



Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

Canada

# Audit of the management of seized goods and currency



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# Audit of the management of seized goods and currency

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Internal Audit and Program Evaluation Directorate

December 2024

Note: [redacted] appears where sensitive information has been removed in accordance with the Access to *Information Act* and the *Privacy Act*.

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## Introduction

The Canada Border Services Agency (CBSA, the agency) provides integrated border services that support national security and public safety priorities, and facilitate the free flow of admissible persons and goods. Goods that are non-compliant with Canadian laws, acts or regulations are intercepted, and may be seized or detained as a result.

Seizures are executed for serious infractions and/or undeclared goods in accordance with section 110 of the Customs Act. Goods can also be detained under section 101 of the Act for less serious infractions or when goods are declared. For funds being seized as suspected proceeds of crime, section 18 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* is the source of the CBSA's authority.

Commonly seized commodities include, for example: alcohol and tobacco, firearms, weapons, narcotics and currency. Precursor chemical seizures, used for manufacturing illicit drugs, are also on the rise.

In some cases, travellers can pay terms of release for their commodities to be returned to them. If the traveller does not make the required payment, the agency takes custody of the goods. Terms of release are not offered for more serious seizures, such as for narcotics, prohibited firearms, or suspected proceeds of crime. These items remain in the CBSA's custody until they can be disposed of appropriately.

Goods taken into the custody of the CBSA must be protected from loss or damage. The agency is responsible for maintaining secure, controlled storage facilities to safeguard these goods, until such time they can be destroyed or sold. These facilities are called bond rooms and King's Warehouses. A bond room is a secure storage facility for seized goods located at a port of entry (POE). A King's Warehouse is a larger facility servicing many POE, where seized goods converge for storage and eventual disposal.

A total of 62,055 seizures were made in 2023 to 2024, encompassing all commodity types.

## About the audit

The objective of the audit was to assess the adequacy and effectiveness of controls for the management and disposal of goods and currency seized pursuant to the *Customs Act* and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

### Audit Scope Inclusions

The scope period spanned April 2021 to March 2024, and focused on the following commodity types: currency (including suspected proceeds of crime), firearms, prohibited weapons and devices, narcotics and precursor chemicals.

Further, the audit scope included:

- seized goods and currency management practices in the traveller, commercial and postal streams; in bond rooms at land borders, major airports, mail processing centers, as well as King's Warehouses
- the full lifecycle of a seizure, from the time the commodity is seized, through to its disposal/destruction or transfer
- tests for physical security, access control, inventory control, facility capacity, monitoring, storage, packaging and disposal practices

### Audit Scope Exclusions

The audit scope excluded the following:

- processes and controls on the commodities that have been transferred to an other government department (OGD) and are no longer in the CBSA's custody
- seized food, plants and animals, and other commodity groups not listed in scope inclusions
- evidence rooms
- sufferance warehouses
- the recourse/appeals process
- in-depth testing of interdepartmental settlements between the CBSA and other government agencies related to the transfer and disposal of seized goods
- transport of seized commodities by contractors between facilities and to other government or law enforcement agencies

### **Audit methodology**

- 230+ stakeholders consulted across the regions, Commercial and Trade Branch (CTB), Travellers Branch (TB), Finance and Corporate Management Branch (FCMB), Human Resources Branch, Intelligence and Enforcement Branch, and Strategic Policy Branch
- 250+ supporting documents reviewed
- site visits, walkthroughs and substantive sample testing at POEs and King's Warehouses in the following regions: Québec, Greater Toronto Area, Pacific (and Northern Ontario for preliminary audit planning purposes only)
- 300+ seizures sampled for testing of seizure documentation, storage, packaging, etc.

## **Significance of the audit**

Intercepting and seizing inadmissible goods and unreported currency is an integral part of the CBSA's mandate and constitutes an important portion of its daily operations. With the exception of the COVID-19 pandemic years, seizure volumes have been steadily increasing over time. Seized goods can be of significant value, present risks to CBSA staff or to public safety, and may be returned to the traveller/importer or required as evidence for prosecution. Therefore a high level of control is necessary to ensure the goods are handled, stored and disposed of safely and securely.

Managing seized goods has been an ongoing challenge for the agency. It was first reported in 2009, when an internal audit concluded that the management control framework for seized goods was not effective in providing assurance that the goods were safeguarded, accounted for and disposed of in compliance with authorities. The audit report noted gaps in functional accountability and responsibility for providing direction and coordination. Control gaps were also reported in the seized good lifecycle, where controls were inadequate, not consistently applied, or not operating as intended.

As noted in subsequent audits, some program improvements have been made over the years however, deficiencies in the management control framework and operation of key

controls such as oversight have persisted, leaving the agency to continue to face challenges in its management of goods seized (refer to [Appendix B](#) for Progress over the years). Persisting gaps and weaknesses in controls for the management of seized goods create a vulnerability or risk exposure for the agency. This includes potential misappropriation, loss or damage of goods, and risks related to health and safety.

For these reasons, designing and implementing sound management control practices over seized goods throughout their lifecycle is critical to ensure that they are accounted for and appropriately disposed of, that CBSA employees can discharge their responsibilities safely, and that the agency can identify and address related risks in a timely manner.

Given the volume, nature and value of these goods and our agency's responsibilities, it was necessary to assess this program today and validate that previous recommendations have been implemented and controls have been strengthened.

As a result, this audit was approved as part of the 2023 Risk-Based Audit Plan.

## Statement of conformance

This audit engagement conforms to the Treasury Board's *Policy and Directive on Internal Audit* and the Institute of Internal Auditors' (IIA) *International Professional Practices Framework*. Sufficient and appropriate evidence was gathered through various procedures to provide an audit level of assurance. The agency's internal audit function is independent and internal auditors performed their work with objectivity as defined by the IIA's International Standards for the Professional Practice of Internal Auditing.

## Audit opinion

The seized goods lifecycle requires a number of processes and controls at different levels to ensure they are managed, stored, secured and disposed of in a manner that is compliant with authorities. This includes both operational controls throughout the process as well as oversight controls that ensure processes are effectively designed and operating as intended.

At the beginning of the lifecycle, processes exist to guide frontline operations to maintain records of their seized good inventories, support handling and storage practices, and for ensuring complete seizure documentation. While processes developed by POEs are generally effective in ensuring seized goods are accounted for and secured up to the placement of the goods in a bond room or King's Warehouse, they are different in each location, heavily manual and can be inefficient.

Once seized goods are in the storage area, there is little to no guidance or oversight of how this inventory should be managed while under the agency's care. The CBSA has

limited visibility into its seized goods inventory nationally, which inhibits its ability to effectively track and monitor their lifecycle and ensure they are managed adequately. Responsibility over the bond room and King's warehouse remains unclaimed and has resulted in a lack of inventory management controls and processes related to physical placement, health and safety practices, transfer or movement of goods in and out of the storage areas and periodic oversight of seized goods in transit or awaiting disposal. Combined with some identified weaknesses in physical security access controls, there is an increased opportunity for misappropriation, loss or damage to seized goods inventory.

As seized goods reach the disposal stage, clear processes and guidance has been established but challenges remain with Memorandums of Understanding (MOU) with OGDs, particularly with regards to authorities for disposal, as well as for costs incurred.

While the existing practices above allowed the audit to locate all sampled seizures, when several control weaknesses exist in a business process, their effect is compounded. This leads to heightened risk and opportunity for undesirable events to occur. In the context of seized goods, gaps in controls as noted above can increase the risk of (and opportunity for) asset misappropriation, loss or damage. They can also pose risks to CBSA employee health and safety or harm the agency's reputation.

Given the findings within this report, current controls are not deemed adequate or effective for the management of seized goods and currency and the agency should strengthen its control and accountability framework.

## Key findings

There are a number of gaps in the agency's national control and oversight framework around seized goods. This includes:

- a lack of functional accountability for the management of seized goods, bond rooms and King's Warehouses, for developing associated policies and procedures, and for providing operational support
- limited management oversight and monitoring of seized good management practices and associated risks, resulting in an inability to systematically identify and correct deficiencies
- gaps in policies, procedures and guidance, such as for the management of bond rooms and King's Warehouses, health and safety, and disposal of goods seized
- lack of clarity surrounding the CBSA's authorities and responsibilities for the disposal of seized goods, relative to those of OGD partners

Due to gaps in National direction and guidance, operations have needed to establish and develop their own practices for the management of their seized goods. All seizures sampled as part of this audit were traced and accounted for, physical security controls were evident, and operations had established and implemented inventory management

systems. However, the lack of standardized systems to support inventory management, as well as difficulties implementing new disposal procedures, have created operational inefficiencies. Potential health and safety risks were also noted.

Finally, while currency seizures were found to be deposited in a timely manner, delays were noted with their subsequent reconciliations. This is due to untimely submission of supporting documentation by operations.

## Summary of recommendations

The audit makes six recommendations:

1. define and clarify functional accountabilities, roles and responsibilities for the management of seized goods throughout their lifecycle
2. design and implement a local, regional & national monitoring framework to provide assurance around safeguarding, control and disposal of goods seized
3. ensure policies and procedures for POEs and Warehouses are complete, comprehensive, up-to-date, and readily available, and that they include considerations for health and safety
4. explore comprehensive inventory management software solutions
5. work with OGD partners to clarify the division of responsibilities and ratify agreements in new or updated MOUs
6. formalize and enforce requirements for the submission of documentation supporting currency deposit reconciliations

## Management response

The CBSA welcomes the results of the Audit of Seized Goods and Currency and accepts all the recommendations. The agency understands the risks and concerns presented in the audit and is committed to standardizing its oversight, control and compliance framework in order to strengthen its ability to effectively manage seized goods.

The CBSA will develop clear roles and responsibilities, including defining functional authorities, throughout the continuum on the seizure of goods. This clarity will ensure that the agency can provide direction, coordination and monitoring from seizure to disposition. It will also improve support to the Regions. As well, the agency will examine what software solutions could improve agency controls for seized goods.

The Vice-Presidents (VP) of FCMB, CTB, and TB will work collaboratively with external and internal partners, including the Information, Science and Technology Branch, Intelligence and Enforcement Branch, Strategic Policy Branch, and the Regions to improve CBSA's care and control of seized goods, and to review existing arrangements with other governmental partners for clarity on roles and responsibilities.

# Audit findings

The audit resulted in the findings below.

## Agency control framework

A robust control framework for the management and disposal of seized goods and currency is necessary, along with oversight and monitoring, to ensure appropriate safeguarding and stewardship of seized goods. This should include a comprehensive and readily available set of policies and procedures, functional and operational accountabilities, as well as monitoring mechanisms to identify and mitigate evolving or newly emerging risks around the management of seized goods.

## Functional Accountability

Until 2018, functional accountability for seized goods resided with the former Programs Branch. Since then, changes to the CBSA's organizational structure, namely the creation of the TB and CTB, has caused related roles and responsibilities to become fragmented and created a gap in accountabilities.

While the TB, CTB, and the FCMB each have a role in the seized good continuum, accountabilities for providing functional direction, coordination, and monitoring of the control and disposal of seized goods are unclear. Conversely, functional accountabilities for seized currencies are clear, as they reside in the Traveller Compliance Unit within the TB.

The lack of ownership and coordination among branches has created a leadership and accountability void and a loss of program oversight and direction, which has resulted in a number of challenges:

- unclear responsibilities for the development of procedures and guidance, including for the management of bond rooms and King's Warehouses, for health and safety, etc.
- difficulties for operations in identifying who to direct their questions to and in obtaining timely guidance/support
- uncertainty in program areas as to who should field such questions
- compromised ability to effectively monitor program activities and risks and to coordinate risk mitigation
- development of unique practices and procedures at the POE level that have not been validated by National Headquarters (NHQ)

These challenges and lack of oversight expose the agency to risk in that seized goods may not be handled correctly/consistently, and a risk of mismanagement, fraud, theft, or employee harm. Clarifying functional accountabilities would improve the CBSA's ability to efficiently manage seized assets throughout their lifecycle and to identify and resolve deficiencies in a timely manner.

## Recommendation 1

The VPs of FCMB, CTB and TB should define functional authorities for the management of seized goods throughout their lifecycle (for bond rooms and King's Warehouses), ensure clear delineation of functional roles and responsibilities, and communicate key contacts to agency stakeholders.

**Management response:** FCMB, through the National Real Property and Accommodations Directorate (NRPAD), will lead identification and definition of functional authorities for the management of seized goods through their lifecycle. The particular tasks and work will be guided and supported by a Director-level committee, which will report to a Director General level committee.

**Completion date:** February 2025

## Risk monitoring and oversight

Risk management is driven by the need to understand, prioritize, and treat significant risks. In the commonly referenced Three Lines of Defense Model, the first line of defense owns and manages risks, the second oversees risks, controls and compliance, and the third provides independent assurance [Footnote1](#).

At the CBSA and in the context of management of seized goods, the first line of defense is operations in the regions (more on this under [Stewardship and safeguarding of assets](#) and [Disposal](#)) and the second line of defense responsibility is held at NHQ. Overall, there is very little second line control practices occurring related to the management of seized goods. The audit noted ad hoc periodic monitoring practices in the form of Operational Program Assessments (OPA) and Threat and Risk Assessments (TRA); however, these ad hoc assessments are not sufficient to provide assurance over the seized goods continuum given the significance/value/risk of the goods/currency in storage, and are not effective at addressing the gaps (including bond rooms and King's Warehouses) or to identify emerging risks or challenges tied to this activity.

## Operational program assessments

OPAs are a proactive, national quality assurance initiative measuring adherence to operational policies. Assessments were conducted on topics related to seized goods and currency management in 2015, 2017, 2018, and 2023 (the latter on precursors specifically). Identified gaps included inconsistent use of inventory control logs, lack of operational awareness/knowledge, lack of supervisory review, gaps in inventory reconciliation practices, etc. Several of these gaps remain. Note that the OPA function is reportedly being dissolved by the end of 2024, and it is unclear if or how it will be replaced. This leaves the agency with no central oversight or compliance monitoring around its operational management of seized goods.

## Threat and risk assessments

Although there are physical security, capacity and security zone standards, lower than standard security may be acceptable if the risk is minimal. The decision to operate a facility with lower than standard security should be based on a documented TRA. Per policy, each CBSA facility should have a valid TRA renewed every five years. CBSA internal audits conducted in 2009 and 2014 had identified significant gaps in physical security monitoring and oversight.

A five-year plan came into effect in January 2023, over the course of which TRAs are expected to be completed for all high and medium-risk sites. Ports deemed to be of lower risk will be assessed subsequently.

All seven of the POEs visited in the Pacific, Greater Toronto Area and Québec regions had a valid TRA, completed within the last five years.

Conversely, TRAs for two of the three visited King's Warehouses could not be located; the third is dated 2014.

[redacted]

With regards to health and safety, there currently is no health and safety risk monitoring performed centrally by the agency in relation to the management of seized goods.

### **Seizures oversight**

The level of national oversight over the seized goods lifecycle is limited. Currency seizures are the only type of seizure with central oversight. There is otherwise no national oversight mechanism for seizures or for the management of seized goods while in CBSA custody.

### **Bond room and King's warehouse oversight**

There are currently no national requirements for any type of bond room or King's Warehouse oversight, aside from limited direction in a 2009 departmental memoranda (D-memo) [Footnote2](#). Though periodic inventory reconciliations were required by Materiel Management policy a number of years ago, this requirement has since been eliminated and was not delegated to another entity. The audit found no evidence that such practices exist. NHQ does not have access to inventory control information and does not perform related monitoring.

[redacted]

### **Recommendation 2**

The VP of FCMB, in collaboration with the VPs of CTB and TB and in consultation with the Regions, should design and implement a monitoring framework at a local, regional and national level to provide assurance that seized goods are safeguarded, accounted for and disposed of in compliance with agency authorities and relevant policies and procedures.

**Management response:** The VPs of FCMB, CTB, and TB agree with this recommendation and will work in close partnership together and with the Regions to develop and implement a monitoring framework to ensure that seized goods are safeguarded, accounted for and disposed of in compliance with agency authorities and relevant policies and procedures, guided by the roles and responsibilities determined in Recommendation 1.

**Completion date:** March 2026

## **Policies and procedures**

Policies and procedures are a key component of a management control framework because they provide guidance, consistency, efficiency, and clarity on how an organization should operate.

The CBSA has policies, procedures and guidance for seized goods and currency, but they are owned by various groups at NHQ and are contained in various documents, some of which are incomplete. Though most are available via the agency's intranet page, searching for information through these various sources presents challenges and is time consuming for operations.

Operations provided mixed feedback on the availability and sufficiency of guidance throughout the seized good continuum:

- Procedures and guidance around making a seizure decision were deemed adequate overall.
- Concerns were raised with regards to insufficient guidance on how to perform seizure actions, as well as for the handling and storage of seized goods while in CBSA custody, including for health and safety (more on this under [Handling and Storage](#)).
- While new disposal guidance was made available in 2022, the document is incomplete and lacks standard operating procedures (SOP) to support implementation. Many POEs remain unaware of it, despite communications and consultations on the matter.
- Finally, there currently are no procedures, standards or guidance available for the POE bond room and regional King's warehousing functions.

In the absence of comprehensive, national policies and procedures, POEs and King's Warehouses have each developed their own procedures, as well as job aids and other resources to guide their staff in executing seizures and handling/storing seized goods. Standard CBSA procedures, principles and guidance would help bring national consistency to these functions, support operations in implementing adequate controls around their seized good inventories, and enable the agency to measure its ability to safeguard these assets.

## **Recommendation 3**

The VP of FCMB, in collaboration with the VPs of CTB and TB and in consultation with the Regions, should review existing policies and procedures for the management of seized goods throughout their lifecycle (from seizure execution to disposal) and ensure that they are complete, comprehensive, up-to-date, readily available, and that they provide direction for both POE bond rooms and King's Warehouses, including for health and safety. Care should be taken to ensure these documents are adequately communicated to operations for their awareness.

**Management response:** The VP of FCMB, CTB, and TB agree with this recommendation and will ensure that a review will be completed on the existing policies and procedures for the management of seized goods throughout their lifecycle (from seizure to disposal) and ensure that they are complete, comprehensive, up-to-date, readily available, and that they provide direction for both POE bond rooms and King's Warehouses, including for health and safety.

**Completion date:** October 2025

## **Stewardship and safeguarding of assets**

This section is broken down into seven sub sections:

- Seizure execution
- Handling and storage
- Health and safety
- Physical security and access control
- Storage and packaging
- Inventory management
- King's warehouses

### **Seizure Execution**

Per policy, border services officers (BSO) are required to inform/consult a Superintendent on a seizure before executing it. Seizure reports must then be completed in the CBSA's Integrated Customs Enforcement System (ICES) within four working days, and subsequently reviewed by a Superintendent within five working days. These practices help ensure that seizures are well founded, and that associated records are complete, can support investigations, or could sustain scrutiny, such as in cases of appeals or legal proceedings. These requirements were not consistently applied.

Superintendent concurrence before the seizure is not consistently obtained. While some POEs require it for all seizures, others only require it if the officer is inexperienced. The four and five-day standards for report completion and Superintendent review can be operationally unattainable for various reasons, such as high seizure volumes. In some POEs, the responsibility for reviewing seizure reports was delegated to individuals or teams with specific seizure management roles.

With regards to currency seizures, CBSA policy requires that two officers be present at all times when counting the exhibits and making the seizure. Our audit consultations,

process walkthroughs and review of seizure reports indicate that this requirement is understood and met.

Once the seizure is entered in ICES, the mandatory forms are generated automatically based on commodity type, enforcement action type, etc. Because ICES is not built as a document or image repository and has limited functionalities, POEs have each created paper or electronic seizure file systems and checklists to help ensure complete records (pictures, forms, photocopies/scans, supporting documents, etc.), beyond the data collected in ICES. This presents operational inefficiencies and duplication of efforts since no national, structured solution is currently available and each POE has had to develop their own.

### **Handling and storage**

Seized goods and currency kept in the custody of the agency must be protected from loss or damage. A high level of control is necessary as these items may be valuable, dangerous to CBSA staff or the public, and/or required as evidence for prosecution. To achieve this objective, a number of measures must be taken, including ensuring physical security of storage facilities, restricted access to seized goods, and inventory controls. Additionally, health and safety measures are necessary to ensure that risks to employee wellness are minimized while executing their responsibilities.

In the absence of national guidance for the storage and handling of seized goods, POEs have each developed and implemented their own processes and tools to support adequate practices. This includes, for example, local templates, SOPs, reminders posted in key locations, and checklists. Some ports have also developed training scenarios for various types of seizures, which help engrain good handling, packaging, and storage practices in new BSOs. While this helps bridge the gap in the absence of national guidance, the agency remains exposed to the risk of having nationally inconsistent practices that may not align with best practices.

### **Health and safety**

With regards to the handling of toxic substances, such as narcotics and their precursors, POEs refer to the CBSA's Highly Toxic Substances SOP. [redacted] A second important source of information and guidance around toxic substances are Material Safety Data Sheets (MSDS). Per the *Canada Occupational Health and Safety Regulations*, employers must provide MSDS for substances encountered or otherwise handled in the workplace. [redacted]

All visited POEs were equipped with narcotic detection devices, personal protective equipment and a Designated Safe Examination Area (DSEA). However, other smaller POEs interviewed as part of the audit do not have a DSEA. While operations are currently instructed not to perform intrusive sampling on unidentified substances in the DSEA, several operations reported that they do perform this task in order to send a subset to the CBSA's laboratory for analysis. Health and Safety risks and associated liabilities increase if procedures are not followed. If the agency deems this practice

acceptable then procedures or policies are required to guide this practice by the Programs.

[redacted] [Footnote3](#)

Consultations with operations also suggested a need for more guidance around health and safety when handling and storing different types of seized goods (such as some types of weapons, firearms, explosives, etc.). This is especially important to help guide less experienced operations, as well as POEs that may not see certain commodity types on a regular basis. Various program areas were consulted on responsibility for developing such guidance. No clear office of primary interest could be identified.

The lack of inventory management protocols and oversight over bond rooms and King's warehouses combined with the lack of effective and consistently implemented health and safety policies, guidance and processes, risks to CBSA employees may materialize.

### **Physical security and access control**

CBSA bond room security design is based on Royal Canadian Mounted Police (RCMP) specifications. Bond rooms should, for example, use card swipe access control and access logs, have an alarmed door, and be equipped with closed circuit television.

At all of the seven visited POEs, we observed that seized goods storage areas were physically secured and subject to access controls, including:

- Bond room doors were locked and required key card(s) for access.
- Access to the safes was mostly restricted to Superintendents; [redacted]
- While some POEs restrict access to the bond room to a limited number of employees, others are accessible to all POE operational staff.

Consultations with other POEs indicate that access controls vary from one location to the next. Some use a simple lock and key, and others use paper logs to record bond room access. [redacted]

Closed circuit television coverage varied. [redacted]

Seized goods are occasionally transferred between CBSA groups or locations, such as from a POE to a CBSA Investigations office. In such cases, we found that their movements were adequately recorded on an exhibit control form to ensure a clearly documented chain of custody. Physical security and access controls help ensure that seized goods remain secure and that chain of custody is maintained. Such controls help provide assurance that goods are adequately safeguarded. Given the above gaps and weaknesses in physical and security controls, the agency's overall risk increases and its ability to provide assurance that seized goods are adequately safeguarded is limited.

### **Storage and packaging**

CBSA requirements clearly state that seized commodities must be sealed in an evidence bag, to preserve the evidence and prevent tampering; however, specific guidance on how to package and store different types of seized commodities was lacking. Additional audit tests, designed in accordance with archived CBSA guidance, best practices, the Highly Toxic Substances SOP, and/or legal requirements, were applied.

Despite the lack of operational guidance, practices related to the storage and handling of seized goods observed at Greater Toronto Area, Montreal and Vancouver POEs were generally adequate, though inconsistent across locations due to locally developed solutions.

Dangerous or valuable commodities, such as firearms and currencies, were segregated and secured in a safe or cabinet, either in the bond room or in the Superintendents' office.

100% of these sampled seizures were sealed in evidence bags. Firearms were all rendered inoperable.

76% of the sampled narcotics were sealed in evidence bags. The remaining 24% were stored in their original shipping packaging or in a Ziploc-style bag. Particularly noxious substances, such as fentanyl, were double bagged.

67% of the sampled narcotics were stored in a safe, walk-in vault, or other secure container within the bond room. The remaining 33% were too large to fit in a safe, and/or the location did not have a vault.

Some weapons were sealed in evidence bags, and others in their original shipping packaging. In most cases, sharp edges or other dangerous features were noted to be taped or otherwise secured to prevent accidental injury.

As regards precursor chemicals, most were observed to be double bagged, in accordance with the CBSA's Highly Toxic Substances SOP. Most were segregated from other goods, though some were stored directly alongside other commodity types. This lack of segregation can present health and safety risks given the potentially reactive nature of these chemicals.

Overall, bond room capacity was generally sufficient to accommodate seized good volumes. No seized goods were observed outside designated secure storage areas or otherwise left unattended. In locations where seizure volumes exceed bond room capacity, secure "overflow" rooms were available and being used to store older seized goods awaiting disposal. One POE had a small and overcrowded bond room; consequently, a safe was placed in an adjacent, unsecured room to store seized narcotics.

Adequate storage and packaging practices are important to ensure that goods are protected from tampering, and risks of theft or mishandling are mitigated. Programs should be overseeing these practices, standardizing requirements and determining whether the measures put in place by operations are appropriate to meet safety and packaging requirements.

## **Inventory management**

The agency does not currently have a national inventory management system at its disposal, and ICES is not configured to perform such functions. As a result, POEs and King's Warehouses have developed their own inventory management practices to organize the seized goods in their custody, monitor the goods' 90-day retention period, ensure they can be located while in storage, and to maintain a record of their movements. A wide range of practices and tools were created, including elaborate spreadsheets, paper based logs, Microsoft Access databases and locally developed applications. These manual systems are also inefficient and labour-intensive. [redacted]

Despite these challenges, inefficiencies and lack of program direction and oversight, POEs' inventory control practices were found to be generally adequate.

76% of the audit's randomly sampled seizures were appropriately recorded in a bond room inventory log. The remaining 24% were either not logged, or the log entries were inaccurate or incomplete.

100% of the audit's randomly sampled seizures were traced and accounted for, including firearms, weapons, narcotics and precursors.

## **King's warehouses**

Seized goods that are not transferred to Investigations or partner agencies/OGDs may be sent to the local CBSA King's Warehouse to coordinate disposal. [redacted] Finally, some bond room staff are unaware of the King's Warehouses or of their transfer procedures, due to a lack of information and guidance on these facilities. This results in stockpiling at some POEs and associated health and safety risks (as noted under [Health and safety](#)).

## **Disposal**

Prior to 2022, POEs and Warehouses coordinated their disposals with King's Warehouses or third parties directly, or performed destructions themselves. Since 2022, seized goods disposal is required to go through the CBSA's Materiel Management (MM) office to leverage national service contracts with disposal companies, when available, or with Public Services and Procurement Canada's Seized Property Management Directorate (PSPC-SPMD). Alternate arrangements may be made with MM's approval for small/remote ports, where standard practices may not be operationally feasible or cost-effective.

Gaps and challenges were noted in relation to the disposal process, namely:

- the absence of contracting vehicles for disposing of certain commodity types, or for some geographic areas, leading to extensive delays and challenges in performing disposals
- difficulties adapting local procedures and realities to the new disposal requirements

- concerns with cost-effectiveness, particularly in locations where nearby companies previously provided disposal services for free (pharmacies, metal recycling plants, etc.)
- duplication of work in documenting and sorting goods for disposal
- minimum quantity requirements leading to stockpiling, such as for precursors
- insufficient budget for disposal, both at NHQ and in the regions
- local disposal practices that do not align with MM guidance, such as through local pharmacies or incineration at pet cemeteries

## Tracking and monitoring

Individuals performing bond room and King's Warehouse management functions also perform disposal functions, such as packaging goods for destruction, and transferring custody to OGDs or vendors, as applicable. In most cases, there is no immediate oversight or approvals performed by local management. [redacted]

The CBSA does not have central access to comprehensive information to enable tracking of seized goods' lifecycles. ICES also does not record the outcome (e.g. disposal) of goods seized. This information is recorded by POEs and King's Warehouses in their various local inventory management spreadsheets, paper log books, applications, etc. As a result, MM does not have visibility into all seized good disposals nationally, unless POEs submit requisite forms to them for approval. Further, MM tracks the status of bulk disposals, but does not keep track of the individual seized goods they are comprised of. For example, MM would record and monitor a shipment of 450 kg of precursors sent for destruction, but would not track which individual seizures make up those 450 kg. Consequently, reconciliation between the original seizure action and the disposal cannot always be performed. [redacted]

When goods are transferred to partner organizations for disposal, such as law enforcement, approval is not required by MM. There is no central monitoring of this practice.

## Recommendation 4

The VP FCMB, in consultation with the Regions, CTB and TB, should explore standard inventory management solutions to assist in managing seized goods' lifecycle, including storage, transfers and disposal.

**Management response:** The VP of FCMB agrees with this recommendation and will work in close partnership with the VPs of CTB, Information, Science and Technology Branch, TB, and the Regions, to explore options for standard inventory management solutions to assist in lifecycle management of seized goods.

**Completion date:** September 2025

## Narcotics

Seized narcotics are transferred to the RCMP's custody for disposal; the agency does not perform or otherwise coordinate their destruction (as ratified in the 2019 CBSA-RCMP MOU). The audit found that 95% of sampled narcotics transferred to the RCMP were documented on requisite forms and stamped by both the CBSA and the RCMP, evidencing transfer of custody. A further 89% of the sampled transfers reconciled to the quantity that was originally seized. The remaining 11% could not be reconciled because exact quantities transferred to the RCMP were not documented making it challenging for the agency to have assurance that no goods have been misplaced, lost or left behind.

Overall, POEs reported a good working relationship with local RCMP detachments. However, the RCMP's limited capacity to collect and store large volumes of narcotics, along with limited personnel availability, leads to stockpiling in some locations. This presents particular challenges at remote POEs and POEs with small bond rooms and limited capacity. [redacted]

### **Precursor chemicals**

Contradictions in the Health Canada (2014) and RCMP MOUs create ambiguity in terms of which department is responsible for disposal and associated costs. The Health Canada MOU indicates precursors will be disposed of by the RCMP, but the RCMP MOU points to the CBSA. During the 2019 Internal Audit of Precursor Chemicals, a *Controlled Drugs and Substances Act* section 56 exemption was quoted as giving the CBSA authority to dispose of precursors. Few stakeholders were aware of this exemption during the present audit, and corporate knowledge that existed in 2018 to 19 on this topic appears to have been lost due to subject matter experts having departed the agency. Because the status of the exemption is unknown (undated document, not listed on the Health Canada website, etc.), the CBSA's authority to dispose of precursors is in question and we may not be compliant with regulations.

Destruction of seized precursors is currently coordinated via PSPC-SPMD, who sends a disposal company for the collection and destruction of these goods. The Pacific region reported that this has significantly improved their ability to dispose of precursor chemicals in a timely manner. On the other hand, Greater Toronto Area and Québec regions reported that the 300 kg minimum requirement for pickup leads to stockpiling.

### **Recommendation 5**

The VP FCMB, in consultation with CTB and TB, should coordinate engagement with OGDs on whose behalf the CBSA seizes goods (including the RCMP and Health Canada), as well as with PSPC-SPMD, to clarify the division of responsibilities (including for costs incurred) and ratify agreements in new or updated MOUs, particularly with regards to precursor chemicals. A renewed Section 56 exemption should also be secured.

**Management response:** The VP of FCMB agrees with this recommendation and will work in close partnership with the VPs of CTB, and TB to coordinate engagement

with OGDs on whose behalf the CBSA seizes goods to clarify the division of responsibilities, specifically financial responsibilities for the disposal of seized, abandoned and forfeited goods, and ratify arrangements in new or updated MOUs. In parallel, the VP of FCMB will allocate an appropriate source of funds for the disposal of goods for which the agency takes full responsibility for.

**Completion date:** April 2026

## **Firearms**

Seized firearms are transferred to the RCMP via courier, as per RCMP requirements. Some POEs reported that the only confirmation of transfer to the RCMP is the proof of carrier delivery, while others receive a stamped form confirming receipt.

## **Weapons and prohibited devices**

There currently is no national mechanism in place for weapons disposal. This includes items such as blades, pepper sprays, electroshock weapons, etc. In the meantime, these goods are being stockpiled at POEs and King's Warehouses.

## **Currency**

Seized currencies are deposited at the bank and followed by an interdepartmental settlement to PSPC. Delays were noted in performing deposits due to banks not accepting large deposits or some foreign currencies, requiring alternate arrangements to be made. This can also require payment of conversion fees, leading to the amount deposited being inferior to the amount originally seized. Confusion was also noted around the POEs' ability to send foreign currencies to PSPC directly.

Once the deposit has been made, POEs must submit supporting documentation to the CBSA Revenue Accounting and Reporting Division (RARD) for reconciliation. Audit testing and interviews indicate several months' delays in reconciliations and interdepartmental settlement transfers due to late submission of documentation by POEs, despite communications having been issued on this subject. RARD has reported a backlog extending years, which it continues to address. The Division has begun holding regional sessions to increase awareness.

Finally, human error in counting currency was also noted. Several POEs reported broken or defective cash counting devices, making manual counts necessary.

25% of the sampled currency seizures did not reconcile. In these instances, RARD performs follow-ups to determine the reason behind the discrepancies. Per RARD, they are typically immaterial, and reasonably attributed to human error. However, without oversight controls over the seized currency lifecycle, we cannot state with certainty that these discrepancies are a result of human error vs. asset misappropriation or loss.

## Recommendation 6

The VP of TB, in collaboration with the VP of FCMB, should formalize and consolidate submission requirements for deposit documentation within existing currency seizure guidance. Measures should also be taken to improve operational compliance with these requirements.

**Management response:** The VP of TB agrees with this recommendation and will work with the VP of FCMB to update policy documents. To address issues identified in the audit, TB will work with the Regional Directors General to ensure that currency seizure revenue codes are correctly applied so as to better track deposits for seizures made under the authority of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

**Completion date:** March 2026

## Appendix A: Audit criteria

Lines of enquiry	Audit criteria
1. Controls and oversight framework	<p>1.1 Roles, responsibilities and authorities of the CBSA and its OGD partners are clearly documented and understood in relation to seized goods management and disposal.</p> <p>1.2 Policies, procedures and guidance on the safeguard, handling, documentation, storage and disposal of seized goods and currency are current, comprehensive, and readily available to frontline staff.</p> <p>1.3 The CBSA monitors its seized goods and currency management practices in a structured, documented and regular manner, and corrective measures are taken at NHQ and in the regions to address deficiencies.</p>
2. Operational compliance and stewardship	<p>2.1 Documentation and handling of seized goods and currency, at the point of seizure, comply with policies and procedures.</p> <p>2.2 Processes and procedures governing the handling and storage of seized commodities and currency are adhered to.</p> <p>2.3 Seized goods and currencies are transferred or disposed of in compliance with agency authorities.</p>

## Appendix B: Progress over the years

2009 Audit (Seized goods)	2011 Audit (Currency)	2014 Audit (Seized goods follow-up)	2019 Audit (Precursors)	Current audit (Seized goods and currency)
<ul style="list-style-type: none"> <li>• control framework not effective in providing assurance that seized goods were safeguarded, accounted for and disposed of in compliance with authorities</li> <li>• lack of clear accountability / responsibility for providing direction and coordination for the management of seized goods</li> <li>• control gaps, existing controls not fully applied</li> <li>• process monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• currency seizures and penalties acceptably accounted for</li> <li>• monies were protected from loss, with the exception of one region</li> <li>• some seizure decisions not adequately documented</li> <li>• monitoring by management not occurring</li> </ul>	<ul style="list-style-type: none"> <li>• minimal improvement to the control framework, deficiencies in monitoring and oversight, access controls, and security</li> <li>• management oversight of Queen's warehouses remained lacking</li> <li>• no formal risk mitigation strategies, and controls for risks not developed or not operating as intended</li> <li>• improvements since 2009 in</li> </ul>	<ul style="list-style-type: none"> <li>• greater clarity required re roles and responsibilities both within the agency for the recording, storage and monitoring of precursors, and with the CBSA's OGD partners as it relates to disposal of precursors and costs</li> <li>• no centralized oversight for the management of seized precursors</li> <li>• lack of processes and unclear accountabilities for disposal</li> </ul>	<ul style="list-style-type: none"> <li>• control framework not effective in providing assurance that seized goods are safeguarded, accounted for and disposed of in compliance with the agency's authorities</li> <li>• vague accountability / responsibility for providing direction and coordination for the management of seized goods</li> <li>• greater clarity required regarding roles and responsibilities both within the</li> </ul>

2009 Audit (Seized goods)	2011 Audit (Currency)	2014 Audit (Seized goods follow-up)	2019 Audit (Precursors)	Current audit (Seized goods and currency)
<p>practices not implemented</p> <ul style="list-style-type: none"> <li>• inventory control inadequate</li> </ul>		<p>manual inventory control processes and in the disposal of drugs, firearms and child pornography</p> <ul style="list-style-type: none"> <li>• unlike 2009, disposal of seized goods was generally compliant</li> </ul>	<ul style="list-style-type: none"> <li>• outdated guidance / procedures</li> <li>• no comprehensive inventory of precursors in the CBSA's custody</li> </ul>	<p>agency and with OGD partners as it relates to seized goods disposal</p> <ul style="list-style-type: none"> <li>• control gaps, existing controls not fully applied</li> </ul>

# Appendix C: Acronyms

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**BSO**

Border Services Officer

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**CBSA**

Canada Border Services Agency

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**CTB**

Commercial and Trade Branch

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**DSEA**

Designated Safe Examination Area

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**FCMB**

Finance and Corporate Management Branch

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**ICES**

Integrated Customs Enforcement System

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**MM**

Materiel Management

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**MOU**

Memorandum of Understanding

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**NHQ**

National Headquarters

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**OGD**

Other Government Department

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**OPA**

Operational Program Assessment

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**POE**

Port of Entry

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**PSPC**

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Public Services and Procurement Canada

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**RARD**

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Revenue Accounting and Reporting Division

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**RCMP**

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Royal Canadian Mounted Police

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**SOP**

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Standard Operating Procedure

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**SPMD**

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Seized Property Management Directorate

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**TB**

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Travellers Branch

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**TRA**

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Threat and Risk Assessment

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# Footnotes

## Footnote 1

[lansResearch.com/resources/all-blogs/post/security-blog/2022/01/13/How to Apply the Three Lines of Defense](https://lansResearch.com/resources/all-blogs/post/security-blog/2022/01/13/How-to-Apply-the-Three-Lines-of-Defense)

[Return to footnote1referrer](#)

## Footnote 2

The D-Memo calls for “ensuring that appropriate measures are taken to safeguard” seized goods, for maintaining an inventory control log, for storing goods in a secure and segregated area, for controlling access, and for “regularly checking” that goods “remain on hand and are disposed of as soon as possible after the applicable retention period.”

[Return to footnote2referrer](#)

## Footnote 3

Some POEs call upon third party laboratories instead of the CBSA lab to obtain more timely results, among other reasons (such as to ensure safe sampling, avoid shipping, etc.).