



# CUSTOMS & QUARANTINE AGENCY PROCESSING OF IMPORTED AND EXPORTED ALCOHOLIC BEVERAGES

ANALYSIS

*January 1, 2021 to December 31, 2022*

OPA Report No. 25-06

April 2025





# **Customs and Quarantine Agency Processing of Imported and Exported Alcoholic Beverages**

**Analysis  
January 1, 2021 through December 31, 2022**

**OPA Report No. 25-06  
April 2025**

Distribution via E-Mail:

Governor of Guam  
Lieutenant Governor of Guam  
Speaker, 38<sup>th</sup> Guam Legislature  
Senators, 38<sup>th</sup> Guam Legislature  
Director, Customs and Quarantine Agency  
Director, Department of Administration  
Director, Bureau of Budget and Management Research  
Controller, Superior Court of Guam  
Guam Media



---

# Table of Contents

---

Executive Summary.....	4
Introduction .....	7
Background.....	7
Excise Tax on Alcoholic Beverages.....	7
Results of Analysis.....	9
CQA Standard Operating Procedures Are Outdated.....	9
No Infrastructure for Automation .....	10
Reports Do Not Disclose Actual Volume of Imported and Exported Alcoholic Beverages.....	13
No Requirement for Tracking or Reporting Imported and Exported Alcoholic Beverages for Tax Reconciliation.....	13
Conclusion and Recommendations.....	16
Management Response & OPA Reply .....	18
Appendices	
1: Objectives, Scope, and Methodology .....	19
2: Prior Audit Coverage .....	21
3: Applicable Laws.....	22
4: CQA Management Response .....	26
5: Status of Audit Recommendations .....	29



**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.

Benjamin J.F. Cruz  
Public Auditor



---

## Introduction

---

Our analysis was initiated as a result of the findings in OPA Report 23-02, *Department of Revenue and Taxation Assessments and Collections of Excise Taxes for Alcoholic Beverages and Tobacco Products*. During the course of that audit, the Public Auditor expressed concerns about the excise tax revenues for alcoholic beverages and called for an analysis of all alcoholic beverages imported, exported, and processed by the Customs and Quarantine Agency (CQA).

The objective of the analysis was to determine the total volume of alcoholic beverages imported and exported through Guam's maritime and air cargo facilities. After the analysis was completed, the Public Auditor approved our recommendation to report the results of our analysis. The scope of our analysis covered only the incoming shipping manifests and invoices from the maritime facility for October 2021 and October 2022. Air cargo import documents were not provided for our review because they do not contain commercial quantities due to weight limitations and costs associated with this mode of transportation.

See [Appendix 1](#) for details of the objectives, scope, and methodology and [Appendix 2](#) for prior audit coverage.

### Background

CQA is responsible for the administration and enforcement of both federal and local customs regulations that have statutory force and effect in Guam. In cooperation with other government of Guam (GovGuam) agencies, CQA is delegated the powers and duties for the enforcement and administration of certain laws and regulations which pertain to the control and quarantine of plants and animals; inspection of food stuffs; the control of communicable diseases; and the importation of controlled substances (drugs) and other matters as may be assigned to it.

### Excise Tax on Alcoholic Beverages

Excluding alcoholic beverages manufactured in Guam, an excise tax is imposed upon all alcoholic beverages sold in Guam by manufacturer, manufacturer's agents, rectifiers, wholesalers, or sellers of alcoholic beverages with respect to which no tax has been paid within areas of which the federal government exercises jurisdiction as follows:

- Malted fermented beverages: \$0.07 cents per each 12 fl. oz. to be applied to the measure of the container in which it is offered for sale. *Malted fermented beverage* is defined as any beverage for human consumption manufactured from malt, wholly or in part, or from any substitute thereof, by any of the processes of fermentation.
- Distilled beverages: \$18.00 per gallon to be applied to the measure of the container in which it is offered for sale. *Distilled beverage* means aggie, alcohol, brandy, or whiskey and every product of distillation of any fermented liquid which is fit for beverage purposes.

- Vinous beverages: \$4.95 per wine gallon to be applied to the measure of the container in which it is offered for sale. *Vinous beverage* is defined as a beverage for human consumption consisting of the product of the normal alcoholic fermentation of the juice of any fruit or any natural produce having the nature of or resembling wine.

Each alcoholic beverages wholesaler taxpayer (taxpayer) is required to make and file monthly business privilege tax (BPT) returns on or before the 20<sup>th</sup> day following the close of the calendar month in which the taxes accrue. Payment covering the full amount of tax liability shall accompany such monthly return.

Excise tax is not imposed for alcoholic beverages:

- a) Still in the possession of the licensee;
- b) Sold or delivered to another licensed manufacturer, rectifier, importer, or wholesaler;
- c) Exported without Guam or sold for export by the licensee and actually exported within 90 days from the date of sale, delivered on board a ship or vessel for consumption or sold to departing passengers at the airport or commercial port;
- d) Lost through unintentional destruction;
- e) Not exceeding tolerance fixed by the Tax Commissioner for which there is an unaccounted loss;
- f) Exempt from taxation under Title 11 of the Guam Code Annotated (GCA) Article 3; or
- g) Sold to instrumentalities of the Armed Forces of the United States—specifically the Army, Air Force, or Navy.

Proceeds of excise taxes on alcoholic beverages are deposited to the GovGuam Healthy Futures Fund. No later than 20 days after the end of each month of a fiscal year, the Director of the Bureau of Budget and Management Research shall (1) report the revenue tracking for the General Fund and special funds (such as the Healthy Futures Fund) for the balance of the fiscal year, based on the actual collections of the preceding month; and (2) prepare a comparative statement of “actual” and “projected” revenues.

---

---

## Results of Analysis

---

---

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 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.

CQA's current procedures for processing imported and exported alcoholic beverages do not allow for performing a detailed analysis and assessment of goods; interfacing with other systems to account for commodities; or developing reports or keeping records.

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.

The Supervisors of the Air Cargo and Maritime Sections are responsible for reviewing and updating the respective SOPs as may be necessary, on an annual basis, subject to the review and approval of the Director. Annual updates or revisions are due on or before the first week of June for the Air Cargo Section and the first week of May for the Maritime Section.

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 a result of staff shortages that cause supervisors to assist with regular operations or for supervisors to be re-assigned between the two facilities.

Utilizing outdated SOPs can have several significant impacts:

1. **Inefficiency in Operations:** Outdated SOPs may lead to slower processing times for imports and exports. This inefficiency can cause delays in shipments, impacting businesses and customer satisfaction.
2. **Inaccurate Data Collection:** Older procedures may not adequately capture current import/export volumes or trends. The lack of accurate data hinders effective policymaking and can result in lost revenue opportunities.

3. **Compliance Issues:** If SOPs do not reflect current laws and regulations, there is a higher risk of non-compliance by businesses. This can lead to legal challenges and increased scrutiny from federal agencies.
4. **Resource Misallocation:** Outdated procedures may require more personnel and resources to manage, leading to inefficiencies in budget allocation and potentially diverting resources from other critical areas.
5. **Inability to Adapt to Market Changes:** The alcohol trade landscape is dynamic, and outdated SOPs may prevent the CQA from effectively responding to changes in demand, trends, or new regulatory requirements.
6. **Negative Economic Impact:** Delays and inefficiencies can affect the local economy, particularly businesses reliant on timely import/export processes. This may lead to increased costs and a loss of competitiveness.
7. **Public Perception and Trust:** If businesses experience delays or inconsistencies in the process, it can undermine public trust in the CQA and its ability to effectively manage customs operations.

We recommend that 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 updated processes and procedures.

### **No Infrastructure for Automation**

CQA does not have the infrastructure to accept or process electronic manifests as mandated. According to recent testimony from the CQA Director to the Guam Legislature, CQA relies on non-automated and paper document submission processes for entry determination for imports and exports.

Pursuant to 5 GCA § 73110(a)(1)(E) & (b)(1), the master or the agent of vessels and aircraft is required to transmit electronic manifests containing information regarding the crews on board, passengers, and cargo/baggage to the Customs Office. CQA Management confirmed that, without an automated method, retrieving information requested by auditors and other subpoenaed or *Freedom of Information Act* requests require the mobilization of about 16 customs personnel who assist in the effort of retrieving the cardboard boxes containing the files requested. This process can take several weeks for completion.

### **Manual Records Not Backed up with an Electronic Filing System**

All entry documents—such as bills of lading, invoices, packing lists, manifests, and other documents required in the entry process—are filed in more than 5,000 cardboard boxes stored at the CQA Records Management Warehouse Facility. 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.

The photos on the following page were taken during our site visit to the CQA Records Management Warehouse Facility.



With this current storage and manual filing system, adequacy or completeness of the files may be compromised with the potential for human error during document retrieval from the stored cardboard boxes. In addition, documents may be destroyed due to the overall condition of the storage facility and exposure of the warehouse contents to improper ventilation; threat of infestation; and environmental factors, such as typhoon, rain and water damage, or humidity.

CQA provided six cardboard boxes containing cargo documents that were processed at the Maritime Facility between January 2021 and December 2022. CQA does not record electronic data of imported alcoholic beverages processed at either facility, and exported alcoholic

beverages are tracked internally using cloud-based software. Export data is based on DRT *Export Certificates* presented to CQA.



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 each invoice. As a result, we selected invoices processed in October 2021 and October 2022. The invoices were scanned and transcribed for analysis; however, some invoices were not used in the analysis as they were presented in other languages (e.g.: German, Japanese), requiring additional time for language translation using online references. Many invoices listed products that were in containers measured in metric units; we were required to conduct manual conversions to imperial units. Our analysis of the volume of alcoholic imported beverages was limited to the data we transcribed, and we cannot provide reasonable assurance as to the accuracy of the data.

CQA is currently in the process of soliciting the acquisition of an information system that would automate entry processing as part of its modernization plan. CQA has also initiated processes to gather transactional data through non-customs-tailored web-based applications.

We recommend that CQA develop a policy which requires the transmittal of electronic manifests in order to streamline data collection; prevent human error in documenting the receipt of entry documents and cargo manifests; and prevent loss of the paper documents from exposure to environmental elements, rodent infestation, or manmade and natural disasters.

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

Pursuant to 5 GCA § 73110(d), CQA is required to make available for public disclosure the general character of cargo; the number of packages and gross weight; the port of loading; the port of discharge; and the country of origin of the shipment. CQA does not publish this information as mandated.

We did not identify any requirement in law, 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 GovGuam. 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.

To achieve overall compliance with public disclosure of required information, we recommend that CQA establish a procedure to report the information as mandated.

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

Based on our research, there is neither a requirement in law nor in DRT policy for CQA to report volumes of imported or exported alcoholic beverages to DRT. Taxpayers declare that, under penalty of perjury, tax returns are true, correct, and complete, to the best of the taxpayer's or tax preparer's knowledge. When a taxpayer files a monthly BPT return, taxpayers self-report alcoholic beverage excise taxes due based on the taxable quantity (applied to the measure of the container) multiplied by the tax rate. 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. Taxpayers are required to provide supporting documents when (1) filing an Export Certificate for a tax drawback or credit; (2) when an amended tax return is filed; or (3) when a tax return is selected for audit by DRT.

In analyzing the invoices of incoming shipments of alcoholic beverages processed at the maritime facility in October 2021 and October 2022, we could not reasonably or accurately determine the estimated total volume of imported or exported alcoholic beverages due to the varied format, style, and substance among the invoices. Much of the data we transcribed required a manual conversion from metric units to imperial units of measurement. We also conducted online research to search for the products listed in the invoices and applied the most appropriate volume estimates based on the statutory definitions of each alcoholic beverage type. The estimated volumes listed below represent what auditors were able to decipher, based on the BPT law governing excise taxes on alcoholic beverages. The following information is compiled based on our analysis, and there is no assurance on the reliability as a basis for determining the total taxes due to GovGuam during the audit scope. **We considered this an informational matter only.** See Table 1.

**Table 1: Sampling of Invoices Processed by CQA for Imported Products (Volume Estimates)**

	(A)	(B)	(C)	(D)
Invoice Month, Year	Alcoholic Beverage Type	Tax Rate	Estimated Taxable Volume	Estimated Taxes Due (B) * (C)
October 2021	Malted Fermented Beverages (per 12 oz)	\$0.07	2,396,084	\$167,725.88
	Distilled Beverages (per gallon)	\$18.00	7,158	\$128,844.00
	Vinous Beverages (per gallon)	\$4.95	5,514	\$27,294.30
October 2022	Malted Fermented Beverages (per 12 oz)	\$0.07	2,511,297	\$175,790.79
	Distilled Beverages (per gallon)	\$18.00	6,715	\$120,870.00
	Vinous Beverages (per gallon)	\$4.95	9,937	\$49,188.15

Excise taxes are not imposed on any imported alcoholic beverages that are still in the possession of the licensed wholesaler; sold or delivered to another licensee; exported or sold for export; lost through unintentional destruction; sold to statutorily listed instrumentalities of the Armed Forces of the United States; or otherwise exempt from taxation. Taxpayers are required to make and file monthly BPT returns and make payments on or before the 20<sup>th</sup> day following the close of the calendar month in which the taxes accrue.

Assuming that the imported products listed in the invoices that were processed by CQA for October 2021 and October 2022 were reported in tax returns filed the following month from which the taxes accrued, we examined DRT tax remittance data for November 2021 and November 2022. Table 2 below shows estimated volumes of taxed alcoholic beverages based on DRT remittances for the two tax periods. We used the sums of remittances for each alcoholic beverage type and divided the sums by the tax rate to determine the estimated taxed volume.

**Table 2: DRT Tax Remittances and Estimated Taxed Volumes**

	(A)	(B)	(C)	(D)
Tax Month, Year	Alcoholic Beverage Type	Tax Rate	Tax Remittances	Estimated Taxed Volume (C) ÷ (B)
November 2021	Malted Fermented Beverages (per 12 oz)	\$0.07	\$204,101.07	2,915,730
	Distilled Beverages (per gallon)	\$18.00	\$44,276.94	2,460
	Vinous Beverages (per gallon)	\$4.95	\$24,841.67	5,019
November 2022	Malted Fermented Beverages (per 12 oz)	\$0.07	\$122,958.87	1,756,555
	Distilled Beverages (per gallon)	\$18.00	\$61,534.62	3,419
	Vinous Beverages (per gallon)	\$4.95	\$23,485.18	4,744

We conclude 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 conclude that the information we reviewed from the DRT tax remittances is not sufficient nor appropriate to determine the approximate volume of taxable imported alcoholic beverages processed in October 2021 and October 2022.

We recommend for CQA to 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 uphold the recommendation from OPA Report No. 23-02 to repeal 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.

---

---

## Conclusion and Recommendations

---

---

This analysis was initiated as a result of the findings of OPA Report 23-02, *DRT Assessments and Collections of Excise Taxes for Alcoholic Beverages and Tobacco Products*. During the course of that audit, the Public Auditor expressed concerns about the excise tax revenues for alcoholic beverages and called for an analysis of all alcoholic beverages imported, exported, and processed by CQA.

We could not determine the total volume of alcoholic beverages imported and exported through Guam's maritime and air cargo facilities. Current procedures for processing imported and exported alcoholic beverages do not require a mechanism for carrying out real-time or pre-arrival reports interfacing with technology. We could not conclude with reasonable assurance the accuracy of our analysis.

We conclude 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 conclude 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.

The lack of accurate data can complicate policy decisions, revenue forecasting, and regulatory enforcement. Improving these tracking and reporting mechanisms could provide clearer insights into import and export volumes, helping CQA, DRT, and the Guam Legislature to manage taxation and compliance more effectively.

To improve data collection, tracking, and reporting for imports and exports, we propose four recommendations and uphold a recommendation from a prior OPA audit. We believe swift implementation could provide a clearer picture of the alcohol trade in Guam, aiding in better decision-making and regulatory practices.

- ❖ We recommend that 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.
- ❖ We recommend that CQA develop a policy to implement the requirement for the transmittal of electronic manifests.
- ❖ We recommend that CQA establish a procedure to report the information as mandated.
- ❖ We recommend that 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 uphold the 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 findings and recommendations and provided a proposed corrective action plan. We commend CQA for preparing the plan as it reflects their commitment to address the issues identified in the audit report.

---

---

## Management Response & OPA Reply

---

---

A draft report was transmitted to the CQA Director on February 14, 2025. An exit conference was held on February 25, 2025 to discuss the audit findings and recommendations.

On February 28, 2025, CQA Management submitted an official response with general concurrence with our findings and recommendations.

CQA Management has acknowledged the need to modernize and automate the entry clearance processes within an automated infrastructure that would address volume reporting, data reconciliation, and record management.

CQA Management has agreed to prioritize the procurement and implementation of a comprehensive digital customs entry reporting system which would produce real-time data entry, automated reporting, and data reconciliation. A contract for a software platform has been submitted to the Attorney General of Guam for legal review.

See [Appendix 4](#) for CQA's official management response.

We appreciate the cooperation and assistance provided by the staff and management of CQA during this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Benjamin J.F. Cruz  
Public Auditor

---

**Objectives, Scope, and Methodology**

---

The objective of the analysis was to determine the total volume of alcoholic beverages imported and exported through Guam’s maritime and air cargo facilities and how CQA tracks and reports this data and information.

The scope of our analysis covered only the incoming shipping manifests and invoices from the maritime facility for October 2021 and October 2022. Air cargo import documents were not provided for our review because they do not contain commercial quantities due to weight limitations and costs associated with this mode of transportation.

The methodology included the review of pertinent laws, rules and regulations, policies and procedures pertaining to tracking and reporting imported and exported alcoholic beverages for commercial use. The location of the survey was primarily at OPA, with a site visit to the CQA Records Management Warehouse Facility located in Tiyan, Guam and a second site visit to the maritime section service window facility in Piti, Guam.

Specifically, we performed the following:

- (1) Conducted interviews and a walkthrough with CQA management and staff and obtained an understanding of the process for tracking and reporting imported and exported alcoholic beverages for commercial use.
- (2) Examined documents from six cardboard boxes of paper files such as bills of lading; invoices; delivery and purchase orders; and shipping manifests specific to imported alcoholic beverages, dated between 2021 and 2022.
- (3) Isolated sample size to October 2021 (265 pages) and October 2022 (344 pages) to determine the total volume of alcoholic beverages to which excise taxes would be imposed.
- (4) Calculated estimated volumes of imported alcoholic beverages by respective tax rates to determine excise tax estimates due to GovGuam for October 2021 and October 2022.
- (5) Reviewed the “2021-2022 Alcohol Tax Drawback (Maritime/Cargo)” electronic data log provided by CQA.
- (6) Reviewed alcoholic beverage excise tax remittance data submitted by DRT for calendar years 2021 and 2022.
- (7) Calculated tax remittances by tax rates to determine estimates of volumes of imported alcoholic beverages for November 2021 and November 2022.

To understand the process and internal controls of CQA’s tracking and reporting of imported and exported alcoholic beverages for commercial use, we interviewed the following CQA officials and staff:

- Director
- Supervisor – Research and Development Section
- Executive Officer – Director’s Office
- Supervisor – Maritime Section
- Customs Officer II – Research and Development Section

---

**Objectives, Scope, and Methodology**

---

We concluded that additional methodology should include interviews with taxpayers and a review of tax returns to determine how taxpayers self-assess the total taxes due when filing BPT returns.

Our analysis was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides reasonable basis for our findings and conclusions based on our objectives.

---

**Appendix 2:**  
**Prior Audit Coverage**

---

**OPA Report No. 23-02 | *Department of Revenue and Taxation Assessments and Collections of Excise Taxes for Alcoholic Beverages & Tobacco Products, Issued February 2023*** – We found that the data of imported and exported goods contained variations of business names, and the information presented is not organized or segregated between alcoholic beverages and tobacco products—thus, the data cannot be used to compare with tax collections data.

**OPA Report No. 20-01 | *Government of Guam Use Tax on Air Cargo, Issued January 2020*** – We recommended that CQA management aggressively pursue the acquisition of a Customs Management Information System (with appropriate funding) to minimize, if not eliminate, manual processes that may waste resources due to inefficient processes and solve all other relevant issues which deprive GovGuam of its true Use Tax revenue.

**OPA Report No. 18-04 | *Department of Revenue and Taxation Tobacco Tax, Issued May 2018*** – DRT entered into a memorandum of understanding with CQA and the Office of the Attorney General (OAG) to minimize the possibility of unreported and untaxed tobacco products entering Guam. Before a tobacco shipment is released to the wholesaler, CQA assesses the tobacco tax by having the wholesaler complete the Guam Tobacco Deposit (GTD) form and pay the full amount due. The GTD form is used to calculate taxes due based on the taxable quantities filled in by the wholesaler. For taxpayers with a warehouse under bond, CQA must first send to DRT a completed Tracer of Product form attached to copies of the tobacco invoice and bill of lading. The tracer is used to authorize storage in the wholesaler’s private warehouse under bond. Both DRT and CQA shall retain records of all tobacco shipments, and OAG maintains and updates the listing of tobacco manufacturers/distributors eligible to sell cigarettes within Guam.

**OPA Report No. 15-01 | *Government of Guam Use Tax Exemptions and Collections, Issued March 2015*** – CQA does not have a complete record of cargoes coming in from Guam ports of entries as these are not logged. On average, CQA accumulates 28 boxes of stored documents per month, or over 300 boxes per year of manifests, airway bills, bills of lading, and other documentation accompanying incoming cargoes. GovGuam has not considered the significance and economic value of the data contained in the documents filed and stored in the CQA warehouse. If captured, the government can determine undocumented exemptions, the true value of Guam’s imported goods, and goods for sale not reported under Gross Receipts Tax to name a few.

**1 GCA § 1923(a). Periodic Audit or Review of Each Government of Guam Agency's Standard Operating Procedures.**

(a) SOPs shall include how the agency performs certain actions necessary in carrying out government policies within the agency's scope of jurisdiction, and specific actions authorized in the agency's enabling act.

**5 GCA § 73110(a)(1)(E) & (b). Manifest.**

(a)(1)(E) The master or agent of each privately owned, privately operated, commercially owned, or commercially leased vessel arriving into Guam from any place outside of Guam must transmit to the Agency an electronic passenger, crew, and cargo manifest. The electronic manifest must be transmitted as required herein to the Customs Office in charge of the clearance for the arriving vessel. The electronic manifest shall contain the names of the several passengers and crew aboard the vessel, stating whether cabin or steerage passengers, with their baggage, specifying the number and description of the pieces of baggage belonging to each, and a list of all baggage not accompanied by passengers.

(b) For aircraft:

(1) Cargo Manifest. The master or agent of each privately owned, privately operated, commercially owned, or commercially leased aircraft arriving into Guam from any place outside of Guam must transmit to the Agency an electronic manifest accounting for all terminating, transiting, revenue, and non-revenue cargo. The electronic manifest must be transmitted as required herein to the Customs Office in charge of the clearance for the arriving aircraft in the format as follows:

(A) the name, address, and telephone number of each importer or consignee; and the name, address, and telephone number of the shipper to such importer or consignee, unless the Collector determines that the confidentiality of any particular information is necessary for the good of the Agency or national security;

(B) airway bill of lading number of each cargo destined for Guam;

(C) the general description of the cargo;

(D) the number of packages and gross weight;

(E) the name of the aircraft carrier and flight number;

(F) the port of loading;

(G) the port of discharge; and

(H) the country of origin of the shipment;

**5 GCA § 73110(d). Manifest.**

(d) Public Disclosure of Certain Manifest Information. The Collector, in order to allow for the timely dissemination and publication of the information listed, shall adhere to the provisions as set forth in the Sunshine Reform Act of 1999, 5 GCA Chapter 10. In accordance with 5 GCA Chapter 10, and when requested, the Collector shall make available for public disclosure the following information:

(1) the general character of the cargo;

- (2) the number of packages and gross weight;
- (3) the port of loading;
- (4) the port of discharge; and
- (5) the country of origin of the shipment.

**5 GCA § 73128. Inspection of Imports.** Imported merchandise, required by regulations to be inspected or examined, shall not be delivered from customs custody, except as otherwise provided in this Chapter, until it has been inspected or examined, and is found to comply with requirements by Customs Officials. The Collector may require such packages or quantities examined as he may deem necessary.

**11 GCA § 26101(h). Definitions.**

(h) Import shall mean and include bringing into Guam from any source outside of Guam any tangible personal property whatsoever, as well as the property itself.

**11 GCA § 26110(a)(1) & (2). Returns.**

(1) Each taxpayer against whom a tax is levied by the provisions of Articles 3, 4, 5, and 6 of this Chapter shall make and file monthly returns of taxes with the Tax Commissioner on or before the twentieth (20th) day following the close of the calendar month in which the taxes shall accrue, and in the form and in accordance with the rules and regulations by the Tax Commissioner.

(2) Except as may be specifically hereinafter provided, payment covering the full amount of tax liability as evidenced by the monthly return shall accompany such monthly return.

**11 GCA § 26301(b), (c), and (g). Definitions.**

(b) Distilled beverage. Distilled beverage means aggie, alcohol, brandy, or whiskey and ever product of distillation of any fermented liquid which is fit for beverage purposes.

(c) Malted fermented beverage. Malted fermented beverage shall mean any beverage for human consumption manufactured from malt, wholly or in part, or from any substitute thereof, by any of the processes of fermentation.

(g) Vinous beverage. Vinous beverage shall mean beverage for human consumption consisting of the product of the normal alcoholic fermentation of the juice of any fruit or any natural produce having the nature of, or resembling wine.

**11 GCA § 26302. Excise Tax on Alcoholic Beverages.**

An excise tax is imposed upon all alcoholic beverages (except alcoholic beverages manufactured in Guam) sold in Guam by manufacturer, manufacturer's agents, rectifiers or wholesalers or sellers of alcoholic beverages selling alcoholic beverages with respect to which no tax has been paid within areas of which the Federal government exercises jurisdiction at the following rates:

(a) Malted Fermented Beverage. A tax in the amount of Seven Cents (\$0.07) per each twelve (12) fluid ounces or fraction thereof on all malted fermented beverages to be applied to the measure of the container in which it is offered for sale.

(b) Distilled Beverages. A tax in the amount of Eighteen Dollars (\$18.00) per gallon on all distilled beverages to be applied to the measure of the container in which it is offered for sale; provided further that any fraction of One Cent (\$0.01) shall be taken as a whole cent.

(c) Vinous Beverages. A tax at the rate of Four Dollars and Ninety-Five Cents (\$4.95) per wine gallon on all vinous beverages to be applied to the measure of the container in which it is offered for sale; provided, however, that the tax levied by this Section shall be prorated in units of measure less than one (1) gallon; and provided further, that any fraction of One Cent (\$0.01) shall be taken as a whole cent.

(d) [Repealed.]

(e) Proceeds of Excise Tax on Alcoholic Beverages. All proceeds from taxes collected under this Section shall be deposited in the "Healthy Futures Fund" created pursuant to 11 GCA § 26603(d).

**4 GAR, Chapter 2, Article 1, NOTE:**

The Customs and Quarantine Agency is responsible for the administration and enforcement of customs regulations, both federal and local, that have statutory force and effect in Guam.

The Customs and Quarantine Agency is delegated, in cooperation with other agencies of the government of Guam, the powers and duties for the enforcement and administration of certain laws and regulations which pertain to the control and quarantine of plants and animals, inspection of food stuffs, the control of communicable diseases and the importation of controlled substances (drugs) and other matters as may be assigned to it.

**Public Law 32-181:XII:17.**

Section 17. § 13109(a)(1) of Chapter 13, Title 2, Guam Code Annotated, is hereby amended to read:

"(1) No later than twenty (20) days after the end of each month of a fiscal year, the Director of the Bureau of Budget and Management Research shall report the revenue tracking for the General Fund, the Tourist Attraction Fund, the Solid Waste Operations Fund (Tipping Fees), the Territorial Educational Facilities Fund, the Guam Highway Fund, the Healthy Futures Fund, and the Customs, Agriculture and Quarantine Inspections Services Fund for the balance of the fiscal year, based upon the actual collections of the preceding month, and prepare a comparative statement of "actual" and "projected" revenues. Such information shall be compiled in a report, in collaboration with the Director of Revenue and Taxation and the Director of Administration, certified by the Director of the Bureau of Budget

and Management Research, and submitted to the Speaker of I Liheslaturan Guåhan, in Microsoft Excel file and written report, no later than twenty (20) days after the end of each month of the fiscal year. Said statements shall be posted monthly on the Bureau of Budget and Management Research's website. Failure to submit any reports by the required deadline in this Section shall result in a Two Hundred Fifty Dollars (\$250.00) fine per missed deadline for the Director of the Bureau of Budget and Management Research, which shall be deposited into the GDOE Interscholastic Sports Program."



## CUSTOMS & QUARANTINE AGENCY, GUAM

Guam's First Line of Defense | Protecting Our Island, Our People, and Our Resources

Director's Office

Director of Customs – Ike Q. Peredo  
Chief of Customs – Vincent S.N. Perez

Doc. Ref. No. DIR-146-25

February 28, 2025

**Honorable Benjamin J.F. Cruz**  
Public Auditor  
Office of Public Accountability  
Ste. 401 DNA Bld.  
238 Archbishop Flores St.  
Hagatna, Gu 96910

Subject: Guam Customs & Quarantine Agency (GCQA) Response  
Re: **Performance Audit of CQA Tracking & Reporting Imported & Exported  
Alcoholic Beverages, Report No. 25-05**

Håfa Adai Public Auditor,

We acknowledge the findings of the audit conducted from January 2021 to December 2022, which revealed significant deficiencies in the Guam Customs and Quarantine Agency's (GCQA) ability to accurately track and report the volume of imported and exported alcoholic beverages. We understand the critical importance of accurate data for policy decisions, revenue forecasting, and regulatory enforcement, and we are committed to addressing the identified shortcomings.

### Addressing Audit Results:

We accept the following findings:

- **a. Inadequate Infrastructure:** Although GCQA is not currently mandated to track and report alcoholic beverage imports and exports in a digital format, we do so manually in a non-automated process for customs entry clearance purposes. We agree with the need to modernize and automate our entry clearance processes within an automated infrastructure for alcoholic beverages entry and for all other imported or exported commodities. GCQA recognizes the economic and governmental significance of customs entry information. GCQA proactively initiated processes to gather transactional data through non-customs-tailored web-based applications, thereby contributing to enhanced efficiency and compliance with information needed by other regulatory entities.
- **b. Outdated Standard Operating Procedures (SOPs):** We acknowledge that our current SOPs are outdated and require immediate revision.
- **c. Inaccurate Volume Reporting:** Our current non-automated process limits our ability to generate reports that do not accurately reflect the volume of alcoholic beverages.

---

Mailing Address: 770 East Sunset Boulevard, Suite 240, Tiyan, Guam 96913  
Executive Office: 770 East Sunset Boulevard, Suite 250, Guam Integrated Air Cargo Facility, Tiyan, Guam 96913  
(671) 475-6202 | (671) 475-6227 Fax | [www.cqa.guam.gov](http://www.cqa.guam.gov)

- **d. Data Reconciliation Issues:** We recognize the discrepancies between our current data, export/import records, and the Department of Revenue and Taxation's (DRT) excise tax remittances.
- **e. Inadequate Record Management:** We acknowledge the antiquated condition of our manual records storage and the lack of electronic backup and filing systems.

**Conclusion Response:**

We concur with the auditor's conclusion that the lack of accurate data hinders effective management and oversight. We understand the need for immediate action to rectify these deficiencies.

**Response to Recommendations:**

We fully support the auditor's recommendations and will implement the following action plan:

1. **Implementation of a Robust Digital Reporting System:**
  - We will prioritize the procurement and implementation of a comprehensive digital customs entry reporting system for importers and exporters.
  - This system will include real-time data entry, automated reporting, and data reconciliation capabilities.
2. **Update of SOPs and Staff Training:**
  - We will immediately initiate a review and revision of our SOPs related to alcoholic beverage tracking and reporting.
  - We will provide comprehensive training to GCQA and collaborate with DRT staff on the updated SOPs and the new digital reporting system.
  - Training will be ongoing and include refresher courses.
3. **Regular Audits and Physical Inspections:**
  - We will establish a schedule for regular internal audits of import/export records.
  - We will increase the frequency of physical inspections of shipments to verify data accuracy.
  - We will collaborate with DRT to ensure audits are coordinated and effective.

**Addressing Other Matters:**

- **Management Concerns:** We will address management concerns by establishing clear lines of communication, implementing performance metrics, and fostering a culture of accountability.
- **Audit Suggestions:** We will carefully consider all audit suggestions and implement those that are feasible and beneficial to improving our operations.

**Commitment to Improvement:**

GCQA is committed to implementing these corrective actions promptly and effectively. We will provide regular progress reports to the relevant authorities and stakeholders. We are dedicated to ensuring that our data collection, tracking, and reporting mechanisms meet the highest standards

of accuracy and efficiency. We are also committed to working closely with the DRT, and the Guam Legislature to ensure compliance and proper procedure.

Currently, the Guam Customs Import Operations Modernization Project is nearing completion. Through the assistance of the Guam Bureau of Statistics and Plans, GCQA benefited from a U.S. Department of Interior grant, which funded this project. The project's goal is to improve GCQA's overall import/export functions, services, efficacy, and effectiveness for internal and external stakeholders. Consultants from the Oceania Customs Organisation (OCO) were hired and, applying the World Customs Organization's SAFE Framework (Standards to Secure and Facilitate Global Trade), conducted a diagnostic assessment, developed recommended customs reform plans, and introduced the Harmonized Commodity Coding System (HS) used by more than 200 customs administrations.

To date, recommendations by the OCO have already been initiated and were the catalyst of Public Law 37-82, introduced by Senator Tina Muna-Barnes and passed into law in April 2024. The law furthers the modernization project and lays the framework addressing the inaccurate volume reporting, data reconciliation issues, and inadequate records management highlighted in the report.

Additionally, GCQA concurred with the OCO recommendation to pursue automation with the United Nations Conference on Trade and Development (UNCTAD) Automated Systems for Customs Data (ASYCUDA) software platform. A contract for UNCTAD services, which will assist with the implementation, subject matter expertise, training, testing, and launching of ASYCUDA was submitted to the Guam Attorney General in October 2024 for his legal review.

ASYCUDA and HS implementation into GCQA's processes will substantially improve the entry submission, entry compliance, tracking, reporting, compiling, and collection of commerce activity in a real-time environment. Strengthening GCQA's regulatory functions, enforcement interdiction, risk and threat assessment abilities, but also expanding the utility of our position at the ports of entry to collect otherwise non mandated real-time data for use by the whole of government in formulating public policy, evaluating revenue projection, and economic reports as well as for other uses such as investors, NGO's and private citizens.

To reiterate, I concur with the findings of the report and am committed to working on the corrective actions recommended.

Should you have any questions or require additional information, please contact me at 671-475-6202.

Sincerely,

  
**Ike Q. Peredo**  
Director CQA

*Mailing Address: 770 East Sunset Boulevard, Suite 240, Tiyan, Guam 96913*  
*Executive Office: 770 East Sunset Boulevard, Suite 250, Guam Integrated Air Cargo Facility, Tiyan, Guam 96913*  
*(671) 475-6202 | (671) 475-6227 Fax | [www.cqa.guam.gov](http://www.cqa.guam.gov)*

3

---

**Appendix 5:**  
**Status of Audit Recommendations**

---

No.	Addressee	Audit Recommendation	Status	Actions Required
1.	Customs and Quarantine Agency	Update SOPs for the maritime and air cargo sections and to subsequently provide training for staff on the proper implementation of the processes and procedures. (Ref: 1 GCA § 1923)	Open	Provide the SOPs upon approval.
2.	Customs and Quarantine Agency	Develop a policy to implement the requirement for the transmittal of electronic manifests. (Ref: 5 GCA § 73110(a)(1)(E))	Open	Provide the policy upon adoption.
3.	Customs and Quarantine Agency	Establish a procedure to report the information as mandated. (Ref: 5 GCA § 73110(d))	Open	Provide the procedure upon implementation.
4.	Customs and Quarantine Agency	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.	Open	Provide the procedure upon adoption.
5.	Guam Legislature	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. (Ref: OPA Report No. 23-02)	Open	N/A

# CUSTOMS & QUARANTINE AGENCY

## Processing of Imported and Exported Alcoholic Beverages

### Report No. 25-06, April 2025

#### ACKNOWLEDGEMENTS

***Key contributions to this report were made by:***

Melissa Ngiralmau, MPA, Accountability Auditor I  
Selina Onedera-Salas, CGFM, Accountability Auditor II  
Vincent Duenas, Supervising Accountability Auditor  
Benjamin J.F. Cruz, Public Auditor

#### MISSION STATEMENT

We independently conduct audits and administer procurement appeals to safeguard public trust and promote good governance for the people of Guam.

#### VISION

The Government of Guam is the standard of public trust and good governance.

#### CORE VALUES

**Objective**

To have an independent and impartial mind.

**Professional**

To adhere to ethical and professional standards.

**Accountable**

To be responsible and transparent in our actions.

#### REPORTING FRAUD, WASTE, AND ABUSE

- Call our HOTLINE at 47AUDIT (472.8348)
- Visit our website at [www.opaguam.org](http://www.opaguam.org)
- Call our office at 475.0390
- Fax our office at 472.7951
- Or visit us at Suite 401 DNA Building in Hagåtña

All information will be held in strict confidence.



Office of Public Accountability  
Email: [admin@guamopa.com](mailto:admin@guamopa.com)  
Tel: 671.475.0390  
Fax: 671.472.7951  
Hotline: 47AUDIT (472.8348)

