

PART II – OBSERVATIONS AND RECOMMENDATIONS

Value for Money Audit

Delayed construction of new PRC building

Failure to immediately decide and prepare the Terms of Reference (TOR) and revise the Memorandum of Agreement (MOA) with the Department of Public Works and Highways (DPWH) due to lack of proper planning and failure of biddings conducted, resulted on the delay of hiring a Technical Consultant to perform for the Architectural and Engineering Design of the proposed new building with contract cost amounting to ₱24,000 million , which contributed further to the delay in the construction of the proposed new PRC building with allocated fund released of ₱484.300 million during the year.

1. The PRC had proposed to construct a new building to be located at Macapagal Avenue, Pasay City, as the present condition of the old PRC building cannot cope up with the huge numbers of clientele transacting daily with the agency due to its limited space.
2. Accounting records showed that the agency received the amount of ₱24,500,000.00 in CY 2012, intended specifically for the payment of the Architectural and Engineering Design (AED) of the proposed new building. Initially, the agency had expended ₱420,000.00 in CY 2012 for payment of private individuals hired to prepare program of works and inspection of different PRC Field Offices and other technical works.
3. Verification also showed that no bidding was conducted in CY 2012 and CY 2013 specifically for the AED of the proposed new PRC building. However, in December 2013 PRC had transferred the amount of ₱24,000,000.00 to the D P W- NCR with a covering MOA dated December 11, 2013 signed by both parties to implement the said AED project.
4. Information gathered disclosed that during the year, the DPWH conducted public bidding for a technical consultant of AED project with the presence of a PRC representative. However, the Commission in a letter dated July 7, 2014 to the Secretary of the DPWH, requested to stop the awarding of the project when it found out that the bidding was not responsive to the requirements of the agency. The Commission requested the DPWH to defer the awarding of the project, to allow further review of the bidding documents. There is also the intention of Management to evaluate further and eventually modify the TOR on the project and the proposed change in the mode of implementation

from “Design Services” to “Design and Build Contract Services”. Thus, the DPWH has suggested that the bid conducted be declared failed.

5. With the modification made on the implementation of the project, the agency believes that this change will best serve the interest of the PRC and will be most advantageous to the government. Nonetheless, in view of these changes, the AED which is supposed to be completed on or before December 31, 2013, has been suspended, pending completion of the revised TOR/MOA with the DPWH.

6. Failure of biddings for the hiring of a Technical Consultant to prepare the AED, lack of proper planning and unresolved issues that resulted in the modification of the MOA/TOR, contributed to the delays in the implementation of the construction of the new proposed PRC building which had already an allocated fund released of ₱484,300,000.00 during the year.

7. The recent development has been brought to the attention of the DBM by the PRC during the budget hearing for the 2015 budget proposal. The DBM suggested that the Commission should apply for a Multi-Year Obligational Authority (MYOA), so that the availability of the allotment in 2016 will not be a big problem to the PRC, if the ₱484,300,000.00 will not be obligated in CY 2014 until CY 2015.

8. **We recommended that Management:**

- a. **fast-track the preparation/revision of the MOA and the TOR with the DPWH and review/evaluate thoroughly its provisions to avoid further modifications;**
- b. **make representation with the DPWH in the pre-bidding conference and the actual public bidding process to make clarifications concerning the projects and to immediately resolve whatever differences in opinion in order to avoid further delay in the implementation of the project;**
- c. **formulate a realistic and attainable work plan and budget in the Annual Work Program to ensure that the proposed project is implemented within the schedule; and**
- d. **ensure that the programs, projects and activities are ready for implementation upon release of the allocated funds to avoid the lapsing of cash allocations.**

9. Management commented that a revised TOR had already been prepared wherein the ₱24,000,000.00 for the AED will be incorporated with the current allocated funds of ₱484,300,000.00 for the building construction. The mechanics for the utilization of funds will be the subject of discussion with the DBM. One of the PRC Commissioners and Professional Regulation Board (PRB) for Civil Engineering met with the DPWH to discuss the modifications made in the revised MOA, wherein the DPWH would conduct the bidding for the PRC building Project under a “Design- Build Contract” scheme.

Deficient planning in the renovation project of the old PRC building

Deficient planning and defects in the implementation of the program of works by the Contractor in the renovation of the old PRC building with contract cost amounting to ₱22.381 million resulted on the delay of project completion to the detriment of the agency. Likewise, there was an improper charging of expense amounting to ₱2.389 million out of the ₱26.825 million allotted funds for the said major renovation.

10. Accounting records showed that the DBM has allocated an amount of ₱26,825,000.00 in CY 2012 for the purpose of the repair/renovation of the old PRC building in Manila.

11. The PRC engaged the services of the DPWH to manage the implementation of the renovation. There were two MOAs duly signed and approved by and between the PRC and the DPWH on September 17, 2013 and November 20, 2013, with contract costs of ₱7,095,000.00 and ₱15,286,000.00, respectively, or a total of ₱22,381,000.00. The latter had agreed to implement the project in accordance with the plans and specifications prepared by the PRC.

12. Further review of the MOA revealed that there were no scheduled dates when to commence and finish the project. The first MOA pertains to repair of roofings and plumbing works, while the second one refers to electrical works and renovation of the 3rd and 5th floors of the old building.

13. Upon verification however, on the status and progress of works done by the contractor of the DPWH, it was learned that there were still unfinished works to be done and various defects noticed by the PRC, which were still being requested from the contractor for completion as of report date.

14. As regards to the renovation of the 3rd and 5th floors of the old building, there were also works which remained uncompleted and defects noted to be rectified by the contractor. The demolition works of the 5th floor was temporarily discontinued due to change of plans by the Commission, while the electrical works has still to be done yet.

15. The demolition works at the 5th floor started on July, 2014 but was temporarily put on hold for two reasons: a) 5th floor was to be converted into a basketball court, a plan unknown to the Commission; b) there was no building permit. No building permit could be issued because of the absence of land title. The Office of the Engineering at Manila City Hall gave verbal approval to proceed with the construction/repair and the Commission had to research for the exemption by the National Building Code.

16. Accounting records disclosed that the contract cost of the renovation given to DPWH amounted to ₱24,381,000.00, of this amount ₱2,000,000.00 was obligated and transferred to DPWH Tuguegarao for provision of tilling works and ceiling without requesting realignment from the DBM in violation of Section 54 of the General Provision of RA No. 10352 (GAA CY 2013) and Section 3.9.6 of the DBM Circular No. 545 dated January 2, 2013 covered by a MOA signed and approved by both parties on December 23, 2013. While the ₱22,381,000.00 was transferred to the DPWH North Manila Engineering District (NMED) for the repair of the PRC main building. However, verification showed that only ₱21,595,000.00 was the remaining unobligated balance for the repair of the old building, thus a difference of ₱2,786,000.00.

17. Verification also disclosed that the difference of ₱ 2,786,000.00 included in the transfer to the DPWH was obligated from the remaining unobligated balance of Equipment Outlay released also in CY 2013. While the amount transferred to PS-DBM amounting to ₱2,287,000.00 per OBR No. 13-12-3607 for the purchase of one (1) unit elevator, did not materialize because PS-DBM was asking for a copy of the building permit for the major renovation which the agency could not provide.

18. Moreover, of the ₱26,825,000.00 released by DBM to PRC, the amount of ₱2,389,824.62 was used for the payment of other expenses, while the remaining balance was reverted back to the NT aside from the fund transferred made to the DPWH and PS-DBM and the minimal expenditures made in CY 2012 for the initial repair conducted by PRC equivalent to 1.34% of the total funds allocated.

19. Detailed breakdown of the expenses improperly charged to the funds allocated for major renovation are as follows:

Particulars	OBR NO.	Amount
CY 2012		
1. Payment for consultancy contract for Ruben Vicencio and Alexander	12-11-2979 and 12-11-2980	₱210,000.00

Particulars	OBR NO.	Amount
Timbang for the renovation		
2. Payment for Sonia Santiago Olivares for the repair of the Office of Chairperson Manzala CY 2011	12-12-3436	29,229.21
3. Purchase of materials for fabrication of durable and long lasting doormat	12-10-2361	2,820.00
4. Payment of Job Order for Sept 4-31, 2012	12-10-2476	8,236.46
Total		₱250,285.67
CY 2013		
1. Installation of electric transformer-PRC Pagadian, fuse tank and conductor	13-01-0168, 13-04-0883	135,575.30
2. Payment of tax transfer to City Treasurer's office	13-08-2116	3,963.65
3. Transfer of funds to DPWH for floor ceiling and floor tiling of PRC-Tuguegarao building	13-12-3641	2,000,000.00
Total		2,139,538.95
Grand Total – CY 2012/CY2013		₱ 2,389,824.62

20. **We recommended that Management:**

- a. **reconcile with the DPWH for any discrepancies on the contract cost and the program of works to be done in the implementation of the project on the repair/renovation of the building to avoid further delay of the project;**
- b. **again, formulate a realistic and attainable work plan and budget in the AWP to ensure that the proposed project is implemented within the schedule; and**
- c. **ensure that the projects and activities are ready for implementation upon release of the allocated funds to avoid the lapsing of cash allocations.**

21. The Management commented that the renovation is still on-going and the 5th floor had already been finished as of June, 2015, while the renovation of the power house and repair of electrical wirings have not been started yet. The renovation project for the PRC

Field Office II is extremely necessary to be done so that the ₱2,000,000.00 unexpended balance for the renovation of the Central Office was transferred to the PRC Regional Office (RO) II.

22. The PRC FO II should have requested the funds thru their prepared PPMP for the year so that the request for funding of the project has been incorporated in the PRC budget for CY 2014. There are rules to be followed pursuant to the DBM requirements specifically DBM Circular No. 545 for CY 2013 and Section 54 of RA 10352 GAA for CY 2013 that the request for realignment should be made before realignment of capital outlay and it is a must that before any transaction should be accomplished, determine first if there is available fund for the purpose and if it is within the program for the year. Likewise, PRC should have requested the realignment of the ₱2,786,000.00 equipment outlay to capital outlay (building construction) before it was transferred to DPWH-NCR.

Financial and Compliance

Failure to adopt the Revised Chart of Accounts

The Accountant failed to adopt in CY 2014 the Revised Chart of Accounts (RCA) for National Government Agencies (NGAs) in conformity with the Philippine Public Sector Accounting Standards (PPSAS) required under COA Circular No. 2013-02, thus preparation of harmonized financial and budget accountability reports on time was not attained.

23. The Unified Accounts Code Structure (UACS) is a government wide coding framework that provides a harmonized budgetary and accounting code classification that took effect on January 1, 2014, was jointly developed by the Department of Budget and Management (DBM), Commission on Audit (COA), Department of Finance (DOF) and the Bureau of Treasury (BTr) and prescribed under COA-DBM DOF Joint Circular No. 2013-1 dated August 6, 2013.

24. COA Circular No. 2013-002 dated January 30, 2013 provides the adoption of the Revised Chart of Accounts (RCA) for NGAs in conformity with the Philippine Public Sector Accounting Standards (PPSAS) which were harmonized with the International Public Sector Accounting Standards (IPSAS) to enhance the accountability and transparency of the financial reports, and ensure comparability of financial information. The RCA is one of the key elements of the Unified Account Code Structure (UACS).

25. Likewise, COA Circular No. 2014-003 dated April 15, 2014 provides guidelines and procedures on the conversion of the Philippine Government Chart of Accounts under the New Government Accounting System per COA Circular No. 2004-008 dated

September 20, 2004, as amended, to the Revised Chart of Accounts for National Government Agencies as required in Par. 2.0 of COA Circular No. 2013-002 dated January 30, 2013.

26. COA Circular No. 2009-006 dated September 15, 2009, provides that: *“The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:*

- a. The reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of ensuing month;*
- b. The financial records are made accessible at reasonable hours to the Auditor or his authorized representative when needed.”*

27. Verification of the books of accounts of the Commission and all the transactions from January 1, 2014 disclosed that the Commission failed to adopt and implement the purpose of the UACS on its first year of implementation, thus preparation of harmonized financial and budget accountability reports on time was not achieved.

28. The Agency Accountant also failed to submit on time the required Financial Statements, Notes to Financial Statements and the Statement of Management Responsibility which will be the basis of the Auditor’s Independent Report thus, resulted to the delay of submission on the Annual Audit Report of PRC.

29. PRC employees in charge of Budget and Accounting activities had already attended seminars for the purpose and were provided with the UACS Manual and Appendices and so there is no excuse for the Agency’s failure to adopt the implementation of the Revised Chart of Accounts and the implementation of the UACS. Another seminar on PPSAS was attended by them in the first quarter of CY 2015 but still the required reports were not yet submitted. Hence, the delay in the submission of the Annual Audit Report for CY 2014 on the Agency’s operations and accounts.

30. The implementation of above mentioned circulars would meet the reporting requirements of oversight agencies like Congress, DBM and COA.

31. We recommended that Management require the Agency employees in charge of budget and accounting activities to strictly adopt and use the Revised Chart of Accounts pursuant to COA Circular No.2013-002 and COA Circular No. 2014-003 for the purpose of a government wide coding framework that will harmonize the financial and budgetary accountability reports preparation and in accordance with the PPSAS.

32. The management commented that the Accounting Division had already started the conversion of accounts on the ending balances for CY 2014. Likewise, at the start of CY 2015, the adoption of the Revised Chart of Accounts had already been started.

Incorrect and Unreliable Income Collections

The balance of Service and Business Income Account of ₱1,078,597,417.66 was incorrect and unreliable in view of the unrecorded collections estimated at ₱27,808,348.81 and the discrepancies of the recorded total collections as against the audited balances of each income classifications.

33. An adequate financial management system permits financial reporting that is accurate, current, complete and compliant with all financial requirements. It likewise, reflects a primary focus ensuring the safety of government assets specifically cash, while maintaining fund liquidity and achieving a favorable return of government investment.

34. The Reports of Collections for the examinations, initial registration of professionals and renewal of IDs are submitted to the DBM and the Department of Labor and Employment (DOLE) in consolidated form by the Planning and Management Division (PMD) based on the manual count reported by the Application and Registration Division (ARD) of the Central Office (CO), reports from the Regional Offices (ROs), which the PRC submits to their mother agency, the DOLE and the DBM amounting to ₱1,078,597,417.66. If the proper procedure was followed the correct data for the reported collections shall be equal to the generated data from the e-Cash Management System (e-CMS).

35. Collections from application and initial registration are based on the submitted data by the PMD for the Field Offices while the CO is using the e-CMS data provided by the ITC Division.

36. Review made by the Audit Team on the collections on application (examinations) and initial registration disclosed the following computation:

Per PMD Reported Number of Clients

Region	Examination Fee (in Pesos)			Registration Fee (in Pesos)		
	Per COA computation	PRC books	Difference	Per COA computation	PRC Report	Difference
Central Office	138,231,100.00	137,428,330.00	802,770.00	44,316,300.00	49,708,760.00	(5,392,460.00)
Baguio	47,386,800.00	33,196,800.00	14,190,000.00	12,862,650.00	10,382,850.00	2,479,800.00
IRSO-La Union	2,211,000.00	2,067,300.00	143,700.00	679,650.00	528,750.00	150,900.00
CDO	19,460,250.00	19,327,800.00	132,450.00	6,464,100.00	6,476,400.00	(12,300.00)
Butuan	6,422,100.00	6,192,450.00	229,650.00	2,161,650.00	1,679,400.00	482,250.00
Davao	34,136,700.00	33,962,250.00	174,450.00	8,574,900.00	8,675,600.00	(100,700.00)
Cebu	31,599,300.00	35,715,350.00	(4,116,050.00)	10,269,000.00	10,967,500.00	(698,500.00)
Iloilo	19,808,100.00	21,694,250.00	(1,886,150.00)	6,332,550.00	7,689,000.00	(1,356,450.00)
Legazpi	19,383,300.00	21,657,900.00	(2,274,600.00)	5,686,950.00	5,844,000.00	(157,050.00)
Lucena	16,872,900.00	17,563,900.00	(691,000.00)	4,824,600.00	4,825,650.00	(1,050.00)
Tacloban	8,556,300.00	8,564,250.00	(7,950.00)	2,266,500.00	2,319,750.00	(53,250.00)
Tuguegarao	11,302,500.00	11,299,050.00	3,450.00	3,557,700.00	3,557,100.00	600.00
*Zamboanga With unreported coll.	14,289,000.00	1,822,500.00	12,466,500.00	2,702,700.00	870,900.00	1,831,800.00
Pagadian	14,284,500.00	15,352,500.00	(1,068,000.00)	2,733,900.00	2,869,050.00	(135,150.00)
Totals	383,943,850.00	365,844,630.00	18,099,220.00	113,433,150.00	116,394,710.00	(2,961,560.00)

37. The above data was computed based on the actual number of clients of each collection process submitted by the PMD with the required fee for the application of examination and registration pursuant to PRC Res. No.2005-267 dated February 11, 2005. The Field Offices supposedly submit data based on the e-CMS converted data including the data on mobile services. According to some Directors, collections were based on the e-CMS data and had already submitted the converted e-CMS data to the PRC main office.

38. In the Field Office of Zamboanga, there was a big disparity between the reported collections as against the audited amount because the PRC Accounting Office did not take up in the books the Report of Collections submitted by Zamboanga from April, to

December, 2014 estimated at ₱27,175,389.81 that includes refunds of cash advances amounting to ₱85,185.51 because according to the Chief Accountant there were several discrepancies discovered which had already been reported to the concerned field office but no corrections has been made.

39. It also showed that reported collection in Baguio City is very much smaller as compared to the computation made based on the reported number of clients. The discrepancies noted had been verbally addressed to the planning division and they were very sure that the data submitted had been reconciled to the report submitted by the field offices. According to the Director of Baguio City such discrepancy could be attributed to the number of examinees reported in the Planning which their application were processed in the Central Office or other regions but took their exams in Baguio City. Which means that the Planning division did not make use of the e-CMS generated data of Baguio City field office. It was also learned that the Accounting Office failed to book up collections for December, 2014 from the field office of La Union amounting to ₱632,959.00.

40. Thus, the total unrecorded collections submitted by the two field offices totalled ₱27,808,348.81 aside from the discrepancies noted in the computation of the examination and initial registration income collections.

41. The data below was computed based on the e-CMS data submitted by the ITC division for the collections on initial registration in the Central Office alone.

Central Office	Per Test	Per Books	Difference
January	4,825,500.00	4,998,550.00	(173,050.00)
February	2,065,350.00	2,196,450.00	(131,100.00)
March	2,737,200.00	2,900,150.00	(162,950.00)
April	3,408,150.00	5,723,950.00	(2,315,800.00)
May	2,672,850.00	2,738,550.00	(65,700.00)
June	1,134,450.00	1,181,750.00	(47,300.00)
July	3,909,750.00	4,093,700.00	(183,950.00)
August	3,054,300.00	3,218,950.00	(164,650.00)
September	3,746,400.00	4,108,400.00	(362,000.00)
October	4,693,950.00	4,904,560.00	(210,610.00)
November	7,798,050.00	7,976,050.00	(178,000.00)
December	5,534,400.00	5,667,700.00	(133,300.00)
TOTAL	45,580,350.00	49,708,760.00	(4,128,410.00)

42. The above discrepancies could be attributed to the report submitted by the Cashier's Office- Central to the Planning Division and in the tagging of collection at the ITC division. The same errors have already been observed in CY 2013 audit report but the Commission had failed to address.

43. The comparison of the audit computation on the data provided from Planning and Management Division of the No. of Clients for the Central office collections as against the generated data from e-Cash Management System, showed a difference of P1,264,050.00 :

Collections- registration	e-CMS data	PMD data	Difference
Totals computation per audit	45,580,350.00	44,316,300.00	1,264,050.00

44. The Commission should provide tool of monitoring the correctness of the income collected to determine the causes of discrepancies and immediately address the differences so that possible manipulation of cash collection could be avoided. The enhancement of the system used which is the main reason of the above discrepancy must be done to connect or interlink the e-CMS System of the Cashier's Division to the On Line System applied by the Standard Division on Application of exams and the system of the Registration Division on the initial registration.

45. Hence, we could not ascertain the veracity of the reported total income collections.

46. **We recommended Management to:**

- a. **reconcile with the concerned Field Offices the discrepancies noted in the audit; to regularly monitor the collections process, and to enhance the systems applied which will interlink the collection process with the system on the Application, Initial Registration and other collection processes to ensure the correctness and the veracity of the Income collections; and**
- b. **require the Accounting Division to book up the collections reported by the Zamboanga field office amounting ₱27,175,389.51 and the unrecorded La Union collections in the amount of ₱ 632,959.00 and coordinate with the concerned Field/Satellite Offices with the discrepancies noted in the audit of the collections to know the causes of discrepancies and effect the necessary corrections to come up with the corrected balance of income collections in the Financial Statements.**

47. The Management commented that the Field Offices were required to submit the explanation on the causes of discrepancies in audit as against the field offices submitted

reports. Also, the Agency is finalizing the new system to be used in the Application of exams, Registration and Renewal of licenses called the Dragon pay.

48. The report submitted by the Field Offices should be properly scrutinize before submission to the Central Office and should disclose every details needed to support the correctness of the reported income collections. Also, PRC should look into the possible use of the On Line system developed in previous which were not used because of the Congressional Inquiry.

Fund Transfers to Procurement Service-Department of Budget and Management (PSDBM)

Deliveries of office supplies amounting to ₱6,785,766.50 for CY 2014 were not recorded in the books of accounts , thereby resulting to overstatement of the account Due from NGAs and understatement of the Inventories account by the same amount. Furthermore, the balance of Due from NGAs account amounting to ₱126,503,757.03 as of December 31, 2014 is of doubtful validity due to unreconciled difference of ₱31,573,913.10 between the records of PS-DBM as against the PRC books.

49. Executive Order No. 359 (1989) provides among others that:

a. The appropriation for the Annual Procurement Programs of Agencies shall be identified in their annual Work and Financial Plan. Said Work and Financial Plan shall serve as the basis of the Department of Budget and Management in the release of the Agency's quarterly allotments and monthly funding warrants. The agencies shall remit in advance to the Procurement Service the funds needed to service their requirements for supplies, materials and equipment as reflected in said Work and Financial Plan.

50. The Revised Chart of Accounts for NGAs under COA Circular No. 2013-002 dated January 30, 2013 provides that the Due from NGAs account is used to record advances for purchase of goods/services as authorized by law, fund transfers to the NGAs for the implementation of projects and other receivables from NGAs. Credit this account upon receipt of the goods/services, and liquidation of fund transfers/receivables.

51. Also Item 6.7 of COA Circular No. 94-013 provides that it is the duty and responsibility of the Implementing Agency (IA) to return to the Source Agency (SA) any unused balance and refund of disallowances upon the completion of the project.

52. During the year, PRC transferred to PS-DBM the amount of P6,785,766.50 for purchases of different commonly-used office supplies and equipment under Fund 101.

However, of this amount only P5,748,763.05 was delivered as per comparison made against the Statement of Account-Customers of the PS-DBM, or a difference of P1,037,003.45. despite the prior years' undelivered balance of P78,997,489.98.

53. The account Due from NGAs at year end showed a balance of ₱ 126,503,757.03 representing receivables from PS-DBM and the DPWH amounting to P80,034,493.43 and P46,469,263.60, respectively. Of the balance with the PS-DBM, ₱78,997,489.98 pertains to transfer funds transfers for the prior years which the items purchased are still undelivered as of report date.

54. Data per PS Ledger Card as compared to the purchases and deliveries recorded in the PRC books showed the following:

Particulars	PRC Books	PS Ledger Card	Difference
Beg. balance	₱ 78,997,489.98	₱ 17,205,190.52	₱ 61,792,299.46
Add: Purchases	6,785,766.50	45,473,251.67	38,687,485.17
Total funds transfer before deliveries	85,783,256.48	62,678,442.19	23,104,814.29
Less: Deliveries	5,748,763.05	14,217,861.86	8,469,098.81
Ending Balance 12/31/14	₱ 80,034,493.43	₱ 48,460,580.33	₱ 31,573,913.10

55. The difference of ₱31,573,913.10 was due to unrecorded purchases and deliveries received from PS-DBM since CYs 2004 to 2012. It has been the practice of the PS-DBM to deliver the purchased items in staggered basis. Monitoring of undelivered items could not be easily undertaken because of the difficulty in matching the deliveries made against the particular Agency Procurement Request (APR) to which they pertain.

56. Henceforth, the non-reconciliation by the Accounting Division with the PS-DBM resulted to bloated account in the books of the agency and huge discrepancy abovementioned, making the balance of account Due from NGAs of doubtful validity. It is only when inter-agency accounts show reconciled balances that the amounts reflected in the FS are rendered reliable and accurate.

57. We recommended that Management :

- a. refrain from transferring funds to PS-DBM unless items purchased are delivered or the available funds are utilized for the purchase only of the much needed supplies and IT requirements for the agency;
- b. require the Accounting Division to record immediately in the books of accounts the deliveries in order to present the accurate balance of the account Due from NGAs in the FS; and
- c. require the Property Office to ask for copies of the delivery receipts, Agency Procurement Request and other pertinent documents supporting thereon to facilitate matching of payments against the corresponding deliveries.

Balance of Inventory Accounts is of Doubtful Validity

The balance of Inventory accounts amounting to ₱53,858,254.72 is of doubtful validity due to failure of the Accounting Division to take up the issuance of supplies and materials; the inclusion of dormant balance of ₱5,401,274.03 before the implementation of e-NGAS with no documents to support its existence; and the non-reconciliation of the records of Accounting Division with the Property Office reports as to balance of Inventory of supplies and materials on hand.

58. Section 43 of the MNGAS, Vol. I provide that “*purchased of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, shall be recorded as Inventory Account. Under the perpetual inventory method, an inventory control account is maintained in the General Ledger on a current basis*”.

59. Section 65 of the MNGAS, Vol. II requires that the *Report on the Physical Count of Inventories (RPCI) (Appendix 62) shall be used to report the physical count of supplies by type of inventory as of a given date. It shows the balance of inventory items per cards and per count and shortage/overage if any.*

60. Comparison of the ending book balances of the inventory accounts against the RPCI showed a difference of ₱32,842,000.15. Breakdown is as follows:

Inventory Account	Per Accounting Records	Per Physical Inventory Report	Difference
1. Office supplies Inventory	₱ 14,344,454.58	₱ 4,908,050.77	₱ 9,436,403.81

Inventory Account	Per Accounting Records	Per Physical Inventory Report	Difference
2. Accountable Forms Inventory	39,490,675.14	16,108,203.80	23,382,471.34
3. Medical and Dental Supplies Inventory	23,125.00	-	23,125.00
Total	₱ 53,858,254.72	₱ 21,016,254.57	₱ 32,842,000.15

61. Verification also showed the following deficiencies:

- a. the Accounting Division failed to book up the issued supplies supported by the Report of Supplies and Materials Issued (RSMI) prepared and submitted by the Property Division.
- b. failure of the Accounting Division to reconcile the dormant balance amounting to ₱5,401,274.03 with no available documentations on file, which was forwarded in the books upon implementation of e-NGAS in CY 2004.
- c. Medical and Dental Supplies Inventory in the books amounting to ₱23,125.00 was already dormant for years.
- d. the supplies for building repair and maintenance purchased from CY 2010 up to 2014 were charged directly to supplies expense.

62. Moreover, it was disclosed that concerned employees are not aware that the purchases of these supplies should be taken up as inventory for proper control of its utilization. The issuance should also be supported with Report of Supplies and Materials Issued (RSMI)

63. **We recommended that Management require the:**

- a. **Property and Supply Officer to maintain updated stock cards to record receipt of deliveries, and issuances thereof summarized in the RSMI to be submitted to the Accounting Division for recording;**
- b. **Accountant and the Supply Officer to monitor and reconcile their records and effect the necessary adjustments on the discrepancies noted to reflect the true balances of the Inventory accounts in the FS; and**
- c. **Property/Supply Officer to exert extra effort to locate documents to support the existence of the balance of ₱5,401,273.03 which remained dormant in the books for so many years.**

Unliquidated Advances to Officers and Employees

Cash Advances amounting to ₱2,094,518.66 granted to officers and employees remained unsettled as of December 31, 2014, of which ₱148,999.35 pertains to those granted before December 2011 despite the provision of COA Circular No. 2012-004, liquidation of which is uncertain due to resignation, dismissal, death and unknown whereabouts of the persons accountable thereof.

64. COA Circular No. 2012-004 dated November 20, 2012 provides for the demand for the immediate liquidation and settlement of all cash advances outstanding as of December 31, 2011. Section 1 of the said COA Circular states that, *“Under existing regulations, cash advances must, as a rule, be liquidated within the prescribed periods depending upon the nature and purpose of the cash advance (e.g., for salaries and wages, petty and field operating expenses, local travel and foreign travel).xxxx These must be liquidated within twenty (20) days from accomplishment of the purpose”*.

65. Section 2 thereof also states that---*A cash advance is settled and liquidated either by returning the money advanced if unspent, or by presentation of regularly accomplished vouchers, giving satisfactory detail of the items thereon paid and in accordance with the purpose for which it was granted, and further supported by proper receipts and other evidence of payment, subject to the result of the post-audit thereof by the auditor concerned”*.

66. COA Circular No. 97-002 prescribes the rules and regulations on the granting, utilization and liquidation of cash advances. It provides, among others, that:

- 4.1.3 A cash advances shall be reported on as soon as the purpose for which it was given has been served;
- 5.1.3 The AO shall liquidate his cash advances for travel within 60 days after returning to the Philippines in the case of foreign travel or within 30 days after returning to his official station in the case of local travel, as provided for the EO 248 and COA Circular No. 96-004;
- 5.8.0 All cash advances shall be fully liquidated at the end of the year. Except for petty cash fund, the AO shall refund any unexpected balance to the cashier/Collecting Officer who will issue the necessary official receipt.”
- 3.2 Special Cash Advances are those granted on the explicit authority of the Head of the Agency only to duly designated Disbursing Officers or Employees for other legally authorized purpose; such as: 3.2.1 Current operating expenses of the agency field office or of the activity of the

agency undertaken in the field when it is impractical to pay the same by check such as salaries, wages, allowances and maintenance and other operating expenses.

67. The PRC has ten Field Offices in the Regions wherein the designated Special Disbursing Officers (SDOs) were given authority to handle MOOE for field operations and for special cash advances on examinations and other purposes.

68. Verifications of outstanding cash advances showed that the amount of ₱2,094,518.66 remained unsettled as of December 31, 2014 contrary to the provision of COA Circular No. 97-002 and despite the provisions of COA Circular No. 2012-004 Details are shown below (See **Annex 1** for the individual Accountable Officers' balances):

Totals Cash Advances	Current Year			Prior Years	
	Less than 30 days	31-90 days	91-365 days	Over 1 year	More than 4 years
₱2,094,518.60	₱272,752.85	₱504,886.98	₱741,910.53	₱425,968.95	₱148,999.35

69. Review of the schedule of cash advances disclosed the following:

- There was an efficient settlement of ₱112,444,702.37 or 99.75 percent were liquidated & refunded for the year on the total cash advances.
- Job Orders/Service Contractors were allowed to travel and assigned as delegation in the conduct of different examination in the Regions but failed to submit liquidation report on cash advances for examination or travelling expenses.
- Board members who were granted cash advances failed to submit the liquidation report until their resignation or end of their term at PRC.
- Checks of MOOE cash advances of prior years were named with the PRC field office and the PRC Accounting at the Central Office had assumed the liquidation of cash advances to incumbent Disbursing Officer of each Field Offices, so that at the time there were changes in the designated Disbursing Officers, the PRC Central Accounting Office incurred problems in the reconciliation of the submitted liquidation reports which causes negative balances of some cash advances and remained unreconciled for so many years.
- PRC failed to implement strict implementation of the period of submitting liquidation reports thus, causes several unsettled cash advances for those dismissed/ on AWOL basis regular employees and Service Contractors.

70. Of the ₱ 423,615.44 prior year's cash advances, the amount of ₱ 274,616.09 was settled and refunded during the year, leaving a balance of ₱148,999.35.

Accordingly, some of these officials/employees who were granted cash advances have already resigned or dismissed from the service. The amount of ₱47,145.00 pertains to advances for travelling expenses granted to some members of the Board whose terms with the Commission have ended already as board members and some had resigned as board member.

71. We reiterate this finding for the management to implement the immediate settlement of outstanding cash advances including cash advances granted in prior years which remained outstanding as of December 31, 2014.

72. **We recommended that Management:**

- a. **send demand letters to all SDOs/Accountable Officers requiring them to settle immediately their outstanding cash advances in conformity with COA Circular 97-002 dated February 10, 1997; and**
- b. **monitor and demand settlement for cash advances granted to Service Contractor who were required to be a member of the delegation on licensure examinations and to Board Members whose term of office has no holding period after carrying out the purpose for which they were granted.**

73. Management commented that they have sent demand letters to the Accountable Officers with outstanding cash advances including those already resigned and on AWOL basis. The Office of Financial Administrative Services is preparing procedures to monitor the submission of liquidation report at the earliest possible time after the scheduled travel of the concerned officers/employees. For the meantime, that the Reorganization of PRC is still in process strict selection of sending delegation to the scheduled examinations is applied.

74. Management should implement strict compliance of COA Circular No. 97-002 on immediate submission of liquidation reports and as much as possible to avoid assigning Service Contractors in the delegation of the examination conducted in the Regions in order to avoid voluminous unliquidated cash advances upon resignation/dismissal and on Absence Without Leave status of the assigned Service Contractors.

Unauthorized transfer of cash advance

Part of the cash advance granted to the SDO for the purpose of travelling to PRC Tacloban after typhoon Yolanda, was transferred to the members of the PRC Response Team amounting to ₱50,000.00 with no valid documents as proof of the transfer, in violation of Section 4.1.6 of COA Circular No. 97-002 dated February

10, 1997. Likewise, liquidation of the cash advance was delayed for more than one year, contrary to the provision of the same COA Circular.

75. A cash advance was granted to Mr. Roberto Ong, Special Disbursing Officer, amounting to ₱175,000.00 on November 11, 2013 under Check No. 2216680 to defray expenses in going to PRC Tacloban as per Office Order No. 2013-571 dated November 11, 2013. The office order clearly states that the cash advance was for payment of actual travel expenses, gasoline, toll fee and other incidental expenses of the PRC Response Team in going to Tacloban City and to check the situation of PRC Region VIII after the devastation of typhoon Yolanda.

76. Section 4.1.6 of COA Circular No. 97-002 dated February 10, 1997 explicitly provides that *“transfer of cash advance from one Accountable Officer to another shall not be allowed”*.

77. Last December 12, 2014, cash count was conducted on the cash accountability of Mr. Roberto Ong and immediately required the submission of the liquidation report. Upon verification of the liquidation report or the Report of Disbursement for the cash advance of ₱175,000.00, it was found out that the liquidation report is short by ₱49,999.37.

78. A demand letter was sent to Mr. Ong on December 15, 2014 directing him to produce immediately the missing funds stated above. It was only through a follow up letter dated February 23, 2015 that Mr. Ong replied to the Audit Team explaining that the shortage forms part of the total amount of ₱50,000.00 given to the members of the 1st PRC Response team as verbally ordered by then PRC, Chairperson Teresita Manzala. He claimed further that the P50,000.00 represents hazard pay given to the 10 members of the Response Team.

79. Section 75 of PD 1445 states that *“transfer of government funds from one officer to another shall, except as allowed by law or regulation, be made only upon prior direction or authorization of the Commission or its representative.”*

80. Considering the justifications raised by the Accountable Officer, we remained in our stand that the transfer of ₱5,000.00 each to the 10 team members of the PRC Response Team without any written authority aside from the verbal order made by then Chairperson Manzala and the absence of the proof of receipt, cannot find support and the noble purpose did not justify the violation made.

81. It was also observed that the submission of the liquidation report was very much delayed with no valid reasons, in violation of the provision of COA Circular No. 97-002.

82. We recommended that Management should enforce the immediate refund of the transferred fund amounting to ₱49,999.37 and to require every Accountable Officer to immediately liquidate the cash advance after the purpose for which it was given had already been served. Likewise, the accountable officer should stop the practice of transferring cash advance granted to him without any written authority pursuant to COA Circular No. 97-002 and only upon prior direction or authorization of COA representative pursuant to Sec. 75 of PD 1445.

Deficiencies affecting the Existence, validity and correctness of PPE Accounts

The existence, validity and correctness of the reported balances of the PPE accounts in the financial statements (FS) for CY 2014 totalling ₱287,025,021.50 cannot be relied upon due to non adjustments of ₱10,784,227.70 for the disposal of equipments done in CYs 2011-2014, unreconciled difference between accounting and property records amounting to ₱6,589,282.73 and non-maintenance of complete accounting and property records on inventories. Likewise, computation of depreciation expense for buildings and other machineries and equipment were not provided due to the problem of the date of acquisition of equipment and the non availability of records for the Old building occupied by PRC.

83. Section 43 of the MNGAS, Volume I, provides among others, that “For check and balance, the Property and Supply Office/Unit shall maintain Property Cards (PC) for PPE, and Stock Cards (SC) for inventories. The balance in quantity per PC and SC should always reconcile with the ledger cards of the Accounting Unit.

84. Section 64 of the MNGAS, Volume II requires that “*the Inventory and Inspection Report for Unserviceable Property (Appendix 61) shall be used as the basis for dropping from the books the unserviceable properties carried in the Property, Plant and Equipment account upon disposal.*”

85. The following are the results of audit of PPE accounts affecting the fair presentation of their respective balance in the FS, thus rendering the reported balance of the PPE unreliable:

- a) Comparison of balances of account PPE between accounting and property records showed a difference of ₱6,589,282.73, details are enumerated below:

Particular	Per Books	Per Physical Count	Difference
Office Equipment	23,735,502.43	30,884,328.69	7,148,826.26
Furniture & Fixtures	42,752,135.38	21,605,522.85	(21,146,612.53)
IT Equipment, Information and Communication Equipment	141,183,987.05	144,647,995.40	3,464,008.35
Books	1,112,728.65	1,356,096.03	243,367.38
Communication Equipment	9,190.00	-	(9,190.00)
Disaster Response and Rescue Equipment	426,238.80	726,219.70	299,980.90
Medical, Dental and Laboratory Equipment	36,550.00	278,251.00	241,701.00
Technical & Scientific Equipment	31,421,259.69	17,539,988.87	(13,881,270.82)
Other Machineries & Equipment	3,052,782.41	-	(3,052,782.41)
Motor Vehicles	40,597,487.32	40,607,263.32	9,776.00
Other PPEs	2,697,159.77	7,369,972.82	4,672,813.05
Ordinance	-	84,954.31	84,954.31
Donated Equipment	already included in each PPE classification	15,335,145.78	15,335,145.78
Total	<u>₱287,025,021.50</u>	<u>₱280,435,738.77</u>	<u>(₱6,589,282.73)</u>

- b) The difference between the ledger card/book balance and the physical count of Medical, Dental and Laboratory Equipment resulted from inclusion in the physical count of serviceable and unserviceable equipments totaling ₱139,251.00 while the ledger card or book balance included only two items amounting to ₱31,850.00 in CY 2012.
- c) Unrecorded purchased of Optical Mark Reader (OMR) in CY 2007 taken up or already included in the physical count but amounting to ₱3,294,631.91 (see notes to FS 10.1).

- d) Non-adjustment made on the disposal of several chairs, tables and other furniture and fixtures.
- e) It was also learned that only ₱1,724,006.05 of the ₱12,508,234.15 total disposed items/properties made from CY 2011 to 2014 was adjusted in the books per JEV Nos. 2013-11-007080 and 2013-11007279 thus, a total of ₱10,784,227.70 has remained unadjusted as of December 31, 2014.
- f) Unreconciled records between the accounting and property divisions as of December 31, 2014.
- g) Property Office failed to include in their Report of Physical Inventory the Land and Buildings due to the absence of records to determine the ownership of the said accounts.

86. Verification also disclosed that the buildings and other machineries and equipment were not provided with the depreciation expense because there were no available records as to the acquisition of the building, hence, the cost of the old building is based only on the records given by the City of Manila, which the e-NGAS system does not accept. The balance of account Other Machineries and Equipment forwarded at the time of implementation of e-NGAS has also no individual date of acquisition as basis for the computation of depreciation expense.

87. We recommended that Management :

- a. **instruct the Accountant and Property Officer to regularly monitor and reconcile their records and effect the necessary adjustments on the discrepancies noted to reflect the true balances of the PPE accounts in the FS;**
- b. **require Property Officer to submit the Inventory and Inspection Report of Property (IIRUP) classified to each PPE account to the Accounting Division as basis to take up adjustments for the disposal of different PPEs and effect immediately disposal of the remaining unserviceable properties to save on rental expenses of storage; and**
- c. **require Property Officer to secure copies of documents for the ownership of the Land and Buildings occupied by PRC main to be included in the Report on Physical Inventory and as basis for the computation of depreciation for buildings. Also, verify if the other machineries and equipment forwarded balance were already included in the disposed properties if not, secure data as to the date of each acquisition as basis for the computation of depreciation expense.**

Provision of Fringe Benefits not in accordance with RA No. 6758

The Commission granted fringe benefits to the PRC Employees, Contractual and Service Contractors totaling ₱43,821,479.60 for CY 2013 and 2014 with no written authority from the Office of the President which is in violation of RA No. 6758 and COA Circular No. 2013-03.

88. Section 7.h of RA No. 8981 and its Implementing Rules and Regulations, *the Modernization Act of the Professional Regulation Commission states the Power, Functions and Responsibilities of the Commission as....*” (h) *To appoint subject to the Civil Service laws, rules and regulations, officials and employees of the Commission necessary for the effective performance of its functions and responsibilities; prescribe their duties and fix their compensation subject to the provisions of RA 6758-Salary Standardization Law and allowances including other fringe benefits.*

89. COA Circular No. 2013-03 dated January 30, 2103 carries the list of allowances and benefits generally applicable to agencies which are covered by RA No. 6758 “The Salary Standardization Law (SSL).”

90. Sections 12 of R.A. No. 6758 states that:”*Consolidation of Allowances and Compensation. ---All allowances, except for compensation and transportation allowances, clothing and laundry allowances, subsistence allowance of marine officers and crew on board government vessels and hospital personnel, hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation whether in cash or in kind, being received by incumbent s only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized.*”

91. Sub-Paragraphs 5.5 of *Corporate Compensation Circular No. 10* states that --- *Other allowances/fringe benefits not likewise integrated into the basic salary and allowed to be continued only for incumbents as of June 30, 1989 subject to the condition that the grant of the same is with appropriate authorization either from the DBM Office of the President or legislative issuances as follows: rice subsidy, sugar subsidy, death benefits other than those granted by the GSIS, medical/dental/optical allowances benefits, children’s allowance, special duty pay/allowance, meat subsidy, longevity pay and teller’s allowance.*

92. The fringe benefits that the PRC granted to its Officials and Employees, Contractual and Service Contractors were not included in the enumerated allowances and benefits covered by RA No. 6758 and COA Circular No. 2013-03. In this case, unless

there is an authority from the Office of the President as required in RA No. 6758, then the fringe benefits to be given to PRC employees shall be allowed. The same benefit is not specified as to what kind but just merely fringe benefits.

93. Due to the absence of the Authority from the Office of the President to grant the fringe benefits our Office issued a Notice of Suspension No. 2014-11-007 dated November 20, 2014 and upon evaluation of the position paper received on December 10, 2014 and February 13, 2015, a Notice of Disallowance was issued under ND No. 2015-03-02 dated January 30, 2015.

94. The funding used for the payment of the benefits was from savings of the General Services and Honorarium of the members of the Professional Regulatory Board as shown in the table below:

Check No.	Check Date	Account Charge	Particular	Amount
2157289	17-Jun-13	720-HONORARIA	Cash advance to payment of Fringe Benefits to various PRC Officers and Employees for CY2013	5,290,600.00
2157290	17-Jun-13	795-General Services	Cash advance to payment of Fringe Benefits to various service contractors for CY 2013	2,048,640.00
2217471	20-Dec-13	795-General Services	Cash advance to payment of fringe benefits of service contractors of PRC Regional Offices for CY 2013	2,160,675.00
2217472	20-Dec-13	720-HONORARIA	Cash advance to payment of fringe benefits to various PRC officials and employees for CY2013	3,477,134.81
2217473	20-Dec-13	795-General Services	To payment of fringe benefits of Job orders of PRC Central for CY2013	101,850.00
2217474	20-Dec-13	795-General Services	To payment of fringe benefits to contractors of PRC Central Office for CY 2013	2,659,012.50
2220047	18-Jun-14	720-HONORARIA	Grant of cash advance to payment of fringe benefits to various regional PRC officials and employees for CY 2014	2,077,250.00
2220048	18-Jun-14	720-HONORARIA	Grant of cash advance to payment of Fringe Benefits to various PRC officials and employees for theCY2014	4,229,375.00

Check No.	Check Date	Account Charge	Particular	Amount
2220049	18-Jun-14	795-General Services	Grant of cash advance to payment of Fringe Benefits of Job Order regional offices for the CY 2014	1,091,250.00
2220050	18-Jun-14	795-General Services	Grant of cash advance to payment of Fringe Benefits of Job Order Central office for CY 2014	1,448,210.00
2246428	19-Dec-14	795-General Services	PRC PAYROLL ACCOUNT-To Payment of fringe benefits of service contractors central office for the C.Y 201	2,288,909.81
2246427	19-Dec-14	795-General Services	PRC PAYROLL ACCOUNT-To Payment of fringe benefits of service contractors central office for the C.Y 2014	2,035,500.00
2246426	19-Dec-14	720-HONORARIA	To payment fringe benefits to various PRC officials and employees (CY 2014)	14,910,000.00
2246457	22-Dec-14	795-General Services	RUSSEL S. DIOSMA-To payment of fringe Benefits for CY 2014	2,500.00
2246484	23-Dec-14	795-General Services	RYAN V. GARCIA-To payment of differential of fringe benefits for the CY 2014	572.48
			Total	43,821,479.60

95. We recommended that Management require the payees/claimants to refund the amount received as fringe benefits amounting to **₱43,821,479.60** which is not in accordance with RA No. 6758 and COA Circular No. 2013-03 dated January 30, 2013. Thereafter, management should refrain from giving fringe benefits without any authority issued thereon.

96. The Management commented that the PRC Legal Office is already preparing for an appeal on the issued Notice of Disallowance No. 2015-03-02 dated January 30, 2015 to the COA Central Office- Cluster V.

Excessive and Unnecessary Foreign Travels

The Commission incurred disbursements of ₱13,884,329.92 on foreign travels in excess of the approved budget amounting to ₱9,753,000.00 by forty two percent ₱4,131,329.92 due to unnecessary travels incurred by the members of the different Board of Professionals (BP) and PRC Officers and the conduct of the Special Professional Licensure Board Examinations (SPLBE) in different countries abroad, contrary to Administrative Order No.103 and COA Circular No. 2012-003 dated October 29, 2012.

97. Section 1 of Administrative Order No.103 states that *“All National Government Agencies (NGAs), including State Universities and Colleges (SUCs), Government-Owned and-Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), and Other Government Corporate Entities (OGCEs), and their subsidiaries, and other instrumentalities under the Executive Department, whether or not they receive funding support through the General Appropriations Act, are hereby ordered to adopt the following austerity measures:*

(a) *Suspension of the following:*

(1) *All foreign travels, except for (i) ministerial meetings, and (ii) scholarship/training, that are grant-funded or undertaken at no cost to the government. Henceforth, all foreign travels of Presidential appointees, even if allowed under this provision, must first be cleared by the Office of the President. Further, all agencies shall submit a monthly report to the Office of the President, stating the names of officials or employees who traveled abroad, the reasons for such travel, and the cost incurred by the government.*

98. COA Circular No. 2012-003 dated October 29, 2012 define the term *“Unnecessary Expenditures”* which pertains to expenditures that could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. *Unnecessary Expenditures* are those that are not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation.

99. Section 7 of EO No. 248 as amended by EO No. 248-A and EO No. 298 provides that: *“NATURE OF TRAVEL. - Travels and assignments under this Executive Order shall cover only those which are urgent and extremely necessary, will involve the minimum expenditure and are expected to bring immediate benefit to the country, and shall refer only to those under the category of conferences, special missions, and other non-study trips such as those undertaken for the following purposes: a) To attend conferences or seminars sponsored by foreign governments or international government organizations to which the Philippine Government is committed or invited to send representatives or participant; b) To attend conferences or seminars sponsored by private organizations, whether international or not, invitations to which have been sent through their respective governments to the Philippine Government; c) To conduct examinations or investigations of Philippine Government agencies or affairs; d) To undertake any other official mission which cannot be assigned to any other Philippine government official" or officials already abroad.”*

100. Under the FY 2014 Budget Briefing Folio, one of the Commission’s major programs is the Mutual Recognition Agreements/Arrangements (MRAs). That PRC’s continuous and active participation in the negotiations and review of bilateral, multilateral or mutual recognition agreements will be continuously supported and

sustained towards ensuring the facilitation of entry of Filipino professionals and to secure their protection in destination countries.

101. Executive Order No. 835 authorized the PRC to conduct SPLBE for Overseas Filipino Workers (OFWs) specifically in Saudi Arabia and other Middle East countries. PRC Resolution No. 2014-809 s. of 2014, fixed the dates and places of the SPLBE for OFWs in the Middle East Abu Dhabi, Doha, Qatar, Riyadh, KSA and Al-Khobar, KSA for CY 2014.

102. Verification of the approved budget as per the National Expenditures Program showed the total budget approved for the foreign travel as follows:

Particular	Allotment	Actual Obligations	Excess over Allotment	% of excess
International Maritime Organization	₱245,000.00	₱701,033.16	(₱456,033.16)	186.11%
Foreign Examinations (SPLBE)	3,592,000.00	6,127,315.40	(2,535,315.40)	70.58%
MRA/APE/ASEAN other Foreign Travel	5,916,000.00	7,055,981.36	(1,139,981.36)	19.27%
Totals	₱9,753,000.00	₱13,884,329.92	(₱4,131,329.92)	42.36%

103. Based on the above table, the Agency had expended so much in foreign travels sacrificing other needed expenditures of the agency. The following table showed that Other Professional Services and Rental Expense savings were used in the obligation/expenditures for the foreign travel. So much rental expense was not expended because the supposed rental of new office to be occupied by the Executive Offices did not push through because of the complaint made to the Ombudsman.

Expenditures	Allotment	Adjustments/ automatic realignment within MOOE	Adjusted Allotment	Obligations
Other Professional Services	12,636,000.00	(6,435,615.00)	6,200,385.00	5,325,526.67

Expenditures	Allotment	Adjustments/ automatic realignment within MOOE	Adjusted Allotment	Obligations
Foreign Travel	9,753,000.00	4,131,329.92	13,884,329.92	13,884,329.92
Rent/Lease Expense	37,372,000.00	(10,147,461.00)	27,224,539.00	14,430,024.36

104. Analysis of the expenditures paid for foreign travels revealed that the Commission allowed several members of the Professional Regulatory Board (PRB), aside from then Chairperson Manzala and the two regular staff of PRC in the same meeting at Yangon, Myanmar on February 10-14, 2014, with a total disbursements of ₱694,879.91. The presence of the Chairperson could have been enough as the Philippines representative for such event.. The practice of having other staff of the Agency joining the conference is a waste of government funds. Likewise, allowing the members of the Board, who are not regular employees and whose term with PRC is only for three years, to join the conferences and other foreign travels is contrary to existing rules and regulations. It is the practice of PRC before CY 2013 to allow the members of the Board to attend conferences abroad but at their own expense..

105. Below is the breakdown of different travels to foreign countries allowing several PRB officers/members to attend meetings/conferences using PRC funds for their travelling expenses, including several staff of PRC aside from the Chairperson and the two Commissioners:

Place	Dates	No. of Officials		mount
		PRC	PRBs	
Abu Dhabi,UAE	Jan 16-21, 2014	1	₱	89,373.40
Kuala Lumpur, Malaysia	Jan. 20-24, 2014	3	1	280,093.98
	Aug 25-26, 2014	4		185,547.78
Riyadh, KSA	Jan 28-31, 2014	1	2	399,355.71
Yangon, Myanmar	February 10-14, 2014	2	9	694,879.91
	March 19-21, 2014	3		

Place	Dates	No. of Officials		mount
		PRC	PRBs	
Can Tho City, Vietnam	May 26-30, 2014		5	583,618.75
Paris, France	July 8-13	2	1	223,886.06
Nanning, China	March 31-April 4, 20014	1	1	281,317.13
	Sept 1-3, 2014		4	216,383.66
Turin, Italy	April 7-11,2014		1	127,745.37
Jakarta, Indonesia Solo Indonesia Bali, Indonesia Serpong, Indonesia Bogor, Indonesia	May 7-18,2014 &	1		90,337.15
	May 12-18, 2014	2		52,579.22
		2	12	1,267,242.44
	Sept 22-27, 2014		1	110,141.48
	Sept. 9-11, 2014		1	34,428.49
	Oct. 15-17.2014			
Bangkok, Thailand	April 9-11, 2014	1	1	134,853.66
Geneva, Switzerland	May 17-18, 2014	2	1	451,369.78
New Zealand	May 20-23, 2014	1	1	263,124.32
London	June 9-15, 2014		1	90,188.00
	June 9-15, 2014	3	1	91,177.10
	Sept 9-12, 2014			519,676.13
Sri Lanka	July 15-16, 2014	1	1	168,278.60

Place	Dates	No. of Officials		mount
		PRC	PRBs	
Vancouver, Canada	Oct. 6-7, 2104		1	131,712.24
Qatar	Sept 23-24, 2014		3	526,571.33
Greater Noida, India	Dec. 1-5, 2014	1		106,959.40
Total		31	48	₱7,120,841.09

106. The PRC has also conduct examination for Licensure Examinations for Teachers (LET) in Hongkong with a total cost of ₱548,627.70 in August 11- 17, 2014 which is not covered by an Executive Order issued by the President but only by a PRC Resolution for that matter.

107. It is our contention that sending several participants in one meeting is a clear wastage of money and against the adoption of economy measures and we considered it as unnecessary expense based on the definition of the unnecessary expenditures in COA Circular No. 2012-003.

108. It could also be considered as excessive expenditures because of the several participants sent to different countries as it exceeds what is usual and proper and in excess of reasonable limits of expenses.

109. The total SPLBE expenditures amounted to ₱5,304,882.96 aside from the unprogrammed SPLBE in the Tel AVIV, Israel amounting to ₱433,402.88 on November 12-18, 2014, post audit of these travelling expenses is still on-going.

110. Of the above expenditures, there were three Notices of Suspension and two Notices of Disallowances issued for the audited transactions but the audit of the remaining foreign travels is still on- going.

Particulars	NS/ND NO.	Date	Amount
Travel to Yangon, Myanmar on Feb 10-14,2014 77 th ASEAN coordinating committee on service & ASEAN mutual recognition arrangement working groups meeting- RONALD PRE	NS No. 2015-02-02 (2014)	Feb. 17, 2015	₱ 23,586.36
Travel to Abu Dhabi, UAE TERESITA MANZALA Jan. 16-21, 2014	NS No. 2015-03-03 (2014)	March 23, 2015	89,373.40
TEV – Riyadh, KSA signing of the memo of understanding between Phil Council of engineers & Architects – TERESITA MANZALA, ARIODEAR RICO & YOLANDA REYES	NS No. 2015-08-06(2014)	Aug. 24, 2015	399,355.71
Cash Adv-MARIE CECILLE FERNANDO TEV to Indonesia, Apr 23-24, 2014	ND No. 2015-04-04 (2014)	April 6, 2015	7,982.11
Cash Adv- TERESITA MANZALA, TEV ASEAN dialogue at Kuala Lumpur,Malaysia on Aug. 25-26, 2014	ND No. 2015-04-03	April 6, 2015	25,536.26

111. It was also observed that there is no specific guideline on the selection of place/country to conduct the SPLBE and the requirements of available applicants/examinees and to consider the conduct of examination in a certain country. Although in the Executive Order issued, it was the Organization of the Professionals such as APO that will have the authority to request PRC for the conduct of SPLBE, however the availability of funds for the purpose should be given main consideration.

112. **We recommended that Management:**

- a. **limit the number of participants to attend meetings abroad in consideration of adopting economy measures and within the limit of the available funds for the purpose, especially if the expenses are not shouldered by the host country to avoid unnecessary expenditures**

pursuant to AO 103 and EO 248 as amended by EO 298 and COA Circular No. 2012-003; and

- b. formulate guidelines on the selection and the prioritization of the request for examination to be conducted abroad for SPLBE which should be in accordance with Executive Order No. 835 and within the available funds for the purpose.**

113. Management commented that while it is a requirement that foreign travel be limited to organic employees, the main proponent of the MRA project is the Professional Regulatory Authority (PRA) which is the PRBs under the administrative supervision of the PRC. The ASEAN MRA is the government commitment under the WTO GATT where the PRA must be represented in meetings three times a year. To ensure smooth transition (since PRB members are often suddenly replaced) a 2nd member of the PRB accompanies the official delegate, usually at their own expense. However, in the case of the PRB for Architecture it was necessary for all three members to attend since the Philippines is the incumbent Chair of the ASEAN Architect Council (AAC). While the conduct of SPLBE for the teachers in Israel was a commitment of the former Chairperson who personally coordinated with the Philippine embassy and a Commission resolution was prepared for the said undertaking.

114. The attendance of the members of the Board in foreign travel must be scrutinized since the Management is very much aware that the PRB members are not regular employee of PRC, hence they have no holding period and are usually replaced from time to time. The adoption of economy measures should be given first consideration pursuant to EO No. 835, the availability of funds for the purpose and submission of accomplishment report that should be prepared after travel with a copy submitted to the Office of the President. While it is true that the SPLBE is for the benefit of the OFWs to improve their craft, there should be standard guidelines set up by the PRC in coordination with DOLE, Association of Professionals and the DFA that should be followed in the selection of countries for the conduct of examinations with the consideration of the availability of funds.

Non-submission of documentary requirements

The Agency failed to provide copies of Lease Contracts and other documentary requirements needed to support the Contract of Lease used by the different Field Offices as basis for the legality and validity of Lease Contracts and is contrary to COA Circular No. 2012-001.

115. Sec. 9.1.3.3 of COA Circular No. 2012-001 provides that aside from the Lease/Rental Contract, additional requirements are required to submit within five days

from the execution of the contract to the Auditor's Office as additional documentary requirements to be used for the Auditorial and Technical review of the rental/lease contract.

- *For privately-owned office/building*
 - *Complete copy of the building floor plans indicating in shaded colors the rentable space*
 - *Copy of the Certificate of Occupancy of the building or appropriate approved documents showing the date the building was constructed or age of the building*
 - *Complete description of the building as to type, kind and class including its component parts and equipment facilities such as, but not limited to, parking areas, elevators, air-conditioning systems, firefighting equipment, etc.*
 - *Copy of the Master of Deed Declaration and Restrictions in case of lease/rental of office condominiums*

116. In January 22, 2013, a letter was sent to the Agency requesting for the submission of the necessary documents of the Contract of Lease of the PRC Regional Office-Baguio City, for the technical review of the Technical Audit Specialist of Baguio City, but none was complied/submitted.

117. Upon audit of the transactions pertaining to all rentals/lease of all buildings occupied by PRC Regional Offices (ROs), it was found out that pertinent documentary requirements were not attached to the vouchers thus, Notice of Suspension (NS) No. 2014-08-005 dated August 6, 2014 and received by management on August 14, 2014 was issued amounting to ₱8,743,205.50 for lack of the necessary documents to support the payment made. However, it was only on October 16, 2014 when the said documents were submitted by Office of the Acting Chairperson, except for the Regional Offices in Cebu, Tacloban, Zamboanga, Pagadian and Davao which have not been complied as of report date.

118. The Commission issued Resolution No. 2012-699 dated November 11, 2012 for the creation of the Bids and Awards Committee and Office Order No. 88 dated March 8, 2012 for the composition of Central and Regional Offices. Again, Office Order No. 2013-562 dated November 11, 2013 was issued for the re constitution of the BAC-Regional Offices, for the conduct of bidding on lease of buildings occupied by the Field Offices and for other purposes.

119. It was found out however, that it was only in late CY 2014 that the conduct of public bidding for the lease/rental of PRC building occupied in the Regions (Pagadian, Davao (failure), Cagayan de Oro, Cebu, Tacloban) were done because of the controversy

brought about by the proposed Lease of Victoria building, Quezon City and the Lease of the PRC Office in Baguio City. In Baguio City, the bidding could not be scheduled because of the absence of the approved multi-year obligational authority (MYOA) to be issued by DBM.

120. The NS was not lifted because of the absence of some other documentary requirements from other ROs and because the Lease contract is the subject of the complaint from the Office of the Ombudsman. (See Annex 2 for the details of the suspended amount)

121. We recommended Management to submit duly authenticated copies of the Lease Contracts and additional documentary requirements pursuant to COA Circular No. 2012- as basis for the auditorial and technical review of the Lease Contract .

122. The Management commented that they will follow up the ROs to submit the documentary requirements required by COA.

Excessive Lodging Fee

The Commission allowed the payment of ₱15,000.00 per month for the lodging of the Director assigned at the Field Office-Tacloban without a written authority and which is more than the allowed amount provided in the National Budget Circular No. 456.

123. Section 47 of the General Provisions of RA No. 10352 (GAA for FY 2013) states that...*"Officials who are transferred from one station to another by virtue of agency policies on reshuffling or rotation of personnel and do not own houses or rooms therein, shall be provided free quarters within office premises. When there is no enough space to be used as quarters, the agency may rent buildings or rooms which shall serve as quarters for said officials."*

124. If the Official opted for more expensive quarters other than those rented by their agencies, the room or house maybe secured provided the difference in amount shall be paid by the Official.

125. Section 5.2.1 of NBC No. 456 dated November 11, 1996 -----may rent a house or room which shall serve as quarters at reasonable rates based on the prevailing cost of rental in the area or locally as determined under Chapter 4 of the Manual on Building Services and Real Property Management (BSRPM) issued under Joint DBM, DENR and DPWH Cir. No.1 dated September 30, 1989 but do not exceed the rates prescribed for Tacloban City at ₱2,000.00 per month, with no revision until today.

126. Section 54 of NBC No. 456 likewise states that ---- *Those who desire more expensive/extensive quarters other than those provided by their agency or by rental in the amount authorized under Sec. 5.2 hereof, may secure such preferred quarters, provided that the difference between the rental cost and the amount authorized therefore shall be paid by the former. As per verification, there were attempts or requests for the possible increase of the allowed quarter allowance at the DBM but until now the prevailing rates per NBC No. 456 still prevails.*

127. Records showed that the Commission has been paying the amount of ₱15,000.00 per month for lodging fee of the Director of PRC Region No. VIII, who has been assigned in the Region from CY 2010 while staying in the COA dormitory of Region VIII which is also a government entity until the typhoon Yolanda occurred in November, 2013. Since the COA Dormitory was also damaged by the said typhoon, the Director was able to find a new place to stay as temporary lodging offered to him at B-Car Craft Auto Repair Shop owned by certain Mr. Blanco at the same rate of ₱15,000.00 per month, which he is still occupying until now.

128. At post audit, a Notice of Suspension (NS) No. 2014-11-006 (13-14) amounting to ₱143,000.00 dated November 18, 2014 was issued and received by management on November 21, 2014, requiring the submission of a written authority from the Commission allowing him to claim lodging fee of more than the allowed amount in the NBC 456. Other lacking documents, such as written agreement (rental contract) between the PRC and the B-Car Craft Auto Repair Shop was requested from the agency pursuant to NBC 456.

129. The Audit Team also found out that original Assignment Order of Dir. Palabyab was at Tacloban Regional Office No. VIII and was reassigned in the PRC Central Office until CY 2010 when he was required to go back to his original assignment in Tacloban City so that his authority to claim for his lodging, when he was reassigned back to Regional Office No. VIII is also now questioned.

130. An explanation was likewise required as to why the Official Receipt (OR) issued to acknowledge the receipt of payment was under the name of a B-Car Craft Auto Repair Shop and not to that of a Lodging house/quarter.

131. The Commission in their letter dated February 18, 2015, cited the following explanations with regards to the NS issued by the Auditor:

- a. lodging space will only be available at the newly relocated PRC Tacloban Office at the Uytinkoc building upon completion of improvement works, hence, the continuous rental of lodging space;
- b. the Commission finds no need to execute a contract with B-Car Craft Auto Repair Shop because eventually the renovation of the new office space in Tacloban includes the provision for lodging of the Director;
- c. that after the typhoon Yolanda, one of the most major problems in Tacloban City was the housing and lodging. As such the Commission finds NBC. 456, not applicable to the circumstances;
- d. that property was converted from a car repair shop to a lodging space, apparently, Mr. Blanco has not registered the business as a lodging house at the present time and therefore uses the official receipt of his existing business B-Car Craft Auto Repair shop; and
- e. that the transaction is not included in the list of “irregular” expenditures in the given lists of irregular expenditure of the COA Circular No. 2012-003, hence it could not be considered as irregular in nature.

132. Despite the reasons offered by the Commission, the Audit Team maintained its stand that the payment of lodging fee should be supported with a written authority issued by the Commission. All other lacking documents to support the payment thereof should be complied with and presented to the Audit Team for further evaluation. Again, PRC Region VIII-Tacloban City was the original assignment of the Director hence he is not entitled for the lodging fee.

133. **We recommended that Management:**

- a. **submit written authority allowing the Director to claim for lodging fee, since PRC-Region VIII was his original assignment or if entitled should be advised to look into a lodging place where the Commission will pay only the prevailing rental rate of the area, otherwise, the difference should be shouldered by him, .**
- b. **comply with the provisions of NBC 456 requiring submission of a written agreement executed by and between the lessor and the lessee as the basic document to support the claim aside from the other supporting documents necessary for the payment thereof.**

Gender and Development Plan and Senior Citizens and Persons with Disability

Gender and Development (GAD) Plan targeted activities were not totally implemented or achieved specifically on the Client focused project contrary to Sec. 33 of the General Provisions of General Appropriations Act (RA 10633) for FY 2014 of which only ₱1,988,088.30 or 16.87% of the actual total budgeted amount of ₱11,784,380.00 was utilized in implementing its programs for CY 2014. While the budgeted amount of ₱11,784,380.00 is less than the five percent 5% of the agency's total budget for FY 2014 totaling ₱1,058,879,000.00 or should be ₱52,943,950.00 for the required budget of GAD activities. Likewise, the Agency integrated its formulated plans, programs, projects and accomplishments intended to address the concerns of Senior Citizens and Persons with Disability in the GAD program for CY 2014 with no separate plan and programs using 1% of the total budget of the Agency pursuant to Sec. 34 of RA 10633.

134. Sec. 33 of GP of RA 10633 (GAA FY 2014) provides that all agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions under R.A. No. 7910 or the Magna Carta of Women, Convention on the Elimination of all forms of Discrimination Against Women, the Beijing Platform for Action, the Millennium Development Goals (2005-2015), the Philippine Plan for Gender-Responsive Development (1995-2005), and the Philippine Development Plan (2011-2016).

135. Sec. 36 of MCW, states that...*"The Commission on Audit shall conduct an annual audit on the use of the GAD budget for the purpose of determining its judicious use and the efficiency and effectiveness of interventions in addressing gender issues towards the realization of the objectives of the country's commitment on gender equality and GAD plans and policies on women's empowerment."*

136. Sec. 34 of the GP of RA 10633 provides that *"All agencies of the government shall formulate plans, programs and projects intended to address the concerns of Senior Citizens and Persons with Disability insofar as it relates to their mandated functions and integrate the same to their regular activities."*

137. Verification of the Accomplishment Report submitted by the agency showed that the actual budget provided for GAD Plan on FY 2014 amounted to ₱11,784,380.00 while the total expenditure is ₱1,988,088.30 which is very low or 16.87% of the total actual budget provided for FY 2014 however said provided budget is smaller than the five (5) percent required budget for GAD projects pursuant to Sec.33 of RA 10633, which should

be ₱52,943,950.00 on the total budget of the Professional Regulation Commission for CY 2014 , as shown below:

5% of the Total Budget	Actual Budget of GAD	Total Expenditures	% to Total GAD Actual Budget
5% x 1,058,879,000.00 = ₱52,943,950.00	₱11,784,380.00	₱1,988,088.30	16.87%

138. Breakdown of actual expenses for each program is as follows:

GAD Objectives	Actual Budget	Accomplishment/Utilized	Unutilized
A. Organization Focused	₱7,077,000.00	₱1,309,692.95	₱5,767,307.05
B. Client Focused	4,697,380.00	166,908.50	4,530,471.50
Totals	₱11,774,380.00 (less by ₱10,000.00 of the reported budget)	₱1,476,601.45	₱10,297,778.55

139. Verification of the Accomplishment Report submitted by PRC as against the GAD Plan for FY 2014 showed that the total actual budget is ₱11,774,380.00 lesser by ₱10,000.00 as reported in the Plan/Programs for GAD which is ₱11,784,380.00 and certain programs/projects were not achieved specifically on the Client focused project wherein only 3.55% or ₱166,908.50 of the total budgeted amount of ₱4,697,380.00 was actually expended. The reason given is that most of the unutilized budget is intended for the Marine/Seafarer's GAD activity which the office was eventually transferred to MARINA in December, 2014. However, it is our observation that the project could have been implemented even there is an impending transfer of the Marine Office to MARINA because the purpose of the project does not concern or affects imminent transfer of office.

140. **We recommended that the GAD Focal Point:**

- **Closely monitor the implementation of the GAD Plan endorsed by the Philippine Commission on Women (PCW).**
- **Implement more GAD projects with emphasis on Client Focused projects and Organization focused which will eliminate all forms of discrimination against women and in accordance with the implementation of the**

Philippine Development Plan and the required budget of five percent of the total budget of the Agency; and

- **Must provide project proposals with immediate benefits for the participants and study causes of the minimal attendance of trainings and then introduce measures to avoid the underutilization of the budget.**

Compliance with RA No. 8291 on proper deductions and remittances of GSIS premiums

141. The PRC remitted to the GSIS the total monthly deductions from its officials and employees except for December 31, 2014 with unremitted balance of ₱ 1,282,109.86 which was the total deductions from December, 2104 payroll but the same was immediately remitted on January 6, 2015.

Compliance with Tax Laws

The Agency withheld a total of ₱45,409,490.40 for all transactions/payments made by Creditors of PRC. However, PRC was short by ₱390,640.95 in CY 2014 for Central Office Creditors while ₱31,514.84 taxes withheld at PRC Baguio City was not remitted to the BIR by PRC Central Office, but the balance of the Central Office was remitted in the first quarter of CY 2015 in compliance with the provision of Republic Act No. 7649 and Executive Order No. 651.

142. Pursuant to Republic Act 7649 and Executive Order No. 651, all government agencies and instrumentalities are required to comply strictly with the withholding of taxes for gross payments for the purchase of goods and gross payments for services rendered by contractors.

143. The PRC had complied with the requirements of BIR Tax Revenue Regulation No. 10-2008 dated July 8, 2008 and Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 on the withholding of taxes on compensation and on the purchase of goods and services, respectively. The Taxes withheld for CY 2014 are as follows:

Months	VAT (1600)	EXPANDED (1601E)	EMPLOYEES	TOTAL
January	₱187,075.37	₱1,409,335.20	₱1,025,799.60	₱2,622,210.17
February	599,893.36	1,583,107.02	494,052.76	2,677,053.14
March	1,109,512.21	1,809,004.42	854,217.58	3,722,734.21
April	1,129,868.30	1,638,279.50	1,011,441.20	3,779,589.00
May	993,929.36	1,706,907.62	889,977.81	3,590,814.79
June	1,066,245.44	1,663,287.62	2,436,609.96	5,166,143.02
July	820,385.49	1,488,780.84	856,962.52	3,166,128.86
August	583,168.09	1,488,420.39	823,341.45	2,894,929.93

Months	VAT (1600)	EXPANDED (1601E)	EMPLOYEES	TOTAL
September	723,645.34	1,497,430.04	814,714.43	3,035,789.81
October	1,038,554.63	1,783,638.98	749,075.11	3,571,268.72
November	459,190.50	215,851.85	842,153.97	1,517,196.32
December	1,875,991.32	2,799,944.25	4,939,696.86	9,615,632.43
Total	₱10,587,459.41	₱19,083,987.73	₱15,738,043.25	₱45,409,490.40

144. In practice, the Regional Offices withheld taxes for the gross payments made to creditors but the remittance is done by the Central Office.

145. However, the Auditor of the PRC Baguio City reported that PRC Main did not remit taxes withheld in Baguio City. It was also reviewed by the Accounting PRC Central that they are short by ₱390,640.95 of their remittance in CY 2014 but it was already remitted in the 1st quarter of CY 2015.

146. **We recommended that Management impose strict compliance of withholding of taxes for each internal and external creditor pursuant to the requirement of RA No.7649.**

Status of Settlement of Audit Suspensions and Disallowances

147. **As of December 31, 2104, PRC had a total disallowances of ₱19,135,589.07 of which ₱17,139,108.80 pertains to a shortage of Ferdinand Llapitan, Cashier I of the PRC Tuguegarao Office, Region II, as a result of the cash examination conducted by the COA Regional Office II in 2008 and ₱1,996,480.27 was broken down as follows:**

ND No.	Date	Amount
2010-01	October 6, 2010	₱528,900.00
2013-01	October 23, 2013	2,765.00
2013-02	October 29, 2013	26,700.00
2013-03	November 22, 2013	9,535.27
2013-04	November 26, 2013	400.00
2014-02	June 5, 2014	1,400,000.00
2014-05	June 5, 2014	26,380.00
2014-09	September 1, 2014	1,800.00
Total		₱1,996,480.27

148. The disallowed amount of ₱528,900.00 under ND No. 110-001 dated October 1, 2010 has a pending appeal before the Commission Proper. The balance of Receivables-Disallowances and Charges in the RA books amounting to ₱440,298.57 composed of Suspensions and Disallowances issued prior to CY 2001 which is overstated by

₱83,535.21, an observation in AAR CY 2011 which remained unadjusted by the Accounting Division due to non availability of records to support thereof.

149. For the disallowed amount of ₱1,428,180.00 issued in CY 2014, a Notice of Finality of Decision was already issued but the PRC issued an appeal for the disallowance of ₱1,400,000.00.

150. As regards to the disallowance of ₱17,139,108.80, a letter dated January 14, 2009 from the Legal Adjudication Office was forwarded to the Office of the Ombudsman for the filing of Criminal and Administrative cases against Mr. Llapitan. Moreover, a letter was endorsed by PRC to the Office of the Ombudsman inquiring the status of the case and the Ombudsman already sent letter to the Regional Office for the dismissal of Mr. Llapitan.

151. While the total Notice of Suspensions which have not been complied as of December 31, 2014 amounted to ₱33,488,841.81.

152. We recommended that Management initiate immediate compliance/settlements of suspensions and disallowances pursuant to the provisions of COA Circular No. 2009-006.