GL # 34-17-1352
Speaker Benjamin J.F. Cruz

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Public Auditor

December 27, 2017

Honorable Benjamin J.F. Cruz
Speaker
I Mina'trentai Kuattro Na Liheslaturan Guåhan
163 Chalan Santo Papa
Hagatna, Guam 96910

Dear Speaker Cruz:

Hafa Adai! Transmitted herewith is OPA Report No. 17-08, Department of Revenue and Taxation (DRT) Gross Receipts Tax (GRT) Exemptions.

Our audit found that:

- For fiscal year (FY) 2014 through FY 2016, the Government of Guam's (GovGuam) 46 allowable GRT exemptions totaled $5.3 billion (B) reducing GRT revenues by $210.7 million (M), or an average of $70.2M per year. Over 800 taxpayers claimed 25 GRT exemptions amounting to $5.3B.
- The top three exemptions claimed were wholesale ($2.7B), off-island sales ($521.8M), and subcontractor receipts ($473.3M). The least three exemptions were Base Operation and Support Contractor ($597,145), Rental Income ($1.0M), and Insurance Payouts ($2.4M).
- Policymakers may want to measure achievement of social and economic goals and determine the effectiveness of such exemptions.
- FY 2012 and FY 2013 data was unreliable and we could not quantify GRT exemptions and determine its financial impact on GovGuam revenue.
- Due to the lack of reconciliation between DRT and the Department of Administration's systems, we could not ascertain the impact of exemptions on actual revenues as reported in the financial audits. DRT also cannot easily ascertain the amount of taxes owed per taxpayer.
- DRT conducted limited analysis or review of FY 2012 through 2016 GRT data allowed Power 7 system errors and significant gross receipts fluctuations.
- Based on best practices by the National Conference of State Legislatures, policymakers should review tax expenditure reports, which include exemptions, deductions, credits, exclusions, or other deviations from the normal tax structure in order to determine whether tax expenditures should be continued, modified, or eliminated.

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Based on discussions with DRT, we recommend that DRT analyze GRT data and resolve system errors, regularly review GRT data and investigate any irregularities and work with policymakers to carryout best practices of tax expenditure reviews, budgets, and reports.

For your convenience, you may also view and download the report in its entirety at www.opaguam.org. Should you have any questions, please contact Llewelyn Terlaje, Audit Supervisor at 475-0390 ext. 211, or Clariza Roque, Auditor-In-Charge at ext. 216.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

1352

RECEIPT ACKNOWLEDGED:

By: _____

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Department of Revenue & Taxation
Gross Receipts Tax Exemptions

Performance Audit
October 1, 2011 through September 30, 2016

OPA Report No. 17-08
December 2017

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EXECUTIVE SUMMARY
Department of Revenue and Taxation
Gross Receipts Tax Exemptions
OPA Report No. 17-08, December 2017

The Government of Guam (GovGuam) has 46 different categories of allowable gross receipts tax (GRT) exemptions that reduce a taxpayer's GRT liability. For fiscal year (FY) 2014 through FY 2016, these allowable GRT exemptions totaled $5.3 billion (B) reducing GRT revenues by $210.7 million (M), or an average of $70.2M per year. See Table 1 below for details.

Table 1: Comparison With or Without GRT Exemptions

FISCAL YEAR	GROSS RECEIPTS [A]	EXEMPTIONS [B]	TAXABLE AMOUNT [C] = (A– B)	TAX DUE (W/ EXEMPTIONS) [D] = (C x 4%)	TAX DUE (W/OUT EXEMPTIONS) [E] = (A x 4%)	VARIANCE [F] =(D-E)
2014	$7,634,998,786	$1,849,693,616	$5,785,305,171	$231,412,106	$305,399,951	($73,987,845)
2015	7,283,499,071	1,677,942,606	5,605,556,756	224,222,170	291,339,963	(67,117,793)
2016	7,647,251,845	1,739,968,515	5,907,283,329	236,291,233	305,890,074	(69,598,841)
TOTAL	**$22,565,749,702**	**$5,267,604,737**	**$17,298,145,256**	**$691,925,509**	**$902,629,988**	**($210,704,479)**
AVERAGE	$7,521,916,567	$1,755,868,246	$5,766,048,419	$230,641,836	$300,876,663	($70,234,826)

We were unable to determine the effect on revenues for FY 2012 and FY 2013. Despite the impact on revenues, there is limited review or oversight of tax exemptions by the Department of Revenue and Taxation (DRT). There is also no official reporting of tax expenditures (such as tax exemptions, deductions, credits, or exclusions) to allow policymakers to ascertain the cost-benefit of such preferential tax provisions as called by best practices.

Unreliable FY 2012 and FY 2013 GRT and Exemptions Data

In OPA Report No. 13-01, we found that reliable GRT and exemptions information was unavailable because tax processing was backlogged for calendar years 2011 and 2012. Our scope for this audit was from October 1, 2011 to September 30, 2016 (FY 2012 to 2016). However, we found $158.2M in missing exemption details and duplicated GRT information for FY 2012. FY 2013 had $11.8M in missing exemption details. As a result, data for FY 2012 and 2013 is unreliable; therefore, we could not quantify GRT exemptions and determine its financial impact on GovGuam revenue.

GRT Exemptions Reduced Taxes Due by an Average of $70.2M per Year

From FY 2014 through 2016, allowable GRT exemptions reduced gross receipts by an average of $1.8B per year. As a result, the average taxable amount of gross receipts was $5.8B versus $7.5B. Given that the tax rate is 4 percent, GovGuam had foregone potential revenues of $210.7M from FY 2014 through 2016, or an average of $70.2M per year.

Based on our analysis of the FY 2014 through 2016 data, over 800 taxpayers claimed 25 GRT exemptions amounting to $5.3B. The following were the top three exemptions claimed: wholesale

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($2.7B), off-island sales ($521.8M), and subcontractor receipts ($473.7M). The least three exemptions were Base Operation and Support Contractor ($597,145), Rental Income ($1.0M), and Insurance Payouts ($2.4M). Given the impact of these exemptions, policymakers may want to measure achievement of social and economic goals and determine the effectiveness of such exemptions.

Exemptions Impact on Actual GRT Revenues Unknown

DRT maintains GRT filing information while the Department of Administration (DOA) maintains GRT payments. Due to the lack of reconciliation between DRT and DOA's systems, we could not ascertain the impact of exemptions on actual revenues as reported in the financial audits. DRT also cannot easily ascertain the amount of taxes owed per taxpayer.

Table 2: GRT Due Versus GRT Paid

FISCAL YEAR	DRT GRT DUE [A]	DOA GRT PAID [B]	VARIANCE [C] = (A– B)
2014	$231,412,106	$238,249,400	$(6,837,294)
2015	224,222,170	226,592,159	(2,369,989)
2016	236,291,233	238,304,786	(2,013,553)
TOTAL	$691,925,509	$703,146,345	$(11,220,836)

Limited Oversight and Monitoring

DRT conducted limited analysis or review of FY 2012 through 2016 GRT data. In addition to the exemption disparities in the FY 2012 and 2013 GRT data, we found missing exemption codes for $11.1M claimed GRT exemptions in FY 2014 through 2016 (amounting to $5.3M, $2.4M, and $3.7M, respectively).

Based on DRT's Power 7 system, we also found that the decline in gross receipts of $351.M from $7.6B in FY 2014 to $7.3B in FY 2015 was inconsistent with the Gross Domestic Product estimated increases of $5.5B in CY 2014 to $5.7B in CY 2015 released by the Bureau of Economic Analysis.

Lack of Tax Expenditure Reporting in Accordance with Best Practices

According to DRT, there is no requirement to report GRT data to the Legislature. Based on best practices by the National Conference of State Legislatures, policymakers should review tax expenditure reports, which include exemptions, deductions, credits, exclusions, or other deviations from the normal tax structure in order to determine whether tax expenditures should be continued, modified, or eliminated.

Conclusion and Recommendation

From FY 2014 through 2016, GRT revenues (net of exemptions) made up an average of 33% of Guam's tax revenue, as such, there is a need for strong oversight and review over GRT, including exemptions. While accurate, informative and transparent tax expenditure reports is a critical first step to be implemented, data must be reviewed and evaluated to allow for better public policymaking. We recommend DRT management and BPT branch staff analyze GRT data and resolve system errors, regularly review GRT data and investigate any irregularities, and work with policymakers to carryout best practices of tax expenditure reviews, budgets and reports.

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Introduction

This report presents the results of our audit of Gross Receipts Tax (GRT) exemptions. The audit covers exemptions claimed from October 1, 2011 through September 30, 2016. Our analysis of exemptions for the period October 1, 2011 through September 30, 2012 followed up on work begun in a prior audit and completed procedures that we were not able to conduct at that time. Our objective was to quantify and determine the impact of gross receipts tax exemptions on Government of Guam (GovGuam) revenues.

The scope, methodology, and prior audit coverage are detailed in Appendices 1 and 2.

The audit was conducted at the initiation of the Public Auditor and as a follow-up to the requests of senators in the 32nd and 34th Guam Legislature.

In OPA Report No. 13-01, the Department of Revenue and Taxation (DRT) GRT Exemptions, issued in May 2013, we found that GRT and tax exemption data was incomplete, possibly unreliable, and lacked information for management and elected leaders to make sound decisions related to GRT. These conditions occurred due to the breakdown of the DRT optical scanner, which caused DRT to manually record returns. As such, processing CY 2011 and CY 2012 returns were backlogged and information was not available for OPA to address the objective.

Background

DRT exists to promote quality service to all taxpayers, increase voluntary compliance by helping taxpayers understand and meet their responsibilities by applying the tax law with integrity and fairness to all. DRT consists of five divisions: Regulatory Division, Motor Vehicle Division, Real Property Tax Division, Tax Enforcement Division, and Taxpayer Services Division. Within the Taxpayer Services Division lies the Business Privilege Tax (BPT) branch whose function is to conduct year-round taxpayer services to administer and enforce the BPT law.

Business Privilege Tax Branch

The law that the BPT Branch administers and enforces provides certain exemptions in computing taxable income for GRT purposes. The BPT Branch assesses GRT and other BPTs on persons who operate businesses, consult, and conduct other activities in Guam. The amount assessed and collected is based on the relevant tax rate, computed against gross proceeds of sales or gross income. All businesses are required to file a monthly GRT Form based on the period the income was received (actual earnings and "zero" earnings are reported).

Business Privilege Taxes

BPTs consist of five categories within the Guam Code Annotated (GCA): (1) Gross Receipts Tax, (2) Alcoholic Beverage Tax, (3) Liquid Fuel Tax, (4) Tobacco Tax, and (5) Automotive surcharges. GRT makes up the largest category of BPTs paid into GovGuam representing

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approximately 88% of fiscal year (FY) 2012 ~ FY 2016 BPTs. See Table 3 for a summary of BPT revenues.

Table 3: FY 2012~2016 Summary of Financial Audit BPT Revenues

TAX	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	BPT TOTAL	% OF BPT
GROSS RECEIPTS	$221,443,640	$221,672,983	$238,249,400	$226,592,159	$238,304,786	**$ 1,146,262,968**	**88%**
TOBACCO	17,055,970	19,615,319	20,960,702	19,722,736	20,104,227	**97,458,954**	**7%**
LIQUID FUEL	9,831,039	9,825,967	9,791,970	9,931,635	10,051,209	**49,431,820**	**4%**
ALCOHOLIC BEVERAGES	2,485,550	780,319	2,207,886	2,778,336	2,895,727	**11,147,818**	**1%**
TAX TOTAL	$250,816,199	$251,894,588	$271,209,958	$259,024,866	$271,355,949	$ 1,304,301,560	100%

Gross Receipts Tax

GRT is a privilege tax imposed on the gross income received by persons engaging in business activity in Guam. The GRT business activities identified by DRT are as follows:

1. Wholesaling
2. Retailing
3. Service
4. Rental Real Property
5. Rental Others
6. Profession
7. Commission
8. Insurance Premium
9. Contracting (Local)
10. Contracting (US)
11. Interest
12. Amusement
13. Others GRT

Refer to Appendix 5 for a summary of FY 2014 to FY 2016 GRT data for these business activities.

In addition, the following apply under GRT:

- All businesses operating predominantly in Guam are required to have an appropriate Guam Business License, and to register for a GRT number.
- All sales by businesses are subject to GRT.
- All businesses with sales over $500,000 per year must file monthly GRT reports and pay 4% GRT on all sales to the Treasurer of Guam.
- All businesses with sales less than or equal to $500,000 per year must file monthly GRT reports and pay 4% GRT on all sales over $50,000 to the Treasurer of Guam.
- Businesses with sales of less than $50,000 per year must file monthly GRT reports but are exempt from paying the tax on the first $40,000 of sales during the most recent tax year.
- GRT report filings and payments must be made monthly, no later than the 20th of the month after the month that the revenues/receipts are generated.
- Wholesalers and certain other taxpayers groups are exempt from GRT, or entitled to rebates.

Based on Title 11 GCA §26203, there are 46 specific tax exemptions that are available to Guam taxpayers under BPT. These exemptions are provisions that reduce the taxpayer's tax liability. See Appendix 3 for the complete list. We are unable to determine which exemptions are specific to GRT. Based on our review, we found 25 exemptions that were claimed under GRT. See Appendix 4 for a description of these exemptions.

GRT Systems

GRT information is handled and processed manually by three different sections:

- Treasurer of Guam (TOG) upon receipt of tax payments;
- Department of Administration (DOA) Division of Accounts to ensure the recording of revenues collected; and
- DRT BPT branch for manual data entry of GRT tax information.

TOG and DOA Systems

As the official GovGuam record keeper, DOA receives, records, and reviews all revenue through TOG in the AS400 system. The GRT receipts are entered into the TOG system. DOA recognizes GRT revenues based on receipt date during the current year with accrued revenues recognized based on GRT receipts collected within 90 days after end of the fiscal period. Further, accrued revenues from last fiscal year are deducted to arrive at the revenues for the fiscal year.

DRT System Transition

In March 2011, DRT no longer utilized their optical scanner and system interface to process tax information. This was due to maintenance issues and the expiration/termination of the service agreement with the sole source vendor. As a result, BPT branch employees could not scan or input GRT and other BPT information into its system causing the department to be at a standstill in providing data to management and other interested parties.

In the latter part of 2013, DRT gained access to their new Transaction Processing System (TPS) called the Power 7 system and reverted to manually of inputting GRT information. As a result, DRT merged their AS400 files (prior system) with this new system. The Power 7 system has two different modules for GRT filings processed (Master database) and paid (Cash Receipts). The manual process requires a BPT tax specialist to input all relevant information from the physical GRT form into the Power 7 system. Relevant information included the GRT account number, tax period, filed date, multiple filer, document locator number, and selected line items on the physical returns.

Form GRT-E is the GRT form electronically filed by the taxpayer. It is automatically processed into the system, given that the taxpayer is eligible for the claimed exemption codes, and has not exceeded the exemption amount. This automatic transmittal into the Power 7 system helps ease the manual processing of voluminous physical returns that the branch faces annually.

GovGuam has 46 different categories of allowable BPT exemptions that reduce a taxpayer's GRT liability. For FY 2014 through FY 2016, these allowable GRT exemptions totaled $5.3 billion (B) reducing GRT revenues by $210.7 million (M), or an average of $70.2M per year.

We were unable to determine the effect on revenues for FY 2012 and 2013. Despite the impact on revenues, there is limited review or oversight of tax exemptions by DRT. There is also no official reporting of tax expenditures (such as tax exemptions, deductions, credits, or exclusions) to allow policymakers to ascertain the cost-benefit of such preferential tax provisions as called for by best practices.

Unreliable FY 2012 and FY 2013 GRT and Exemptions Data

In OPA Report No. 13-01, we found that reliable GRT and exemptions information was not available because tax processing was backlogged for calendar years 2011 and 2012. Our scope for this audit was from October 1, 2011 to September 30, 2016 (FY 2012 to FY 2016). However, we found $158.2M in missing exemption details and duplicated GRT information for FY 2012. FY 2013 had $11.8M in missing exemption details. In addition, we found incorrect taxable amounts, inaccurate calculation of GRT due, and taxable amounts without corresponding gross receipts amounts. Table 4 provides details of deficiencies.

Table 4: Summary of FY 2012 ~ FY 2013 Power 7 System Deficiencies

DEFICIENCY	FY 2012	FY 2013	TOTAL
Missing exemption code	$ 158,195,151	$ 11,833,343	$ 170,028,495
Incorrect taxable amount	28,377	90,000	118,377
GRT due inaccurately calculated	3,496,039	-	3,496,039
Taxable amount noted without gross receipts	-	89,149	89,149
TOTAL	**$ 161,719,568**	**$ 12,012,492**	**$ 173,732,061**

Our review of 24 filings from FY 2012 through FY 2013 revealed the following:

- Lack of documentation to verify taxable amounts;
- GRT entries were duplicated; and
- Inaccurate recording of amendments to GRT transactions.

Due to the deficiencies noted above, we determined that the data for FY 2012 and FY 2013 is unreliable; therefore, we could not quantify GRT exemptions and determine its financial impact on GovGuam revenue for these two periods to answer our objective.

Lack of Documentation to Verify Taxable Amounts

We were unable to verify the actual gross receipts, exemptions, taxable amounts, and tax due for 20 of the 24 FY 2012 through 2013 GRT returns as DRT was unable to provide copies of the Form GRT-1. In lieu of the form, DRT provided system printouts of these manually entered transactions that did not match the original system information provided to our office.

Duplicate GRT Entries

We found duplicate GRT entries for returns primarily from FY 2012 through 2013. Two likely reasons for the duplicated entries include merging old (AS400) files into the new TPS files without sufficient data integrity controls, and data entry assistance by staff outside of the BPT branch. The following are examples of duplicate GRT entries:

SAMPLE #	FY	SOURCE	DESCRIPTION	TAX MONTH	TAX YEAR	GROSS RECEIPTS	EXEMPTION AMOUNTS
10	2012	POWER 7 SYSTEM	WHOLESALING	10	2011	$ 20,872,460	$ 20,872,460
		FORM GRT-1	WHOLESALING			10,436,230	10,436,230
					VARIANCE	$ 10,436,230	$ 10,436,230
22	2013	POWER 7 SYSTEM	WHOLESALING	01	2013	$ 1,561,384	$ 1,561,384
		FORM GRT-1	WHOLESALING			780,692	780,692
					VARIANCE	$ 780,692	$ 780,692

In addition to evidence of duplicate entries, we found four instances (in the 35 filings reviewed) of inaccurate recording of amendments in the Power 7 system. Three of the instances involved GRT activity amendments. For example, in one of the transactions, gross receipts and tax exemptions were amended from the original return where the business activity (Retailing) was revised and split into three other activities. However, the Power 7 system still noted the inaccurate overall tax due of $31,996 in the "Retailing" transaction.

GRT Exemptions Reduced Taxes Due by an Average of $70.2M per Fiscal Year

There are 46 specific tax exemptions available that reduce Guam BPT taxpayers' tax liability. From FY 2014 through FY 2016, on average, allowable GRT exemptions reduced gross receipts by $1.8B per year from $7.5B to $5.8B. Given that the tax rate is 4 percent, GovGuam had foregone potential revenues of $210.7M from FY 2014 through FY 2016, or an average of $70.2M per year. See Table 5 below for details.

Table 5: Comparison With or Without GRT Exemptions

FISCAL YEAR	GROSS RECEIPTS [A]	EXEMPTIONS [B]	TAXABLE AMOUNT[1] [C] = (A– B)	TAX DUE (W/ EXEMPTIONS) [D] = (C x 4%)	TAX DUE (W/ OUT EXEMPTIONS) [E] = (A x 4%)	VARIANCE [F] =(D-E)
2014	$7,634,998,786	$1,849,693,616	$5,785,305,171	$231,412,106	$305,399,951	($73,987,845)
2015	7,283,499,071	1,677,942,606	5,605,556,756	224,222,170	291,339,963	(67,117,793)
2016	7,647,251,845	1,739,968,515	5,907,283,329	236,291,233	305,890,074	(69,598,841)
TOTAL	$22,565,749,702	$5,267,604,737	$17,298,145,256	$691,925,509	$902,629,988	($210,704,479)
AVERAGE	$7,521,916,567	$1,755,868,246	$5,766,048,419	$230,641,836	$300,876,663	($70,234,826)

GovGuam could have realized $902.6M in potential revenues during FY 2014 through FY 2016 versus $691.9M. We could not ascertain the impact of exemptions on actual revenues reported in the financial audit as DRT could not provide data reconciling to payments collected. Therefore, the impact on exemptions was based on the tax due amounts provided by DRT.

[1] There are minor variances in taxable amount calculations that were derived from the Power 7 system. This variance affects the GRT due.

Doc. No. 34GL-17-1352.

Top Five GRT Exemptions Reduced Gross Receipts by $4.2B in FY 2014 ~ FY 2016
Based on our analysis of the FY 2014 through FY 2016 data, over 800 taxpayers claimed 25 GRT different exemptions amounting to $5.3B. The top five GRT exemptions comprised 81% of the total. They were: 1) wholesale ($2.7B), 2) off-island sales ($521.8M), 3) subcontractor receipts ($473.7M), 4) Dave Santos $40,000 limit ($309.0M), and 5) agricultural producers and fisheries ($213.7M). See Table 6 for details and Appendix 6 for a complete listing of amounts claimed per exemption and Appendix 4 for a description of all 25 exemptions claimed under GRT.

Table 6: Top Five GRT Exemptions Claimed from FY 2014~2016

CODE	EXEMPTION REASON	FY 2014	FY 2015	FY 2016	TOTAL
E24	WHOLESALE EXEMPTION	$ 890,228,783	$ 880,319,331	$ 953,786,248	$2,724,334,361
E19	OFF ISLAND SALES	210,426,857	178,218,452	133,139,165	521,784,474
E42	PUBLIC LAW 30-230 (SUBCONTRACTOR RECEIPTS)	176,030,078	158,472,193	139,210,118	473,712,389
E37	DECREASE OF EXEMPTION TO $40,000 (DAVE SANTOS $40,000 LIMIT)	104,583,855	104,171,223	100,275,884	309,030,961
E22	AGRICULTURAL PRODUCERS AND FISHERIES	129,226,300	57,076,604	27,435,845	213,738,748
	TOP 5 EXEMPTION AMOUNT TOTAL	**$1,510,495,872**	**$1,378,257,802**	**$1,353,847,259**	**$4,242,600,933**
	OTHER 20 EXEMPTIONS	333,865,743	297,443,874	382,367,904	1,013,677,520
	UNKNOWN EXEMPTIONS[2]	5,332,001	2,440,930	3,753,353	11,326,284
	GRT EXEMPTIONS TOTAL	**$1,849,693,616**	**$1,677,942,606**	**$1,739,968,515**	**$5,267,604,737**

Wholesaling is the most claimed GRT exemption amounting to $2.7B during the three years under review. In FY 2016, 600 taxpayers claimed this exemption for total amounts received from engaging or continuing business as a wholesaler and does not have a limit to the amount a taxpayer may claim.

The description for the other four exemptions are as follows:

- *Off-island sales* exemptions are for gross proceeds of export sales of tangible property in foreign commerce where BPTs are imposed.
- *Public Law 30-230* shifted the GRT levy and payment from the sub-contractor to the prime contractor.
- *Decrease of exemption to $40,000* is an exemption based on the Dave Santos Act. As of May 2007, $50,000 exemptions were reduced to $40,000 and the limitations on gross income to be considered a small business were decreased from $500,000 to $50,000.
- *Agricultural producers and fisheries* is an exemption for farmers or fishermen relative to locally produced crops who have a Tax Exemption Certificate from DRT.

Least Five Claimed GRT Exemptions Reduced Gross Receipts by $12.7M in FY 2014 ~ FY 2016
As shown in Table 7, Base Operation and Support (BOS) Contractor exemption is the lowest claimed exemption at $597,145. This exemption is for any amounts received by businesses participating in the Performance of BOS Activities, defined in 12 GCA §58128.7, as a BOS

[2] Unknown exemptions are amounts with missing exemption codes.

Contractor, or Subcontractors of the BOS Contractor, provided that such business is a "Guam-based Contractor or Guam-based Subcontractor" for purposes of 12 GCA §58128.7. There are 26 taxpayers who claimed this exemption during the three-year review period.

Table 7: Least Five GRT Exemptions Claimed

CODE	EXEMPTION REASON	FY 2014	FY 2015	FY 2016	TOTAL
E05	26203(21) LFT SALE VESSEL – COMMRCL FISHING	$ 2,843,204	$ 1,930,963	$ 917,403	$ 5,691,570
E45	SALES TO MILITARY - ALCOHOL/TOBACCO	391,433	1,718,068	796,121	2,905,622
E29	SUBSECTION 26202 I (INSURANCE PAYOUTS)	123,888	1,007,568	1,291,404	2,422,859
E03	BR20 RENTAL (RENTAL INCOME)	1,045,185	-	-	1,045,185
E26	BOS CONTRACTOR EXEMPTION	141,018	203,877	252,250	597,145
	GRT EXEMPTIONS TOTAL	**$ 4,544,728**	**$ 4,860,476**	**$ 3,257,178**	**$ 12,662,381**

The descriptions of the other four exemptions are as follows:

- *BR 20 Rental* is related to the first $40,000 of rental income earned or received from real property per taxable year by any person whose gross annual rental income from real property is less than $50,000 during the most recent tax year.
- Su*bsection 26202 I* is an exemption for amount received under insurance policies:
  - Under life insurance policies and contracts paid by reason of the insured's death;
  - Other than amounts paid by reasons of the insured's death, under life insurance, endowment or annuity, or upon surrendering the contract; and
  - Under any accident insurance or health insurance policy or contract, or under worker's compensation acts or employer's liability acts, as compensation for personal injuries, death or sickness.
- *Sales to Military - Alcohol/Tobacco* is not in the Schedule GRT-E Form. This is an exemption allowed for alcohol or tobacco sold as long as it meets the following requirements:
  - Alcoholic beverages sold to the Army, Air Force, Coast Guard, and Navy exchanges, and officers, "non-commissioned officers" and enlisted men's club or messes;
  - The tobacco manufactured or produced in Guam, or brought in Guam, has been sold, consigned, and duly delivered to an authorized purchaser for any United States military establishment in Guam;
  - The tobacco sold, consigned and delivered to such military establishment was not the subject of any prior sales transaction in Guam other than a transfer of substantially the entire stock in trade, good will and franchise or other rights concerning the tobacco upon which the tax has been paid;
  - The BPT taxes have been fully paid to GovGuam; and
  - The taxpayer is a duly licensed wholesaler or retailer in Guam.
- *26203(21) LFT Sale Vessel – Commrcl Fishing* is for amounts received from the sale of liquid fuel to vessels engaged in commercial fishing.

DRT implements the tax based on "voluntary compliance," in which the taxpayer is solely responsible for reporting and paying GRT. The burden of proof is placed on the taxpayer to

accurately report GRT revenues and claimed exemptions. Only when the taxpayer is audited does DRT further verify the accuracy of the reported income and exemptions.

Given the impact of the top claimed exemptions as well as the least claimed exemptions, policymakers may want to measure the achievement of social and economic goals and determine the effectiveness of such exemptions.

Exemptions Impact on Actual GRT Revenues Unknown

GRT revenues made up an average of 33% of Guam's tax revenue. DRT maintains GRT filing information while DOA maintains GRT payments. Due to the lack of reconciliation between DRT and DOA's systems, we could not ascertain the impact on actual revenues as reported in the financial audits. DRT also cannot easily ascertain the amount of taxes owed per taxpayer. As found in OPA Report No. 13-01, both agencies' systems continue to be stand-alone systems and do not interface with each other.

Table 8: GRT Due Versus GRT Paid

FISCAL YEAR	DRT GRT DUE [A][3]	DOA GRT PAID [B][4]	VARIANCE [C] = (A – B)
2014	$ 231,412,106	$ 238,249,400	$ (6,837,294)
2015	224,222,170	226,592,159	(2,369,989)
2016	236,291,233	238,304,786	(2,013,553)
TOTAL	$ 691,925,509	$ 703,146,345	$ (11,220,836)

We found a variance of $11.2M in the tax due reported by DRT and the tax revenues reported in the GovGuam financial audits for FY 2014 to FY 2016. See Table 8 for details. Because we could not reconcile the amounts, OPA's estimate of the impact of exemptions for FY 2014 through FY 2016 was based on the tax due amounts provided by DRT.

This lack of interface results in numerous reconciliations between the two systems. Not all differences are being resolved such as taxes due is not reconciled with taxes collected.

Limited Oversight and Monitoring

Despite the significance of GRT revenues and the impact of exemptions on GRT taxes due, DRT conducted a limited analysis and review of GRT data. In addition to the FY 2012 and FY 2013 GRT data disparities, we found disparities in the FY 2014 through FY 2016 data. The limited oversight and monitoring allowed Power 7 system errors and significant gross receipts fluctuations.

FY 2014 ~ FY 2016 Deficiencies

We recalculated the claimed exemptions, taxable amount, and tax due for all FY 2014 through FY 2016 GRT transactions and found the following deficiencies:

- Missing exemption codes for $11.5M claimed GRT exemptions;
- Incorrect taxable amount of $291; and
- Overage of $172K in claimed exemptions.

The exemption codes for $11.5M were not indicated for FY 2014 through FY 2016 claimed GRT exemptions. This occurred for both manually and electronically filed GRT returns. Of the 35 GRT

[3] DRT GRT due was retrieved from the DRT's Power 7 system.
[4] GRT paid was retrieved from FY 2014 through FY 2016 GovGuam financial audits.

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filings tested, 11 were for FY 2014 through FY 2016. In our comparison of the GRT forms to the Power 7 system, we found that when multiple returns were filed for the same tax month and tax year, the GRT exemptions claimed in the most current GRT form will override the previous amount filed. For example, a taxpayer filed an original return with a $1.2M wholesale exemption for February 2016 and a second original return with a $340K wholesale exemption in March 2016. The Power 7 system overrode the $1.2M wholesale exemption with the second return's $340K exemption instead of noting the cumulative $1.5M. The introduction of such errors into DRT's data raises concerns to the accuracy and completeness to GRT data.

Further, of the 11 GRT filings tested, we also found an incorrect taxable amount of $291 instead of $0. The taxpayer reported $291 in gross receipts, claimed an exemption of $291 under the Dave Santos Act, but was still taxed for the $291.

In addition to missing exemption codes, we found an overage of exemption amount claimed. In one instance, the Power 7 system recorded an overall amount of $420K in exemptions, however, the exemption details indicated four separate exemptions that amounted to $592K, an excess of $172K. Table 9 summarizes the deficiencies found in the FY 2014 through 2016 data.

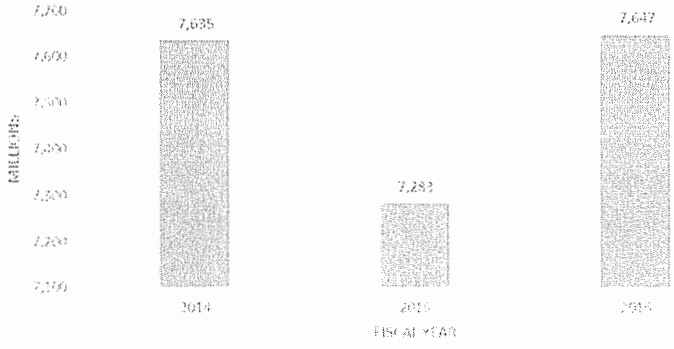
Table 9: Summary of FY 2014 ~ FY 2016 Power 7 System Deficiencies

DEFICIENCY	FY 2014	FY 2015	FY 2016	TOTAL
Missing exemption code	$ 5,332,001	$ 2,413,085	$ 3,753,353	$ 11,498,439
Overage of exemption amount claimed	-	172,155	-	172,155
Incorrect taxable amount	-	291	-	291
TOTAL	**$ 5,332,001**	**$ 2,585,531**	**$ 3,753,353**	**$ 11,670,885**

DRT Power 7 System Gross Receipts Fluctuations

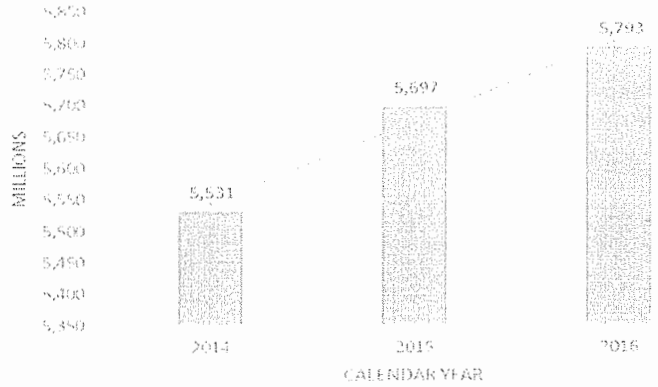
Given claims by Guam's economists and the Guam Visitors Bureau of the continuing improvement in Guam's economy and the increasing tourism, we questioned the decline in gross receipts of $351.5M from $7.6B in FY 2014 to $7.3B in FY 2015 from DRT's Power 7 system. See Graph 1 for the trend in Gross Receipts.

Graph 1: FY 2014 ~ 2016 DRT Gross Receipts Trend



This trend is also inconsistent with the increase in Gross Domestic Product (GDP) estimates released by the Bureau of Economic Analysis (BEA)[5] U.S. Department of Commerce in September 2017. The GDP estimates for Guam show that real GDP – GDP adjusted to remove price changes – increased 0.4% in 2016 to $5.8B after increasing 0.5% in 2015 to $5.7B. See Graph 2 for the trend in GDP.

Graph 2: CY 2014 ~ 2016 GDP Trend



According to BEA, the growth in our economy reflected increases in exports of services and consumer spending that partly offset decreases in investment spending across the government and private sectors. Exports of services, which consist primarily of spending by tourists, grew for a third consecutive year. The increase reflected growth in visitor arrivals, particularly from Korea. Consumer spending continued to increase, reflecting growth in retail trade activity.

Government Accountability Office (GAO) Recommends Greater Tax Expenditure Scrutiny

GAO has recommended greater scrutiny of tax expenditures as periodic reviews could help determine how well specific tax expenditures work to achieve their goals and how their benefits and costs compare to those of programs with similar goals. Tax expenditures are reductions in a taxpayer's tax liability that are the result of special exemptions and exclusions from taxation, deductions, credits, deferrals of tax liability, or preferential tax rates. If well designed and implemented, tax exemptions can provide incentives for taxpayers to engage in particular activities or adjust their ability to pay taxes. The revenue GovGuam foregoes from a tax exemption reduces revenue available to fund activities.

In November 2012, GAO issued a guide that identifies criteria and analytical questions for policymakers to consider in weighing competing priorities and evaluating the merits of a particular tax expenditure. The criteria and questions were categorized by five overall questions:

1. What is the tax expenditure's purpose and is it being achieved?
2. Even if its purpose is achieved, is the tax expenditure good policy?
3. How does the tax expenditure relate to other federal programs?
4. What are the consequences for the budget of the tax expenditure?
5. How should evaluation of the tax expenditure be managed?

[5] These estimates were developed under the Statistical Improvement Program funded by the Office of Insular Affairs of the U.S. Department of the Interior. It is also based on limited source data and subject to revision.

The criteria and analytical questions can also help policymakers identify potential duplication, overlap, or fragmentation in federal mission areas. For example, such evaluations could help inform debates about how to broaden the tax base by eliminating or scaling back some tax expenditures.

There is not a "one size fits all" framework for evaluating tax expenditures. Reasonable judgment must be used in adapting the general questions and concepts discussed in the guide to evaluate a particular tax expenditure. Refer to Appendix 7 for GAO's guide overview.

Without routine oversight and review, GovGuam is at risk for losing revenue due to possible non-reporting and under reporting of GRT. We recommend BPT branch staff to analyze the GRT data, resolve system errors by conducting in-house corrections, and regularly review GRT data and investigate any irregularities. In addition, we suggest that DRT management and BPT Branch staff with the Legislature consider the GAO tax expenditure guide when analyzing the GRT exemptions.

Lack of Tax Expenditure Reporting in Accordance with Best Practices

According to DRT, there is no requirement to report GRT data to the Legislature. GRT reports were provided when requested and not frequently generated from the Power 7 system. Based on best practices by the National Conference of State Legislatures (NCSL), policy makers should review tax expenditure reports, which include exemptions, deductions, credits, exclusions, or other deviations from the normal tax structure in order to determine whether tax expenditures should be continued, modified, or eliminated.

According to the guidance by NCSL, tax expenditure reports should include information on all major taxes (personal and corporate income taxes, sales and use taxes, real and personal property taxes, excise and gross receipts taxes, etc.). Also, to ensure that reports are accurate, informative, and transparent, there should be a protocol, codified in statute, which specifies the elements of the tax expenditure report. The NCSL also provides best practices guidance on evaluating expenditures in order to produce better policymaking. Refer to Appendix 8 for the NCSL Tax Expenditure Budgets and Reports Best Practices.

In order for a tax expenditure report to be effective, we suggest the Legislature consider the NCSL Tax Expenditure Budgets and Reports Best Practices. Also, as presented previously in our analysis, given the impact of the claimed exemptions, we recommend DRT and policymakers develop a more comprehensive and systematic strategy to review all tax expenditures on a regular basis.

Other Matters

Manual Processing and E-Filing GRT Returns

Since the prior OPA audit in 2013, DRT updated and posted taxpayer GRT data into the Power 7 system. With the breakdown of the Optical Image Scanner (OCR) in 2011, DRT reverted to manually processing 60,000 to 70,000 tax forms annually. The BPT Branch continues to manually input approximately half of the GRT returns as the rest are electronically filed. There is limited analysis or review of the data. In our comparison of the GRT forms to DRT's Power 7 system,

GRT exemptions claimed in the most current Form GRT-E were noted in the database. This occurred for taxpayers who filed more than one return for the same tax month and year. Manually processed returns are susceptible to human errors. With limited oversight and review of the filed GRT returns, these taxpayers may continue to file and pay incorrect amounts.

The DRT Director stated that fully transitioning to electronic filing (e-filing) will improve efficiency and reliability of processing GRT forms. E-filing presents benefits such as efficiently recording data into DRT's system without relying on system interfaces between TOG, DOA, and DRT. GovGuam can no longer afford to operate with systems that are not integrated. In February 2014, Public Law 32-120 designated partial funding to procure a unified financial management information system (FMIS). GovGuam should begin the process to move to a more efficient FMIS integrating DRT and DOA with technology appropriate for the 21st century to include online and e-filing capabilities.

Other BPT Data Observations

While the scope of our audit focused on GRT, we noted some observations in other BPT categories (related to alcohol beverage, liquid fuel, and tobacco taxes), such as the dramatic drop in Alcoholic Beverage Tax revenues and the significant increase in Liquid Fuel Tax. As with GRT, DRT was unaware of these trends due to the lack of monitoring and reconciliation with DOA's AS400. We did not verify the data for other BPT categories' exemptions claimed provided by DRT as it was not within our scope.

Dramatic Drop in FY 2013 Alcoholic Beverage Tax Revenues

Based on the FY 2012 through FY 2016 GovGuam financial audits, alcoholic beverage taxes saw a significant decrease of $1.7M from $2.5M in FY 2012 to $780K in FY 2013. This is an unusual fluctuation compared to an average of over $2.6M in other fiscal years. According to DRT, this was primarily due to the lack of reconciliation with DOA's AS400. We suggest that DRT and DOA ascertain the rationale for the dramatic drop in alcohol tax in FY 2013 compared to the $2.6M average.

Other BPT Exemptions Average $119.2M per Fiscal Year

Other BPTs include alcohol beverage tax, liquid fuel tax, and tobacco tax, which have their respective tax exemptions. Based on data provided by DRT, other BPT exemptions reduced annual taxable gross receipts by an average of $119.2M from FY 2014 through FY 2016. As a result, the average taxable gross receipts was $163.7M versus $282.9M. We are unable to estimate GovGuam's foregone revenues for these other BPTs due to the varying tax rates for each category. See Table 10 below for a summary of other BPT data and Appendix 5 for details.

Table 10: Summary of Other BPT Data for FY 2014~2016

FISCAL YEAR	GROSS RECEIPTS	EXEMPTIONS	TAXABLE AMOUNT	TAX DUE
2014	$ 257,241,259	$ 94,229,796	$ 163,011,463	$ 31,074,402
2015	256,889,157	98,739,513	158,149,644	29,905,766
2016	334,550,502	164,544,433	170,006,069	35,180,882
TOTAL	**$ 848,680,917**	**$ 357,513,741**	**$ 491,167,176**	**$ 96,161,050**
AVERAGE	$ 282,893,639	$ 119,171,247	$ 163,722,392	$ 32,053,683

For exemptions claimed per category, we noted that the liquid fuel tax exemptions nearly doubled to $155.8M in FY 2016 from $89.8M in FY 2015; alcohol tax exemptions declined by 9% from $8.7M to $7.9M; and tobacco tax exemptions increased by 218% from $274K to $871K.

Conclusion and Recommendations

From FY 2014 through FY 2016, GRT revenues (net of exemptions) were 33% of Guam's tax revenue. Tax due to GovGuam was reduced by an average of $70.2M per year as a result of $5.3B in GRT exemptions. This resulted in foregone potential revenues of $210.7M. Despite the significance of GRT revenues and the impact exemptions have on revenues, DRT conducted limited review and oversight of tax exemptions. Without routine oversight and review, GovGuam may be missing opportunities to identify risks of lost revenue due to possible non-reporting and under-reporting of GRT. In addition, due to the lack of reconciliation between GRT due and GRT paid, DRT cannot easily ascertain the accounts receivable owed by taxpayers.

We could not ascertain the impact of exemptions on actual revenues reported in the financial audit as DRT could not provide data reconciling to payments collected. Therefore, the impact on exemptions was based on the tax due amounts provided by DRT.

GAO has recommended greater scrutiny of tax expenditures, as periodic reviews could help determine how well specific tax expenditures work to achieve their goals and how their benefits and costs compare to those of programs with similar goals. There is also no official reporting of tax expenditures (such as tax exemptions, deductions, credits, or exclusions) to allow policymakers to ascertain the cost-benefit of such preferential tax provisions as called by best practices identified by NCSL. We suggest the Legislature to consider the GAO and NCSL best practices of tax expenditure review, budgets, and reports.

In our prior GRT exemptions audit, OPA Report No. 13-01, we were unable to quantify GRT exemptions and determine their financial impact on GovGuam revenues because reliable GRT and exemption data was not available. Our current audit revealed that while GRT data is now available, the financial impact on FY 2012 and FY 2013 GovGuam revenues is unknown as data was incomplete and unreliable.

DRT also continues to manually input GRT returns with no analysis or review of the inputted data as evidenced by the missing exemption codes and incorrect taxable amounts and tax due. For DRT to become more efficient in its tax collection responsibilities, technological improvements are needed to include full implementation of e-filing that would enhance productivity and efficiency. We found that DRT continues to experience the challenges identified in our previous audit, especially with the reliance on manual processes and outdated equipment.

While accurate, informative and transparent tax expenditure reports is a critical first step to be implemented, data must be reviewed, evaluated, and reported to allow for better public policymaking. Therefore, we recommend DRT management and BPT branch staff to:

- Analyze GRT data and resolve system errors by conducting in-house corrections;
- Regularly review GRT data and investigate any irregularities; and
- Work with policymakers to develop a more comprehensive and systematic strategy to review all tax expenditures on a regular basis.

Classification of Monetary Amounts

	Finding Description	Questioned Costs	Potential Savings	Unrealized Revenues	Other Financial Impact
1	**Unreliable FY 2012 and FY 2013 GRT and Exemptions Data**[6]	$170,236,021	$ -	$ -	$ 3,496,039[7]
	Lack of Documentation to Verify Taxable Amounts	$ -	$ -	$ -	$ -
	Duplicate GRT Entries	$ -	$ -	$ -	$ -
	Subtotal	**$ 170,236,021**	**$ -**	**$ -**	**$ 3,496,039**
2	**GRT Exemptions Reduced Taxes Due by an Average of $70M per Year**[8]	$ -	$ -	$ 210,704,479	$ -
	Top Five GRT Exemptions Reduced Gross Receipts in FY 2014~2016	$ -	$ -	$ -	$ -
	Five Least Claimed GRT Exemptions Reduced Gross Receipts in FY 2014~2016[9]	$ -	$ -	$ -	$ -
	Subtotal	**$ -**	**$ -**	**$ 210,704,479**	**$ -**
3	**Exemptions Impact on Actual GRT Revenues Unknown**	$ -	$ -	$ -	$ 11,220,836
	Subtotal	**$ -**	**$ -**	**$ -**	**$ 11,220,836**
4	**Limited and Monitoring**				
	FY 2014~2016 Deficiencies[10]	$ 11,670,885	$ -	$ -	$ -
	Gross Receipts Fluctuations	$ -	$ -	$ -	$ -
	GAO Recommends Greater Tax Expenditure Scrutiny	$ -	$ -	$ -	$ -
	Subtotal	**$ 11,670,885**	**$ -**	**$ -**	**$ -**
5	**Lack of Tax Expenditure Reporting in Accordance with Best Practices**	$ -	$ -	$ -	$ -
	Totals	**$ 181,906,906**	**$ -**	**$ 210,704,479**	**$ 14,716,875**

[6] Comprises amounts for missing exemption code ($170,028,495), incorrect taxable amount ($118,377), and taxable amount noted without gross receipts ($89,149).

[7] This amount is based on GRT due inaccurately calculated ($3,496,039).

[8] Amount reflects reduction in tax due from FY 2014 ($73,987,845), FY 2015 ($67,117,793), and FY 2016 ($69,598,841).

[9] Unrealized Revenue for top five and least five GRT exemptions are included in the $210,704,479 amount.

[10] Comprised of amounts for missing exemption codes ($11,498,439), overage of exemption amount claimed ($172,155), and incorrect taxable amount ($291).

Management Response and OPA Reply

A draft was transmitted to DRT in December 2017 for their official response. We met with DRT officials also in December 2017 to discuss our findings and recommendations. DRT generally concurred with the findings and recommendations as noted in their official response on December 20, 2017.

The DRT Director refuted their lack of analysis or review of FY 2012 through FY 2016 GRT data as they do review exemption details and were aware of the GRT trends. However, sample BPT reports submitted subsequent to our exit meeting did not show evidence of reviews. As a result, we noted that there was limited review of GRT data.

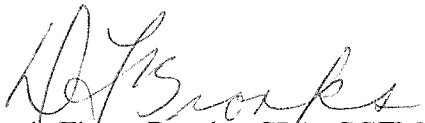
Further, we did not state GDP estimates released by BEA were questionable. We found that DRT's Power 7 system gross receipts in FY 2015 declined and was inconsistent with the GDP estimates, which continued to increase. As DRT provides BPT information to BEA, data should be regularly reviewed and evaluated. BEA noted that the information provided by GovGuam will continue to be critical to the successful production of these estimates.

See Appendix 9 for DRT's management response.

The legislation creating the Office of Public Accountability requires agencies to prepare a corrective action plan to implement audit recommendations, to document the progress of implementing the recommendation, and to endeavor to complete implementation of the recommendations no later than the beginning of the next fiscal year. We will be contacting DRT to provide the target date and title of the official(s) responsible for implementing the recommendations.

We appreciate the cooperation given to us by the staff and management of DRT and DOA during the course of this audit.

OFFICE OF PUBLIC ACCOUNTABILITY



Doris Flores Brooks, CPA, CGFM
Public Auditor

Our audit objectives were to quantify and determine the impact of GRT exemptions on GovGuam revenues. The scope of this engagement encompassed fiscal years 2012 through 2016 beginning October 1, 2011 and ending September 30, 2016.

Scope Limitation
While our scope for this audit was from October 1, 2011 to September 30, 2016 (FY 2012 to FY 2016), we were unable to determine the impact of GRT exemption on GovGuam revenues for FY 2012 and FY 2013 as data was incomplete and unreliable due to the following:

- Missing significant exemption details
- Duplicate GRT entries
- Lack of documentation to verify taxable amounts

For the data provided for FY 2014 through FY 2016, we did not validate whether DRT properly categorized the exemption details (for example, if taxpayers were eligible for the claimed exemptions). Exemption details were compared to the overall totals, where we found missing exemption codes. However, these were deemed immaterial in comparison to the total amount of exemptions claimed as follows:

	MISSING EXEMPTION CODES	TOTAL EXEMPTIONS	% OF VARIANCE
FY 2014	$ 5,332,001	$1,849,693,616	(0.2883)%
FY 2015	$ 2,413,085	1,677,942,606	0.1438%
FY 2016	$ 3,753,353	1,739,968,515	(0.2157)%
TOTAL	$ 11,498,439	$5,267,604,737	

Audit Methodology
Our audit methodology included a review of pertinent laws, rules and regulations, policies and procedures, prior audit findings, hotline tips, and other information pertinent to GRT and its exemptions. We also performed the following:

- Conducted interviews and walk-throughs with DRT officials and staff to obtain an understanding of the GRT and its exemptions process.
- Obtained and analyzed GRT data received from FY 2012 through 2016 for trends and determined exemptions claimed.
- Reviewed the DRT exemption code listing.
- Reviewed the frequency and count of taxpayers for GRT exemptions utilized.
- Performed comparative analyses to determine any variances between DRT's Power 7 transactions to DOA's financial audit.
- Recalculated the exemptions, taxable amount, and tax due for all GRT activities.
- We identified 3,312 transactions with multiple system deficiencies, such as missing exemption codes and incorrect taxable amounts. We found that 66% of the deficiencies occurred in FY 2012 and FY 2013. Of the 3,312 deficiencies, we identified the top three transactions for each system deficiency by fiscal year.

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- Requested 35 GRT filings based on the top three transactions for each system deficiency by fiscal year to determine whether the filed Form GRT-1s matched what was inputted in the Power 7 system.
- Tested 35 GRT returns to verify gross receipts, exemptions claimed, taxable amount, and tax due noted in Power 7 system.
- Identified electronically filed GRT forms versus manually processed GRT forms.
- Evaluated the internal controls of DRT's process for accounting for GRT and its exemptions.
- We noted the trends and the amount of other BPT exemptions claimed based on DRT data for informational purposes only. However, we did not verify the completeness or accuracy of the other BPT data provided by DRT as it was not within our scope.

We conducted this audit in accordance with the standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. These standards require that we plan our audit objectives and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Except for the scope limitation noted above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective.

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Appendix 2:

Prior Audit Coverage

DRT Gross Receipts Tax Exemptions, OPA Report No. 13-01, April 2013

OPA Report No. 13-01 found that:

- DRT did not process GRT forms and assess taxes and exemptions since March 2011 due to the breakdown of DRT's system and optical image scanner, along with the expiration/termination of the service agreement with the contracted vendor;
- DRT has no system in place to track the number and amount of exemptions being claimed by Guam taxpayers; therefore, the financial impact was unknown;
- GRT and exemption data was incomplete, possibly unreliable, and lacked the necessary information for management and elected leaders to make sound decisions related to GRT.
- The Treasury of Guam (TOG) point-of-sale system and Department of Administration (DOA) AS400 continue to be independent of DRT.

Without DRT effectively monitoring, reporting, and collecting GRT and reviewing exemptions claimed, there is no assurance that all GRT revenues are being collected and reported completely and accurately. The DRT Director stated that the best approach to improve efficiency and reliability of processing GRT forms is to transition to e-filing. It does not rely on system interface between TOG and DOA. To improve the recording, reporting, collecting and monitoring of DRT's BPT and exemptions, OPA recommended that the Governor, the Legislature, the DRT Director, and the DOA Director establish:

- A tax administration task force to develop an action plan for revitalizing DRT and ensuring complete filing and payment of all taxes due to Guam.
- A financial management task force to develop an action plan for the acquisition of updated financial management systems at both DRT and DOA; and
- A target date to fully transition to e-filing of GRT forms and other related taxes.

Of the three audit recommendations, the first recommendation was closed. The remaining two recommendations were partially implemented as of December 2017. Public Law 32-120 (enacted in February 2014) designated partial funding for the procurement of a FMIS. In 2016, the Guam Legislature with the support of DRT introduced several bills relative to requiring the electronic filing of BPTs and contracting with a third party to provide services for collections of non-cash payments received.

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Appendix 3:
Exemption Code Listing[11]

DEPARTMENT OF REVENUE AND TAXATION
GOVERNMENT OF GUAM
EXEMPTION CODE LISTING

Code	Exemption Reason
E01	AIR COMMERCE EXEMPTION
E02	BOS CONTRACTING SERVICES
E03	BR20 RENTAL
E04	BR20 USE
E05	26203(21) LFT SALE VESSEL-COMMRCL FISHNG
E06	26404(A) LFT TRFR VESSEL-COMMRCL FISHING
E07	CONTRACTOR LICENSE
E08	WHOLESALES TO LICENSE CONTRACTOR
E09	RETAIL TO LICENSE CONTRACTOR
E10	DAVE SANTOS AMENDMENT
E11	TOBACCO EXPORT
E12	GEDA CERTIFICATE
E13	RETAIL SALES TO GOVERNMENT OF GUAM
E14	LFT TRF TO VESSELS IN COMMERCIAL FISHING
E15	LFT TRF TO U.S. GOVERNMENT OR ANY AGENCY
E16	LFT TRF FOR AVIATION/USED IN AIRCRAFT
E17	LFT TRF BY A DISTRIBUTOR TO ANOTHER DIST
E18	LFT TRF TO GOVGUAM OR INSTRUMENTALITIES
E19	OFF ISLAND SALES
E20	26203K(31)(I) 50% OF LOCAL PRODUCE
E21	P.L. 26-149 EXEMPTION ON SUBCONT AMOUNTS

Code	Exemption Reason
E22	AGRICULTURAL PRODUCERS AND FISHERIES
E23	USE TAX EXEMPTION OR DEDUCTION
E24	WHOLESALE EXEMPTION
E25	EXEMPTION FOR INSURANCE PREMIUM
E26	BOS CONTRACTOR EXEMPTION
E27	PEALS BOARD
E28	MANUFACTURER EXEMPTIONS
E29	SUBSECTION 26202 I
E30	TOUR AGENCIES
E31	HOME INDUSTRY EXEMPTION OR HAND MANU.
E32	ALCOHOLIC BEV TO WHICH EXCISE TAX N/A
E33	RATE INCREASE FROM 4% TO 6%
E34	26203(K)(34)
E35	VISIBLE GRT
E36	GRT ROLLBACK FROM 6% TO 4%
E37	DECREASE OF EXEMPTION TO $40,000.00
E38	HOSPITALS, INFIRMARIES AND SANITARIUM
E39	HOTEL OCCUPANCY
E40	OTHERS (GOVGUAM/FEDGOV
E41	WASTEWATER MANAGEMENT
E42	PUBLIC LAW 30-230
E43	PUBLIC LAW 31-127

GRTEP1/DEC2011

[11] DRT's Power 7 system showed an additional three exemptions: E44 Hotel Occupancy-Non Profits, E45 Sales to Military (Alcohol/Tobacco), and E46 Tipping Fees Collected on Behalf of GOG.

Appendix 4:

GRT Exemption Code Description[12]

CODE	EXEMPTION REASON	DESCRIPTION	GCA / PUBLIC LAW
E01	AIR COMMERCE EXEMPTION	Use of goods imported into Guam by the owner of a vessel or vessels or of an aircraft or aircrafts engaged in interstate or foreign commerce and held for and used only for repair or replacement of said vessels or aircrafts or as ship or aircraft stores for such vessels or aircraft.	11 GCA 28 §28102(f)
E01	AIR COMMERCE EXEMPTION	Transacting business in interstate commerce.	11 GCA 26 §26101(a)(11)
E02	BOS CONTRACTING SERVICES	Any amounts received by businesses participating in the Performance of BOS Activities, as a BOS Contractor or Subcontractors of the BOS Contractor, provided that such business is a 'Guam-based Contractor or Guam-based Subcontractor' for 12 GCA §58128.7[13] purposes.	11 GCA 26 §26203(k)(33)
E03	BR20 RENTAL	The first $40,000 earned or received per taxable year by any person as rental income from real property whose gross annual rental income from real property is less than $50,000 during the most recent tax year.	11 GCA 26 §26203(k)(9)
E03	BR20 RENTAL	The value of all property of every kind and sort acquired by any person by gift, bequest or devise, and the value of all property acquired by any person by descent or inheritance.	11 GCA 26 §26203(k)(4)
E05	26203(21) LFT SALE VESSEL – COMMRCL FISHING	Amounts received from the sale of liquid fuel to vessels engaged in commercial fishing.	11 GCA 26 §26203(k)(21)
E08	WHOLESALES TO LICENSE CONTRACTOR	Amounts received from engaging or continuing in business as a wholesaler shall include the sales of tangible personal property to contractors.	11 GCA 26 §26203(k)(22)(A)
E09	RETAIL TO LICENSE CONTRACTOR	Amounts received from engaging or continuing in business as a wholesaler, except that if such persons are, in addition, engaging or continuing in business as a retailer, the provisions of this Subchapter and the taxes levied thereunder shall apply to that part of the businesses of such persons that involve retail.	11 GCA 26 §26203(k)(22)
E10	DAVE SANTOS AMENDMENT	First $40,000 earned and or received per taxable year by any person as income service, which includes, but is not limited to, legal; medical; dental; accounting; consulting and engineering fees; commissions on real estate sales or property management; fees charged by barbershops, beauty parlors, shoe shining parlors, dry cleaning and laundry establishments; and automobile, appliance, electronics and computer repair shops, whose gross annual service income is less than $50,000 during the most recent tax year.	11 GCA 26 §26203(k)(29)

[12] Exemption codes provided for claimed GRT exemptions during FY 2014~FY 2016.
[13] P.L. 31-88 repealed 12 GCA §58128.7.

CODE	EXEMPTION REASON	DESCRIPTION	GCA / PUBLIC LAW
E10	DAVE SANTOS AMENDMENT	First $40,000 earned or received per taxable year by a person, partnership or corporation as commission income whose gross annual commission income is less than $50,000 during the most recent tax year.	11 GCA 26 §26203(k)(31)
E10	DAVE SANTOS AMENDMENT	First $40,000 earned or received per taxable year by a licensed insurance company as insurance premium income whose gross annual insurance premium income is less than $50,000 during the most recent tax year.	11 GCA 26 §26203(k)(32)
E13	RETAIL SALES TO GOVERNMENT OF GUAM	All the gross proceeds received by those persons selling goods, arts or crafts in the Guam and Micronesian Cultural Village established by 12 GCA §9302 for a period of 10 years commencing on the date that business privilege tax would otherwise be required to be paid to GovGuam.	11 GCA 26 §26203(k)(12)
E13	RETAIL SALES TO GOVERNMENT OF GUAM	Amounts received from the sales of personal property to GovGuam.	11 GCA 26 §26203(k)(15)
E15	LFT TRF TO U.S. GOVERNMENT OR ANY AGENCY	Liquid fuel transferred to the United States, or any agency or instrumentality thereof for its use or consumption is exempt from the liquid fuel tax.	11 GCA 26 §26404(b)
E16	LFT TRF FOR AVIATION / USED IN AIRCRAFT	Liquid fuel transferred for aviation purposes and used solely in aircraft under charter to the U.S. Department of Defense is exempt from the liquid fuel tax.	11 GCA 26 §26404(c)
E16	LFT TRF FOR AVIATION / USED IN AIRCRAFT	Amounts received from the sales of liquid fuel to the United States of America, to GovGuam or for commercial aviation purposes.	11 GCA 26 §26203(k)(13)
E19	OFF ISLAND SALES	Provided, that gross proceeds of export sales of tangible property in foreign commerce shall not constitute a part of the measure of the tax imposed. Although not constituting a part of the measure of the tax imposed, all such sales shall be reported in the manner provided for the reporting of the tax imposed by §26202(a).	11 GCA 26 §26202(a)(1)
E21	P.L. 26-149 EXEMPTION ON SUBCONT AMOUNTS	A tax rate of 4% shall be levied, assessed and collected against the gross income of any contractor; provided, that there shall be deducted from the gross income of the taxpayer on another taxpayer who is a contractor. Prime contractors take deduction for work passed on to subcontractors.	11 GCA 26 §26202(e)
E22	AGRICULTURAL PRODUCERS AND FISHERIES	Local produce as used in this Subdivision shall mean the following: locally produced crops, including, but not limited to, plants and plant products collectively grown or cared for and used for food and other useful purposes; locally raised livestock, including but not limited to, cattle, carabao, swine, sheep, goats, equine and poultry raised for food or other purposes; and locally caught fish to include any aquatic animal life, including, but not limited to, oysters, clams, mollusks, mussels, crustaceans and other shellfish.	11 GCA 26 §26203(k)(28)(B)

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CODE	EXEMPTION REASON	DESCRIPTION	GCA / PUBLIC LAW
E24	WHOLESALE EXEMPTION	Amounts received from engaging or continuing in business as a wholesaler, except that if such persons are, in addition, engaging or continuing in business as a retailer, the provisions of this Subchapter and the taxes levied thereunder shall apply to that part of the businesses of such persons that involve retail.	11 GCA 26 §26203(k)(22)
E26	BOS CONTRACTOR EXEMPTION	Any amounts received by business participating in the Performance of BOS Activities, defined in 12 GCA §58128.7, as a BOS Contractor, or Subcontractors of the BOS Contractor, provided that such business is a 'Guam-based Contractor or Guam-based Subcontractor' for purposes of 12 GCA §58128.7.	11 GCA 26 §26203(k)(33)[14]
E28	MANUFACTURER EXEMPTIONS	Amounts received from the sale or resale of products processed or manufactured at the Guam Rehabilitation Workshop Center (Center) by registered Center clients, or certified as disabled worker products, and products processed and manufactured independently by registered Center clients where 50% of the value of the product is added by the client.	11 GCA 26 §26203(k)(17)(A)
E29	SUBSECTION 26202 I	Upon every person engaged or continuing within Guam in the business of an insurer, there shall be a 4% tax rate of gross income received as premium for the writing of insurance, less returned premiums and less all commissions attributable to the sale and purchase of an insurance policy or policies of the insurer paid by said insurer to agents of the same, and 4% of any other gross income earned or derived on Guam.	11 GCA 26 §26202(i)
E29	SUBSECTION 26202 I	Amounts received under life insurance policies and contracts paid by reason of the death of the insured.	11 GCA 26 §26203(k)(1)
E29	SUBSECTION 26202 I	Amounts received (other than amounts paid by reasons of death of the insured) under life insurance, endowment or annuity, or upon surrender of the contract.	11 GCA 26 §26203(k)(2)
E29	SUBSECTION 26202 I	Amounts received by any persons under any accident insurance or health insurance policy or contract, or under worker's compensation acts or employer's liability acts, as compensation for personal injuries, death or sickness, including also the amount of any damages or other compensation received whether as a result of action or by private agreement between the parties on account of such personal injuries, death or sickness.	11 GCA 26 §26203(k)(3)

[14] P.L. 31-88 repealed 12 GCA §58128.7.

CODE	EXEMPTION REASON	DESCRIPTION	GCA / PUBLIC LAW
E30	TOUR AGENCIES[15]	Upon every person engaging or continuing within Guam in the business of a tour agency or travel agency, where tourism-related services are furnished to consumers by independent vendors through arrangements made by a travel agency, or tour packager, and the gross income is divided between the provider of the services on the one hand and the travel agency or tour packager on the other hand, a tax equivalent of 4% shall be imposed on each person with respect to such person's respective portion of the proceeds, and no more.	11 GCA 26 §26202(j)
E31	HOME INDUSTRY EXEMPTION OR HAND MANU.	Any person doing business as home industry and holding a business license issued pursuant to §72157 of 11 GCA.	11 GCA 26 §26203(i)
E37	DECREASE OF EXEMPTION TO $40,000	The $50,000 exemptions contained in items (9), (28), (29), (30), (31), and (32) of 11 GCA §26203(k) are reduced to $40,000 effective May 1, 2007. In addition, the limitations on gross income contained in the same items of §26203(k) are decreased from $500,000 to $50,000 effective May 1, 2007.	P.L. 29-002: V:I:106
E38	HOSPITALS, INFIRMARIES AND SANITARIUM	Hospitals, infirmaries and sanitariums.	11 GCA 26 §26203(e)
E40	OTHERS (GOVGUAM/FEDGOV)	GovGuam, except as authorized in §60114.1(a) of Article 1 of Chapter 60, Title 21 of GCA; the Government of the United States; the government of any foreign sovereignty; and any agency or instrumentality of any of the foregoing governments in regard to any activity or function engaged in.	11 GCA 26 §26203(a)
E42	PUBLIC LAW 30-230	Statutorily, the change shifts the levy and payment of BPT from the sub-contractors to the prime contractor. Administratively, the change shifts the reporting of the exemption on Section B on line 9 & 10 in GRT 1 from the prime contractor to the sub-contractor.	P.L. 30-230
E43	PUBLIC LAW 31-127	All the gross proceeds received by child care facilities and group care homes which are duly licensed pursuant to Article 4 - Child Welfare Services Act, of Chapter 2, Division 1 of Title 10 GCA, for a period of five (5) years commencing on the date that any BPT would otherwise be required to be paid to GovGuam.	11 GCA 26 §26203(k)(36)
E45	SALES TO MILITARY (ALCOHOL/TOBACCO)	No tax is imposed upon the sale of alcoholic beverages to the following listed instrumentalities of the Armed Forces of the United States organized under Army, Air Force or Navy regulations: (a) Army, Air Force, Coast Guard, and Navy exchanges; and (b) Officers, "non-commissioned officers, and enlisted men's club or messes.	11 GCA 26 §26307

[15] DRT did not confirm specific exemption for tour agencies.

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CODE	EXEMPTION REASON	DESCRIPTION	GCA / PUBLIC LAW
E45	SALES TO MILITARY (ALCOHOL/TOBACCO)	Allowed to any applicant therefore a drawback of the full amount of tax paid under this Article upon a satisfactory showing, within the rules and regulations promulgated by the Tax Commissioner, that: a) Tobacco manufactured or produced in Guam, or brought in the territory of Guam, has been sold, consigned, and duly delivered to, an authorized purchaser for any United States military establishment in Guam; b) Tobacco sold, consigned and delivered to such military establishment was not the subject of any prior sales transaction in Guam other than a transfer of substantially the entire stock in trade, good will and franchise or other rights concerning the tobacco upon which the tax has been paid; c) Taxes levied under this Article have been fully paid to the government of Guam; and d) Applicant applying for the drawback is a duly licensed wholesaler or retailer, in Guam.	11 GCA 26 §26605

Local Tax Revenues for FY 2014[16]

Line No	Activity	Gross Receipts	Exemption	Taxable	Tax Due	Tax Paid
A. Gross Receipts Tax						
1	Wholesaling	$1,097,960,064	$1,023,011,091	$ 74,948,973	$ 2,997,958	
2	Retailing	2,810,350,429	304,594,299	2,505,756,130	100,230,206	
3	Service	1,468,206,808	133,100,956	1,335,105,852	53,404,207	
4	Rental Real Prop.	404,662,474	57,367,007	347,295,467	13,891,809	
5	Rental Others	158,769,862	4,353,639	154,416,222	6,176,645	
6	Profession	154,488,174	15,362,880	139,125,294	5,565,008	
7	Commission	99,990,986	5,604,600	94,386,386	3,775,450	
8	Insurance Premium	317,098,618	153,452	316,945,167	12,677,805	
9	Contracting (Local)	977,515,447	295,569,887	681,945,560	27,277,819	
10	Contracting (US)	63,533,451	-	63,533,451	2,541,338	
11	Interest	10,877,252	-	10,877,252	435,086	
12	Amusement	30,992,799	-	30,992,799	1,239,712	
13	Others GRT	40,552,422	10,575,805	29,976,618	1,199,063	
	Sub-Total	$7,634,998,786	$1,849,693,616	$5,785,305,171	$231,412,106	$238,249,400
B. Use Tax						
15	Importation	7,456,919	170,287	7,286,632	291,465	
16	Local Purchases	1,558,426	-	1,558,426	62,337	
17	Inventory Used	991,029	-	991,029	39,641	
	Sub-Total	$ 10,006,374	$ 170,287	$ 9,836,087	$ 393,443	
C. Hotel Occupancy Tax						
19	Hotel/Motel	300,482,489	14,404	300,468,085	33,051,488	
20	Others	252	-	252	28	
	Sub-Total	$ 300,482,740	$ 14,404	$ 300,468,336	$ 33,051,516	
D. Liquid Fuel Tax / Automotive Surcharge						
22	Diesel Fuel	33,152,264	25,527,352	7,624,912	762,491	
23	Surcharge	33,148,957	25,524,352	7,624,605	304,984	
24	Gasoline	54,148,220	14,647,372	39,500,848	4,345,093	
25	Surcharge	54,146,477	14,647,372	39,499,105	1,579,964	
26	Others	188,312	43,468	144,844	15,933	
27	Surcharge	43,468	43,468	-	-	
28	Commercial Aviation	49,394,122	5,982,609	43,411,513	1,736,461	
	Sub-Total	$ 224,221,819	$ 86,415,993	$ 137,805,826	$ 8,744,926	$ 9,791,970
E. Tobacco Tax						
30	Cigarettes	1,614,482	373,746	1,240,736	18,611,040	
31	Cigars (Mini)	13,550	-	13,550	5,420	
32	Cigars (Standard)	53,895	36,370	17,525	7,711	
33	Cigars (Large)	400	-	400	200	
34	Cigars (Others)	-	-	-	-	
35	Cigars (Prior to March 24, 2000)	-	-	-	-	
36	Others (Other Tobacco Products)	38,616	6,313	32,303	882,899	
	Sub-Total	$ 1,720,943	$ 416,429	$ 1,304,514	$ 19,507,270	$ 20,960,702
F. Alcohol Tax						
38	Distilled Spirit	61,926	16,290	45,636	821,452	
39	Vinous Beverages	100,423	32,622	67,801	335,615	
40	Malted Fermented	31,136,148	7,348,462	23,787,686	1,665,139	
	Sub-Total	$ 31,298,496	$ 7,397,374	$ 23,901,123	$ 2,822,205	$ 2,207,886
	FY 2014 TOTAL	8,202,729,159	1,944,108,103	6,258,621,057	295,931,466	271,209,958

[16] We did not verify the transactions for Use Tax, Hotel Occupancy Tax, Liquid Fuel Tax, Tobacco Tax, and Alcohol Tax. Further, the Tax Paid column is based on the FY 2014 GovGuam Financial Audit.

Doc. No. 34GL-17-1352.

Local Tax Revenues for FY 2015[17]

Line No	Activity	Gross Receipts	Exemption	Taxable	Tax Due	Tax Paid
A. Gross Receipts Tax						
1	Wholesaling	$ 1,037,239,367	$ 970,211,878	$ 67,027,489	$ 2,681,099	
2	Retailing	2,737,468,508	267,670,821	2,469,797,978	98,791,880	
3	Service	1,503,999,795	143,464,274	1,360,535,521	54,421,393	
4	Rental Real Prop.	392,821,896	57,352,977	335,468,919	13,418,747	
5	Rental Others	159,003,279	3,664,748	155,338,531	6,213,537	
6	Profession	154,015,914	17,548,206	136,467,709	5,458,704	
7	Commission	106,776,536	5,491,122	101,285,413	4,051,412	
8	Insurance Premium	215,514,530	1,074,972	214,439,559	8,577,581	
9	Contracting (Local)	864,414,155	199,740,597	664,673,557	26,586,939	
10	Contracting (US)	40,315,097	-	40,315,097	1,612,604	
11	Interest	4,294,769	-	4,294,769	171,787	
12	Amusement	30,509,709	-	30,509,709	1,220,388	
13	Others GRT	37,125,517	11,723,011	25,402,506	1,016,099	
	Sub-Total	$ 7,283,499,071	$ 1,677,942,606	$ 5,605,556,756	$ 224,222,170	$ 226,592,159
B. Use Tax						
15	Importation	7,168,899	12,113	7,156,785	286,270	
16	Local Purchases	1,375,086	-	1,375,086	55,003	
17	Inventory Used	1,145,489	-	1,145,489	45,820	
	Sub-Total	$ 9,689,474	$ 12,113	$ 9,677,361	$ 387,093	
C. Hotel Occupancy Tax						
19	Hotel/Motel	312,517,355	16,954	312,500,401	34,375,042	
20	Others	26,535	-	26,535	2,919	
	Sub-Total	$ 312,543,890	$ 16,954	$ 312,526,935	$ 34,377,961	
D. Liquid Fuel Tax / Automotive Surcharge						
22	Diesel Fuel	34,665,081	26,869,629	7,795,452	779,545	
23	Surcharge	34,661,166	26,863,739	7,797,427	311,897	
24	Gasoline	53,424,576	14,794,030	38,630,546	4,249,360	
25	Surcharge	53,422,512	14,794,030	38,628,482	1,545,139	
26	Others	11,000	11,000	-	-	
27	Surcharge	11,000	11,000	-	-	
28	Commercial Aviation	44,380,588	6,417,569	37,963,019	1,518,521	
	Sub-Total	$ 220,575,922	$ 89,760,997	$ 130,814,925	$ 8,404,462	$ 9,931,635
E. Tobacco Tax						
30	Cigarettes	1,408,638	237,704	1,170,934	17,564,010	
31	Cigars (Mini)	20,698	-	20,698	8,279	
32	Cigars (Standard)	46,282	30,865	15,417	6,783	
33	Cigars (Large)	800	-	800	400	
34	Cigars (Others)	395	-	395	174	
35	Cigars (Prior to March 24, 2000)	-	-	-	-	
36	Others (Other Tobacco Products)	31,351	5,585	25,766	1,030,632	
	Sub-Total	$ 1,508,164	$ 274,154	$ 1,234,010	$ 18,610,278	$ 19,722,736
F. Alcohol Tax						
38	Distilled Spirit	60,234	16,626	43,608	784,940	
39	Vinous Beverages	83,165	25,360	57,805	286,134	
40	Malted Fermented	34,661,673	8,662,376	25,999,297	1,819,953	
	Sub-Total	$ 34,805,071	$ 8,704,362	$ 26,100,709	$ 2,891,026	$ 2,778,336
	FY 2015 TOTAL	$ 7,862,621,591	$ 1,776,711,186	$ 6,085,910,696	$ 288,892,991	$ 259,024,866

[17] We did not verify the transactions for Use Tax, Hotel Occupancy Tax, Liquid Fuel Tax, Tobacco Tax, and Alcohol Tax. Further, the Tax Paid column is based on the FY 2015 GovGuam Financial Audit.

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Local Tax Revenues for FY 2016[18]

Line No	Activity	Gross Receipts	Exemption	Taxable	Tax Due	Tax Paid
A. Gross Receipts Tax						
1	Wholesaling	$ 1,109,416,784	$ 1,039,509,424	$ 69,907,360	$ 2,796,294	
2	Retailing	2,819,825,623	255,636,537	2,564,189,086	102,567,525	
3	Service	1,618,753,025	186,927,310	1,431,825,715	57,273,002	
4	Rental Real Prop.	430,368,446	56,441,987	373,926,459	14,957,048	
5	Rental Others	170,157,704	4,078,616	166,079,087	6,643,160	
6	Profession	165,186,236	17,745,836	147,440,400	5,897,612	
7	Commission	117,778,671	5,490,074	112,288,598	4,491,539	
8	Insurance Premium	228,214,041	1,348,815	226,865,226	9,074,608	
9	Contracting (Local)	848,805,801	147,348,442	701,457,360	28,058,290	
10	Contracting (US)	51,230,226	-	51,230,226	2,049,209	
11	Interest	4,134,574	-	4,134,574	165,379	
12	Amusement	32,658,744	-	32,658,744	1,306,350	
13	Others GRT	50,721,970	25,441,475	25,280,495	1,011,218	
	Sub-Total	$ 7,647,251,845	$ 1,739,968,515	$ 5,907,283,329	$ 236,291,233	$ 238,304,786
B. Use Tax						
15	Importation	8,305,081	13,805	8,291,276	331,650	
16	Local Purchases	942,122	-	942,122	37,685	
17	Inventory Used	2,151,637	-	2,151,637	86,065	
	Sub-Total	$ 11,398,841	$ 13,805	$ 11,385,036	$ 455,400	
C. Hotel Occupancy Tax						
19	Hotel/Motel	359,745,178	24,480	359,720,698	39,569,275	
20	Others	71,542	-	71,542	5,464	
	Sub-Total	$ 359,816,720	$ 24,480	$ 359,792,240	$ 39,574,739	
D. Liquid Fuel Tax / Automotive Surcharge						
22	Diesel Fuel	64,785,385	56,940,227	7,845,158	784,516	
23	Surcharge	64,779,470	56,940,024	7,839,446	313,578	
24	Gasoline	60,350,736	16,786,473	43,564,263	4,792,069	
25	Surcharge	60,347,831	16,786,122	43,561,709	1,742,468	
26	Others	23,328	22,635	693	76	
27	Surcharge	23,328	22,635	693	28	
28	Commercial Aviation	50,642,867	8,271,047	42,371,820	1,694,873	
	Sub-Total	$ 300,952,945	$ 155,769,163	$ 145,183,782	$ 9,327,608	$ 10,051,209
E. Tobacco Tax						
30	Cigarettes	2,281,873	817,990	1,463,883	21,958,245	
31	Cigars (Mini)	24,190	-	24,190	9,676	
32	Cigars (Standard)	74,131	47,043	27,088	11,919	
33	Cigars (Large)	516	-	516	258	
34	Cigars (Others)	-	-	-	-	
35	Cigars (Prior to March 24, 2000)	-	-	-	-	
36	Others (Other Tobacco Products)	34,687	5,703	28,984	1,159,355	
	Sub-Total	$ 2,415,397	$ 870,736	$ 1,544,661	$ 23,139,453	$ 20,104,227
F. Alcohol Tax						
38	Distilled Spirit	58,862	15,928	42,934	772,808	
39	Vinous Beverages	92,500	28,036	64,464	319,097	
40	Malted Fermented	31,030,798	7,860,570	23,170,228	1,621,916	
	Sub-Total	$ 31,182,160	$ 7,904,534	$ 23,277,626	$ 2,713,821	$ 2,895,727
	FY 2016 TOTAL	$ 8,353,017,907	$ 1,904,551,234	$ 6,448,466,673	$ 311,502,254	$ 271,355,949

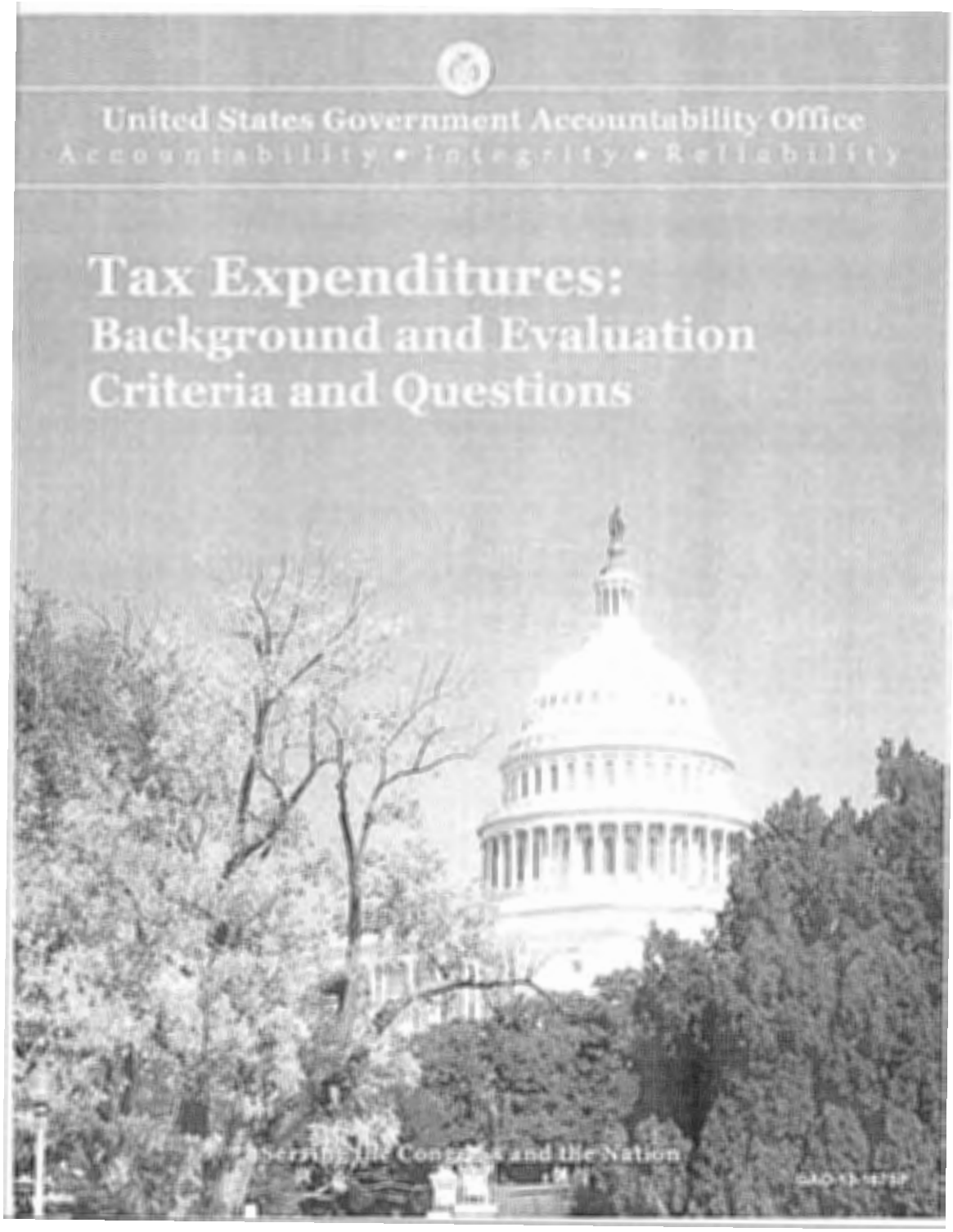
[18] We did not verify the transactions for Use Tax, Hotel Occupancy Tax, Liquid Fuel Tax, Tobacco Tax, and Alcohol Tax. Further, the Tax Paid column is based on the FY 2016 GovGuam Financial Audit.

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Appendix 6:

FY 2014 ~ FY 2016 GRT Tax Exemptions Claimed

CODE	EXEMPTION REASON	2014	2015	2016	TOTAL
E24	WHOLESALE EXEMPTION	$ 890,228,783	$ 880,319,331	$ 953,786,248	$ 2,724,334,361
E19	OFF ISLAND SALES	210,426,857	178,218,452	133,139,165	521,784,474
E42	PUBLIC LAW 30-230	176,030,078	158,472,193	139,210,118	473,712,389
E37	DECREASE OF EXEMPTION TO $40,000	104,583,855	104,171,223	100,275,884	309,030,961
E22	AGRICULTURAL PRODUCERS AND FISHERIES	129,226,300	57,076,604	27,435,845	213,738,748
E13	RETAIL SALES TO GOVERNMENT OF GUAM	63,115,436	48,890,141	51,786,615	163,792,192
E16	LFT TRF FOR AVIATION/USED IN AIRCRAFT	79,806,602	38,204,207	35,183,551	153,194,360
E01	AIR COMMERCE EXEMPTION	45,265,065	42,739,452	42,596,576	130,601,093
E08	WHOLESALES TO LICENSE CONTRACTOR	37,371,855	38,011,002	29,242,454	104,625,312
E15	LFT TRF TO U.S. GOVERNMENT OR ANY AGENCY	5,384,090	11,610,527	54,082,109	71,076,725
E38	HOSPITALS, INFIRMARIES AND SANITARIUM	9,277,484	8,266,435	51,129,509	68,673,427
E09	RETAIL TO LICENSE CONTRACTOR	16,078,638	18,937,863	20,951,334	55,967,835
E30	TOUR AGENCIES	12,529,966	18,696,554	20,095,931	51,322,452
E28	MANUFACTURER EXEMPTIONS	9,887,207	9,099,250	23,958,997	42,945,454
E40	OTHERS (GOVGUAM/FEDGOV)	12,006,719	17,704,110	11,406,157	41,116,986
E10	DAVE SANTOS AMENDMENT	12,609,290	12,212,767	12,115,786	36,937,843
E21	P.L. 26-149 EXEMPTION ON SUBCONT AMOUNTS	8,324,463	10,655,015	12,943,143	31,922,621
E02	BOS CONTRACTING SERVICES	9,999,544	9,823,273	6,243,598	26,066,415
E43	PUBLIC LAW 31-127	4,022,831	5,118,388	5,907,442	15,048,660
E31	HOME INDUSTRY EXEMPTION OR HAND MANU.	3,641,823	2,614,414	1,467,526	7,723,763
E05	26203(21) LFT SALE VESSEL-COMMRCL FISHING	2,843,204	1,930,963	917,403	5,691,570
E45	SALES TO MILITARY (ALCOHOL/TOBACCO)	391,433	1,718,068	796,121	2,905,622
E29	SUBSECTION 26202 I	123,888	1,007,568	1,291,404	2,422,859
E03	BR20 RENTAL	1,045,185	-	-	1,045,185
E26	BOS CONTRACTOR EXEMPTION	141,018	203,877	252,250	597,145
	CLAIMED EXEMPTIONS SUBTOTAL	**$ 1,844,361,615**	**$ 1,675,701,676**	**$ 1,736,215,163**	**$ 5,256,278,453**
	UNKNOWN EXEMPTIONS	5,332,001	2,413,085	3,753,353	11,498,139
	FY TOTAL	**$ 1,849,693,616**	**$ 1,677,942,606**	**$ 1,739,968,515**	**$ 5,267,604,737**



[19] The full best practice may be viewed online at https://www.gao.gov/assets/660/650371.pdf.

Doc. No. 34GL-17-1352.

TAX EXPENDITURES: BACKGROUND AND EVALUATION CRITERIA AND QUESTIONS

Tax expenditures are provisions, such as special credits and deductions, that reduce taxpayers' tax liability. If well designed and implemented, tax expenditures can provide incentives for taxpayers to engage in particular activities or adjust for their ability to pay taxes. However, tax expenditures represent a substantial financial commitment—if Department of the Treasury estimates are summed, an estimated $1 trillion in revenue was forgone for fiscal year 2011. Since 1994, GAO has recommended greater scrutiny of tax expenditures. This guide (GAO-13-167SP) describes criteria for assessing tax expenditures and develops questions, as summarized below, that Congress can ask about a tax expenditure's effectiveness.

1 What is the tax expenditure's purpose and is it being achieved?

- **What is the tax expenditure's intended purpose?**
- **Have performance measures been established to monitor success in achieving the tax expenditure's intended purpose?**
- **Does the tax expenditure succeed in achieving its intended purpose?**

2 Even if its purpose is achieved, is the tax expenditure good policy?

- **Does the tax expenditure generate net benefits in the form of efficiency gains for society as a whole?**
  - o What is the benefit to society of the activity the tax expenditure encourages?
  - o Do any performance measures established for the tax expenditure measure these benefits to society?
  - o What are the costs of the resources used to generate the tax expenditure's benefits?
  - o Do the benefits of the tax expenditure exceed its costs?
- **Is the tax expenditure fair or equitable?**
  - o Does the tax expenditure result in different benefits for similarly situated taxpayers?
  - o Do taxpayers with different abilities to pay receive different benefits from the tax expenditure?
  - o Who actually benefits from the tax expenditure?
- **Is the tax expenditure simple, transparent, and administrable?**
  - o What are planning, recordkeeping, reporting, and other compliance costs for taxpayers in using the tax expenditure?
  - o Can taxpayers understand how the tax expenditure works?
  - o What are the costs to IRS and third parties in administering the tax expenditure?

3 How does the tax expenditure relate to other federal programs?

- **Does the tax expenditure contribute to a designated cross-agency priority goal?**
- **Does the tax expenditure duplicate or overlap with another federal effort?**
- **Is the tax expenditure being coordinated with other federal activities?**
- **Would an alternative to the tax expenditure more effectively achieve its intended purpose?**
  - o Is a different tax expenditure design preferable?
  - o Is a spending or other non-tax policy tool preferable to the tax expenditure?

4 What are the consequences for the federal budget of the tax expenditure?

- **Are there budget effects not captured by Treasury's or the Joint Committee on Taxation's tax expenditure estimates?**
  - o Would eliminating or creating the tax expenditure affect revenue loss estimates for other tax expenditures?
  - o Would eliminating or creating the tax expenditure affect other federal taxes, such as the payroll tax?
  - o Would eliminating or creating the tax expenditure change taxpayer behavior in ways that affect revenue?
  - o Would eliminating or creating the tax expenditure affect the amount the government spends on other programs?
- **Are there options for limiting the tax expenditure's revenue loss?**
  - o Can the aggregate amount that taxpayers claim for the tax expenditure be capped?
  - o Can taxpayers' eligibility for the tax expenditure be restricted?
  - o For eligible taxpayers, can the value of the tax expenditure be reduced?

5 How should evaluation of the tax expenditure be managed?

- **What agency or agencies should evaluate the tax expenditure?**
- **When should the tax expenditure be evaluated?**
- **What data are needed to evaluate the tax expenditure?**

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TAX EXPENDITURES: BACKGROUND AND EVALUATION CRITERIA AND QUESTIONS

November 29, 2012

The Honorable John Lewis
Ranking Member
Committee on Ways and Means
Subcommittee on Oversight
United States House of Representatives

The Honorable Lloyd Doggett
United States House of Representatives

Tax expenditures are reductions in a taxpayer's tax liability that are the result of special exemptions and exclusions from taxation, deductions, credits, deferrals of tax liability, or preferential tax rates. Similar to spending programs, tax expenditures represent a substantial federal commitment to a wide range of mission areas. If the Department of the Treasury (Treasury) estimates are summed, an estimated $1 trillion in revenue was forgone from the 173 tax expenditures reported for fiscal year 2011.[1] Tax expenditures are often aimed at policy goals similar to those of federal spending programs. Existing tax expenditures, for example, are intended to encourage economic development in disadvantaged areas, finance postsecondary education, and stimulate research and development. For some tax expenditures, forgone revenue can be of the same magnitude or larger than related federal spending for some mission areas. The revenue the federal government forgoes from a tax expenditure reduces revenue available to fund other federal activities, requires higher tax rates to raise any given amount of revenue, increases the budget deficit, or reduces any budget surplus.

Our previous work has shown that, once enacted, tax expenditures and their relative contributions toward achieving federal missions and goals are often less visible than spending programs, which are subject to more systematic review.[2] One reason for this is that they often operate, in practice, like entitlement programs not subject to annual appropriations. Since 1994, we have recommended greater scrutiny of tax expenditures, as periodic reviews could help determine how well specific tax expenditures work to achieve their goals and how their benefits and costs compare to those of programs with similar goals. However, the Executive Branch has made little progress in developing a framework for systematically evaluating tax expenditures.[3]

[1]Treasury does not report tax expenditures that result in revenue losses of less than $5 million for each year of the 7 year period for which it reports tax expenditure estimates. Summing revenue loss estimates does not take into account possible interactions between individual provisions or potential behavioral responses to changes in these provisions on the part of taxpayers. Additionally, Treasury's revenue loss estimates include the effect of certain tax credits on receipts only and not the effect of the credits on outlays, which Treasury reports separately.

[2]GAO, *Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined*, GAO-05-690 (Washington, D.C.: Sept. 23, 2005) and *Tax Policy: Tax Expenditures Deserve More Scrutiny*, GAO/GGD/AIMD-94-122 (Washington, D.C.: June 3, 1994).

[3]GAO-05-690 and GAO/GGD/AIMD-94-122.

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More recently, the Government Performance and Results Act (GPRA) Modernization Act of 2010 (GPRAMA)[4] established a framework for providing a more crosscutting and integrated approach to focusing on results and improving government performance, including for tax expenditures. GPRAMA makes clear that tax expenditures are to be included in identifying the range of federal agencies and activities that contribute to crosscutting goals. Moving forward, GPRAMA implementation can help inform tough choices in setting priorities as policymakers address the rapidly building fiscal pressures facing our national government.[5]

Given your interest in tax expenditures' effectiveness, you asked us to develop a framework that could be used to evaluate their performance. In response, this guide describes criteria for assessing tax expenditures and develops questions Congress can ask about a tax expenditure's performance.

As agreed with your offices, unless you publicly announce the contents of this guide earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to interested congressional committees, the Director of the Office of Management and Budget (OMB), Secretary of the Treasury, Commissioner of Internal Revenue, and other interested parties. In addition, the guide will be available at no charge on the GAO website at http://www.gao.gov. If you or your staffs have any questions about this guide, please contact me at (202) 512-9110 or whitej@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this guide are listed in appendix II.

Sincerely,

James R. White
Director
Strategic Issues

[4]Pub. L. No. 111-352, 124 Stat. 3866 (Jan. 4, 2011).

[5]For more information on GPRAMA, see GAO, *Managing for Results: A Guide for Using the GPRA Modernization Act to Help Inform Congressional Decision Making*, GAO-12-621SP (Washington, D.C., June 15, 2012).

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NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

Tax Expenditure Budgets and Reports: Best Practices

What is a "tax expenditure"?

A tax expenditure is an exemption, deduction, credit, exclusion, or other deviation from the normal tax structure. Tax expenditures may be used to economically benefit taxpayers who the government has identified as needing assistance. They may also serve as an incentive for certain economic or social behavior.

Until recently, tax expenditures were largely invisible to the public and even to policymakers. Some states still have no accounting of tax expenditures and, even in states where reports are issued, these preferential tax provisions have largely escaped the annual or periodic review considered normal and essential for direct appropriations. Increasingly, the public and policymakers agree that an accounting and review of tax expenditures should be part of regular sound budget practices.

What is a tax expenditure report?

More than two-thirds of the states now prepare regular tax expenditure budgets or reports to provide the public and policymakers with up-to-date information on the impact of preferential tax provisions (both "tax expenditures" and elements of "normal" taxation) in the tax code. In many states, tax expenditure reports simply list statutory exemptions, credits, and exclusions without identifying those provisions that are part of the normal tax structure. This is one reason why, in many states, tax expenditure reports have not been effective tools to help legislators review and improve the tax code. **In order for it to be effective, a complete and frequently updated tax expenditure report is essential for good policymaking.**

What are best practices for defining a "normal" tax provision?

While tax expenditure reports have become increasingly common, the absence of standard definitions for "tax expenditure" and "normal" tax structure has made reading tax expenditure reports complicated. The absence of a clearly identified and articulated definition of where the normal tax code ends and tax expenditures begin can lead to unsound policy choices. It has also made state-to-state comparisons exceedingly difficult.

There is no single definition of what is meant by a normal tax structure. Both within a state and across state lines, there is much debate about which provisions of a state's tax code are tax expenditures and which are part of the normal tax structure. Deductions for ordinary and necessary business expenses and sales tax exemptions for purchases of business inputs are generally considered part of the "normal" tax structure but in some states are listed as tax expenditures. Sales tax exemptions for food and clothing or property tax circuit breakers, similarly, may be considered part of the "normal" tax structure or tax expenditures.

Each state needs to determine what provisions of the tax code are foundational elements of the tax system and not deviations from it, and this requires judgment calls by policymakers. In order to create effective and useful tax expenditure reports, state legislators must play an integral role in defining the normal tax base. To assist in this effort, the Executive Committee Task Force on State and Local Taxation (SALT) has developed this list of questions for legislators to consider in developing a process to define the normal tax base:

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1. Who should determine the normal tax structure? Should the normal tax structure be determined by a special legislative committee, a created commission, or some other authority?
2. Depending on the authority making the determination of the normal tax structure, what other procedures or controls should be built into the overall process. For example, if a commission has authority, should unelected stakeholders be included in the process? If the executive branch has authority, what is the role of the legislature in reviewing and approving executive branch recommendations?
3. How often should the "normal" tax structure definition be reviewed?
4. Which taxes should be included under the scope of the review? Should the review be limited to only taxes that are major state revenue sources, such as personal income, corporation income/franchise, sales and use, special industry, etc.? Should local taxes, such as the property tax, be included?

What are "best practices" for tax expenditure reports?

State tax expenditure reports should include information on all major state and local taxes (personal and corporate income taxes, sales and use taxes, real and personal property taxes, excise and gross receipts taxes, etc.)

To ensure that reports are accurate, informative, and transparent, there should be a protocol, codified in statute, which specifies the elements of the tax expenditure report.

It should:

1. Be easily accessible and available on-line;
2. Be completed in time for budget and policy decisions;
3. Define or describe the normal tax structure for each tax included in the report and identify deviations, both those that benefit and those that penalize a class of taxpayers;
4. Include, for each tax expenditure
    a. the date the tax expenditure was enacted,
    b. the statutory citation or federal law reference,
    c. the tax policy rationale and desired outcome, including, where specified in law and as appropriate for each tax expenditure, clearly identified metrics for assessing the effectiveness of the expenditure (e.g. number of jobs created, low-income citizens served, conflicts with federal tax policy avoided, etc.),
    d. information regarding the categories of taxpayers that benefit,
    e. an updated estimate of the revenue impact (positive or negative) of the tax expenditure,
    f. categorization of tax expenditures both by tax type and, as appropriate, budget category, and
    g. a review schedule and/or, as desired or specified in law, an expiration or sunset date;
5. Make clear the methodology and limits of estimates provided in the report.

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What are "best practices" for evaluating tax expenditures?

While better tax expenditure reports are a critical first step, the data in these reports must be reviewed and evaluated in order to produce better public policymaking. Here, too, there are some "best practices":

1. Tax expenditures should be an integral part of the state's budgeting process, subject to a comparable regular review and approval process as other expenditures. Each tax expenditure should be reviewed regularly, with a frequency of review taking into account the trade-off between available resources to undertake the review and the cost of the tax expenditure.
2. There should be clarity about who is responsible for this review. Should it be done by a special legislative committee, a created commission, or some other authority (such as the executive branch)?
3. Evaluations should be based on measurable goals and draw clear conclusions on the effectiveness of each tax expenditure.
4. Rigorous evaluations should determine costs and benefits of each tax expenditure, and allow policymakers to ask critical questions, including:
   a) Is the purpose, cost and benefit of each tax expenditure clear?
   b) Are there clear metrics to determine the tax expenditure's effectiveness?
   c) If no readily available data exists to measure a tax expenditure, how should it be evaluated?
   d) To what extent did the tax expenditure affect choices made by taxpayers?
   e) Did the expenditure achieve its purpose?
   f) Who was affected by the tax expenditure?
   g) Did the benefits of the tax expenditure outweigh the effects of the tax increases or spending cuts needed to offset it?
5. The Governor and appropriate legislative committees should review the reports to determine whether tax expenditures should be continued, modified or eliminated. This should be part of the state's normal budgeting process.

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Dipáttamenton Kontribusion yan Adu'ànâ
DEPARTMENT OF
REVENUE AND TAXATION
GOVERNMENT OF GUAM Gubetnamenton Guåhan

EDDIE BAZA CALVO, Governor Maga'lahi
RAY S. TENORIO, Lt. Governor Tinieute Gubetnadot

JOHN P. CAMACHO, Director
Direktot
MARIE M. BENITO, Deputy Director
Sigunda Direktot

December 20, 2017

Doris Flores Brooks, CPA, CGFM
Public Auditor
Office of Public Accountability
Suite 401, DNA Building
238 Archbishop Flores Street
Hagatna, GU 96910

RECEIVED
OFFICE OF PUBLIC ACCOUNTABILITY
BY: C. Roque
DATE: 12/20/17
TIME: 4:10 ☐AM ☒PM

Re: Gross Receipts Tax Exemptions
Performance Audit

Buenas yan Saludu,

The Department of Revenue & Taxation (DRT) hereby submits their official response to your recommendation stated below,

"DRT management and BPT branch staff analyze GRT data and resolve system errors, regularly review GRT data and investigate any irregularities, and work with policymakers to carryout best practices of tax expenditure reviews, budgets and reports".

As mentioned in your audit report, DRT was involved with several projects between 2011 and 2013. The optical scanner and the Transaction Processing System (TPS), were introduced to enhance the processing production. DRT has since ceased the optical scanning operation because of the cost associated with the upkeep of its IT infrastructure. Understanding that both projects brought upon challenges, DRT has since then pursued mandatory electronic filing of GRT tax forms. DRT has provided testimony to support legislation for this cause with the latest Legislative Bill being 339-33 that occurred in October 2016. DRT's unwavering position remains with our pursuit towards electronic filing. In addition, we've engaged in and continued dialogue with OTech/DOA and DOI for merging of the separate TPS systems.

Regarding your claim that DRT "did not conduct an analysis or review of FY2012 through 2016 GRT data". DRT refutes this statement and maintains that many studies were generated as evident with the Fiscal Teams successes on their bond financing efforts. Annual studies from the Bureau of Economic Analysis (BEA), attest to the reliance of GRT data. Your claim that GDP estimates released from BEA are questionable, can only lead many to speculate the BEA's integrity of federally mandated programs. DRT remains confident that their data collection is unbiased and accountable.

Aside from the differing views of this performance audit, DRT maintains committed to putting forth a diligent effort towards more accountability of its GRT data and Tax Expenditures by directing the following;

- Recent Assignment of our Taxpayer Services Administrator, Mr. Lawrence S. Terlaje, to create programs to monitor systemically all the GRT data quarterly.

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- This task will include hiring of a Supervisor for BPT Branch and reassessing of the operations to ensure that staff productivity leads to a reliable and useful analysis.
- Creation of a work-group to annually review reports and investigate any inconsistencies or irregularities.
- Capitalizing of reliable reports by corroborating with all necessary within the Executive and Legislative Branches of the Government of Guam.

I am confident with DRT's ability and would like to reiterate that we are committed to providing an effective and efficient tax administration.

If you have any questions, please contact me at 635-1815 or email at john.camacho@revtax.guam.gov.

Sensenmente,

JOHN P. CAMACHO
Director

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Appendix 10:

Status of Audit Recommendations

No.	Addressee	Audit Recommendation	Status	Action Plan Provided
1	DRT	We recommend DRT management and BPT branch staff to: • Analyze GRT data and resolve system errors by conducting in-house corrections; • Regularly review GRT data and investigate any irregularities; and • Work with policymakers to develop a more comprehensive and systematic strategy to review all tax expenditures on a regular basis.	OPEN	• Recent assignment of DRT Taxpayer Services Administrator, Mr. Lawrence S. Terlaje, to create programs to monitor systematically all the GRT data quarterly. • Hiring of a BPT Branch Supervisor and reassessing the operations to ensure that staff productivity leads to a reliable and useful analysis. • Creation of a work-group to annually review reports and investigate any inconsistencies or irregularities. • Capitalizing of reliable reports by corroborating with all necessary within the GovGuam Executive and Legislative Branches.

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Department of Revenue & Taxation
Gross Receipts Tax Exemptions
Report No. 17-08, December 2017

ACKNOWLEDGEMENTS

Key contributions to this report were made by:

Clariza Roque, CICA, Auditor-in-Charge
Llewelyn Terlaje, CGAP, CGFM, Audit Supervisor
Doris Flores Brooks, CPA, CGFM, Public Auditor

MISSION STATEMENT

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VISION

The Government of Guam is the model for good governance in the Pacific. OPA is a model robust audit office.

CORE VALUES

Objectivity: To have an independent and impartial mind.
Professionalism: To adhere to ethical and professional standards.
Accountability: To be responsible and transparent in our actions.

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- **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.