



HOUSE OF COMMONS  
CANADA

## **PASSPORT OFFICE – PASSPORT SERVICES**

### **Report of the Standing Committee on Public Accounts**

**John Williams, M.P.  
Chair**

**November 2005**



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# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **TWENTY-SECOND REPORT**

Pursuant to Standing Order 108(3)(g), the Standing Committee on Public Accounts has considered Chapter 3 of the April 2005 Report of the Auditor General of Canada (Passport Office – Passport Services) and has agreed to report the following:





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# **PASSPORT OFFICE — PASSPORT SERVICES**

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## **INTRODUCTION**

Traditionally, Canadians have been privileged to enjoy the use of what are arguably among the most respected and trustworthy travel documents in the world. Given the turbulence and uncertainty that afflicts many less fortunate areas of the planet, it is reassuring to know that Canadians can rely on the possession of passports that can ease their passage abroad either for purposes of travel, business, or visiting relatives. The horrific events of 11 September 2001 have served both to remind Canadians of the fragility of modern defence and intelligence services, regardless of their sophistication, and of the necessity to maintain, and if possible strengthen, the reliability of the passports they hold.

The complex task of verifying that passport applicants are who they say they are while at the same time providing efficient service — especially important because this is a service whose costs are paid exclusively by its users — and maintaining the integrity of the systems that issue passports as well as of the documents themselves, is the responsibility of Passport Canada.

Known until recently as the Passport Office, Passport Canada currently operates out of 33 offices across Canada, as well as through Canadian embassies and consular offices abroad. While Passport Canada has had to respond to intensifying demands for enhanced security surrounding the issuance of passports, it has also been faced by growing numbers of applications. Prior to September 2001, Passport Canada was issuing approximately 1 million passports yearly; now that number has grown to approximately 2.7 million and forecasts suggest that this trend is bound to increase.<sup>1</sup>

In anticipation, Passport Canada has initiated steps to make passports as accessible as possible to as many Canadians as possible. It has, for example, recently arranged to locate its offices within Service Canada facilities (although it will remain part of the Department of Foreign Affairs) and has entered into an agreement with Canada Post, some of whose outlets will become initial receiving agents for passport applications. As a consequence, Passport Canada is, in the words of the Auditor General, “struggling to meet increasing security expectations and demands for responsive service” simultaneously.

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<sup>1</sup> Ms. Doreen Steidle, Chief Executive Officer, Passport Canada, opening statement to the Standing Committee on Public Accounts. (50:0905)

Due to an awareness of the challenges involved in meeting its mandate as well as the vital nature of the mandate itself, the Committee chose to review the findings of an audit conducted by the Auditor General and communicated to Parliament in the 3rd chapter of her April 2005 report, entitled "Passport Office – Passport Services". Accordingly, the Committee met with the Auditor General, Ms. Sheila Fraser, on 20 October 2005, to discuss the audit observations and recommendations contained in her report. Ms. Fraser was accompanied by Mr. Richard Flageole, Assistant Auditor General, and Mr. Paul Morse, the Principal responsible for the audit. Ms. Doreen Steidle, Chief Executive Officer of Passport Canada also appeared, together with Ms. Jody Thomas, Director General of Security.

## **OBSERVATIONS AND RECOMMENDATIONS**

When they were first released in April 2005, the findings of the Auditor General's audit were the source of considerable concern for Canadians and parliamentarians alike. With regard to security, the Auditor General told Parliament that:

- Passport examiners in Canada are well-trained but instruction on how to detect fraudulent documents is not always available and examiners need more frequent refresher courses.
- Some examiners who lack sufficient security clearance have access to sensitive internal data and documents.
- There is no formal quality assurance system that checks to make sure that examiners are following proper procedures.
- There is no evidence that passport examiners have been checking with guarantors (people named by applicants who can vouch for the applicant's identity) to confirm applicants' identity.
- There are no electronic links to provincial bureaus of vital statistics or Citizenship and Immigration Canada that could help examiners confirm the reliability of identity documents presented by applicants.
- Applicants are not required to provide information related to criminal charges or probation orders.
- The watch list kept by Passport Canada that names individuals whose applications for passports should be closely examined for possible rejection is incomplete; it is not linked to databases

maintained by other departments and agencies — for example, it is not linked to the Canadian Police Information Centre (CPIC) that provides data on individuals who are wanted or are on probation.

With regard to the fulfilment of Passport Canada's other mandate, client services, the Auditor General's other findings were not any more reassuring. Ms. Fraser reported that:

- Service standards were lowered in December 2001 without consulting clients.
- There are no standards for examiners with regard to identity verification and citizenship determination. There is no national standard for the number of applications each examiner is expected to process each day, or for the number of errors that could reasonably be expected.
- Passport Canada does not have information on how much it costs to meet service standards and therefore cannot consult its stakeholders about the cost of its services.
- Passport Canada does not have a contingency plan, emergency fund, or temporary service locations in case there is a sudden increase in the demand for passports.
- Passport Canada has not analyzed its various methods of delivering passports to applicants to see which ones provide the best combination of cost, security, and client accessibility.

Approximately six months after release of the audit, Passport Canada was anxious to demonstrate that it had made progress in its efforts to rectify these shortcomings. These efforts are, Ms. Steidle asserted, based on the Auditor General's recommendations which Passport Office views as "a road map of issues to address."

Using these recommendations and observations as a starting point, Passport Canada developed an action plan and has met with the Auditor General to begin preparation for a follow up audit slated for release in 2007. Ms. Steidle was able to provide the Committee with copies of this plan, brought up to date to show areas in which initiatives have been completed, and others in which progress has occurred and target dates for full implementation have been set. On such a sensitive and crucial subject as passport security, the Committee would have accepted nothing less.

The Committee's main concern is one of timeliness. As noted during the meeting, the results of the Auditor General's follow-up audit will not be known to Parliament until 2007. In the meantime, in a world in which events occur rapidly and with little advance warning, it is imperative that Passport Canada make the changes proposed in its action plan without delay. The Committee notes that Ms. Steidle has accepted the Committee's request to provide it with an updated status report on its action plan by February 2006 and believes that this is of sufficient importance that it be emphasized in the form of a recommendation. The Committee therefore recommends:

#### **RECOMMENDATION 1**

**That Passport Canada report no later than 31 May 2006 to the Standing Committee on Public Accounts on the progress it has made in implementing actions outlined in its action plan drawn up in response to the recommendations and observations made by the Auditor General of Canada.**

Furthermore, the Committee is of the view that such information, being of interest to other parliamentarians, should be reported to Parliament itself, and recommends therefore:

#### **RECOMMENDATION 2**

**That Passport Canada include, in its performance report for the period ending 31 March 2006, a detailed discussion of the problems raised by the Auditor General of Canada in her April 2005 report and the status of actions being taken in response. Where appropriate, a discussion of outcomes must also be provided, and this reporting must continue until all corrective measures have been implemented fully.**

There are a number of areas in which the Committee believes the action plan would benefit from greater precision. The first of these concerns the way in which Passport Canada funds its operations and develops plans to cope with unforeseen events.

As noted, Passport Canada receives exclusive funding from user fees. In 2003-04, for example, it collected \$158 million from passport recipients and an additional \$54 million in consular fees.<sup>2</sup> Although, at first glance, this arrangement appears to be an appropriate one, closer inspection raises questions. As the Auditor General pointed out in her report, Passport Canada had no contingency

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<sup>2</sup> The Committee notes that Passport Canada has asked for, and received, additional one-time funding in the amount of \$5.3 million to support seven projects intended to address deficiencies noted by the Auditor General.

plan or fund in place to help deal with unprecedented demand for passports in 2002-03 and 2003-04. Speaking to the Committee, the Auditor General commented further that:

Up until now it [Passport Canada] is what is called a special operating agency, so all of the costs have to be recovered from fees charged for passports. I think there is a question in a new age of security, when you have to bring in new techniques, that some of those costs are what could be called a common good, and should not be necessarily charged to passport.

In the action plan that Passport Canada first presented the Committee in May 2005, it agreed to develop contingency plans for unanticipated surges in demand. It since has contracted with the Conference Board of Canada to develop forecasts of future demand (volume forecasts) and it has agreed to adopt the integrated risk management approach recommended by the Auditor General. However, in its mid-year report on its action plan dated October 2005, Passport Canada promises only to look at the creation of a financial contingency plan. This falls short of the definitive action that the Committee would like to see. The Committee therefore recommends:

### **RECOMMENDATION 3**

**That Passport Canada design a financial contingency fund and identify a target date for the establishment of such a fund when it reports progress on the implementation of its action plan in February 2006.**

### **RECOMMENDATION 4**

**That Passport Canada review the adequacy of its current funding arrangement in light of rising costs associated with the need to develop, install, and operate new security technologies and that it use this review as a basis for discussions with Foreign Affairs Canada regarding potential changes to its funding policy. The review should examine the possibility of issuing passport renewals for 10-year periods.**

The action plan needs greater precision in other areas as well. Although witnesses offered some additional detail, these details need to be incorporated into the plan itself so that Parliament will have a set of benchmarks that can be used to assess progress in addressing urgent matters. Accordingly, the Committee recommends:

## **RECOMMENDATION 5**

**That Passport Canada strengthen its action plan by including the following clarifications:**

- **A target date for full implementation of an appropriate quality assurance system for the work done by examiners;**
- **The timeframe for the establishment of an operational system across jurisdictions to verify identity along with an indication where accountability will lie for its implementation;**
- **Target dates for the establishment of electronic links for security data sharing in place under new Memorandums of Understanding (MOUs); and**
- **A target date for implementation of an improved cost system along with an indication of when stakeholders will be consulted on the costs and benefits of consular fees and passport fees.**

**These elements must be incorporated into the action plan prior to 1 February 2006 and be referenced in the updated progress report to be given by Passport Canada at that time.**

Lastly, the Committee is concerned about security clearances for local staff who process passport applications in Canadian embassies, and the quality of the training they receive. Passport Canada is conducting a risk assessment of all Canadian missions focused on the processing of applications. This assessment should provide information on who is issuing passports and be completed by December 2005. Once in possession of this information, the Committee recommends:

## **RECOMMENDATION 6**

**That Passport Canada ensure that local staff processing passport applications in Canadian embassies and consulates satisfy the same security standards that examiners in Canada must meet, and that they receive the same quality and frequency of training.**



## CONCLUSION

In her April 2005 report, the Auditor General summed up her findings by writing that:

Many technological and quality assurance improvements will need to be made to increase the security around the issuing of passports. [...] In our view, even considering the improvements to service that have been made, [Passport Canada's] current management systems and practices are not adequate to meet those challenges.

Speaking to the Committee in October 2005, Ms. Fraser was more optimistic, if cautiously so:

Our impression that we have seen so far is that management has taken this very seriously and has worked very diligently to correct the areas that are under their control, and is making good progress on that.

During her appearance before the Committee, the Chief Executive Officer of Passport Canada said all of the right things. She acknowledged the shortcomings uncovered by the audit, took a positive view of the Auditor General's recommendations, and made it clear that steps were already well underway to implement change.

Nevertheless, the Committee has learned through long experience to greet such commitments with caution and to await the results of promised change before indulging in more enthusiastic sentiments. And regardless of the outcome, it urges the Auditor General to maintain her scrutiny of this agency whose activities are of such importance to Canada and Canadians. The Committee therefore applauds the Auditor General's intention to conduct a thorough follow-up audit in 2006 to monitor not only the implementation of Passport Canada's implementation of its action plan, but to verify whether or not these new initiatives have produced the desired outcomes.

As a final word to the management, the Committee notes that Passport Canada has responded well to the audit results but cautions that under the circumstances Passport Canada will have not only to achieve a better balance between the demands of security and the needs of its clientele for better service, it will also have to make the difficult transition from being a reactive organization to become more proactive.

In the Committee's view, many of the deficiencies revealed by the Auditor General should have come to the attention of Passport Canada senior managers long ago. For example, the Committee was surprised to discover that Passport Canada has only just started a comprehensive review of each employee's security

clearance to make sure that it accords with their job descriptions. Or that Passport Canada has never had a comprehensive quality assurance program and has only begun to institute one at the urging of the Auditor General. A truly proactive organization would have moved to implement these measures long ago.

There are signs that this shift to a proactive stance is now taking place; the Committee hopes and indeed expects — that this transformation will reach completion without delay and become an integral part of the corporate culture at Passport Canada.



## APPENDIX A LIST OF WITNESSES

Associations and Individuals	Date	Meeting
<b>Department of Foreign Affairs</b>	11/05/2005	36
Marie-Lucie Morin, Associate Deputy Minister, Foreign Affairs		
<b>Office of the Auditor General of Canada</b>		
Sheila Fraser, Auditor General of Canada		
Paul Morse, Principal		
<b>Passport Canada</b>		
Doreen Steidle, Chief Executive Officer		
<b>Office of the Auditor General of Canada</b>	20/10/2005	50
Richard Flageole, Assistant Auditor General		
Sheila Fraser, Auditor General of Canada		
Paul Morse, Principal		
<b>Passport Canada</b>		
Doreen Steidle, Chief Executive Officer		
Jody Thomas, Acting Director General, Security Bureau		



## REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this report.

A copy of the relevant Minutes of Proceedings (*Meetings Nos. 36, 50 and 55 including the present report*) is tabled.

Respectfully submitted,

John Williams, M.P.  
*Chair*



# MINUTES OF PROCEEDINGS

Meeting No. 55

Thursday, November 17, 2005

The Standing Committee on Public Accounts met *in camera* at 9:05 a.m. this day, in Room 209, West Block, the Chair, John Williams, presiding.

*Members of the Committee present:* Dean Allison, Gary Carr, David Christopherson, Mark Holland, Daryl Kramp, Hon. Walt Lastewka, Hon. Shawn Murphy, Benoît Sauvageau, John Williams and Borys Wrzesnewskyj.

*Acting Members present:* Odina Desrochers for Alain Boire and Larry Miller for Brian Fitzpatrick.

In attendance: Library of Parliament: Brian O'Neal, Analyst.

The Committee proceeded to the consideration of matters related to Committee business.

The Chair presented the Fourteenth Report from the Subcommittee on Agenda and Procedure which reads as follows:

Your sub-committee met on Monday, November 14, 2005 and agreed to make the following recommendations:

That the schedule of meetings for the Fall session of the Standing Committee on Public Accounts be as follows:

Tuesday, November 22, 2005 9:00 a.m., Room 237-C, Centre Block:

Presentation to the House of the Auditor General's Report

Thursday, November 24, 2005 9:00 a.m., Room 253-D, Centre Block:

Auditor General re : November 2005 Report

Tuesday, November 29, 2005 9:00 a.m., Room 308, West Block:

Government Response to the 18th Report re: Chapter 2 of the April 2005 Report of the Auditor General: National Security

Thursday, December 1st, 2005 9:00 a.m., Room 253-D, Centre Block:

Supplementary Estimates and Departmental Performance Report – Office of the Auditor General



Tuesday, December 6, 2005 9:00 a.m., Room 269, West Block:

Government Response to the 17th Report on Chapter 5 of the November 2004 Report of the Auditor General – Indian Affairs

Thursday, December 8, 2005 9:00 a.m., Room 269, West Block:

Departmental Performance Report – Department of the Solicitor General

Respectfully submitted,

JOHN WILLIAMS,

Chair

It was agreed, — That the Fourteenth Report of the Subcommittee on Agenda and Procedure, be concurred in.

It was agreed, — That the Standing Committee on Public Accounts offers a message of congratulations to Marc-André Pigeon, Analyst for the Committee and his wife on the occasion of the birth of their daughter Elise on November 12, 2005 .

At 9:10 a.m., pursuant to Standing Order 108(3)(g), the Committee resumed consideration of Chapter 3, Passport Office - Passport Services of the April 2005 Report of the Auditor General of Canada referred to the Committee on April 5, 2005.

At 9:11 a.m., the sitting was suspended.

At 9:20 a.m., the sitting resumed.

It was agreed, — That the Committee adopt the draft report as the Report to the House.

It was agreed, — That pursuant to Standing Order 109, the Committee request that the Government table a comprehensive response to this Report.

It was agreed, — That the Chair, Clerk and analysts be authorized to make such grammatical and editorial changes as may be necessary without changing the substance of the Report.

It was agreed, — That the Chair present the Report to the House at the earliest opportunity following the expiry of the forty-eight (48) hour revision period.

It was agreed, — That a Press Release be issued.

At 9:52 a.m., the sitting was suspended.

At 9:56 a.m., the Committee proceeded to sit in public.

The Committee resumed consideration of the motion of Benoît Sauvageau, — That pursuant to Standing Order 108(3)(g) and the Public Accounts of Canada, the Standing Committee on Public Accounts request the government table, by November 30th, 2005, with the Committee copies of all internal and external audits (including forensic audits) pertaining to the administration of the Internationaux du sport de Montréal and to the organizing committee of the XI CHAMPIONNATS DU MONDE FINA -- MONTRÉAL 2005.

It was agreed, — That the motion be amended by adding the word “available” after the words “copies of all”.

The question was put on the motion, as amended, and it was agreed to, by a show of hands: YEAS: 9; NAYS: 2.

Dean Allison moved, — That, pursuant to the information submitted to this committee by Mr. Bruce Atyeo, the Standing Committee on Public Accounts requests the Auditor General of Canada to conduct an audit of the Integrated Relocation Program (IRP) contracts across the Government of Canada, and to report her findings to Parliament in a subsequent Report of the Auditor General .

The question was put on the motion and it was agreed to, by a show of hands: YEAS: 8; NAYS: 3.

At 10:14 a.m., the Committee adjourned to the call of the Chair.

Elizabeth B. Kingston  
Clerk of the Committee