



BUREAU OF CUSTOMS

MAKABAGONG ADUANA, MATATAG NA EKONOMIYA



PROFESSIONALISM

INTEGRITY

ACCOUNTABILITY

OCOM Memo No. 38-2022

MEMORANDUM

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TO : ALL DISTRICT COLLECTORS
ALL OTHERS CONCERNED

FROM : 
REY LEONARDO B. GUERRERO
Customs Commissioner



BOC-01-06461

SUBJECT : SUBMISSION OF MONTHLY REPORTS ON ABANDONED
AND FORFEITED GOODS

DATE : 17 March 2022

This has reference to COA AOM No. 2022-005(21), copy of which is hereto attached for ready reference, relative to the audit conducted on Confiscated Property/Assets of the Bureau, stating therein its observations and recommendations on deficiencies found during the audit.

In view thereof, you are hereby directed to submit a report on abandoned and forfeited goods still pending in your respective ports including the fair market value using the template provided herein on or before 31 March 2022 and three (3) days after each month.

For strict compliance.



**COMMISSION ON AUDIT
BUREAU OF CUSTOMS (BOC)**

Office of the Resident Auditor

*Port Area, Manila
Tel No.: 8527-4581*

AUDIT OBSERVATION MEMORANDUM

AOM-No. 2022-005(21)

Date: March 14, 2022

For : REY LEONARDO B. GUERRERO
Commissioner
Bureau of Customs

Attention : Atty. EDWARD JAMES A. DY BUCO
Deputy Commissioner
Assessment & Operations Coordination Group

DONATO B. SAN JUAN
Deputy Commissioner
Internal Administration Group

MARILOU A. CABIGON
Chief Accountant/ Collector V
Financial Management Office

9/3/14/2022

We have audited the account Confiscated Property/Assets of the Bureau of Customs as of December 31, 2021, and observed the following deficiencies:

Various confiscated assets in the amount of **₱826,538,968.09** were not recognized in the books of BOC due to non-submission of the list of abandoned/seized and forfeited goods/articles by ACDD from various ports to the accounting division, thus resulting in the understatement of Confiscated Property/Assets, Accumulated Surplus, and Miscellaneous Income totaling ₱826,538,968.09, ₱11,693,255.67, and ₱814,845,712.42, respectively. Moreover, there are some abandoned and forfeited received by ports that are without fair value due to non-appraisal.

Chapter 3, of the Revised Chart of Accounts of the Government Accounting Manual, states that:

Confiscated Property/Assets account is debited to recognize the fair value of confiscated property/assets controlled by the government, and is credited for disposal, reclassification to other PPE accounts, and/or adjustments.

Further, paragraph 140 of International Public Standard Accounting Standards (IPSAS), states that the notes shall:

(a) xxx; and

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(b) Disclose the information required by IPSASs that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement; and

(c) Provide additional information that is not presented on the face of the statement of financial position, statement of financial performance, statement of changes in net assets/equity or cash flow statement, but that is relevant to an understanding of any of them.

#2
Review of the Confiscated Property/Assets account disclosed that the list of abandoned/seized and forfeited goods/articles from various ports were not recognized in the books due to non-submission by Assessment and Operation Coordinating Group (AOCG) or Auction and Cargo Disposal Division (ACDD) of various ports totaling ₱826,538,968.09. Details are shown in **Annex A**.

#3
Phone interview with the Accounting Division reveals that confiscated goods were not recognized in the books of BOC due to the non-submission of the list of confiscated property/assets that were forfeited in favor of the government. On the other hand, only the proceeds from the auction of goods were recorded in the NG Books. Verification of records shows that the BOC has no Guidelines/Issuances/Memo regarding the submission of confiscated assets/properties of ACDD of various ports to the Accounting Division.

#4
Moreover, 2043 cases/entries of abandoned/seized and forfeited goods/articles from various ports without fair value due to non-appraisal of the confiscated assets. Details are shown in the attached **Annex B**. Also, these abandoned and forfeited goods/articles, including those with pending cases (**Annex C**) were not disclosed in the Notes to Financial Position.

#5
The non-recording and appraisal of the abandoned/seized and forfeited goods/articles from the various ports resulted in the understatement of the Confiscated Property/Assets account, Accumulated Surplus, and Miscellaneous Income totaling ₱826,538,968.09, ₱11,693,255.67, and ₱814,845,712.42, respectively.

We recommend the management to require AD and ACDD to:

- 1. Prepare a journal entry voucher to recognize the confiscated assets forfeited which are controlled by BOC;**
- 2. Conduct an appraisal for the fair value of the seized/abandoned and forfeited goods/articles in the possession of various ports without value and subsequently submit to the AD for recording; and**
- 3. Disclose the goods/articles that are still for appraisal, including those with pending cases, in the Notes to Financial Position.**

The lack of specific timelines on the disposition of abandoned/seized and forfeited goods/articles resulted in its delayed disposal ranging 0-310 months; thus, exposing these goods/articles to the risk of further spoilage/deterioration and forgone government revenues.

Section 1139 of Republic Act (RA) No. 10863, otherwise known as Customs Modernization and Tariff Act (CMTA) provides “*the goods subject for disposition*

(a) Abandoned goods

(b) Goods entered under warehousing entry but not withdrawn, or those whose duties and taxes have not been paid within the period prescribed under Section 811 of this Act;

(c) Forfeited goods, other than prohibited, restricted, and regulated goods; after liability have been established by the proper administrative or judicial proceedings in conformity with the provisions of this Act; and

(d) Goods subject to a valid lien for customs duties, taxes, and other charges collectible by the Bureau, after the expiration of the period allowed for payment thereof.” (Underscoring supplied)

While, section 1141 provides that “[t]he goods subject to disposition may be donated to another government agency or declared for official use of the Bureau, after approval of the Secretary of Finance, or sold at a public auction within thirty (30) days after a ten (10)-day notice posted at a public place at the port where the goods are located and published electronically or in a newspaper of general circulation.”

As mandated under section 124 of PD 1445, it shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

We have reviewed the issuances/memorandum/administrative orders made by the BOC regarding timelines of disposition of goods/articles. Although there are timelines for seizure and forfeiture proceedings and disposal thru condemnation, Customs Administrative Order no. 10-2020 and Customs Memorandum Order no. 24-2021, we have not found a timeline on disposal after it was determined abandoned or forfeited in favor of the government for the majority of the modes of disposal.

Likewise, the list of abandoned/seized and forfeited articles/goods from various ports shows that there are goods/articles ranging 0-310 months from the date of seizure/abandonment and forfeiture that were not yet disposed of. Considering that some of these forfeited or abandoned goods are perishable, it is of great consequence to dispose of these goods immediately. Details are shown in the attached **Annex A and B**.

Of the goods/articles specified in the said Annexes, three entries totaling ₱10,840,595.67 were already classified by the Port of San Fernando as junk or scrap

The absence of timelines on disposition and the inability of the Ports to conduct the necessary disposal proceedings resulted in the loss of government revenues representing

proceeds of disposal or collection of assessed duties and taxes due from these cargoes, possible loss through theft and deterioration, additional storage fees, and will further contribute to port congestion due to overstaying.

We recommend that the Management:

1. **provide specific timelines for disposal of goods/articles subject to disposition under Section 1139 of CMTA; and**
2. **require the ports to immediately dispose of goods/articles subject to disposition to prevent further deterioration and loss of value.**

May we have your comments on the foregoing audit observations within 10 days from the receipt hereof. If we do not receive a reply within the period specified, the herein audit observations and recommendations shall be deemed accepted.

Rebecca Q. Tugay
REBECCA Q. TUGAY

State Auditor IV

Audit Team Leader, OCOM

Armel P. Bacarra
Atty. ARMEL P. BACARRA

State Auditor IV

OIC – Supervising Auditor, BOC

Proof of Receipt of the AOM:	Position	Received	
		Name	Date
REY LEONARDO B. GUERRERO	Commissioner, BOC		
EDWARD JAMES A. DY BUCO	Deputy Commissioner, AOCG		
DONATO B. SAN JUAN	Deputy Commissioner, IAG		
MARILOU A. CABIGON	Chief Accountant, AD		