised staffing process will be undertaken in 2008–2009 to fill remaining two Regional Security Advisor positions in Central Operations.</p>

INTRODUCTION OF FEES

3.93 Treasury Board Conditions with Respect to Consular Fees were not Followed

Office of the Auditor General (OAG) Comment:

When the Treasury Board approved the introduction of the consular fee in 1995, it required the Department of Foreign Affairs and International Trade, as it was then called, to absorb future costs and fully disclose the cost of consular services in its Main estimates. However, there has been little cost information about consular services in the departmental annual reports to Parliament. Passport applicants were not consulted as required and are not in a position to know what they are paying for or how the funds collected relate to the operations of consular activity.

Passport Canada Response:

A plan is being developed to ensure compliance to all aspects of the new *User Fees Act*, including the client consultation requirements.

Actions completed:

- The plan was presented to Executive Committee in May 2006. A detailed briefing on implementation of the consultation exercise was presented to the committee in February 2006.
- Passport Canada is currently undergoing a review of its funding arrangement. Should a fee increase be required, Passport Canada would undertake the necessary consultations, as outlined in the *Act*.
- At this time no fee increase is being contemplated.

Ongoing actions:

N/A

Delayed actions:

N/A

3.94 New *User Fees Act* Imposes Additional Requirements

Office of the Auditor General (OAG) Comment:

The Passport Office was not fully meeting the requirements under the Treasury Board policy on external charging. This *Act* imposes additional requirements for transparency on how costs justify fees and on expected service levels. The Passport Office is not ready to comply with the new legislation because it lacks reliable cost information related to service standards.

Passport Canada Response:

An activity based management system will result in better information on costing and capacity.

Actions completed:

- Phase 1- ABC models are completed. Costs have been established for all products, services and delivery channels. Output data has been validated (2005–2006).
- The activity based model was implemented in two phases, which are now both completed. This system is being used to cost projects and proposals, and to plan, budget and reallocate resources (2007–2008).

Ongoing actions:

- Passport Canada has surveyed clients against several attributes. This data will be assessed and used to make service decisions.

Delayed actions:

N/A

3.96 New *User Fees Act* Imposes Additional Requirements

Office of the Auditor General (OAG) Comment:

The Passport Office should:

Develop reliable cost information tied to service standards to justify current user fees and any future increases to user fees, and

Improve its method of client consultation to comply with new *User Fees Act* and ensure if has an appropriate mechanism for resolving fee disputes.

Passport Canada Response:

1. An activity based management system will result in better information in regards to costing and capacity.
2. Public consultation on user fees will be undertaken.

Actions completed:

1. - Phase 1- ABC models are completed. Costs have been established for all products, services and delivery channels. Output data has been validated (2005–2006).
- The activity based model was implemented in two phases, which are now complete. This system is being used to cost projects and proposals, and to plan, budget and real-locate resources (2007–2008).
2. - The plan for the *User Fees Act* was presented to Executive Committee in May 2006. A detailed briefing on implementation of the consultation exercise was presented to Executive Committee in February 2006.
- Public consultations are subject to the results of Passport Canada's review of its funding arrangement and the Minister's support for a fee increase.
- At this time no fee increase is being contemplated.

Ongoing actions:

N/A

Delayed actions:

N/A

SERVICE TO THE PUBLIC

3.62 and 3.63 Service Standards

Office of the Auditor General (OAG) Comment:

Key service standards exist but gaps remain.

The service standards were lowered in December 2001 without the required consultation with stakeholders.

Standards for such examiner functions as identity verification and citizenship determination do not exist. There is also no national standard on examiner output and error rate – the number of applications examiners are expected to process each day and the number of errors that could be expected.

Passport Canada Response:

The first review of examiner error rates has been undertaken. The issue will be addressed with the Quality Assurance Program.

Actions completed:

- In January 2006, Passport Canada approved the funding and methodology for a quality assurance baseline activity of passport application examination activities. The details of the activity were developed in consultation with the Inspector General of Foreign Affairs and International Trade Canada, and the sampling methodology was developed in consultation with Statistics Canada. The quality assurance baseline activity evaluates critical points on the identity page of the passport.
- A snapshot of quality was undertaken by Operations in July 2006 and this picture has formed the baseline for comparison purposes.
- A night shift has been added in Operations, to increase production.
- The new Renewals Process & New Guarantor Policy are assisting Operations. Further, the new officers who are assigned the renewal applications are also helping Operations.

Ongoing actions:

N/A

CONTINUES...

Delayed actions:

- A methodology for the program will be developed using the snapshot as a baseline. The methodology will be established under current conditions and will be revised as processes are improved (for example, introduction of facial recognition technology is expected to improve the process). This step has been delayed due to operational requirements until mid-July 2008.
- The development of the capacity to support the program using coaches/mentors already in place in offices/regions has been delayed until mid-fiscal year 2008–2009.
- Investment to be made in current capacity to support the compliance portion of the program has been delayed.
- Passport Canada is undertaking a review of its existing service standards relating to client service to determine if the current standards are valid, and what if any gaps exist. Initial findings were presented to Executive Committee for approval in August 2006. The development an implementation plan has been delayed until mid-fiscal year 2008–2009.

3.73 Services Through Members of Parliament

Office of the Auditor General (OAG) Comment:

There is no formal agreement governing the process and the Office has not analyzed the security issues presented by this method of delivery.

Passport Canada Response:

A review of the Member of Parliament process has taken place and procedures to better formalize the process, in order to reduce risk, have been implemented.

Actions completed:

- In 2005, Passport Canada conducted a review of its Member of Parliament (MP) service channel. As a result, we have formalized the process of application requests made by MPs on behalf of constituents, taking into account security, privacy and legal issues.
- The constituent is now required to sign a consent form to ensure that the information exchanged between the MP and Passport Canada on behalf of the constituent is compliant with the *Privacy Act*. To improve security, passports are mailed directly to the applicant's mailing address, or can be picked up by applicants at our regional walk-in service locations.
- All changes will ensure the service standard of 20 days is maintained. Urgent and expedited service requests will be re-routed to the regional walk-in service locations in order to comply with the relevant policy.
- A six-month trial of the new process has been presented to the Minister. To launch the trial, an information package was developed to communicate the changes in service to MPs in March 2006.
- Recommendations were submitted to the Minister and changes were implemented in 2006–2007. Changes include the introduction of the consent form and the return of documentary evidence of citizenship directly to the applicant.
- Consent forms are in use, and documentary evidence of citizenship is not returned to the applicant by the MP's office.
- Fully completed.

Ongoing actions:

N/A

Delayed actions:

N/A

3.74 Client Consultation

Office of the Auditor General (OAG) Comment:

The Passport Office has not analyzed which of its different delivery methods are more desirable. The Passport Office needs to involve clients in setting reasonable standards that it can meet at reasonable cost without compromising passport integrity.

Passport Canada Response:

A plan is being developed to ensure compliance to all aspects of the new *User Fees Act*, including the client consultation requirements.

Actions completed:

- The plan for the *User Fees Act* was presented to Executive Committee in May 2006. A detailed briefing on implementation of the consultation exercise was presented to on the Committee in February 2006.
- Passport Canada has surveyed clients against several attributes. This data will be assessed and used to make service decisions (2006–2007).

Ongoing actions:

- Passport Canada will proceed with Canadian public consultation if an increase in passport fees is supported.

Delayed actions:

N/A