

PART II – OBSERVATIONS AND RECOMMENDATIONS

Value for Money Audit

PRC Service Provider failed to provide faster renewal of licenses

1. *The Service Provider contracted by the PRC failed to provide a faster renewal and issuance of professional licenses due to defective pictures submitted by SM Mart Inc. (SMI) and the lack of personnel to print the large volume of identification cards (IDs). Likewise, the Commission failed to observe compliance on the provision of the Memorandum of Agreement (MOA) entered into by and between the PRC, Bureau of the Treasury (BTr) and the SMI dated August 15, 2012 by allowing the SMI to continue with the renewal of professional licenses of applicants without any documents or resolution.*

- 1.1 The PRC represented by its former Chairperson entered into an agreement with SMI thru a MOA dated August 15, 2012 for SMI to accept applicants for renewal of professional licenses of selected professions on selected SM locations in the National Capital Region and different regions enumerated in the MOA. As provided in Section 9.1 of the agreement, its validity is for a period of one year and shall take effect upon the date of signing, provided that the actual implementation may be done after training and user testing to be conducted by the parties. The agreement was signed by both parties on August 15, 2012 but the actual operation started on September 5, 2012 to consider equipment installation and trainings.
- 1.2 The goal of this undertaking as provided in the MOA is the “delivery of customer-focused, efficient and quality frontline services to the professionals.”
- 1.3 Section 3.4 of the MOA states that “PRC further commits to make available the Professional License IDs within seven working days from receipt of application and payment from SMI.”
- 1.4 As agreed, the Service Provider will accept payment from the client requesting renewal of license, process the request and take picture of the client, then forward the application with the assessment form to the PRC which in turn will print the ID license. In some instances, the picture taken is rejected by the system such that it will be sent back to the Service Provider, thus caused the delay in the processing of the license. Another issue is that the PRC employees in charge of the printing of IDs could not cope up with the voluminous application for renewal done in the Central Office and those sent by the Service Provider nationwide.
- 1.5 Complaints from clients have been received by the PRC about the extended waiting time on the release of the professional licenses and this had been discussed with the SMI representative. There were those clients who

previously applied for the renewal of IDs thru the SMI who want faster release of their ID license for employment abroad but could not wait because of the long delay by SMI of the ID release, instead applied again for the renewal of ID thru the PRC by availing of the express procedure with an extra fee of ₱200.00 over and above the amount of renewal fee, thus incurring them double expenses.

- 1.6 The entire process of renewing professional licenses with the SMI ran for a period of two months to one year, as per report received. The period is much longer than the regular processing of ID renewal in the PRC central and field offices. The noted deficiency deprived the client of the presumed convenience for a fee amounting to ₱50.00 collected by SMI from client over and above the amount of renewal fees. Hence, the primary goal of the agreement, a faster renewal of client's licenses has not been successfully served.
- 1.7 Verification revealed that after one year of operation which was on September 5, 2013, the Service Provider continuously accept application for renewal of professional licenses until December 31, 2015 without any resolution or addendum to the original MOA allowing them to continue the acceptance of renewal of license, as can be proven by the professional licenses processed by the Registration Division, fund transfer instructions of SMI, and the journal entry made by Accounting Division. Extra efforts to locate a copy of any resolution/document pertaining to the extension of the operation of SMI but to no avail, no record can be found from Regulations Division, ICT, Office of the Financial and Administrative Services (OFAS) and the Records Division.
- 1.8 This matter precluded the Agency of a chance to ratify/discuss the deficiencies or non-compliance of either party on the requirements agreed upon with the goal of improving the delivery of services to clients. Thus, the operation of SMI beyond the agreed period therefore deemed void and without legal basis.
- 1.9 The PRC on its part, assigned personnel to facilitate the preparation of ID by giving priority to the processing of IDs from backlogs of SMI applicants but delays still exist because of the defects of the picture taken by SMI which is rejected by the system so it has to be returned back to SMI to reprocess the taking of picture of the applicant/clientele.
- 1.10 Despite the foregoing issues, the PRC verbally allowed the unauthorized extension of the MOA by the Service Provider.
- 1.11 **We recommended that the Management:**
 - a. **ensure compliance of either party in any agreement affecting the delivery of services to clients to fully benefit from the opportunity granted for the improvement of services;**

- b. **submit proof/document supporting the validity of transactions derived from continuous operation of the Service Provider until December 31, 2015 which was beyond the lapse of the MOA; and**
 - c. **facilitate the monitoring of the validity/correctness of the deposits as reported by the Service Provider and if discrepancy has occurred, demand from the Service Provider the amount equivalent to such discrepancy.**
- 1.12 The Management commented that they had already terminated the services of the SMI in 2016 in time for the soft opening of the Dragon Pay on line system. The validity and correctness of the deposits made by SMI will be validated by requesting certification from the BTr. Any undeposited collections will be demanded from the Service Provider, SMI.
- 1.13 The PRC should continue the reconciliation of deposits as against the reported collection of the Service Provider by requiring them to immediately submit all the daily reports of collections and the fund transfer/deposits and must immediately request the certification from the BTr for the deposits made and if found some variances, demand for the deficiencies should be made.

Absence of Comprehensive Guidelines in the Conduct of Oath-taking for Professionals and Collection of Fees

2. ***Oath-taking for successful Professionals were administered and conducted by the Professional Regulatory Boards (PRBs) in coordination with Professional Associations without a comprehensive set of guidelines to implement the provisions of PRC Resolution No. 2012-657 dated May 9, 2012. Likewise, fees collected by the Professional Associations/PRBs were not properly accounted for.***
- 2.1 The PRBs was conferred with the power by RA No. 8981, the “PRC Modernization Act of 2000” particularly Section 7 (k) to authorize any officer of the Commission to administer oaths.
- 2.2 The Commission issued PRC Resolution No. 93-268 dated April 13, 1993 which provides guidelines and procedures on the mass oath-taking ceremonies of professionals and new members before the Accredited Professional Organizations (APOs). On the 14th of January 1998, PRC Resolution No. 98-545 series of 1998 was issued which requires the PRBs and the corresponding APOs to jointly hold the oath-taking ceremonies for the successful examinees of professional licensure examinations and to render a report in connection therewith.
- 2.3 A Revised Guidelines on the Conduct of Mass Oath-taking of Professionals issued by PRC was provided under Resolution No. 2012-657 dated May 9, 2012 repealing PRC Resolution Nos. 93-268, series of 1993 and 98-545 series

of 1998. The main purpose of Resolution No. 2012-657 is to address strategic, operational, monetary issues and concerns of the PRBs and the PRC as well as of the APOs and Accredited Integrated Professional Organization (AIPOs).

- 2.4 Section 1 of Resolution No. 2012-657 provides that “All examinees who have successfully passed the board licensure examinations and those applicants admitted for registration without board licensure examinations shall imperatively take an oath of professionals prior to entering into the practice of the profession.
- 2.5 The successful examinees in the board licensure examinations and those who are admitted for registration without board licensure examinations as provided under Section 3 of the Resolution shall take their oath of professionals in mass oath-taking conducted by the PRBs in any specified venue in Metro Manila or outside it before its chairman, vice chairman, or member, or any PRC authorized regional director or official who is duly delegated with or deputized, to administer it.
- 2.6 As required under Section 4 of same PRC Resolution, the mass oath-taking of professionals shall be organized and supervised by all PRBs in a venue and date which the PRC shall inform the registrants of the oath-taking, after the release of the results of the board licensure examination and/or the approval of the PRB resolution admitting registrants without board licensure examination. The said ceremony shall be carried out with simplicity and solemnity. The regional director or official administering the oath shall thereafter submit a written report to the PRC, copy furnished the PRB.
- 2.7 The PRC through the Office of the Secretary of the PRBs, Registration Division, and other concerned divisions/units in the Central Office and Regional Offices shall provide administrative support to the PRBs in the organization and conduct of mass oath taking activities.
- 2.8 As of this date, however, there is no set of specific guidelines formulated by the PRC. The resolution only provides the general guidelines. Specific guidelines and procedures including criteria and standards should be drafted to guide the PRBs and/or the PRC in carrying out the provisions of the said resolution. Unfortunately, mass oath takings of professionals were administered, fees were collected, expenses incurred but there were neither reports nor records relative to said undertaking was submitted for proper monitoring, recording, reporting and auditing.
- 2.9 Based on the audit team, conservative approach of computation was made. Out of the 75 percent of 170,293 who passed the different board examinations in CY 2015 and who attended the oath-taking ceremonies with one additional visitor/parent, were required to pay ₱1,000.00 each in attendance. Thus, the total collections made would be ₱255,439,500.00 (170,293 x 75% x 2x 1,000.00).

- 2.10 Section 7 of the same Resolution explicitly provides the creation of a Trust Fund sourced from the proceeds of mass oath-taking activities. It shall be for the exclusive and appropriate use for professional development activities.
- 2.11 Section 9 further required the PRC to prescribe, issue, and promulgate the guidelines on the creation, utilization and accounting of said Trust Fund after consultation with the Department of Budget and Management (DBM), the Bureau of the Treasury and the Commission on Audit (COA).
- 2.12 Review of records showed that no set of guidelines and a committee was formed for the creation of the trust fund and until now no meetings had been conducted.
- 2.13 The oath taking fees are public funds and disbursements relative to the conduct of the oath should be in accordance with existing COA accounting and auditing rules and regulations.
- 2.14 Oath-takings of successful examinees of the Nursing Professional Licensure Examination were previously conducted by the Philippine Nurses Association but eventually was stopped because of alleged various complaints from the attendees. They particularly questioned the fees charged for not being uniform. They also objected the choice of venue because it was allegedly costly and caused inconvenience for being too far from their homes. Considering that taking the oath is such an important milestone every taker wished that this momentous event will be shared and witnessed by their parents but it is too costly that some cannot afford it. These reasons ultimately forced to stop the conduct of oath-taking of nurses and left to the discretion of the School's Administrator.
- 2.15 The Commission, as part of its supervisory function, assigned some PRC personnel to assist the PRBs in the conduct of oath taking here and abroad. However, the travelling expenses and allowances of these personnel were charged against the PRC's fund, rather than from the fees collected.
- 2.16 The PRB not only pushes through with the conduct of oath taking without the much needed guidelines but also went beyond spending the regular fund of the Commission to cover the oath taking expenses which is not only unreasonable but also unacceptable considering that collections of the related oath taking fee were never remitted by the PRB to the Commission and yet they charged the related expenses against the regular fund of the Commission. All disbursements related to the conduct of oath taking should and must be charged against the collection and in no case should have been charged against the regular fund of the Commission.

- 2.17 On January 13, 2015, the Audit Team sent a letter-query addressed to the Board OIC-Secretariat concerning the issues on oath-taking activities. A response was received on April 08, 2015 informing that a Technical Working Group was created for the purpose of drafting rules and regulations on the conduct of mass oath taking of new professionals.
- 2.18 The lack of specific guidelines, rules and procedures will prejudice the right of the oath takers to be fully informed about the undertaking especially with regard to the fees and the choice of venue.
- 2.19 **We recommended that the Management:**
- a. **immediately promulgate and issue the guidelines and procedures, criteria, and standards that shall guide the PRBs and/or the PRC in the implementation of the provisions of the above cited resolution after consultation with the PRBs, PAPRBM, APOs/IPOs, other government agencies, and non-government organizations; and**
 - b. **conduct an immediate consultation with the Department of Budget and Management (DBM), the BTr, and the COA for the purpose of creating a Trust Fund pursuant to Resolution No. 2012-657.**
- 2.20 The Management commented that they will make representation with the DBM for the creation of a Trust Fund out of the oath-taking fees from which related expenses shall be charged. Pending approval of a Trust Fund, the Commission shall include in its 2017 Budget proposal, the financial requirements for the conduct of mass oath-taking for successful examinees.

FINANCIAL AND COMPLIANCE AUDIT

Inaccurate Reporting of Collections - ₱1,073,758,173.06

3. *The accuracy of reporting the agency's collections on service and business income derived from applications of licensure examination and its registrations amounting to ₱1,073,758,173.06 cannot be established due to material variance of ₱29,646,704.52 noted between the records of the Cash Division as against that of the Planning and Monitoring Division (PMD). Likewise, the collections from PRC-Zamboanga Field Office amounting to ₱35,996.00 remained unrecorded in the PRC books resulting to an understatement of collections by the same amount.*

- 3.1 The PRC is commissioned to administer licensure examinations and to oversee registration of successful examinees of 46 Professional groups whereby certain fees were collected based on the approved rate imposed pursuant to PRC Resolution No. 2005-267 dated February 11, 2005.

- 3.2 The Cash Division of the PRC prepares a monthly summary of collections classified according to kind of income derived from clients for Central and Field Offices in compliance with Section 29, Chapter 5, Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume 1, which states that *“each Collecting Officer/Accountable Officer shall maintain a Cash Receipts Record to monitor his/her accountability”*.
- 3.3 The PMD is in-charge in the formulation of detailed plans, strategies and monitoring of the process in its proper sequence particularly in the conduct of the applications on licensure examination. The PMD prepares a report on Summary of Applications Processed (SAP) and a Summary of Registration (SOR) for submission to the different offices of the DOLE, DBM, including the Office of the Auditor.
- 3.4 Examination of records disclosed that total collections from applications for professional examinations as per computation of the number of reported applicants per SAP based on the rates provided per PRC Resolution No. 2005-267 in CY 2015 amounted only to ₱392,842,000.00. However, the Cash and Accounting Divisions reported the amount of ₱415,936,494.52 as collections for CY 2015 or a deficiency of ₱23,094,494.52. Details are shown below:

Summary of Collections – Examination Applications

Offices	Per SAP	Per Books	Difference
Central Office	144,410,700.00	155,577,644.52	11,166,944.52
Baguio	35,584,600.00	35,480,150.00	(104,450.00)
La Union	3,495,750.00	3,494,700.00	(1,050.00)
Butuan	5,878,600.00	5,878,500.00	(100.00)
Cagayan de Oro	21,024,850.00	20,999,250.00	(25,600.00)
Cebu	36,533,100.00	38,125,450.00	1,592,350.00
Davao	36,985,400.00	34,487,000.00	(2,498,400.00)
Iloilo	15,821,700.00	18,932,800.00	3,111,100.00
Legazpi	21,534,400.00	21,789,150.00	254,750.00
Lucena	17,322,300.00	22,124,250.00	4,801,950.00
Tacloban	11,049,900.00	13,775,950.00	2,726,050.00
Tuguegarao	12,052,950.00	12,313,800.00	260,850.00
Zamboanga	14,218,000.00	15,228,750.00	1,010,750.00
Pagadian	16,929,750.00	17,729,100.00	799,350.00
Total	392,842,000.00	415,936,494.52	23,094,494.52

- 3.5 On the other hand, the computed initial registration fees based on the PMD reported successful examinees of 170,915 per SOR multiplied by the rate prescribed per PRC Resolution No. 2005-267 amounted to ₱100,935,750.00, while the Accounting Division reported the amount of ₱107,487,960.00 or a discrepancy of ₱ 6,552,210.00. Breakdown is as follows:

Initial Registration of Successful Examinees

Offices	Per SAP	Per Books	Difference
Central Office	38,511,150.00	44,234,000.00	5,722,850.00
Baguio	10,698,750.00	10,532,400.00	(166,350.00)
La Union	1,000,800.00	1,006,200.00	5,400.00
Cagayan de Oro	4,078,350.00	4,086,000.00	7,650.00
Butuan	1,441,950.00	1,441,800.00	(150.00)
Cebu	9,439,950.00	9,747,310.00	307,360.00
Davao	8,013,300.00	8,111,850.00	98,550.00
Iloilo	5,861,700.00	5,998,800.00	137,100.00
Legazpi	4,654,650.00	4,836,900.00	182,250.00
Lucena	5,158,950.00	5,294,550.00	135,600.00
Tacloban	3,264,750.00	3,430,200.00	165,450.00
Tuguegarao	3,352,800.00	3,354,600.00	1,800.00
Zamboanga	2,874,000.00	2,872,650.00	(1,350.00)
Pagadian	2,584,650.00	2,540,700.00	(43,950.00)
Total	100,935,750.00	107,487,960.00	6,552,210.00

- 3.6 **We recommended that the Management instruct the PMD to come up with the report format that will capture possible causes of variances required to be submitted by the Application/Registration Division and the PRC Field Offices to come up with an accurate balance with that of the Report of Collections submitted to the Accounting Division as bases of recording in the books of accounts. We also recommended that the Management require the PMD to reconcile their records with the Accounting and Cash Divisions.**
- 3.7 The Management commented that the PMD will come up with a standard manner of reporting for all the operating units to eliminate discrepancies in the amount of collections when matched with the physical transactions. Discrepancies occurred because of timing differences in reporting a transaction or when there is a double recording when a single transaction is reported by both Central and field office such as when a particular examinee who applied in the Central Office will actually take the examination in the regional office. Hopefully, the discrepancies will be greatly eliminated once the Online Payment System developed by Dragon Pay is fully implemented by the Commission.
- 3.8 Since, the Dragon Pay System is still on its soft opening and the Field Offices are not yet implementing the same, the PMD should review the required format of the report submitted by the Central and Field Offices to come up with a more accurate report to be reconciled with what were reported in the financial statements.

*Accuracy and Validity of Deposits/Remittances of SMI Collections is not ascertained-
₱144,879,449.96*

- 4. *The accuracy and validity of deposits/remittances of Shoe Mart Inc. (SMI) collections totaling ₱144,879,449.96 from September 5, 2012 to December 31, 2015 could not be ascertained due to lack of documentations submitted and the certification of actual deposits from Land Bank of the Philippines (LBP) and the Bureau of the Treasury (BTr) as required under Sections 3.7 to 3.9 of the Memorandum of Agreement (MOA) with SMI. Likewise, regular reconciliation of the reported collections by the Accounting Division as against the remittances of the SMI was not achieved due to delay in submission of required reports from SMI, thus rendering such amount doubtful.***
 - 4.1 Section 2.9 of the MOA with SMI titled “Responsibilities of SM” states that SM shall “*provide PRC through its Cash Division a Daily Report of Collections specifying the name of applicants, nature of transaction, name of board and amount of collection*”. Annex E, which is considered as integral part of the MOA, also requires SMI to submit Summary Report of Collection by Region and Fund Transfer Instructions.
 - 4.2 Under Sections 3.7 to 3.9 of the MOA titled “Responsibilities of PRC”, the PRC shall “*validate/check daily report of collection submitted by SMI to reconcile the remittance made by SMI to the BTR account with LBP-Intramuros and inform BTR and LBP Intramuros of any deficiency in the amount of collected fees due for remittance to the BTR account with LBP Intramuros.*” Further, under Section 2.7, PRC has the privilege to: (i) *examine and make copies of the Daily Transaction Reports*; (ii) *visit offices of SM for the purpose of examining records and observing conduct of receiving and processing payments*; and (iii) *discuss matters relating to the Agreement.*”
 - 4.3 Information gathered disclosed that the Daily Report of Collections (DRC) and the Summary Report of Collections (SRC) required from SMI were not regularly emailed to the PRC, hence immediate reconciliation by the latter of the total fees collected by SMI was not possible. Likewise, the PRC failed to request the Certification from the BTr and the LBP on the total amount deposited by the SMI, which is the basis of confirming if the DRC and SRC are accurate.
 - 4.4 Despite the clear responsibility of the Cash Division, no DRC and SRC from the Regions can be found in their custody. This impedes the PRC from immediate verification of the accuracy of collections from SMI operations. It is the PRC Registration Division which is in charge of the processing of new registrants, renewal of license, etc. coming from the SMI applicants.

- 4.5 The Audit Team was provided only the SRC from September 05, 2012 to December 31, 2012. Beyond this period, only deposit instructions or fund transfer instructions given by SMI to PRC served as the basis of recording in the books, without the benefit of issuing an official receipts.
- 4.6 With the foregoing circumstances, the reliability and accuracy of the total collections and deposits recorded in the books of PRC could be not ascertained.
- 4.7 Further, delays in the transmittal of fund transfers instructions had also been noted which are sometimes done in print screen. Fund transfers from January to June 2013 were received only on December 16, 2013, while that of July to December 2013 were received on February 07, 2014 by the PRC Accounting Division. For CY 2015, no reports of total collections yet were provided to the Audit Team. This undue delay of fund transfer instruction increases the risk of fraud on collections.
- 4.8 If only the Cash Division was provided by the DRCs together with the Summary/Abstract of Collections which should have been reconciled with the fund transfer/remittances by the Accounting Division, any discrepancies discovered could had been immediately addressed.
- 4.9 SMI collections for CY 2015 per Accounting Division amounted to ₱53,761,867.80 based on fund transfer instructions directly sent by SMI thru e-mail. The Registration Division, on the other hand, provided the figures of ₱57,392,789.00 as collections from SMI renewals during the year, or a difference of ₱3,630,921.00.
- 4.10 It has been noted that the fund transfers for the year 2015 were credited to PRC LBP Account No. 3402-2696-09 instead of depositing them to the BTr-LBP Savings Account No. 0012-1177-87, contrary to the provision of Section 2.13 of the MOA.

Fund Transfer from SMI

CY	Fund Transfers	From	To
2012	5,265,524.00	SMI LBP CA 0012-1179-57	BTr LBP SA No. 0012-1177-87
2013	40,807,825.36	SMI LBP CA 0012-1179-57	BTr LBP SA No. 0012-1177-87
2014	45,044,232.80	SMI LBP CA 0012-1179-57	BTr LBP SA No. 0012-1177-87
2015	53,761,867.80	SMI LBP CA 0012-1179-57	PRC LBP Acct# 3402-2696-09
Total	144,879,449.96		

- 4.11 The deficiencies discussed above renders the accuracy and validity of the actual deposits of collections thru SM Business Service Centers totaling ₱144,879,449.96 doubtful.

4.12 We recommended that the Management:

- a. verify/ensure the veracity of the collections recorded in the books of the PRC. Assign responsible personnel, if necessary, to take charge of the responsibility of verifying/monitoring remittances of SMI against the Summary Report of Collections because of the significance of the amounts of discrepancies noted; and**
- b. request certifications from the LBP and the BTr on the total actual deposits made by SMI to PRC.**

4.13 The Management commented that they will enforce the submission of complete Reports of Collections from the SMI and will request for LBP and BTR Certifications to ascertain the correctness of deposited collections.

4.14 The Management immediately request the submission of the complete daily report of collections and fund transfer deposit from SMI which will be the basis of the reconciliation process and if found discrepancies in the reported deposits with the certification from the BTr, then necessary actions should be done by Management.

Unrecorded Office Supplies delivered from the Procurement Service-DBM (PS-DBM) and unreconciled fund transfers to PS-DBM

- 5. *Unrecorded deliveries of office supplies purchased thru the PS-DBM totaling ₱8,284,786.94 in CY 2015 resulted in the overstatement of the account Due from National Government Agencies and understatement of the Inventories accounts by the same amount. Also, the validity of the balance of account Due from National Government Agencies amounting to ₱615,176,322.12 as of December 31, 2015 could not be ascertained due to unreconciled difference of ₱31,573,913.10 between the records of the PS-DBM and the PRC books from CYs 2004 to 2015.***

5.1 Executive Order (EO) No. 359 series of 1989 provides, among others that:

“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.”

- 5.2 The Revised Chart of Accounts for National Government (NGAs) under COA Circular No. 2013-002 dated January 30, 2013 provides that the account Due from National Government Agencies 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. This account is credited upon receipt of the goods/services, and liquidation of fund transfers/receivables.
- 5.3 During the year, the PRC transferred to PS-DBM the amount of ₱15,210,985.31 for the purchase of different commonly-used office supplies and equipment under Fund 101. Of this amount only ₱10,838,420.22 was delivered as per verification of the Subsidiary Ledger-PS, leaving a balance of ₱4,372,565.09. However, records of the PS-DBM showed that only ₱2,553,633.88 was delivered, or a difference of ₱8,284,786.34 from the records of deliveries of the PRC.
- 5.4 Moreover, comparison made against the PS-DBM's Statement of Account-Customers showed that it only received the amount of ₱3,115,306.79 instead of ₱15,210,985.31, or a difference of ₱12,095,678.52. This includes the amount of ₱1,297,605.00 transferred only on December 29, 2015, which were not recorded yet in the books of PS-DBM for CY 2015. Details are shown in the Table below:

Summary of Funds Transfer to PS-DBM

Particulars	PRC Books	PS Ledger Card	Difference
Beg. Balance	80,034,493.43	48,958,584.92	31,075,908.51
Add: Purchases	15,210,985.31	3,115,306.79	12,095,678.52
Total funds transfer before deliveries	95,245,478.74	52,073,891.71	43,171,587.03
Less: Deliveries	10,838,420.22	2,553,633.88	8,284,786.34
Ending Balance 12/31/15	84,407,058.52	49,520,257.83	34,886,800.69

- 5.5 On the other hand, the account Due from National Government Agencies at year end showed a balance of ₱615,176,322.12 representing receivables from PS-DBM and the DPWH amounting to ₱84,407,058.52 and ₱46,469,263.60, respectively. It also includes the fund transfer of ₱484,300,000.00 to DPWH for the proposed new building. Of the balance with the PS-DBM, the amount of ₱80,034,493.43 pertains to transfer funds of prior years which were still undelivered as of report date.
- 5.6 The difference of ₱34,886,800.69 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.

- 5.7 Henceforth, the non-reconciliation by the Accounting Division with the PS-DBM resulted to a bloated account in the books of the PRC and huge discrepancy making the balance of account receivable from PS-DBM 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.
- 5.8 **We recommended that the Management:**
- a. **refrain from transferring funds to PS-DBM until the available funds are utilized, the purchased items were served and purchase only 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 an accurate balance of the account Due from National Government Agencies in the FS; and**
 - c. **require the Property Office to ask from PS-DBM for copies of the delivery receipts and other pertinent documents supporting thereon to facilitate matching of payments against the corresponding deliveries.**
- 5.9 Management commented that a representation has been made with the PS-DBM to facilitate the bidding of supplies and capital outlay for which funds have been advanced by the Commission. The reconciliation of purchases and subsequent deliveries will be conducted by dedicated personnel from the Accounting and Property Divisions. The Accounting Office already effected recording of payments to Procurement Service upon processing of the voucher for each APR.

Doubtful validity of Inventory Account - ₱59,660,691.60

6. *The total balance of Inventory accounts amounting to ₱59,660,691.60 is of doubtful validity due to: a) failure of the Accounting Division to take up the delivery of supplies and some of its issuances amounting to ₱8,284,786.94; b) the inclusion of dormant balance of ₱5,401,274.03 before the implementation of e-NGAS with no documents to support its existence; and c) the non-reconciliation of the records of the Accounting and Property Divisions.*

- 6.1 Section 43 of the Manual on the National Government Accounting System (MNGAS), Volume I, provides that “*Purchase 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.*”

- 6.2 Section 65 of the MNGAS, Volume II, requires that *“The Report on the Physical Count of Inventories (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.”*
- 6.3 Comparison of the ending book balances of the inventory accounts against the Report of Physical Count of Inventories (RPCI showed a difference of ₱37,204,618.12. The breakdown is shown below:

Summary of Inventory Accounts			
Account	Per Accounting Records	Per Physical Inventory Report	Difference
Office supplies Inventory	16,160,652.66	3,991,995.66	12,168,657.00
Accountable Forms Inventory	43,476,913.94	18,464,077.82	25,012,836.12
Medical and Dental Supplies Inventory	23,125.00	-	23,125.00
Total	59,660,691.60	22,456,073.48	37,204,618.12

- 6.4 Verification showed that ₱8,284,786.94 delivered office supplies from PS-DBM were not recorded in the books and some of its issuances due to delay of submission by the Property Section of the supporting documents for the recording of the deliveries.
- 6.5 Further verification also showed the following deficiencies:
- Failure of the Accounting Division to reconcile the dormant balance amounting to ₱5,401,274.03 due to absence of available documentations on file. This amount was forwarded in the books in August 2014 during the implementation of the eNGAS in CY 2004;
 - Medical and Dental Supplies Inventory account in the books amounting to ₱23,125.00 was already dormant for years. No request from the COA was made by the PRC for authority to write-off said account; and
 - Supplies for building repairs and maintenance purchased from CY 2010 to 2014 were charged directly to account Supplies Expense.
- 6.6 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) pursuant to Section 62 of the MNGAS, Volume II.

6.7 We recommended that the Management require the:

- a. **Property Division to submit on time documents pertaining to deliveries of supplies and materials to the Accounting Division as basis for recognizing in the books of accounts the receipts of supplies and materials and the issuances thereof;**
- b. **Accountant and the Property/Supply Officer to update and reconcile regularly their records and effect necessary adjustments on the discrepancies noted to reflect the correct balances of the Inventory accounts in the Financial Statements; and**
- c. **Property/Supply Officer to exert extra effort to locate documents that will support the existence of the balance of ₱5,401,273.03 which remained dormant in the books for so many years.**

6.8 Management commented that reconciliation of accounts is to be assigned to dedicated personnel from Accounting and Property Divisions. The Property Division had already caused the prompt submission to Accounting Office of the delivery receipts for immediate recording of supplies and materials delivered to proper inventory accounts.

6.9 The Accounting Office should effect the proper entry on the purchase of construction materials and medicines by taking up the proper inventory accounts and to take up expense upon issuance of the supplies. Also, the Property Office should include them in the recording to the stock card and monitor the usage of these items to avoid the wastage of funds for the overstocking of supplies that put into waste due to wear and tear or thru the expiration of its usage.

Unreliable Reported Balance of the Property, Plant, and Equipment (PPE) Accounts - ₱290,225,018.86

7. ***The existence, validity and correctness of the reported carrying amount of the PPE accounts for CY 2015 in the total amount of ₱290,225,018.86 is unreliable due to accounting errors resulting to a net overstatement of ₱29,572,438.55. Likewise, computation of the depreciation expenses for buildings and other machineries and equipment were not provided due to the absence of the dates of acquisition of equipment and the non-availability of records for the old building occupied by PRC.***

7.1 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.*”

- 7.2 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.”*
- 7.3 Audit of PPE accounts with a total carrying amount of ₱521,552,500.00 showed the following accounting errors:
- Comparison of amount balances of the PPE accounts between Accounting and Property records showed a difference or a net overstatement of ₱29,572,438.55, details are enumerated below:

Reconciliation of PPE Records per Books and Per Count

Particular	Per Books	Per Physical Count	Overstatement/ (Understatement)
Office Equipment	24,036,445.15	28,163,668.42	(4,127,223.27)
Furniture and Fixtures	44,901,515.12	23,215,759.26	21,685,755.86
IT Equipment, Information and Communication Equipment	145,662,894.31	131,434,451.75	14,228,442.56
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	465,218.00	726,219.70	(261,001.70)
Medical, Dental and Laboratory Equipment	36,550.00	267,951.00	(231,401.00)
Technical and Scientific Equipment	31,540,859.69	16,493,799.80	15,047,059.89
Other Machineries and Equipment	3,052,782.41	-	3,052,782.41
Motor Vehicles	36,709,675.76	36,719,451.76	(9,776.00)
Other PPEs	2,697,159.77	7,251,236.57	(4,554,076.80)
Ordinance	-	84,954.31	(84,954.31)
Donated and Trust Equipment	already included in each PPE classification	14,938,991.71	(14,938,991.71)
Net Overstatement	290,225,018.86	260,652,580.31	29,572,438.55

- Out of the total disposed items/properties costing ₱17,813,928.71 from CYs 2011 to 2015, only ₱1,724,006.05 was adjusted in the books per JEV Nos. 2013-11-007080 and 2013-11-007279 thus, a total of ₱16,089,922.66 has remained unadjusted as of December 31, 2015. According to the Accountant, the adjustments to take up the total amount of disposed properties per Inventory and Inspection Report of Unserviceable

Properties (IIRUP) as submitted by the Property and Supply Office was not done because the eNGAS system does not accept the adjustment unless the right property number is entered in the system (eNGAS). It was learned that the property number did not match the entered data in the system.

- c. The PRC donated IT equipment to DepEd Division of Zambales in August 17, 2015 totaling ₱1,285,568.52. The donation was not recorded in the PRC books, thus overstating the amount of the Information and Communications Technology Equipment account for the amount.
 - d. The difference of ₱231,401.00 between the property ledger card/book balance as against the physical count of Medical, Dental and Laboratory Equipment resulted from the inclusion in the physical count of new purchased, serviceable and unserviceable equipments totaling ₱267,951.00 in the RCPI while the ledger card or book balance included only two items amounting to ₱36,550.00 in CY 2012 which remained unadjusted in CY 2015.
 - e. Unrecorded in the books of accounts purchased Optical Mark Reader (OMR) amounting to ₱3,294,631.91 in CY 2007 was included in the physical count (refer to Notes to FS 10.6.1).
 - f. The disposal of the motor vehicle was already adjusted amounting to ₱4,996,011.56 but still there is unresolved difference of ₱9,776.00.
 - g. Failure or non-inclusion in their report of physical inventory the Land and Buildings due to the absence of records to determine the ownership of the said PPEs.
- 7.4 Verification also disclosed that the buildings and other machineries and equipment were not provided with the depreciation expenses because there were no available records as to the dates of acquisition of the building, hence, the cost of the old building is based only on records given by the City of Manila, which the eNGAS system did not accept. The balance of account Other Machineries and Equipment forwarded at the time of implementation of the eNGAS has also no recorded date of acquisition as basis for the computation of depreciation expense.
- 7.5 The forgoing deficiencies and unreconciled difference between the accounting and property records resulted to doubtful validity of the total PPE carrying amount at year end of ₱521,552,500.36.
- 7.6 **We recommended that the Management:**
- a. **require the Accountant to correct the erroneous accounts for PPE in accordance with PPSAS 17;**

- b. direct the Accountant and Property Officer to –
 - reconcile/resolve the differences between their records; and
 - exert effort in locating or producing the documents to support the legitimacy of the undocumented PPE accounts;
- c. require the Property Officer to –
 - prepare the Inventory and Inspection Report of Property (IIRUP) classified by PPE account for disposal of the remaining unserviceable properties to save on rental expenses of storage;
 - secure copies of documents for the ownership of the Land and Buildings occupied by PRC-Main as basis for recording and computation of depreciation expenses; and
 - verify if the other machineries and equipment forwarded balances 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 and the adjustment in the books for the disposed properties included in the unreconciled forwarded balance of PPEs.

7.7 Management commented that they will assign dedicated personnel from the Accounting and Property Offices to do the reconciliation and monitoring of PPE equipment.

7.8 The management should not only concentrate on the reconciliation of accounts but also to determine the assigned property number of those disposed equipments specially the forwarded balances of the accounts during the implementation of the eNGAS in CY 2004 and to effect the adjusting entries for the properties already disposed from CY 2011 to CY 2015.

Unreliable Balance of Construction in Progress account – ₱76,316,849.74

8. *The carrying amount of the Construction in Progress (CIP) account amounting to ₱76,316,849.74 is unreliable due to the adjustment made in transferring the Computer Software developed for the modernization program of the PRC in the amount of ₱66,594,236.11 to Intangible Assets account, contrary to Section 4, Chapter 12, of the Government Accounting Manual. Likewise, the fund transferred to DPWH Tuguegarao amounting to ₱1,862,950.79 was recognized under account Construction in Progress account thereby overstating the said account.*

- 8.1 Pursuant to Section 14 of RA No. 8981, the PRC has developed a new computerization program called Licensure Examination Registration and Information System (LERIS) and its component costing ₱66,594,236.10. The amount is the unutilized fund balance of the various Computer Software Programs that remain not operational during the year due to impending legal problems on its application.
- 8.2 The carrying amount of the unutilized software programs was booked up under account CIP while the other program LERIS was recorded under account IT Software.
- 8.3 Pursuant to the new GAM Manual, Software developed but not yet in use shall be recognized using the account Development in Progress until the same is already in use which will be accounted for under Intangible Assets account. (PPSAS 31)
- 8.4 The PRC, applying the Revised Chart of Accounts pursuant to COA Circular No. 2013-002 January 30, 2013, made an adjusting entry transferring the unused Software from CIP to Intangible Assets account, thus, resulting to an understatement of the CIP account by ₱66,594,236.11 and overstating the Intangible Assets account by the same amount.
- 8.5 On another case, an amount of ₱1,862,950.79 was transferred to the Department of Public Works and Highways, Tuguegarao for use in the flooring and casting works of the PRC Tuguegarao Office per Disbursement Voucher No. 06-2141 dated June 2015. The fund transfer was recorded under account CIP instead of the Due from National Government Agencies, thus overstating the CIP account by ₱1,862,950.79.
- 8.6 As of report date, no liquidation report has been submitted to PRC-Main with regard to the aforesaid transferred fund to DPWH, Tuguegarao.
- 8.7 **We recommended that the Accountant correct/adjust the accounts affecting the CIP, Development in Progress and Due from National Government Agencies to reflect the accurate balance of the accounts in the financial statements.**
- 8.8 Management commented that there was no actual reclassification in the books of accounts for various IT Software from the Construction in Progress account to Intangible Assets as earlier suggested by the Resident Auditor because these were not yet completely accepted by the Commission and no property number has yet been assigned. The reclassification was merely done in the Notes to Financial Statements. In 2016, this will be reclassified to the Development in Progress Account in compliance with the Revised Chart of Accounts. Also, the erroneous entry for the take up of funds transferred to DPWH Tuguegarao was properly disclosed in the Notes to Financial Statements and was duly adjusted in February 2016.

- 8.9 The Accountant had already effected the reclassifications thru the conversion of the accounts in December 31, 2014 as appeared in the Revised Trial Balance of December 31, 2014 and as disclosed in the financial statements that the reversion and the adjustments of the Construction in Progress to Intangible assets were effected, however, the forwarded book balance in January 1, 2015 was based on the unadjusted trial balance dated December, 31, 2014. The correcting entry for CY 2016 in the CIP for Intangible Assets should be done in the Development in Progress account while the CIP of ₱1,862,950.79 should be adjusted to Due from National Government Agencies account before considering the liquidation report to be taken up as CIP-Building and Structure.

Unliquidated Advances to Officers and Employees, Operating Units and Special Disbursing Officers - ₱2,730,338.70

9. *Cash Advances amounting to ₱2,730,338.70 granted to officers and employees of the PRC remained unliquidated as of December 31, 2015, of which ₱169,195.15 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.*

- 9.1 COA Circular No. 2012-004 dated November 20, 2012 provides for the immediate liquidation and settlement of all cash advances outstanding as of December 31, 2011. Section 1 of the said 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”*.
- 9.2 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”*.
- 9.3 COA Circular No. 97-002 dated February 10, 1997 prescribes the rules and regulations on the granting, utilization and liquidation of cash advances. It provides, among others, that:
- a. A cash advances shall be reported on as soon as the purpose for which it was given has been served;

- b. The Accountable Officer 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;
- c. All cash advances shall be fully liquidated at the end of the year. Except for petty cash fund, the AO shall refund any unexpended balance to the cashier/Collecting Officer who will issue the necessary official receipt.”
- d. 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: 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.

9.4 Verifications of outstanding cash advances showed that the amount of ₱2,730,338.70 remained unliquidated as of December 31, 2015, contrary to the provision of COA Circular No. 97-002 dated February 10, 1997 and COA Circular No. 2012-004 dated November 20, 2012. The aging of the accounts are presented below and the details by AO are presented in Annex 1.

Outstanding Cash Advances for CY 2015

Particulars	Balance as of Dec. 31, 2015	Less than 30 days	31-90 days	91-365 days	Over 1 year	Over 2 years	Over 3 years & above
1. Advances to Officers and Employees							
A. For Other Transactions	283,956.85	-	66,551.33	49,363.60	-	149,087.65	18,954.27
B. For Travel	485,106.86	2,534.00	71,442.96	(37,021.89)	155,186.84	17,185.00	275,779.95
Subtotal	769,063.71	2,534.00	137,994.29	12,341.71	155,186.84	166,272.65	294,734.22
2. Advances for Operating Expenses							
A. MOOE	509,343.72	434,199.51	22,891.66	52,371.45	(118.90)	-	-
B. Expenses for the Conduct of Exams.	1,299,349.11	-	42,770.80	1,190,905.55	41,674.05	-	23,998.71
Subtotal	1,808,692.83	434,199.51	65,662.46	1,243,277.00	41,555.15	-	23,998.71
3. Advances to Special Disbursing Officer							
	152,582.16	152,582.16	-	-	-	-	-
Balances as of December 31, 2015	2,730,338.70	589,315.67	203,656.75	1,255,618.71	196,741.99	166,272.65	318,732.93

9.5 Review of the schedule of cash advances disclosed the following:

- a. There was a lower rate of efficient settlement of cash advances reported for this year as compared in CYs 2012-2014. Out of ₱96,669,256.72 cash advances granted in year 2015, ninety seven percent or ₱93,811,757.72 were liquidated and refunded for the year;

- b. Job Orders/Service Contractors who were allowed to travel and assigned as members of the delegation in the conduct of different licensure examinations in the various regions were granted cash advances but failed to submit the corresponding liquidation reports thereon;
 - c. PRB members who were granted cash advances failed to submit the liquidation report until their resignation or end of their term at the PRC amounting to ₱47,145.00;
 - d. The negative balances of some cash advances granted to Field Disbursing Officers (FDOs) were assumed by the new appointed FDOs and the Accounting instead of requiring the former FDO to liquidate the balance of his cash advance, the new FDO just assumed the unexpended balance of the former FDO because the cash advance was named to the Field Office (Regions) and not to the specific FDO;
 - e. Cash advance amounting ₱131,218.75 received by the Administrative Officer was not yet liquidated despite the purpose of which it was granted has long been accomplished;
 - f. The unliquidated amount of ₱183,867.68 pertains to cash advance of the dismissed PRC Commissioner who already submitted the liquidation report but was not signed by the former Chairperson, hence it was not recorded in the books.
- 9.6 This finding was reiterated for the management to strictly implement the compliance of the rules and regulations of granting cash advances and monitor the immediate settlement of all cash advances which remained outstanding as of December 31, 2015.
- 9.7 **We recommended that the Management:**
- a. **order the Accountant to send demand letters to all Special Disbursing Officers/Accountable Officers requiring them to settle immediately their outstanding cash advances in compliance with COA Circular No. 97-002 dated February 10, 1997; and**
 - b. **instruct the Accountant to strictly monitor liquidation of cash advances granted to Service Contractors who were designated as members of the delegation on licensure examinations and to the Board Members whose term of office has no holding period.**
- 9.8 The Management commented the close monitoring of unliquidated cash advances is being undertaken by the Accounting Division to enforce liquidation within the prescribed timeline. Salary deductions are enforced on those who have been notified and yet still failed to liquidate. Unliquidated balances pertain to prior years and efforts to demand liquidation proved futile due to the resignation, dismissal, death or unknown location of subjects concerned.

- 9.9 Strict compliance on the grant of cash advances must be imposed by Management to control the balance of unliquidated cash advances.

Excessive Hiring of Job Order/Service Contractor

10. The PRC contracted 385 Job Orders/Service Contractors (JOs/SCs) more than the number of the 342 regular/permanent employees whose duties and responsibilities are similar with regular employees and even assigned as delegates to examinations conducted in the Field Offices. Likewise, these JOs/SCs were granted cash advances as Special Disbursing Officers contrary to Civil Service Commission (CSC) Resolution No. 020790 dated June 5, 2002 and COA Circular No 97-002 dated February 10, 1997.

- 10.1 Section 2 of Civil Service Commission Resolution No. 020790 states that employment of JOs/SCs personnel should be covered by MOA or job order between the government agency and the individual, in accordance with the rules and regulations of COA.
- 10.2 Section 3 thereof also states that *“the contract of service, MOA or job order shall not contain the following provisions: a) the employee performs work or a regular function that is necessary and essential to the agency concerned or work also performed by the regular employee of the agency; b) the employee is required to report to the office and render service during the agency’s prescribed office hours from 8:00 am to 5:00 pm or for forty (40) hours per week; c) the employee is entitled to benefits enjoyed by government employees such as ACA, PERA and RATA and other benefits given by the agency such as mid-year bonus, productivity incentive, Christmas bonus and cash gift.” (Emphasis ours).*
- 10.3 Section 4.1.4 of COA Circular No. 97-002 states that “Only permanently appointed officials shall be designated as disbursing officers.”
- 10.4 Verification of contract of service issued to JOs/SCs stipulated the duties and functions which are being performed by regular employees such as: “Pre-audit of Disbursements Vouchers, Assists in the disbursement of MOOE fund, encodes pre-audited vouchers, maintain or organize filing of documents and perform other duties from time to time”, among others. Service contractor shall observe and render service during the hours of work in PRC “from 8:00 o’clock in the morning to 5:00 o’clock in the afternoon, Monday to Friday, except Saturdays, Sundays and legal/non working holidays and days required by PRC to render overtime services” which is in violation of the CSC Resolution No. 020790.
- 10.5 It was also stated in their “Status of Service Contractor” that entitlement to benefits by the JOs/SCs enjoyed by the regular/permanent employees shall be at the discretion of the PRC.

- 10.6 Audit also revealed that the number of the JOs/SCs employed by the PRC in year 2013-2015 is more than the number of regular employees of the agency. Detailed breakdown is shown below:

Summary of Hired Job Orders/Service Contractors

Office	2013		2014		2015	
	Project Based	Six-Mos. Renewal	Project Based	Six-Mos. Renewal	Project Based	Six-Mos. Renewal
Central	6	212	3	226	9	187
Regions	11	174	7	195	-	198
Total	17	386	10	421	9	385

- 10.7 The PRC reasoned that because of the directive of the DBM not to fill in the unfilled positions of the agency, employment of JOs/SCs is done to support the work force of the PRC. They also informed the Audit Team that this will be corrected upon the implementation of their impending Reorganizational Structure.
- 10.8 **We recommended that the Management make representation with the DBM to expedite the approval of the agency's reorganization to resolve the hiring of JOs/SCs employed by the Commission and to avoid designating them as SDOs and delegates in the conduct of examinations which duties should be done by regular employees.**
- 10.9 Management commented that the Reorganization Plan of the Commission which is expected to be approved within the year will address the issue at hand.
- 10.10 The Management should comply with the provision of CSC Resolution No. 020790 in the hiring of JO/SC.

Allowing Job Orders/Service Contractors to render Overtime

11. The Commission allowed JO/SC personnel to render overtime services in violation of Joint Circular (JC) No. 1 dated November 25, 2015 of the Civil Service Commission (CSC) and the DBM. Likewise, the Service Contractors were granted fringe benefits and Christmas bonuses in CYs 2014 and 2015.

- 11.1 Section 6.1 of the DBM and CSC JC No. 1 dated November 25, 2015 provides that *“Only appointive and salaried civilian government employees holding regular, contractual, and casual positions of division chief or equivalent level and below, may be authorized to render overtime services with pay or compensation.”*

- 11.2 Section 3 of CSC Resolution No. 020790 dated June 5, 2002 also states that the contract of service, MOA or job order shall not contain the following provisions: a) the employee performs a work or a regular function that is necessary and essential to the agency concerned or work also performed by the regular employee of the agency; b) the employee is required to report to the office and render service during the agency's prescribed office hours from 8:00 am to 5:00 pm or for forty (40) hours per week; c) the employee is entitled to benefits enjoyed by government employees such as ACA, PERA and RATA and other benefits given by the agency such as mid-year bonus, productivity incentive, Christmas bonus and cash gifts.
- 11.3 Audit of the transactions pertaining to JOs/SCs revealed that the total overtime pay granted to the SC personnel amounted to ₱645,310.00 for CY 2015 and ₱348,210.00 for CY 2014. Also, these JOs/SCs were granted fringe benefits amounted to ₱4,320,000.00 in CY 2014 and Christmas bonus for CY 2015 totaling to ₱3,455,000.00.
- 11.4 It is explicitly provided under the Addendum to Contract of Service between the Commission and the Service Contractor/Job Order that *"The Contract of Service does not create an employer-employee relationship between the PRC and the Service Contractor. And that the latter shall not be considered as a government employee as temporary, casual or emergency and the service rendered under the said Contract shall not be considered creditable government service"*.
- 11.5 **We recommended that the Management:**
- a. **stop the practice of allowing SCs/JOs personnel in rendering overtime services with pay or compensation in accordance with Joint Circular No. 1 dated November 25, 2015 and the payment of Christmas bonus/fringe benefits;**
 - b. **cause the refund of the Christmas Bonus/Fringe benefits paid to the JOs/SCs; and**
 - c. **make representation with the DBM on the immediate approval of the PRC reorganization to resolve issues on the large number of JOs/SCs employed by the Commission and to avoid fielding the JOs as SDOs and delegates in the conduct of examinations.**
- 11.6 Management commented that rendering of overtime by Job Orders are necessary in the exigency of the service and in light of the shortage of manpower. The Reorganization Plan of the Commission which is expected to be approved within the year and will address the issue at hand.

Gender and Development Plan (GAD)

12. *Only ₱2,509,863.23 or 19.58 percent were utilized of the proposed PRC GAD budget of ₱12,819,206.50 or two percent instead of the five percent of the actual PRC annual budget of ₱633,199,000.00 was allocated for the implementation of the projects/activities related to GAD inconsistent with Section 6.1 of PCW-NEDA-PCW JC No. 2012-01 and Section 34 of the GAA for FY 2015. Likewise, targeted activities in the GAD Plan were not fully accomplished or achieved particularly on the Organization Focused projects contrary to Section 34 of the General Provisions of the GAA for FY 2015.*

12.1 Section 6.1 of PCW-NEDA-DBM JC No. 2012-01 provides that,

“At least five percent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency’s maintenance and to other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency’s total budget appropriations”

12.2 Sec. 34 of the General Provisions of RA No. 10651, the GAA for FY 2015 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 for 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).”

12.3 Verification of the agency’s GAD Plan revealed that only ₱12,819,206.50 or two percent was allocated for GAD out of the required five percent of the agency’s total budget of ₱633,199,000.00, or a deficiency of ₱18,840,743.50 for CY 2015.

12.4 The Audit Team further noted that based on the GAD Accomplishment Report, the PRC spent only ₱2,509,863.23 for gender-based programs and projects.

12.5 Breakdown of actual expenses for each program is as follows:

Summary of GAD Activities			
GAD Objectives	Actual Budget	Accomplishment/ Utilized	Unutilized
A. Organization Focused	8,994,807.50	1,333,524.33	7,661,283.17
B. Client Focused	3,824,399.00	1,198,288.44	2,626,110.56
Totals	12,819,206.50	2,509,863.23	10,287,393.73

12.6 We recommended that the GAD Focal Point:

- a. strictly comply with the requirements of the PCW-NEDA-PCW JC No. 2012-01 to enable it to address gender issues and fully attain the targeted activities and develop more GAD related projects that will promote gender equality among employees and clients; and
- b. closely monitor the implementation of the GAD Plan endorsed by the PCW.

12.7 Management commented that they will increase the GAD Plan and Budget for FY 2016 – a projected budget of ₱31,540,552.00 which is 4.66 percent of the 2016 budget of the agency totaling ₱677,023,000.00. The parameters of COA recommendation are incorporated in the 2016 GAD plan and budget.

12.8 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.

Senior Citizens and Persons with Disability

13. The Agency integrated its formulated plans, programs, projects and accomplishments intended to address the concerns of Senior Citizens and Persons with Disability (SCPD) in the GAD program for CY 2015 with no separate plan and programs using one percent of the total budget of the Agency pursuant to Section 35 of RA No. 10651.

13.1 Sec. 35 of the General Provision of RA No. 10651 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”.

- 13.2 Verification showed that the PRC provided only a total of ₱240,000.00 instead of the one percent allocation of the total budget of ₱633,199,000.00 or ₱6,331,990.00 required under the aforesaid Act.
- 13.3 Of the budget allocation, total disbursements for the program/project amounted to ₱211,640.0, but said disbursements did not actually benefit the SCPDs because the program implemented was not intended for them but for GAD program.
- 13.4 **We recommended that the Management require the Focal Person to include in the PRC Plan, programs/projects that will positively benefit the Senior Citizen and Persons with Disability.**

Compliance with Tax Laws

14. A total of ₱38,945,360.14 was withheld by the agency for the compulsory taxes for CY 2015 with a total of ₱32,539,338.66 and remitted to the Bureau of Internal Revenue (BIR) including the unremitted balance of CY 2014 amounting to ₱953,452.36 leaving an unremitted balance of ₱8,324,795.67 as of December 31, 2015 in compliance with the provision of RA No. 7649, BIR Tax Revenue Regulation No. 10-2008 and EO No. 651. However, the remittance made in January 2016 was already taken up in the PRC books in CY 2015, thereby understating the balance of the Due to BIR account by ₱7,322,839.79.

- 14.1 RA No. 7649, BIR Tax Revenue Regulation No. 10, 2008 dated July 8, 2008 and EO No. 651 provides that 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.
- 14.2 The PRC is compliant with the tax laws and regulations. It had remitted, on time, to the Bureau of Internal Revenue (BIR) from January to December 2015, the total amount of ₱31,873,225.49 representing taxes withheld for the months of January to November 2015 including the balance of CY 2014 amounting to ₱953,452.36. The amount of ₱7,311,314.29 withheld in December 2015 was remitted on January 11, 2016, although per verification, said amount was recorded in December 2015. Breakdown is as follows:

Summary of Taxes Remitted to BIR

Month	Tax withheld	Tax remitted/with tax refunds and accounts reclassification	Date of Remittance	Unremitted Balance
Beginning Balance Jan. 1, 2015			January 2015	953,452.36
January	2,563,993.32	2,594,876.96	February 10, 2015	922,568.72
February	3,008,037.91	3,005,476.52	March 10, 2015	925,130.11

Month	Tax withheld	Tax remitted/with tax refunds and accounts reclassification	Date of Remittance	Unremitted Balance
March	3,135,107.70	3,125,485.20	April 10, 2015	934,752.61
April	1,067,484.09	3,425,252.56	May 11, 2015	(1,423,015.86)
May	3,884,426.29	2,120,581.95	June 9, 2015	340,828.48
June	4,889,713.88	4,603,392.62	July 9, 2015	626,549.74
July	3,522,904.33	3,718,502.95	August 10, 2015	430,951.12
August	3,315,356.62	2,748,015.38	September 10, 2015	998,292.36
September	3,154,111.52	3,164,954.48	October 9, 2015	987,449.40
October	1,213,968.73	1,185,580.06	November 10, 2015	1,015,838.07
November	2,844,863.29	2,847,219.98	December 10, 2015	1,013,481.38
December	7,311,314.29	7,322,839.79	January 11, 2016	1,001,955.88
Total	39,911,281.97	39,862,178.45		

14.3 The Accountant disclosed that they were reconciling the taxes withheld and the remittances made because of the discrepancies of the ending balances recorded which is due to their timing on the preparation of Journal Entry Voucher (JEV) which did not reflect the actual date of the remittances.

14.4 **We recommended that the Management instruct the Accounting Division to regularly and religiously remit taxes withheld to avoid incurrence of penalties for late remittance of taxes.**

Compliance with GSIS

15. ***The balance of the account Due to GSIS amounted only to ₱2,711.93 compared to the unremitted balance of ₱1,608,058.20 as of December 31, 2015 due to unrecorded deduction of ₱187,565.49 and the remittance made in January 6, 2016 of ₱1,420,492.71 which was recorded as remitted in December 31, 2015 pursuant to RA No. 8291.***

15.1 The PRC remitted to the GSIS the total monthly deductions from the salary of its officials and employees except for December 31, 2015 which has an unremitted balance of ₱1,608,058.20. The said amount was the total deductions from payroll but the same was immediately remitted on January 6, 2016 and February 16, 2016 as shown below:

GSIS Schedule of Deductions and Remittances for CY 2015

Month	Contributions	Remittances	Date Remitted	Ending Balance
Beg. Balance 1.1.15	46,704.22			
January 2015	1,379,556.49	459,451.80	February 9, 2015	966,808.91
February	1,304,734.84	882,683.01	February 9, 2015 March 12, 2015	1,388,860.74

Month	Contributions	Remittances	Date Remitted	Ending Balance
March	1,331,767.65	2,724,473.47	March 3 & 10, 2015 April 1, 2015	(3,845.08)
April	755,049.93	655.56	adjustment	750,549.29
May	2,021,280.79	1,355,539.03	May 8, 2015 June 8 & 11, 2015	1,416,291.05
June	1,429,727.21	1,378,959.12	June 8 & 11, 2015	1,467,059.14
July	1,363,793.17	1,613,269.33	July 7, 2015 August 8, 2015	1,217,582.98
August	1,376,028.37	2,599,665.24	August 7 & 9, 2015	(6,053.89)
September	1,387,070.35	418,193.29	September 11, 2015 October 8, 2015	962,823.17
October	1,413,589.37	1,370,273.17	October 8, 2015 November 11, 2015	1,006,139.37
November	1,453,651.97	950,102.83	November 6 & 13, 2015	1,509,688.51
December	1,418,080.49	845,527.46 659,036.90	December 19, 2015	1,423,204.64

15.2 Verification showed that the total amount of ₱1,420,492.71 GSIS deductions were actually remitted to the GSIS on January 6 and February 16, 2016 but the check for remittance was issued in December, 2015. While the total actual GSIS deductions amounting to ₱187,565.49 in CYs 2014 and 2015 were not recorded and the actual remittances were done January and February, 2016, details below:

Unrecorded and Unremitted GSIS Deductions for CY 2015

Particulars	Date Remitted	Amount
GSIS-remittances due to promotion/step increment –Feb to Sept, 2014	February 16, 2016	47,611.55
GSIS-remittances due to promotion/step increment- Nov to Dec, 2014	February 16, 2016	12,921.35
Regional Offices –GSIS Jan to Dec, 2014	January, 2016	10,965.44
GSIS-remittances due to promotion/step increment- March to Dec, 2015	January 11, 2016	109,442.51
Regional Offices –GSIS Jan to Dec, 2015	January, 2016	4,903.73
Casual GSIS-remittance Nov-Dec, 2015	January 6, 2016	1,720.91
Total		187,565.49

- 15.3 It was verified that the discrepancies occurred due to the timing of the recording of transactions, the accounting prepared Journal entry only upon after released of checks or after the letter of demandable accounts payable (LDDAP) was received by the bank or upon returned of the disbursement vouchers/payrolls to the Accounting Section instead of preparing JEV after they processed each disbursement/transaction. So that the actual balance of the Due to GSIS account is understated by ₱187,565.49.
- 15.4 **We recommended that the Management require the Accountant to immediately cause the remittance of the unremitted balance of the GSIS deductions to avoid incurrence of penalties and reconcile the actual deductions and remittances made to GSIS as against the data appearing in the General Ledger and in the Financial Statements to come up with the corrected balance of the account.**
- 15.5 Management commented that the late remittance of the GSIS deductions was due to late submission of the data/payrolls by the Field Offices.

Status of Settlement of Audit Suspensions and Disallowances

16. *As of December 31, 2015, the balance of account Receivables-Disallowances and Charges amounted to ₱61,442,405.44 of which ₱17,139,108.80 pertains to a shortage of Ferdinand Llapitan, Cashier I of the PRC Tuguegarao Field Office, Region II, as a result of the cash examination conducted by the COA Regional Office II in 2008. The amount of ₱440,298.57 is the forwarded balance of the account upon implementation of the eNGAS in August, 2004 while the total disallowances of ₱45,829,613.24 is broken down as follows:*

Unsettled Disallowances		
ND No.	Date	Amount
2010-01	October 6, 2010	528,900.00
2013-03	November 22, 2013	9,535.27
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
2015-03	March 31, 2015	43,821,479.60
2015-04	April 6, 2015	25,536.26
2015-04	April 6, 2015	7,982.11
2015-08	October 8, 2015	8,000.00
Total		45,829,613.24

- 16.1 The disallowed amount of ₱528,900.00 under ND No. 110-001 dated October 6, 2010 was appealed to the COA Cluster Director of NGS Cluster 5 and the same was denied. No request for reconsideration was submitted to the COA as of this writing.

- 16.2 Notices of Finality of Decision were already issued for the disallowances with a total amount of ₱1,428,180.00 all issued in CY 2014. The legal consultants involved made an appeal thru the PRC for the disallowance of ₱1,400,000.00, Auditor's answer to the Appeal Memorandum dated April 20, 2015 was already transmitted to the Agency and COA Cluster on June 18, 2015. While the balance of ₱28,180.00 is not yet settled and the Accounting Division is yet to send letters to the persons liable who were no longer in service.
- 16.3 An appeal on the disallowance on fringe benefits amounting to ₱43,821,479.60 was forwarded to the Cluster Director on December 23, 2015.
- 16.4 The Notices of Suspensions as of December 31, 2015 amounted to ₱10,080,991.56, details as follows:

Outstanding Notice of Suspensions

NS No.	Date Issued	Amount
NS No. 2014-10-001(13)	7/2/14	16,939.00
NS. No. 2014-08-005 (2013)	8/14/14	8,743,205.50
NS. No. 2014-11-006 (13-14)	11/21/14	1,041,513.00
NS No. 2015-02-02 (2014)	3/31/15	23,586.36
NS No. 2015-03-03 (2014)	4/8/15	89,373.40
NS No. 2015-08-005 (14)	8/28/15	5,471.00
NS No. 2015-08-005 (14)	9/3/15	17,902.40
Total		₱ 10,080,991.56