



Executive Summary
Customs and Quarantine Agency
Processing of Imported and Exported Alcoholic Beverages
OPA Report No. 25-06, April 2025

Our analysis to determine the total volume of alcoholic beverages imported and exported through Guam’s maritime and air cargo facilities could not be completed because the Customs and Quarantine Agency (CQA) relies on non-automated and heavily paper-intensive document submission processes for entry determination for imports and exports. We could not conclude with reasonable assurance the accuracy of our analysis.

All entry documents—such as bills of lading, invoices, packing lists, manifests, and other documents processed by CQA—are filed and stored in more than 5,000 cardboard boxes. This manual filing system prevents CQA from providing real-time or pre-arrival information; performing or providing detailed analysis and assessments of goods; accounting for commodities; or reporting information in a timely manner.

We could not satisfactorily determine the volume of imported and exported alcoholic beverages due to the following findings:

1. CQA Standard Operating Procedures (SOPs) are outdated.
2. There is no infrastructure for automation.
3. Reports do not disclose actual volumes of imported and exported alcoholic beverages.
4. There is no requirement for tracking or reporting imported and exported alcoholic beverages for tax reconciliation.

CQA Standard Operating Procedures Are Outdated

CQA uses outdated SOPs which require officers to accept paper documents and to use manual filing systems. Paper documents are then placed in file trays or inboxes for review and eventually filed in cardboard boxes that are stored at the CQA Records Management Warehouse Facility.

CQA Management confirmed that the last SOP for the Air Cargo Section is dated October 2003, and the last SOP for the Maritime Section is dated September 2003. The SOPs have not been officially updated to completion as result of staff shortages that require supervisors to assist in regular operations or supervisors being switched between the two facilities.

No Infrastructure for Automation

CQA does not have the infrastructure to accept or process electronic manifests as mandated. CQA relies on non-automated and paper document submission processes for entry determination for imports and exports. CQA Management confirmed that without an automated method, retrieving the information requested by auditors and other subpoenaed or *Freedom of Information Act* requests require the mobilization of several customs officers who assist in the effort of retrieving the cardboard boxes, over several weeks at a time.

Reports Do Not Disclose Actual Volume of Imported and Exported Alcoholic Beverages

We did not identify any requirement in law, administrative rules and regulations, or policies and procedures for CQA to report volumes of commodities that can be used to project excise tax revenues or to determine excise taxes due to the government of Guam. The Guam Import Report and the Guam Export Report (published by the Bureau of Statistics and Plans) are each limited to the aggregated value of each commodity group and do not report container volumes of alcoholic beverages.

No Requirement for Tracking or Reporting Imported and Exported Alcoholic Beverages for Tax Reconciliation

There is neither a requirement in law nor in Department of Revenue and Taxation (DRT) policy for CQA to report volumes of imported or exported alcoholic beverages to DRT. There is no mechanism in place to track and analyze disaggregated data of volumes of imported and exported alcoholic beverages to determine total taxes due to GovGuam. We analyzed the invoices of incoming shipments of alcoholic beverages processed at the maritime facility in October 2021 and October 2022. Due to the varied format, style, and substance among the invoices, we could not reasonably or accurately determine the estimated total volume of imported or exported alcoholic beverages during these two months.

Conclusion and Recommendations

We concluded that a thorough analysis of all the paper documents that were accepted and processed between January 2021 and December 2022 would require additional resources to scan and transcribe. We further concluded that the information we reviewed from the DRT tax remittances information is not sufficient nor appropriate to determine the approximate volume of taxable imported alcoholic beverages processed in October 2021 and October 2022.

To improve data collection, tracking, and reporting for imports and exports, we proposed four recommendations and upheld a previous recommendation from a prior OPA audit. We recommended the following:

- ❖ CQA Management update their SOPs for the Maritime and Air Cargo Sections and to subsequently provide training for staff on the proper implementation of the processes and procedures.
- ❖ CQA develop a policy to implement the requirement for the transmittal of electronic manifests.
- ❖ CQA establish a procedure to report the information as mandated.
- ❖ CQA develop a coordinated procedure with DRT that would mobilize the reconciliation of taxable imported and exported goods processed at Guam's maritime and air cargo facilities and excise taxes due or paid.
- ❖ We upheld a recommendation from OPA Report No. 23-02 for the Guam Legislature to consider repealing any provision of law that permits the delay of tax assessments and further recommend that all excise taxes shall be assessed and paid upon processing the imported products at all points of entry.

In their management response, the CQA Director concurred with our recommendations and provided a proposed corrective action plan. We commend CQA for preparing the plan as it reflects their commitment to addressing the issues identified in the audit report.

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