



Canada Border
Services Agency

Agence des services
frontaliers du Canada



Targeted Control Audit of Precursor Chemicals

September 2019

PROTECTION SERVICE INTEGRITY INTÉ
GRITÉ **PROTECTION** SERVICE INTEGRITY
INTÉGRITÉ PROTECTION **SERVICE** INTEG
RITY INTÉGRITÉ PROTECTION SERVICE
INTEGRITY INTÉGRITÉ PROTECTION SER
VICE INTEGRITY INTÉGRITÉ PROTECTION
SERVICE INTEGRITY INTÉGRITÉ PROTEC
TION SERVICE INTÉGRITÉ PRO
TECTION SERVICE INTÉGRITÉ
PROTECTION SERVICE INTÉGRITÉ
GRITÉ PROTECTION SERVICE INTÉGRITÉ
INTÉGRITÉ PROTECTION SERVICE INTEG
RITY INTÉGRITÉ PROTECTION SERVICE
INTEGRITY INTÉGRITÉ PROTECTION SER
VICE INTEGRITY INTÉGRITÉ **PROTECTION**
SERVICE INTEGRITY INTÉGRITÉ PROTE
CTION SERVICE INTEGRITY **INTÉGRITÉ** SER
VICE INTEGRITY INTÉGRITÉ PROTECTION



PROTECTION • SERVICE • INTEGRITY

Canada



© Her Majesty the Queen in Right of Canada, as represented by the Minister of Public Safety and Emergency Preparedness, 2020

Cat. No.: PS38-110/2020E-PDF

ISSN: 978-0-660-36118-5

This document has been issued in French under the title:

Vérification des contrôles ciblés : produits chimiques précurseurs.



TABLE OF CONTENTS

1.0	INTRODUCTION	4
2.0	SIGNIFICANCE OF THE AUDIT	5
3.0	STATEMENT OF CONFORMANCE	5
4.0	AUDIT OPINION	5
5.0	KEY FINDINGS	6
6.0	SUMMARY OF RECOMMENDATIONS	7
7.0	MANAGEMENT RESPONSE	8
8.0	AUDIT FINDINGS	8
8.1	Recording	8
8.2	Storage and Monitoring	10
8.3	Disposal	12
9.0	RECOMMENDATIONS.....	14
	APPENDIX A – ABOUT THE AUDIT	17
	APPENDIX B – LIST OF ACRONYMS	19
	APPENDIX C – PRECURSOR CHEMICALS (SCHEDULE VI DRUGS) ...	20

1.0 INTRODUCTION

1. The *Canada Border Services Agency Act* mandates the Canada Border Services Agency (CBSA) to provide integrated border services that support national security and public safety priorities, and facilitate the free flow of persons and goods which meet all requirements under the program legislation. It ensures Canada's security and prosperity by managing the access of people and goods to and from Canada, including interdicting narcotics and their precursors. In this context, the interdiction of illegal drugs and controlled substances by the CBSA is an enforcement priority due to their high-risk profile.
2. Precursor chemicals are highly toxic substances essential to the production of controlled substances. They have a wide range of legitimate uses in the production of consumer goods such as pharmaceuticals, fragrances, flavouring, petroleum products, fertilizers and paints, but can also be used in manufacturing street drugs. For example:
 - Ephedrine and pseudoephedrine: commonly used in cold and decongestant medications, they can also be used to produce methamphetamines;
 - P2P (phenyl-2-propanone): used in the production of methamphetamines; and
 - GBL: commonly used in pharmaceutical products and the manufacture of plastics, it can also be used to produce GHB (commonly known as the "date-rape drug").
 - See Appendix C for a complete list of currently legislated precursor chemicals.
3. The CBSA comes into possession of precursors when they are seized under the *Customs Act* or when they become forfeit as a result of failing to meet the requirements of the *Controlled Drugs and Substances Act* (CDSA) and *Precursor Control Regulations*. After 90 days (the legislated timeframe for retention), these substances can be removed and destroyed. For the CBSA, precursor chemical shipments are most prevalent in the commercial stream, with significant shipments coming through the marine mode. The regions experience the highest volumes of precursor chemical seizures across Canada's ports of entry (POE).
4. Three branches are currently involved in supporting the safe storage, monitoring and disposal of precursor chemicals at the CBSA. Until recently, the former Programs Branch was accountable for developing operational policies surrounding the safe storage, handling and disposal of precursor chemicals and the former Operations Branch was responsible for implementing these policies. With the advent of CBSA Renewal and the implementation of the functional management model, the newly created Commercial and Trade Branch has absorbed both functions for the commercial mode. Additionally, the Strategic Policy Branch was created to provide policy leadership on strategic issues for the Agency, including leading or contributing to the development of evolving policy issues in areas such as Commercial and Trade and horizontal issues, in close collaboration with the associated directorates. Finally, Finance and Corporate Management Branch (FCMB) is accountable for providing adequate and secure infrastructure to the regions.



2.0 SIGNIFICANCE OF THE AUDIT

5. The control and disposal of seized goods, including precursor chemicals, is a long-standing issue for the CBSA. The 2009 CBSA Audit of the Control and Disposal of Goods Seized Under the *Customs Act* first identified concerns related to the lack of centralized oversight to provide direction and coordination for the control and disposal of seized goods. The audit also pointed to incomplete policies and procedures, as well as inadequate inventory control. A follow-up audit was conducted in 2014 and found that these same issues persisted, but also included recommendations that directed an immediate disposal of stockpiled precursor chemicals and for CBSA officials to develop a solution for regular disposal.
6. The objective of the current audit was to determine whether precursor chemicals held by the Agency (including detained and seized) were recorded, monitored (stored) and disposed of in accordance with the *Customs Act*, physical security standards, and disposal requirements.
7. The audit scope and criteria can be found in Appendix A.

3.0 STATEMENT OF CONFORMANCE

8. The audit conforms to the *Mandatory Procedures for Internal Auditing in the Government of Canada*, as supported by the results of the quality assurance and improvement program. The audit approach and methodology followed the *International Standards for the Professional Practice of Internal Auditing* as defined by the Institute of Internal Auditors and the *Mandatory Procedures for Internal Auditing in the Government of Canada*, as required by the Treasury Board's *Directive on Internal Audit*.

4.0 AUDIT OPINION

9. In recent years, CBSA regions have developed temporary solutions to contend with storage and disposal challenges in relation to stockpiled precursor chemicals. However, there is a need for greater clarity surrounding roles and responsibilities both within the Agency for the recording, storage and monitoring of precursor chemicals, and with the CBSA's other government department partners as it relates to arranging for the disposal of precursors and bearing the costs incurred. Additionally, a long-term solution must be established to ensure systematic and comprehensive recording of precursor chemicals in the Agency's centralised databases, and to facilitate their timely, regular disposal. These improvements can help provide a safer working environment for CBSA staff by ensuring compliance with existing regulations and ensuring that the CBSA operates within its legislated authorities as it pertains to precursor chemicals.

5.0 KEY FINDINGS

10. There is no centralized oversight for the management of seized precursor chemicals at the CBSA. The data systems do not allow for central monitoring or tracking of these chemicals. Each region must individually coordinate contracts for storage if specialized equipment is required, such as a temperature-controlled environment or segregated storage options due to combustibility. The audit team experienced difficulties in creating a complete national profile of precursor chemicals held by the Agency due to regional files being largely paper-based and information being stored in locally-developed databases, instead of recorded centrally or in a way that allowed for easy retrieval.
11. Precursor chemicals continue to be stockpiled by the CBSA. Significant quantities were stored Redacted at the time of this report, as no solution had been put in place to facilitate their regular disposal. The costs for disposal are substantial and, to date, have been absorbed by regional budgets despite ongoing confusion regarding which federal entity bears the responsibility for disposal costs. Health Canada (HC) has the legislative responsibility to dispose of precursor chemicals and assume the costs incurred; however, this is not always the case in practice as both the Royal Canadian Mounted Police (RCMP) and the CBSA dispose of precursor chemicals. Without clear responsibilities, the Agency is bearing the costs to store and dispose of precursor chemicals.

Table 1 – Length of time in CBSA custody

Region	Number of Days in CBSA Storage		
	Shortest	Longest	Average
Redacted	138	> 836	343
Redacted	> 395	> 1681	898

12. Table 1 represents the number of days, at the time of this report, that precursor shipments have been held by the CBSA from their interception to their disposal. Note that the audit team performed this analysis on data retrieved from ICES¹ or obtained from the regions for the period between January 2017 and May 2019. This data is believed to be incomplete, which will be further explained below.
13. Similarly, Table 2 summarizes precursor chemicals inventoried as part of this audit, based on information obtained from the regions and ICES.

¹ The Integrated Customs Enforcement System (ICES) is the repository for all enforcement-related information. This includes records of seizures and other enforcement actions, lookouts and targets, intelligence and investigations, and information from external sources relating to enforcement.

Table 2 – Inventory in the Redacted regions, current at the time of this report

Region	Precursor	Quantity
Redacted	Phenacetin ²	Redacted
Redacted	Hypophosphorous acid	Redacted
	P2P	Redacted
	PMK	Redacted
	Phenacetin	Redacted
	GBL	Redacted

14. A large-scale disposal of precursor chemicals in the Pacific region occurred in January 2015, at a cost of more than \$385,000.
15. The primary risk with the precursor chemicals currently stockpiled by the Agency is the degrading state of their plastic storage containers, which can lead to leaks, spills, residues and danger to staff health and safety. Additionally, there is a risk to public safety in the areas surrounding CBSA warehouse facilities given the highly unstable nature of these chemicals and associated risks of combustion or explosion.
16. There is an inconsistent approach across all CBSA regions for the recording, storage, monitoring and disposal of precursor chemicals. This is primarily due to a lack of guidance and unclear roles and responsibilities. Critical CBSA guidance, such as the Enforcement Manual, has not been updated to reflect current legislation, refers to documents that no longer exist, and points to positions that could not be identified by CBSA staff.
17. With recent changes to the CDSA in response to the opioid crisis, the CBSA is now legislatively required to seize a broader range of suspected precursor chemicals. This is likely to increase the number of precursors held by the Agency, further exacerbating the current challenges being faced.

6.0 SUMMARY OF RECOMMENDATIONS

18. The audit makes four recommendations relating to:
 - The clarification of accountabilities and legal obligations between the CBSA, Health Canada and the Royal Canadian Mounted Police;
 - The development, communication and maintenance of guidance, policies and procedures on the recording, handling, storage, monitoring and disposal of precursor chemicals;
 - The monitoring of inventory, length of time in storage and compliance with relevant legislation and regulations, while ensuring regular reporting to senior management; and

² While phenacetin is not currently listed in Schedule VI of the CDSA, the Agency may request emergency scheduling of the substance when it believes the substance could be used as a precursor chemical, as detailed in paragraph 22.

- Reporting on the adequacy of CBSA facilities for the purposes of secure and safe storage of precursor chemicals.

7.0 MANAGEMENT RESPONSE

Management Response

Overall the Vice-President of Commercial and Trade Branch agrees with the recommendations of the audit that controls governing the processes for storage, tracking, disposal and destruction-associated costs of seized precursor chemicals are lacking consistent national policy. This poses a potential health and safety risk to the public and employees of the CBSA.

The FCMB agrees with the findings and recommendation of the Audit of Precursor Chemicals. Work is already in progress to address the observations and recommendations which will result in a more effective and efficient control and disposal program of seized goods including precursor chemicals.

8.0 AUDIT FINDINGS

19. The report is divided into three main sections according to the general process followed by the Agency in its management of precursor chemicals: i) recording of the substance at the POE; ii) storage and monitoring in CBSA facilities; and iii) disposal.

8.1 Recording

CBSA Policies and Guidance

20. There is no legislation specific to the recording of precursor chemical seizures by the CBSA; however, there is some guidance at the Agency level.
21. Memorandum D19-9-2, *Importation and Exportation of Cannabis, Controlled Substances and Precursors* states that the Agency may first detain a shipment in order to verify whether a specific restriction or prohibition applies and to confirm the permit requirements for the shipment. This can include coordination with Health Canada to verify permitting, as well as sending the substance to the CBSA Laboratory to confirm its nature. For determination and, depending on the region and individual location, may or may not be recorded in a locally developed database. No centralised database exists for these purposes, and no CBSA guidance exists outlining recording requirements for substances awaiting laboratory results. Once a substance is confirmed as being a controlled substance, the border services officer (BSO) is responsible for making the seizure and formally recording it in ICES, as broadly delineated in Part 2 of the Enforcement Manual.



22. Regional interviewees consistently indicated that the Enforcement Manual is their first point of reference when conducting their work. In reviewing the Manual, the audit team found that it refers to a Regional Chemical Diversion Intelligence Officer responsible for notifying the RCMP and the CBSA Laboratory about the detained suspected precursors. None of the audit interviewees could identify who occupies this position, nor could they describe its function or confirm its existence. In addition, the section on precursor chemicals is out of date, lacks clarity, and outlines procedures that do not match actual practice, despite a recent update to the Manual completed in October 2018. Since then, there have been two legislative changes that have altered the way the CBSA handles controlled substances: the new *Cannabis Act* and amendments to the *Controlled Drugs and Substances Act* (CDSA). The guidance has not been updated accordingly. For example, the Enforcement Manual lists twenty-nine Schedule VI precursor chemicals, while the CDSA now lists thirty-eight. Additionally, the CBSA may request emergency scheduling from HC when it is suspected that a substance will be used as a precursor, despite not being included in Schedule VI of the CDSA. The emergency scheduling enables the Agency to proceed with a seizure. As an example, while PMK is not a Schedule VI substance, POEs may request an emergency scheduling in order to seize the shipment, as there are very few legitimate uses for this substance. In other instances, the chemical composition of a substance is slightly modified, resulting in a non-controlled substance.
23. The procedures related to drugs and precursor chemicals found in the Enforcement Manual do not provide specific guidance on how to record precursors in the Agency's data system. For example, the Manual requires BSOs to record the seizure in ICES; however, it does not indicate which seizure category it should be assigned to, and the drop-down commodity options in the system do not include "precursor chemical." As such, precursor seizures may be recorded against a variety of different categories by BSOs at their own discretion. This shortfall makes it difficult to track seized precursor chemicals and build a national profile or an inventory, as one must manually sift through hundreds of records to locate a precursor seizure. The audit team was unsuccessful in its attempt to develop a comprehensive register of all precursor chemicals held and/or disposed of by the CBSA since January 2017. This was due in part to inconsistencies in the recording of precursor chemicals across the regions, varying levels of detail in existing records, heavy reliance on paper files and regional logbooks, and paper files that were not immediately available for consultation as they were stored in off-site third-party archives.
24. In order to understand the full scope of issues pertaining to precursor chemicals at the CBSA, the Agency must be aware of the current inventory in the regions. This is currently not achievable. In one unusual case, a precursor shipment had been held by the Agency since June 2017, unbeknownst to local operational management until February 2019. This points to inconsistent recording and monitoring practices and non-compliance with the *Precursor Control Regulations*, which state that complete records of precursor chemicals stored on-site must be maintained.
25. The absence of a centralised tool, clear guidance and formalized procedures for recording precursor substances has resulted in inventory gaps, regionally developed procedures, and a heavy reliance on paper-based files. This, in turn, results in an inability to obtain a complete list of precursor chemicals currently on CBSA premises and may impede the Agency's efforts to develop storage solutions as the full extent of the issue is unknown.



26. Recommendations pertaining to this finding are found under section 9.0 of this report.

8.2 Storage and Monitoring

Legislation

27. The CBSA is committed to protecting the health and safety of its employees by complying with all health and safety legislative requirements, approved standards, directives and policies. The Agency achieves this by ensuring that employees have the necessary equipment, training, instruction and supervision to safely carry out their duties on behalf of the CBSA.
28. Precursor chemicals are considered highly toxic substances. The *Canada Occupational Health and Safety Regulations* require hazardous substances to be contained in a vessel that protects employees from its hazards, and confined to as small an area as is practicable to reduce dangers to a minimum. Similarly, the *Canada Labour Code* requires employers to ensure all hazardous substances are properly labeled, ensure that Material Safety Data Sheets are accessible on the premises, and to inform staff of their availability.
29. The *Precursor Control Regulations* state that access to Class A precursors must be restricted and that all accesses must be logged. Records must also be kept on-site (books, registers, electronic data, etc.) that include information such as the name of the substance, the reason for the substance to be on-site, its quantity, the date the activity occurred (e.g. date of referral/hold for determination or seizure), etc.

CBSA Policies and Guidance

30. The CBSA provides limited guidance on the storage of precursor chemicals. The Handling of Suspected Highly Toxic Substances SOP focuses mainly on the handling of suspected or confirmed highly toxic substances. The instructions direct staff to store substances awaiting laboratory results in the bond room, but does not provide information on long-term storage following the confirmation of a precursor substance. Similarly, the BSO Reference Booklet does not provide guidance on the storage of precursor chemicals or even refer to these substances.
31. The audit team was unable to locate Material Safety Data Sheets for precursor chemicals within the Agency. Interviewees confirmed that it was difficult to find internal information on the safe storage of precursor substances and that they instead turn to the Internet for guidance.
32. Chapter 4, Section 12 of the archived Materiel Management Volume included a short section on precursors, which directed staff to store these chemicals in a “separate security container” but did not provide guidance on the specific storage needs of different chemicals. FCMB staff have confirmed that they are working on replacing this guidance, however no timeframe for completion could be confirmed.



Infrastructure

33. Under Section 6 of the *Customs Act*, it is expected that the CBSA will be provided with adequate buildings, accommodation or other facilities by the owner/operator for the proper detention and examination of imported goods. While the Agency has a responsibility to ensure that controlled goods coming into its possession are stored safely and securely for the entire duration of their time in CBSA custody, it does not have the legal authority to perform changes to facilities, and may be unable to convince the owner/operator to comply.
34. The spaces visited by the audit team did not fully meet the requirements or storage needs for precursor chemicals. Inadequate ventilation was observed at one of the CBSA bond rooms where hazardous fumes emanating from a seized precursor chemical shipment were raising health and safety concerns for nearby CBSA employees. As a result, the shipment was moved, in direct violation of the *Precursor Control Regulations*; however, deemed safer for the employees. In the region, specialized outdoor storage containers were procured to contend with the inadequate infrastructure.
35. In addition to health and safety risks posed by improper storage of precursor chemicals, considerable security and business risks have also arisen. In instances where the POE is unable to store a precursor shipment due to its size and chemical profile, the Agency must turn to third-party services for storage. At times, the necessary space is rented at an off-site warehouse. For example, the CBSA's cargo facility was unable to accommodate a large shipment of GBL received in May 2018; the pallets were therefore safekeeping, free of cost. This arrangement lasted approximately 11 months before the POE was able to arrange for disposal. Not only was the shipment stored outside of the CBSA's span of control, but the reliance on the goodwill of a third-party also placed the Agency in a position of conflict of interest. Specifically, an arrangement of this kind may make the CBSA reluctant to issue administrative monetary penalties or pursue other corrective action in response to non-compliance given the airline's collaboration.
36. The CBSA occupies third-party facility space at POEs across Canada, such as airports and container examination facilities. There is no national body that regularly assesses whether the space in these facilities continues to meet the operational needs of the Agency. Instead, regions are expected to communicate with Headquarters when risks are identified and the space no longer meets the Agency's needs. It was further noted that while the Agency has the right to request infrastructural changes to facilities it occupies, as per section 6 of the *Customs Act*, it does not have the authority to dictate the timeframe within which the modifications must be completed, cannot bear the costs of these changes, nor can it prescribe how they must be achieved.
37. Security requirements for infrastructure are taken into account by Headquarters when design guides are being developed. Once built, it is the responsibility of regional officials to communicate with Headquarters when additional security elements are required. Regional interviewees noted that their infrastructure concerns and requirements were communicated to headquarters; however, HQ security and infrastructure representatives indicated that these requirements had not been received. This suggests there is a need for improved communication between the POEs, regions and headquarters regarding infrastructure needs and risks.



38. Recommendations related to this finding are found under section 9.0 of this report.

8.3 Disposal

Legislation

39. As per the *Customs Act*, substances can be removed and destroyed once the 90-day retention period has elapsed, provided there are no circumstances that would require additional holding time, such as an appeal.
40. While the CDSA states that peace officers are responsible for the disposal of precursor chemicals, it has been established that CBSA officers are not peace officers as per the CDSA definition, and therefore do not have the legislative authority to dispose of them. This is supported by multiple legal opinions provided to the Agency, as recently as December 2018. Instead, the CDSA vests this responsibility with the RCMP in instances where precursors are subject to a drug investigation, or leaves it to the Minister of Health to authorize disposal by other parties. The CDSA allows for exemptions to be made to the Act by the Minister of Health.

Collaborative Agreements with Other Federal Departments

41. The Agency has put in place two Memoranda of Understanding (MOU) relating to precursor chemicals.
42. An Annex to the MOU with Health Canada, effective March 2014, states that goods abandoned to the Crown are to be disposed of by the CBSA, at HC's expense, unless alternate arrangements have been made.
43. The CBSA also has an MOU with the RCMP, renewed in March 2019, which covers the working relationship between the two organizations. An MOU Annex delineates the responsibilities for disposing of precursor chemicals. It notes that the RCMP will only dispose of precursor chemicals associated with a drug investigation. The MOU Annex further confirms that the CBSA can dispose of precursor chemicals only at the direction of the Minister of Health in circumstances that do not result in a drug investigation.
44. The audit has found that the RCMP collects precursor chemicals for disposal in some regions despite not being associated with a drug investigation. In the GTA region, air cargo operations have experienced difficulties with the RCMP, who declines to collect seized precursor chemicals on the basis that the substances are a few decimal points below the purity threshold that they accept.
45. These non-legally binding agreements outline an increased role for the CBSA regarding the disposal of precursor chemicals, exceeding the legislative authority granted by the CDSA. Additionally, the audit team was unable to locate evidence that the Agency receives funding from Health Canada to support the execution of this function, which consequently places a financial strain on the regions.

CBSA Policy and Guidance

46. There is no CBSA policy or guidance for the disposal of precursor chemicals. The CBSA Enforcement Manual states that CBSA officers are not authorized to destroy CDSA drugs and directs CBSA staff to turn them over to the RCMP.
47. The CBSA must respect the 90-day period outlined in the *Customs Act*, but there is no specific guidance or timeline for when or how the Agency must have the chemicals removed from CBSA premises past the 90-day period.
48. Both the Enforcement Manual and D-Memo D19-9-2 on the Importation and Exportation of Cannabis, Controlled Substances and Precursors continue to refer users to the archived Comptrollership Manual for disposal. Guidance in the Comptrollership Manual - Material Management Volume (Chapter 5, Section 2: Seized, Abandoned and Forfeited Goods) acknowledged that the CBSA cannot dispose of precursor chemicals as per the *Precursor Control Regulations*.
49. In 2015, an interim exemption was provided in the form of a letter issued by Health Canada (HC) to allow the CBSA to dispose of stockpiled precursor chemicals at the time. The letter was not signed by the Minister of Health as prescribed by the CDSA, there was no documented expiry date for the exemption, and there was no CBSA signatory acknowledging the increased role to be played by the Agency. Finally, the exemption did not outline responsibilities pertaining to the payment by HC for disposal, which is a clause of the original MOU. At the time of the audit, awareness of this exemption was very limited.
50. Without clear guidance from the Agency, the process to dispose of precursor chemicals varies between POEs, and is sometimes inconsistent within the same region. While the RCMP may collect seized precursors in some regions (mainly when small quantities are seized and even if it is not associated with a drug investigation), most regional operations have had to proceed on their own with the disposal of precursor chemicals when funds were made available or substances posed an immediate threat to health and safety.
51. Recommendations related to this finding are found under section 9.0 of this report.

Past Audit Recommendations for Disposal

52. The 2014 CBSA Follow-up Audit of the Control and Disposal of Goods Seized Under the *Customs Act* recommended that the Vice-President of the Programs Branch, in collaboration with the Vice-President of the Operations Branch, should take immediate steps to dispose of the stockpiled precursor chemicals and develop a solution permitting their regular disposal. The exemption referred to above was sought as an immediate solution, and the March 2014 MOU states that the “*CBSA and Health Canada will continue to pursue short and long term solutions regarding the disposal of Precursors.*” There is no long term solution in place for disposal as precursor chemicals continue to be stockpiled. As noted in Table 1, the average length of time substances have been held by the CBSA since January 2017 is 343 and 898 days. Since management has been informed of these recurrent issues, actions have been taken to develop a robust solution.

Cost of Disposal

53. The quantities of precursor chemicals intercepted by the CBSA can be significant. Redacted. The disposal of precursor chemicals requires significant coordination at the regional level between various federal departments and provincial ministries. Specifically, an RCMP escort is required, federal and provincial permits must be obtained, and transportation services from a security-cleared waste disposal company must be contracted. The CBSA must also consult with Transport Canada to establish the requirements for the safe transport of the precursor chemicals. Further complicating matters, there is no disposal facility Redacted as such, the Redacted region must send its precursor chemicals to a facility Redacted which requires coordination.
54. Disposal of precursor chemicals is cost-prohibitive for the regions and it is difficult to predict when large-volume precursor chemical shipments will be seized. Regions are therefore unable to budget for disposal, and there is no reserve fund at HQ to help cover these high costs.
55. Based on information provided by all regions, Redacted disposed of precursor chemicals in the commercial mode during the period of the audit. Disposal costs for precursor chemicals currently stockpiled Redacted is estimated to be between \$200,000 and \$250,000. However, based on the information gathered during the course of the audit, legislation, and various legal opinions provided to the CBSA, it should be confirmed whether the Agency should be responsible for costs incurred for the disposal of precursor chemicals.
56. Recommendations related to this finding are found under section 9.0.
57. In conclusion, the new functional management model recently adopted by the Agency may offer the opportunity to facilitate a comprehensive national approach to the management of precursor chemicals.

9.0 RECOMMENDATIONS

Recommendation 1: The VP of the Commercial and Trade Branch, in collaboration with the VP of the Strategic Policy Branch and the VP of the Finance and Corporate Management Branch, should clarify and formalize the RCMP, Health Canada and CBSA accountabilities, financial responsibilities, terminology and service standards through interdepartmental agreements, thereby eliminating ambiguity surrounding the disposal of inadmissible precursor chemicals.

Management Response	Completion Date
<i>The Commercial and Trade Branch agrees with the recommendation that the roles and responsibilities between the RCMP, Health Canada (HC) and the CBSA be clearly delineated. The VP of Travellers Branch (TB), the VP of the Strategic Policy Branch and the VP of the Finance and Corporate Management Branch will provide support, as required.</i>	<i>September 2020</i>

Recommendation 2: The VP of the Commercial and Trade Branch, in collaboration with designated regional representatives, should develop, communicate and maintain up-to-date policies, procedures, tools and key contacts required for recording, handling and disposing of precursor chemicals and ensure that associated roles and responsibilities are defined and communicated.

Management Response	Completion Date
<i>The Commercial and Trade Branch agrees with the recommendation that findings indicate the Agency is not abiding by the requirements and changes need to be made to CBSA policy regarding precursor chemicals.</i>	August 2021

Recommendation 3: The VP of the Commercial and Trade Branch, in collaboration with designated regional representatives, should monitor the inventory and length of time in storage of precursor chemicals as well as compliance with relevant legislation and regulations, and build in regular reporting as part of the performance measurement of the Commercial Program.

Management Response	Completion Date
<i>The Commercial and Trade Branch agrees with the recommendation that precursor chemicals held by the Agency (including detained and seized) be recorded, stored and disposed of in accordance with the Customs Act Controlled Drugs and Substances Act and CBSA, physical security standards, and disposal requirements. An inventory and tracking mechanism will be implemented, monitored and reported to senior management regularly.</i>	August 2020

Recommendation 4: The VP of the Finance and Corporate Management Branch, in collaboration with designated regional representatives, should review and communicate policies and procedures related to the storage of precursor chemicals and periodically assess and report on the adequacy of CBSA facilities for the purposes of secure and safe storage of precursor chemicals.

Management Response	Completion Date
<i>The FCMB agrees with the findings and recommendations of the report. The Vice-President of the FCMB, in consultation with internal and external stakeholders and relevant offices of primary interest, will explore the feasibility of having Public Services and Procurement Canada (PSPC) transport and store all precursor chemicals (including unidentified substances pending determination) from the time of seizure. The FCMB, in consultation with PSPC, will communicate clear guidelines and applicable Government of Canada policies related to the storage of</i>	October 2020



precursor chemicals to employees and management to support consistent application across the Agency. Further, FCMB will prioritize and review its facilities and those provided by owners/operators (e.g., a port authority) to assess their adequacy for the temporary storage of precursor chemicals and make/request adjustments as required. The FCMB will also assess the legal implications of storing seized precursor chemicals off-site with a third party, in relation to Section 6 facilities.

APPENDIX A – ABOUT THE AUDIT

AUDIT OBJECTIVE AND SCOPE

The objective of this audit was to determine whether precursor chemicals held by the Agency (including detained and seized) were recorded, monitored (stored) and disposed of in accordance with the *Customs Act*, physical security standards, and disposal requirements.

The scope of the audit focused on the recording, storage, monitoring, and disposal of precursor chemicals detained and/or seized between January 1, 2017 and March 31, 2019. The audit focused mainly on the commercial stream with a particular interest in marine due to the frequency and volume of precursor chemical seizures.

The audit excluded activities related to precursor chemicals in the rail and highway modes, as well as the substance identification process involving the CBSA laboratory.

Note: Based on the audit work conducted during the planning phase, it was determined that sufficient information was available to directly report on the findings. This explains why no lines of enquiry and criteria were developed for this audit.

RISK ASSESSMENT

A preliminary risk assessment was conducted during the planning phase to identify potential areas of risk. Through interviews with key stakeholders, a review of relevant documentation and a site visit to the Redacted, a number of key risks were determined:

Inadequate Storage

- Regional facilities may not be modified to be compliant with OSH/ Redacted due to section 6 constraints stated in the *Customs Act*.
- CBSA staff may not have access to sufficient and complete procedures and guidance.

Business Processes

- Information available for decision making may not be representative of the full scope of the Redacted issue due to inconsistent recording practices.
- Precursor chemicals may not be disposed of in a timely manner and/or according to guidance.
- Funds may not be secured to dispose of the precursor chemicals within the required timeframes.



APPROACH AND METHODOLOGY

The audit conforms to the *Mandatory Procedures for Internal Auditing in the Government of Canada*, as supported by the results of the quality assurance and improvement program. The audit approach and methodology followed the *International Standards for the Professional Practice of Internal Auditing* as defined by the Institute of Internal Auditors and the *Mandatory Procedures for Internal Auditing in the Government of Canada*, as required by the Treasury Board's *Directive on Internal Audit*.

In order to conclude on the audit objective, the following methods were used to gather evidence:

- Review and analysis of federal legislation and regulations, policies, directives, procedures and other documents governing transformation and change management
- Interviews with CBSA personnel
- Site visit to the Redacted (February 28 to March 1, 2019)



APPENDIX B – LIST OF ACRONYMS

BSO	Border Services Officer
CBSA	Canada Border Services Agency
CDSA	<i>Controlled Drugs and Substances Act</i>
FCMB	Finance and Corporate Management Branch
HC	Health Canada
ICES	Integrated Customs Enforcement System
GTA	Greater Toronto Area
MOU	Memorandum of Understanding
POE	Port of entry
RCMP	Royal Canadian Mounted Police
SOP	Standard Operating Procedure

APPENDIX C – PRECURSOR CHEMICALS (SCHEDULE VI DRUGS)

Controlled Drugs and Substances Act (S.C. 1996, c. 19) - SCHEDULE VI (Sections 2, 6, 55 and 60)

PART I Class A Precursors^a

- 1 Acetic anhydride
- 2 N-Acetylanthranilic acid (2-acetamidobenzoic acid) and its salts
- 3 Anthranilic acid (2-aminobenzoic acid) and its salts
- 4 Ephedrine (erythro-2-(methylamino)-1-phenylpropan-1-ol), its salts and any plant containing ephedrine or any of its salts
- 5 Ergometrine (9,10-didehydro-N-(2-hydroxy-1-methylethyl)-6-methylergoline-8-carboxamide) and its salts
- 6 Ergotamine (12'-hydroxy-2'-methyl-5'-(phenylmethyl)ergotaman-3',6',18-trione) and its salts
- 7 Isosafrole (5-(1-propenyl)-1,3-benzodioxole)
- 8 Lysergic acid (9,10-didehydro-6-methylergoline-8-carboxylic acid) and its salts
- 9 3,4-Methylenedioxyphenyl-2-propanone (1-(1,3-benzodioxole)-2-propanone)
- 10 Norephedrine (Phenylpropanolamine) and its salts
- 11 1-Phenyl-2-propanone
- 12 Phenylacetic acid and its salts
- 13 Piperidine and its salts
- 14 Piperonal (1,3-benzodioxole-5-carboxaldehyde)
- 15 Potassium permanganate
- 16 Pseudoephedrine (threo-2-(methylamino)-1-phenylpropan-1-ol), its salts and any plant containing pseudoephedrine or any of its salts
- 17 Safrole (5-(2-propenyl)-1,3-benzodioxole) and any essential oil containing more than 4% safrole
- 18 Gamma-butyrolactone (dihydro-2(3H)-furanone)
- 19 1,4-butanediol
- 20 Red Phosphorus
- 21 White Phosphorus
- 22 Hypophosphorous acid, its salts and derivatives



23 Hydriodic acid

24 Alpha-phenylacetoacetonitrile and its salts, isomers and salts of isomers

25 Propionyl chloride

26 1-Phenethyl-4-piperidone and its salts

27 4-Piperidone and its salts

28 Norfentanyl (N-phenyl-N-piperidin-4-ylpropanamide) and its salts

29 1-Phenethylpiperidin-4-ylidenephethylamine and its salts

30 N-Phenyl-4-piperidinamine and its salts

31 N1,N1,N2-trimethylcyclohexane-1,2-diamine and its salts

32 Benzylfentanyl (N-(1-benzylpiperidin-4-yl)-Nphenylpropionamide), its salts, derivatives and analogues and salts of derivatives and analogues

^a Each Class A precursor includes synthetic and natural forms.

PART 2 - Class B Precursors^b

1 Acetone

2 Ethyl ether

3 Hydrochloric acid

4 Methyl ethyl ketone

5 Sulphuric acid

6 Toluene

^b Each Class B precursor includes synthetic forms.

PART 3 - Preparations and Mixtures

1 Any preparation or mixture that contains a precursor set out in Part 1, except items 20 to 23, or in Part 2.