

## OBSERVATIONS AND RECOMMENDATIONS

### Value for Money Audit

#### *Low Fund Utilization*

1. **Lack of proper planning in the procurement of equipment and intangible software for the improvement of the computerization of PRC processes resulted in unutilized allotment of ₱23,050,194.85 or 76 percent of the total allotment of ₱30,359,000.00 for Capital Outlay (CO) for CY 2016, thus, slowed down the PRC's program towards an enhanced and efficient computerized system for its clientele.**
  - 1.1. One of the programs of the PRC is the improvement of the computerization of its processes, further develop the database, and continue to digitalize/archive records which aims to: a) promote good governance through e-Governance mechanisms; b) provide IT enabled customer-focused services while adhering to strict standards of integrity, quality, speed, accuracy and convenience; c) make PRC services available and accessible anytime and anywhere; and d) improve and strengthen its existing e-Services projects.<sup>1</sup>
  - 1.2. The Department of Information and Communications Technology (formerly DOST-ICTO ) endorsed the PRC Information Systems Strategic Plan (ISSP) 2015-2017 on January 22, 2016. The PRC ISSP 2015-2017 outlines how to use ICT resources systematically and streamline the internal work processes of the Commission for efficient public service delivery. Likewise, it ensures proper utilization of IT resources and effective ICT management, that is, deploying the right technology in the right way for the right cause.
  - 1.3. The core programs/projects in the ISSP are Enhancement and Modernization of the Licensure and Registration Information System (LERIS) Project, Enhancement of the PRC Web Portal, Improvement of the Network Security Enhancement and Local Area Network (LAN).
  - 1.4. The components of the LERIS project are: 1) Online Application System; 2) Online Registration (initial/renewal) System 3) Electronic Payment and Collection System; 4) Test Question Databank System; 5) Correction and Releasing System; 6) Centralized Records Management Information System; 7) Legal Management Information System; and 8) Continuing Professional Development Accreditation System.
  - 1.5. The PRC's Statement of Appropriations, Allotments, Obligations, Disbursements and Balances for CY 2016 showed that of the total available

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<sup>1</sup> PRC Website-Programs

allotment for CO amounted to ₱30,359,000.00, of which 76 percent or ₱23,050,194.85 remained unutilized as shown below:

| <b>Property, Plant and Equipment Outlay</b>  | <b>Available Allotment</b> | <b>Obligations</b>  | <b>Unutilized balance</b> |
|--|----------------------------|---------------------|---------------------------|
| Machinery and Equipment Outlay<br>Information and Communication Technology Equipment | 14,824,000.00              | 4,546,423.62        | 9,647,772.00              |
| Intangible Assets<br>Computer Software   | 10,360,000.00              | 1,492,577.15        | 8,227,422.85              |
| Infrastructure Assets<br>Other Infrastructure Assets                                 | 5,175,000.00               | 0.00                | 5,175,000.00              |
| <b>Total</b>   | <b>30,359,000.00</b>       | <b>6,039,000.77</b> | <b>23,050,194.85</b>      |

- 1.6. There was no bidding conducted during the year for the procurement of the said equipment, thus, PRC's objective to provide its clientele the enhanced computerized PRC processes was not achieved during the year.
- 1.7. With the unutilized allotment which will turn into a continuing appropriation, PRC has one remaining year to pursue the equipment procurement, otherwise the same shall be reverted to the General Fund.
- 1.8. We recommended and Management agreed to require the BAC and concerned personnel to immediately plan and expedite the procurement of the IT and other related equipment to avoid the reversion of the capital outlay allotment.**

*Idle funds for the Construction of the PRC Building*

- 2. Funds transferred to the Department of Public Works and Highways (DPWH) amounting to ₱24,000,000.00 and ₱484,300,000.00 for the bidding of the Architectural and Engineering Design and construction of new PRC Building, respectively, remained idle for more than three years due to the significant delays of PRC on the revision of the Memorandum of Agreement and Terms of Reference with the DPWH.**

- 2.1. The PRC and the 44 Professional Regulatory Boards (PRBs) have been housed in the old PRC building located in Sampaloc, Manila which was built long before the PRC was created in 1973. The building has reached its obsolescence that needs repair and rehabilitation to fit the increasing number of professionals.<sup>2</sup>

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<sup>2</sup> PRC Website-Projects

- 2.2. Likewise, the new PRC staffing pattern under the reorganizational plan created new positions that will certainly require bigger and wider space to accommodate the employees. Moreover, the role of the PRBs is continuously expanding due to multilateral, bilateral and other international trade agreements where the Republic of the Philippines is a signatory and this requires constant coordination with stakeholders.
- 2.3. The new PRC building which was planned to be constructed in a 4,860 square meter lot in Pasay City is envisioned to project an image of professionalism and transparency in line with its mission and vision, reinforcing its role in the development of ethical and globally competitive Filipino professionals.
- 2.4. In CY 2012, the DBM had allotted and released the amount of ₱24,500,000.00 for the engagement of the Technical Consultant on the Architectural and Engineering Design (AED) for the construction of the proposed new PRC Building . The said amount was not obligated in CY 2012 for the failure of PRC to conduct public bidding on the AED.
- 2.5. In 2013, PRC transferred the fund of ₱24,000,000.00 to DPWH for the conduct of bidding for the AED to avoid further delay in its implementation. The DPWH then conducted the public bidding in CY 2014 for the Technical Consultant but PRC decided not to pursue and instead requested for the change in the mode of implementation of the AED from “Design Services” to “Design and Build Services”. However, the request for change of Term of Reference (TOR ) was not approved because the proposal does not fall within the category of Design Build mode. With that, PRC prepared preliminary plan for review by the Technical Working Group (TWG) created, composed of the PRC Chairman and PRBs who will review the TOR for the AED. The TWG was constituted composed of selected PRB Chairpersons and Members. The TWG will prepare the outline specifications and minimum performance standards for their respective disciplines as part of the TOR.
- 2.6. Further in CY 2014, the DBM allotted and released ₱484,300,000.00 for the construction of the new PRC building at Macapagal Avenue, Pasay City. A Multi-year Obligation Authority (MYOA) No. BMB-B-15-0000051 amounting to ₱999,000,000.00 for the construction of the building was issued by DBM on December 23, 2015 to avoid reversion of funds. The amount of ₱508,300,000.00 was already released to DPWH to cover the AED of ₱24,000,000.00 and initial phase of the construction of the building for ₱484,300,000.00, leaving a balance of ₱491,655,102.00 for further funding by the DBM.
- 2.7. The DPWH did not yet conduct the bidding for the new AED pending approval by PRC of the revised TOR. The PRC forwarded to DPWH the TOR on November 12, 2015 but was returned to PRC for revision and it was only on July 4, 2016 that the revised TOR was resubmitted to the DPWH.

- 2.8. On November 14, 2016, the Secretary of DBM informed the PRC that DBM will no longer implement the issued MYOA and recommended the reversion of the obligations to DPWH since according to them the project has not actually been started despite its appropriations made in FYs 2013 and 2014 GAAs. Accordingly, PRC in its letter dated February 2, 2017 to the Secretary of DPWH, requested DPWH to return to PRC the funds transferred totalling ₱508,300,000.00 representing the cost for the AED and construction of PRC building.
- 2.9. The desire of the PRC to have a new building was not realized due to Management indecisiveness and delays in the approval of the revised TOR and the new Memorandum of Agreement with the DPWH for the design of the new building. No public bidding was conducted by DPWH which resulted further in the delay and postponement of the construction of the proposed new PRC building. The benefits to be derived by PRC for a bigger and wider space for its clientele and its employees were not obtained.
- 2.10. Meanwhile, the unutilized funds of ₱508,300,000.00 remained idle with the bank for more than three years, which could have been otherwise used for other priority programs of the government.
- 2.11. We recommended that the Management:**
- a. revisit its operating and monitoring strategies on project implementation to ensure achievement of the objectives that it envisioned to realize based on its set goals and commitments;**
  - b. strictly follow timelines in the implementation of projects to avoid wastage of funds; and**
  - c. follow up with the DPWH the immediate return of the unutilized fund transfers of ₱508,300,000.00.**
- 2.12. Management explained that they have already written the DPWH for the immediate return of the fund transfers and will make representation with the DBM for the release of fund for the AED so that by the time the fund for the construction of proposed new PRC building is released, the AED is already available.
- 2.13. Confirmation made with the Audit Team Leader of DPWH-NCR revealed that the ₱24,000,000.00 for the bidding of AED was already refunded by DPWH-NCR to PRC under Check No. 603396 dated July 1, 2016.
- 2.14. The Audit Team recommends further the return of the remaining balance of ₱484,300,000.00 by the DPWH to the PRC.

## Financial and Compliance Audit

### *Variances between Collection Reports and Fund Transfer Instructions*

3. **The accuracy of recorded collections from business and service income derived thru e-payment system provided by Dragonpay Corporation could not be ascertained due to material variances noted between the collection reports posted in the on-line system and the Dragonpay's Fund Transfer Instructions to PRC. Settlement by the Service Provider of its unremitted collections was not immediately enforced despite the necessary actions to be done by PRC as stipulated in the agreement. Further, after the expiration of the agreement on November 16, 2016, Dragonpay continued to collect fees as a payment facility for the Development Bank of the Philippines Data Center Inc. (DBP DCI), the new service provider effective December 1, 2016. In addition, collections of ₱15,718,111.00 for the month of March, 2017 were not recognized in the books of accounts.**
  - 3.1. Memorandum of Agreement (MOA-12-2015-138) was entered into by the PRC, Bureau of the Treasury (BTr), Landbank of the Philippines (LBP) and Dragonpay Corporation (Dragonpay) and it was made effective on November 15, 2015.
  - 3.2. With the MOA, the PRC used the Dragonpay's Electronic Payment Collection System (EPCS) for the collection of its examination, initial registration and renewal fees which started on February, 2016.
  - 3.3. The MOA consists of the obligations of each party. The PRC shall, among others:
    - 2) "Require DRAGONPAY to submit guaranty deposit ("Guaranty Deposit") by opening and maintaining a deposit account with LANDBANK. DRAGONPAY shall maintain a daily cash balance in such deposit account equivalent to the average total daily collections of PRC Fees or Four Million (₱4,000,000.00) Pesos, whichever is higher. The Guaranty Deposit shall be debited for any equivalent amount of PRC Fees that is determined not to have been deposited/remitted by DRAGONPAY to the BTr-PRC Clearing Account No. 3402-2696-09. It is understood that the required maintenance of the deposit account shall be separate and distinct from any other account opened and maintained by DRAGONPAY for its other projects.
    - 3) Monitor record and receive detailed reports on all collections of PRC Fees received from clients using DRAGONPAY's EPCS and related services, and deposited by DRAGONPAY on behalf of PRC to BTr-PRC Clearing Account No. 3402-2696-09 with LANDBANK. Any discrepancy noted in the detailed report

submitted by DRAGONPAY to PRC for reconciliation and correction only. Any adjustment on the amount of reported remittance of PRC Fees to BTr-PRC Clearing Account No. 3402-2696-09 shall be initiated by PRC in accordance with the procedures under Treasury Circular No. 03-2013.

- 6.) Validate the total amount of PRC Fees reflected in the LDC reports against the detailed report of DRAGONPAY and the monthly bank statement provided by BTr and issued by LANDBANK for BTr-PRC Clearing Account No. 3402-2696-09. In cases of discrepancy in the amount of PRC Fees remitted to the BTr-PRC Clearing Account No. 3402-2696-09 as stated in the bank statement and the LDC reports, the bank statement data shall prevail and will serve as basis of recording by BTr. PRC shall require DRAGONPAY to remediate any discrepancy by immediate settlement of the unremitted/under-remitted collection of PRC Fees and the submission of the corrected reports. (underscoring ours)”
- 3.4. Section IV of the MOA signed by the parties on November 15, 2015 provides that the “agreement shall take immediate effect upon signing of the parties and shall be in force for one (1) year, unless earlier terminated, revised or revoked for a cause with written notice of thirty (30) days prior to the intended date of termination to the other parties.”
- 3.5. The MOA further provides that Dragonpay shall “provide facility for real time viewing, downloading and generating prescribed reports to PRC and Commission on Audit (COA) for all electronic payment and collection transactions.”
- 3.6. Collections are sent through e-mail in the form of Fund Transfer Instructions from Dragonpay to PRC showing the amount transferred to the account of PRC-BTr, date of transfer and date of collection. Based on the reports submitted, variances were noted in the amount of ₱2,847,792.00 between the Fund Transfer Instructions and the Collection Reports posted on line. The downloaded collection reports thru online access (core.prc-online.com) show bigger amount transferred by Dragonpay to the BTr than on the Fund Transfer Instructions submitted to PRC. The variance implies that there were PRC Fees collected thru e-payment system that were not remitted by Dragonpay to the BTR. The summary of variances by month for year 2016 is shown below:

| <b>Month</b> | <b>Per Collection report Online Access</b> | <b>Per Dragonpay Fund Transfer Instructions</b> | <b>Variances</b> |
|--------------|--|---|------------------|
| February     | 3,675,390.00                               | 3,675,555.00                                    | 165.00           |
| March        | 16,824,685.00                              | 16,823,485.00                                   | (1,200.00)       |
| April        | 22,697,817.00                              | 21,636,711.00                                   | (1,061,106.00)   |

| <b>Month</b> | <b>Per Collection<br/>report Online<br/>Access</b> | <b>Per Dragonpay<br/>Fund Transfer<br/>Instructions</b> | <b>Variances</b>      |
|--------------|--|---|-----------------------|
| May          | 11,907,946.00                                      | 12,043,750.00   | 135,804.00            |
| June         | 20,706,072.00                                      | 20,684,962.00   | (21,110.00)           |
| July         | 26,330,276.00                                      | 26,268,386.00   | (61,890.00)           |
| August       | 18,048,498.00                                      | 18,172,868.00   | 124,370.00            |
| September    | 24,758,424.00                                      | 24,550,204.00   | (208,220.00)          |
| October      | 18,292,780.00                                      | 18,262,660.00   | (30,120.00)           |
| November     | 6,803,826.00                                       | 6,801,846.00  | (1,980.00)            |
| December     | 19,280,080.00                                      | 17,557,575.00   | (1,722,505.00)        |
| <b>Total</b> | <b>189,325,794.00</b>                              | <b>186,478,002.00</b>                                   | <b>(2,847,792.00)</b> |

- 3.7. The MOA required the Dragonpay to maintain a guaranty deposit of at least ₱4,000,000.00 from which any unremitted/under-remitted collection shall be debited upon notice from PRC to LBP. This is among the recourses at the disposal of PRC but there is no indication that this step was taken to remedy the variances.
- 3.8. Moreover, verification of the monthly Journal Entry Vouchers (JEVs) taking up the collection thru e-payment of Dragonpay to BTr for the period February to December 2016 showed understatement of collections reported by the Accounting Division totaling ₱17,324,355.00. This is a material amount that would render the e-payment collections reports unreliable. Summary of variances is shown below:

**Summary of Variances in Collections**

| <b>Period</b> | <b>Per Collection<br/>report Online<br/>Access</b> | <b>Per Accounting<br/>Records</b> | <b>VARIANCE</b>        |
|---------------|--|-----------------------------------|------------------------|
| February      | 3,675,390.00                                       | 3,677,490.00                      | 2,100.00               |
| March         | 16,824,685.00                                      | 1,106,574.00                      | (15,718,111.00)        |
| April         | 22,697,817.00                                      | 22,445,959.00                     | (251,858.00)           |
| May           | 11,907,946.00                                      | 11,907,954.00                     | 8.00                   |
| June          | 20,706,072.00                                      | 20,706,972.00                     | 900.00                 |
| July          | 26,330,276.00                                      | 25,532,458.00                     | (797,818.00)           |
| August        | 18,048,498.00                                      | 17,512,060.00                     | (536,438.00)           |
| September     | 24,758,424.00                                      | 24,758,424.00                     | -                      |
| October       | 18,292,780.00                                      | 18,298,240.00                     | 5,460.00               |
| November      | 6,803,826.00                                       | 6,803,266.00                      | (560.00)               |
| December      | 19,280,080.00                                      | 19,252,042.00                     | (28,038.00)            |
| <b>Total</b>  | <b>189,325,794.00</b>                              | <b>172,001,439.00</b>             | <b>(17,324,355.00)</b> |

- 3.9. The biggest variance was noted in the month of March 2016 amounting to ₱15,718,111.00, representing the collections for the period of March 1-30, 2016, which the Accounting Division failed to record. Only the March 31, 2016 collections of ₱1,106,574.00 was recorded in the books.
- 3.10. According to the Accountant, recording of collections is based on the reports of collections as certified by the Cashier. The Cashier explained that she renders her monthly Reports of Collections of on-line collections usually three to five days after the end of the month awaiting for the BTr certification as to the actual deposits made by the service provider which may differ from the collection reports on-line and the Fund Instructions reports.
- 3.11. The reporting system of collections thru the e-payment system is somehow inefficient considering the huge variances noted in audit, caused by delays in reporting and recording of collections by the service provider. Henceforth, there is a need for manual reconciliation of the generated reports and to revisit the existing system of the e-payment so as to provide effective corrective control measures integrated within the system in order to avoid the same deficiency in the future.
- 3.12. Further, the service provider Dragonpay continued to operate as a collecting facility of PRC even beyond the expiration of the agreement on November 16, 2016. Collections amounting to ₱17,814,171.00 were reported in the Collection Reports thru on-line and in the Fund Transfers Instructions during the period from November 17 to December 31, 2016. The company logo of Dragonpay and the new collection service provider, the Development Bank of the Philippines Data Center Inc. (DBP DCI) was found in the collection reports.
- 3.13. On December 1, 2016, the PRC entered into a MOA with DBP DCI as the new service provider for transactions online. Dragonpay Corp. however, was not among the PRC approved payment facilities as listed in the MOA.
- 3.14. Granting that the December collections are accountability of DBP DCI, similar to the previous service providers, there were variances noted in the collection reports indicating unremitted collections to the BTr.
- 3.15. It is also worthy to mention that most of the deficiencies in the collection system with the Dragonpay and DBP DCI also occurred in the collection services contract with its previous service provider, Shoe Mart Inc. (SMI). The SMI continuously operated even after the expiration of the agreement without any document regarding its extension of operation. SMI failed to observe compliance with its obligations. There are obligations at the disposal of PRC which were not done by PRC such as to examine and make copies of the Daily Transaction Reports. The same thing happened with their transactions with SMI wherein difference in collections and deposits amounting to ₱3,630,921.00 in CY 2015 which remained unsettled to this date.



3.16. Had the PRC closely and religiously monitored the service providers' obligations as stated in the MOA, the unfavorable variances between the actual collections and the service providers' reports could have been uncovered early and the service providers are obliged to settle unremitted/under-remitted collections to BTr .

**3.17. We recommended that the Management:**

- a. review the existing reporting and monitoring controls within the electronic payment collection system to address the recurring deficiencies noted;**
- b. enforce the collections of the unremitted fees derived thru e-payment system made by Dragonpay Corporation, SMI and DBP DCI using the agreed guaranty facility; and**
- c. strictly monitor compliance of the service providers on the terms and provisions of the contract agreement and enforce appropriate sanctions for breach thereof.**

3.18. Management commented that on December 1, 2016, another MOA was signed by DBP DCI on Electronic Payment and Collection System with LERIS Enhancements where DBP DCI availed of the service of Dragonpay as temporary Internet Payment Gateway Facility (IPGF) to effect the transition while waiting for the development of DBP DCI's IPGF so as not to hamper the processing of transactions of the PRC clientele.

3.19. It was clearly stated in the MOA between PRC and DBP DCI that the latter has already Internet Payment Gateway Facility (IPGF) in place, so there is no reason for the DBP DCI of availing the services of the Dragonpay. According to Management of PRC, they are not aware of the arrangement between DBP DCI and the Dragonpay Corp. Management committed that they will call the attention of DBP DCI to comply with the provisions of the MOA.

*Unreliable Cash-in Bank balances*

- 4. The reliability of the accounts Cash in Bank-Local Currency, Current Account and Cash in Bank-Local Currency, Savings Account totaling ₱1,268,167.01 as of December 31, 2016 cannot be ascertained due to delayed/non-preparation of Bank Reconciliation Statements (BRS) contrary to Section 3, Volume I of the Government Accounting Manual (GAM) for National Government Agencies (NGAs) and Section 74 of Presidential Decree No. 1445.**

- 4.1. Bank reconciliation is a procedure intended to ensure that cash in bank balances are correct and correspond to the information on the bank statements. It will also detect some type of fraud and help to design better control over receipt and payment of cash. Cash is considered the asset most susceptible to fraudulent acts, hence, the necessity of bank reconciliation as deterrent.
- 4.2. Section 3, Volume I of the GAM for NGAs, states the objectives of bank reconciliations preparation as follows:

Sec. 3. Objectives. The Bank Reconciliation Statement (BRS) shall be prepared in order to:

- a. check correctness of both the bank's and agency's/entity's records,*
- b. serve as a deterrent to fraud, and*
- c. enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.*

- 4.3. Further, Sections 5 to 7 of the same Manual, state that the Chief Accountant/Designated Staff shall prepare the BRS within 10 days after receipt of the monthly bank statement. It shall be prepared in four copies distributed to COA Auditor, Head of the Agency, Accounting Division/Unit file and Bank, if necessary. Then, they “shall prepare JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.”
- 4.4. Section 74 of PD No. 1445 also provides that “At the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency”.
- 4.5. Records showed that the Accounting Division failed to submit BRS of the following bank accounts listed herein as follows:

| <b>Account</b>                                 | <b>Subsidiary Ledger</b>    | <b>Account No.</b> | <b>Balance as of Dec. 31, 2016</b> |
|--|-----------------------------|--------------------|------------------------------------|
| Cash in Bank – Local Currency, Account Current | BAC                         | 0012-1171-24       | 1,159,084.29                       |
| Cash in Bank - Local Currency Savings Account  | PRC Payroll Account         | 0221-1474-9        | 109,082.72                         |
| Cash - Treasury Agency/Deposit, Trust          | Agri/Fishery                |                    | -0.64                              |
| Cash - Treasury Agency/Deposit, Trust          | Educational Statistics Task |                    | 1,930,743.13                       |

| Account                               | Subsidiary Ledger | Account No. | Balance as of Dec. 31, 2016 |
|---------------------------------------|-------------------|-------------|-----------------------------|
|                                       | Force (ESTF)      |             |                             |
| Cash - Treasury Agency/Deposit, Trust | Other             |             | 3,046,601.96                |
| Cash - Treasury Agency/Deposit, Trust | Accounts Payable  |             | 2.14                        |
| <b>Total</b>                          |                   |             | <b>6,207,510.88</b>         |

- 4.6. Of the six bank accounts, only two BRS were submitted - LBP Account #2001-9001-97 for Cash – Modified Disbursement System (MDS), Regular and LBP Account #2001-9017-20 for Trust Fund created under the MOA between PRC and Commission on Higher Education (CHED). Moreover, there were delays of 25 days noted in BRS submission beyond the 20-day prescriptive period for submission at the end of each month:

| Account Name                                     | Account Number | Latest Bank Reconciliation Statement | Date Submitted  | No. of Days Delayed |
|--|----------------|--------------------------------------|-----------------|---------------------|
| Cash-Modified Disbursement System (MDS), Regular | 2001-9001-97   | July, 2016                           | October 3, 2016 | 25                  |
| Trust Fund                                       | 2001-9017-20   | July, 2016                           | October 3, 2016 | 25                  |

- 4.7. The BRS shall be prepared 10 days after receipt of the monthly bank statement and shall be forwarded to Audit Team 20 days after the date the bank statement was received. Usually, government agencies can request copies of bank statements immediately after the end of the month or even view them online using the agency access. Hence, monthly BRS can be submitted in the following month following the period of transactions.
- 4.8. Due to delays/non preparation of the monthly BRS, the correct balances of the Cash in Bank accounts in the subsidiary ledgers cannot be established, which render their balances unreliable.
- 4.9. Moreover, balances of the bank accounts for the Cash-Treasury Agency/Deposit, Trust for ESTF and Others were not moving since 2013 and 2012, respectively.
- 4.10. We recommended and Management agreed to direct the Accounting Division to:**
- a. prepare monthly BRS of all bank accounts maintained by the agency in compliance with Section 3, Chapter 21, Volume I of GAM for NGAs and Section 74 of PD No. 1445 to ensure correctness of the reported cash in bank balances and to detect possible fraud or errors committed;**

**b. ensure the timely submission of BRS for immediate review and correction/adjustment of reconciling items in the books of accounts; and**

**c. look into the status of non-moving Cash-Treasury Agency/Deposit, Trust account and transfer the balance of Cash to the General Fund, where appropriate.**

4.11. Management said that a representation was already made with the LBP-Intramuros Branch Manager for the prompt release of bank statements.

*Excess proceeds from sale of bid documents retained*

**5. Excess balances of the proceeds from the sale of bid documents after the authorized payment of honoraria to BAC members at the end of the year were not deposited to the National Treasury in violation of Budget Circular (BC) No. 2004-5A and Republic Act (RA) No. 9184. Moreover, disbursements totaling ₱1,498,087.82 were charged to this fund for expenses which by their nature were not related to the purpose.**

5.1. Analysis of the SL of the bank account for Bids and Awards Committee (BAC) Trust Receipts covering the period January 1, 2014 to December 31, 2016 with outstanding balance as of December 31, 2016 of ₱1,159,084.29 showed that the proceeds from sale of bid documents for the period were deposited in the Trust Account with a total collections, including CY 2014 balances, amounting to ₱3,207,147.11 from which ₱2,048,062.82 were disbursed thus, leaving an excess proceeds of ₱1,159,084.29. The disbursements includes expenses totaling ₱1,498,087.82 other than the authorized honoraria of the BAC of ₱549,975.00 were directly charged to this bank account. Details are shown below:

|  |              |                     |
|--|--------------|---------------------|
| Balance, January 1, 2014               |              | 965,688.31          |
| Collections:                           |              |                     |
| 2014                                   | 438,458.80   |                     |
| 2015                                   | 1,519,000.00 |                     |
| 2016                                   | 284,000.00   | 2,241,458.80        |
| Total                                  |              | 3,207,147.11        |
| Disbursements:                         |              |                     |
| Honoraria                              | 549,975.00   |                     |
| Operating Expenses                     | 356,924.96   |                     |
| Travelling Expenses                    | 1,043,075.04 |                     |
| Training Expenses                      | 49,775.00    |                     |
| Equipment                              | 33,781.82    |                     |
| Supplies                               | 14,531.00    | 2,048,062.82        |
| <b>Balance as of December 31, 2016</b> |              | <b>1,159,084.29</b> |

5.2. DBM has issued BC No. 2004-5 dated March 23, 2004 which was superseded by BC No. 2004-5A dated October 7, 2005 that provides the guidelines on the grant of honoraria and overtime pay to government personnel involved in government procurement as authorized under RA No. 9184.

- 5.3. Under Item 6.2 of the same BC further provides that “pursuant to the DOF-DBM-COA Permanent Committee Resolution No. 2005-2 dated June 2005, all agencies are authorized to treat the collections from all sources identified in Item 6.1 thereof as trust receipts to be used exclusively for the payment of honoraria and overtime pay as authorized. Agencies may utilize up to 100 percent of the said collections for the payment of honoraria and overtime pay subject to the guidelines in Item 5.0 of the said Circular. Any excess in the amount collected shall be remitted to the National Treasury.”
- 5.4. Despite the clear provisions that the funds collected from sale of bid documents shall be exclusively used for the payment of honoraria of the BAC, disbursements totaling ₱1,498,087.82, other than the honoraria of the BAC were charged to this fund. Example are travelling/operating expenses for travel to Al Khobar, KSA, in the conduct of Special Professional Licensure Board Examination (SPLBE) from September 24-26, 2015 totaling ₱1,400,000.00, were paid out of this account instead from the regular MOOE, since SPLBE is one of PRC’s mandate.
- 5.5. Under Section 2 of PD No. 1445, it is stated that it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition with a view to enduring efficiency, economy and effectiveness in the operations of government.
- 5.6. COA Circular No. 2012-003 dated October 29, 2012 prescribes the updated guidelines for the prevention and disallowance of irregular, unnecessary, excessive, extravagant and unconscionable expenditures. As defined in this Circular, the term *“irregular expenditure” signifies an expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws,. Irregular expenditures are incurred if funds are disbursed without conforming with prescribed usages and rules of discipline. There is no observance of an established pattern, course, mode of action, behavior, or conduct in the incurrence of an irregular expenditure. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular. A transaction which fails to follow or violates appropriate rules of procedure is, likewise, irregular expenditure, hence, disallowable in audit.*
- 5.7. In view of the above, subject transactions did not conform with applicable laws, rules and regulations, thereby affecting their legality, validity and propriety and expose government funds from possible loss or misuse.

**5.8. We recommended that the Management:**

- a. remit to the National Treasury the excess of the proceeds deposited over the actual payments for honoraria and overtime of BAC and other personnel involved in the procurement at the end of the year; and**
- b. use the BAC Fund solely for the honoraria and overtime as authorized under RA No. 9184 and explain/justify the incurrence of other expenses totalling ₱1,498,087.82.**

5.9. Management explained that they have already requested bank statements from LBP from the period the BAC Fund was opened up to December 2016 and will issue guidelines for the use of BAC funds. All unutilized balance from previous years shall be deposited to the National Treasury.

*Unreliable Cash-Collecting Officer account balance and delayed deposits*

**6. The Cash – Collecting Officer account balance of ₱5,231,264.07 as of December 31, 2016 was doubtful due to negative balances totaling ₱1,594,505.78 in the Subsidiary Ledgers (SLs) of some Collecting Officers (COs) indicative of questionable accountabilities. Moreover, undeposited collections at year-end aggregating ₱17,931.88 remained on hand with the COs.**

- 6.1. The Cash-Collecting Officer account is composed of collections of PRC in Central Office and Regional Offices (ROs) from applications of licensure examination and its registration based on the approved rate imposed pursuant to PRC Resolution No. 2005-267 dated February 11, 2005 which were due for deposit to the BTR on the same day or next banking day.
- 6.2. The COs submit to Central Office the Report of Collections and Deposits (ROCD). Accounting Division then records the same in the books of the agency. The account shows a balance of undeposited collections in the hands of COs, amounting to ₱17,931.88 as of December 31, 2016.
- 6.3. Verification of the SLs of account Cash-Collecting Officer showed that there were abnormal negative balances totaling ₱1,594,505.78. Significant negative balances created an impression that they have deposited more than what they have collected but in reality this could be an indication of late/erroneous recording of remittances. The negative amounts also distorted the balance of the account by decreasing the undeposited collections for the year. The table on the next page shows negative balances in the SLs as of December 31, 2016.

| <b>Subsidiary Ledgers/ Collecting Officers</b> | <b>Balances as of December 31, 2016</b> |
|--|---|
| Amor, Marifa Z.                                | (22,036.61)                             |
| Cabugsa, Rotelo B.                             | (52,036.00)                             |
| Bacilig, Alice L.                              | (3.00)                                  |
| Empedrad, Marichor N.                          | (111,387.00)                            |
| Mendoza, Benigna E.                            | (17,261.00)                             |
| Nayre, Gaudencia B.                            | (60.00)                                 |
| Potenciano, Noel                               | (648,696.00)                            |
| SM Collections                                 | (741,976.16)                            |
| Unreconciled                                   | (1,050.01)                              |
| <b>Total</b>                                   | <b>(1,594,505.78)</b>                   |

- 6.4. Further, PRC previously entered into an agreement in CY 2012 with SM Inc. 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. SMI, as service provider, will accept payment from the client requesting renewal of license. SMI directly deposited cash collected to the account of the BTR. Hence, the SL SM collections, should not have any balance at all. However, the SL includes a negative balance of SMI collections amounting to ₱741,976.16 which remained outstanding since CY 2014.
- 6.5. Section 69 of PD No. 1445 provides that, “Deposit of moneys in the treasury: (1) Public officers authorized to receive and collect moneys arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the treasury of the agency concerned and credited to the particular accounts to which the said moneys belong.” In addition, Letter D of Appendix 26, Volume II of GAM, states that all collections should be deposited intact daily and the balance of collections not deposited during the day due to cut-off should be deposited on the first banking hour of the next working day. However, the table below shows huge amount of undeposited collections at year-end amounting to ₱17,931.88 which is a clear violation of the above cited established policy on collections which may indicate misappropriation of collections:

| <b>Collecting Officer</b> | <b>Outstanding Balances per SL as of December 31, 2016</b> |
|---------------------------|--|
| Cuevas, Ma. Corazon T.    | 1,784.68   |
| Dela Cruz, Ma. Susana P.  | 3,550.80   |
| Loloy, Sheriel E.         | 1,775.40   |
| Ong, Roberto C.           | 10,821.46  |
| <b>Total</b>              | <b>17,931.88</b>   |

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

- a. the Accounting Division to analyze and determine the causes of the negative balances in the accounts of the Collecting Officers and make the necessary adjustments in the books; and**
- b. Collecting Officers to cause the immediate deposit of the outstanding unremitted collections.**

6.7. Management commented that the negative balance of ₱648,696.00 pertains to prior years' unverified collections and deposits of Mr. Noel Potenciano, former Zamboanga Cashier, that could not be verified due to lack of supporting documents. The AO has already been required to submit his explanation for the noted deficiency but has not responded. The other negative balance amounting to ₱741,976.16 pertains to the collections in CY 2012 agreement with the SMI to accept renewal of professional licenses in selected SM locations nationwide wherein the amount represents fund transfers made by SMI to LBP which did not match with the Report of Transactions/Collections and were directly submitted to the ICT Division of PRC. This made as a basis for recording with the Accounting books.

*Unliquidated/Unrefunded cash advances*

**7. The laws, rules and regulations in the granting, utilization and liquidation of cash advances were not strictly observed resulting in unliquidated cash advances totaling ₱10,793,499.88 of officers and employees as of December 31, 2016 in violation of PD No. 1445 and COA Circular No. 97-002. Further, unutilized/ unused amount of cash advances were not immediately refunded but kept by some Accountable Officers (AO) for future purposes.**

7.1. Section 89 of PD No.1445 provides that no cash advances shall be given unless for legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served.

7.2. 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 advance shall be reported on as soon as the purpose for which it was given has been served;
- b. Only **permanently appointed officials** shall be designated as disbursing officers. Elected officials may be granted a cash advance only for their official traveling expenses.
- c. The cash advance shall be used solely for the **specific legal purpose** for which it was granted. Under no circumstance shall it be used for encashment of checks or for liquidation of a previous cash advance.



- d. 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.
  - e. At the start of an ensuing year, a new cash advance may be granted, provided that a list of expenses against the previous cash advance is submitted. However, when no liquidation of the previous cash advance is received on or before January 20, the Accountant shall cause the withholding of the AO's salary.
- 7.3. COA Circular No. 2012-004 dated November 28, 2012 provides for the immediate liquidation and settlement of all cash advances outstanding as of December 31, 2011. Section 6 of the said Circular states that:

“Final demand to settle unliquidated cash advance

Wherefore, final notice and demand is hereby made to all concerned to settle and liquidate all outstanding cash advances as of December 31, 2011 on or before January 31, 2013. Provided, however, that those who have been issued by the Commission on Audit notice and demand, prior to the issuance of this Circular, to settle and liquidate their cash advances within a specified period, shall do so within the period specified in the said notice.

For purposes of this Circular, an accountable public officer refers to a public officer or employee who, in the discharge of his office, receives money from the government which he is bound to later account for. Transfer, separation or retirement from the government does not operate to discharge the said person from coverage of the definition and corresponding duty to account for the unliquidated advances.

This Circular shall serve as the demand required under appropriate laws, rules and regulations to settle the accountable officer's unliquidated cash advance as well as all those who are already separated from the service or have transferred to other agency.”

- 7.4. Section 7 of same Circular further states that:

“Duty of Agency officials

On or before December 15, 2012, all heads of government agencies shall disseminate in writing this Circular to all accountable officials and employees within their respective agencies and serve a written notice to and demand settlement of the outstanding cash advances as of December 31, 2011.

The Chief Accountant shall, within the same period, furnish the head of agency and the head of the auditing unit thereat a list of

accountable officers with unliquidated and outstanding cash advances.”

7.5. Section 9 of the said Circular states that:

“Consequences of failure to liquidate

9.1.) Failure of an accountable officer to liquidate his outstanding cash advance on or before January 31, 2013 shall constitute cause for the filing of malversation charge under Article 217, failure to liquidate cash advance under Article 218, both of the Revised Penal Code or criminal prosecution under Section 128 of P.O. No. 1445.

9.2.) The suspension of salaries of erring accountable officers shall be ordered by the auditor concerned to the proper agency official through the head of the Agency.

9.3.) Appropriate administrative proceedings shall likewise be instituted.”

7.6. However, the cash advances in the amount of ₱10,793,499.88 remained unliquidated as of December 31, 2016 contrary to the provisions of COA Circular No. 97-002 demanding full liquidation at the end of the year. Accountable Officers shall refund any unexpended balances to the cashier who will issue the necessary official receipt. This is applicable even if the purpose of it has not been done yet. A new cash advance shall be granted to individuals with outstanding obligations upon presentation of list of expenses of the transaction entered into or of the activity conducted. Aging of the said unliquidated cash advances are included herein as follows:

**Outstanding Cash Advances for CY 2016**

| <b>Particulars</b>                         | <b>Balance as of<br/>Dec. 31, 2016</b> | <b>1-30 days</b>    | <b>31-60 days</b>   | <b>61-90 days</b>   | <b>Over 90<br/>days</b> |
|--|--|---------------------|---------------------|---------------------|-------------------------|
| Advances to<br>Officers and<br>Employees   |  |                     |                     |                     |                         |
| a. For Other<br>Transactions               | 98,350.00                              |                     | 4,350.00            |                     | 94,000.00               |
| b. Travel                                  | 448,123.68                             | 34,140.00           | 35,640.00           | 141,074.20          | 237,269.48              |
| <i>Sub-total</i>                           | <i>546,473.68</i>                      | <i>34,140.00</i>    | <i>39,990.00</i>    | <i>141,074.20</i>   | <i>331,269.48</i>       |
| Advances for<br>Operating<br>Expenses      |  |                     |                     |                     |                         |
| a. MOOE                                    | 4,892,438.96                           | 2,345,095.07        |                     | 2,488,585.76        | 58,758.13               |
| b. Expenses for<br>the Conduct<br>of Exams | 4,090,373.04                           | 851,029.38          | 1,062,273.00        | 2,111,397.90        | 65,672.76               |
| <i>Sub-total</i>                           | <i>8,982,812.00</i>                    | <i>3,196,124.45</i> | <i>1,062,273.00</i> | <i>4,599,983.66</i> | <i>124,430.89</i>       |

| Particulars                                     | Balance as of<br>Dec. 31, 2016 | 1-30 days           | 31-60 days          | 61-90 days          | Over 90<br>days   |
|---|--------------------------------|---------------------|---------------------|---------------------|-------------------|
| Advances to<br>Special<br>Disbursing<br>Officer |                                |                     |                     |                     |                   |
| SDOs  | 1,264,214.20                   | 1,195,913.00        | 7,975.00            | 60,326.20           |                   |
| <b>Totals</b>                                   | <b>10,793,499.88</b>           | <b>4,426,177.45</b> | <b>1,110,238.00</b> | <b>4,801,383.86</b> | <b>455,700.37</b> |

- 7.7. The PRC also failed to observe the final demand to liquidate as stated in COA Circular No. 2012-004 regarding cash advances outstanding since December 31, 2011. As such, the failure may require filing of malversation charge, suspension of salaries and/or appropriate administrative proceedings. The Head of the Agency is responsible for the dissemination of this demand settlement to the AOs with outstanding balance.
- 7.8. Furthermore, it has been noted that some AOs made it a practice of retaining the unutilized amount of cash advances instead of returning the excess through the cashier. Disbursing officers held the cash totaling ₱1,239,206.41 for either future identified or unidentified purposes. In either case, it violates the provision of COA Circular No. 97-002 that a “cash advance shall be used solely for the **specific legal purpose** for which it was granted” and “the cash advances shall be reported on as soon as the purpose for which it was given has been served.” The practice exposes the unutilized fund in the hand of employee to loss, misappropriation or for personal use especially if there is a significant time gap between the completion of the purpose of the previous cash advance and the next activity identified for the unutilized/remaining balance of the cash advance. For example, the ₱409,709.75 unutilized amount of cash advance of the Accountable Officer for the October 19, 2016 Agriculturist Exam was held intended to be used in the November 26-27, 2016 Nursing Licensure Exam, more than a month after the specific purpose of the previous cash advance was already been served.
- 7.9. We recommended that the Management require all concerned officers and employees to:**
- a. liquidate/settle immediately their outstanding cash advances and/or refund all unexpended balances, otherwise impose appropriate actions against erring accountable officers; and**
  - b. strictly comply with Section 89 of PD No. 1445 and COA Circular No. 97-002 and 2012-004 on the granting, utilization and liquidation of cash advances.**
- 7.10. The Chief Accountant commented that as an internal control measure, notices of unliquidated cash advances were issued to those who did not liquidate within the reglementary period and salaries are withheld until liquidation. A

memorandum will be issued to all regional offices concerned to refund all excess from cash advances for the conduct of licensure examinations and stop the practice of forwarding the balance for use in the succeeding schedule of board examinations.

*Unreconciled balances between the actual Physical Count and Inventory reports*

**8. The validity, accuracy, and existence of the Inventory accounts are doubtful due to unreconciled discrepancies of ₱44,006,400.88 as of December 31, 2016 between accounting and property records and inventory reports which showed variances between the actual physical count, non-inclusion of board certificates totaling 3,075 certificates in the Report of Physical Count of Inventories (RPCI), and non-submission of the monthly Report of Accountability for Accountable Forms (RAAF). Moreover, the RPCI submitted is not in accordance with the format prescribed in the GAM.**

- 8.1. The report on the RPCI as of December 31, 2016 submitted by the Supplies and Property Division (SPD) of PRC for its year-end physical count of actual inventory for both Supplies and Materials and Accountable Forms showed neither any shortage nor overage.
- 8.2. Validation made by the Audit Team accompanied by SPD personnel from December 28, 2016 to January 13, 2017 to verify correctness of the balances on hand of inventories as reported in the RPCI showed that there were variances noted between the physical count and the RPCI.
- 8.3. There were either shortage or overage of several inventory items. According to the SPD, most of the variances were due to unposted issuances. Nonetheless, SPD agreed to correct the balances to conform to the result of actual physical count.
- 8.4. It was also observed that SPD failed to maintain proper segregation of supplies available for issuance to requesting offices and supplies already recorded as issued to them for office use but not yet claimed by the end-users. Lack of segregation of supplies made it difficult to monitor the receipts and issuances of supplies which may have caused the errors in the recorded balances of supplies.

*Unused Accountable Forms*

- 8.5. Pre-printed ID cards of 181,605 pieces were found in the safekeeping of SPD which were either never been issued or returned due to the existence of signature of former Chairpersons. Each card originally cost ₱19.88 and ₱16.79,

with total purchase cost of ₱3,560,963.19 as shown in the table in the next page:

**Unissued Pre-Printed ID Cards**

|                     | <b>Unissued</b> | <b>Returned</b> | <b>Total</b> | <b>Cost/Unit</b> | <b>Cost</b>         |
|---------------------|-----------------|-----------------|--------------|------------------|---------------------|
| Terezita R. Manzala | 163,599         | 2,037           | 165,636      | 19.88            | 3,292,843.68        |
| Florentino C. Doble | 15,095          | 874             | 15,969       | 16.79            | 268,119.51          |
| <b>Total</b>        |                 |                 |              |                  | <b>3,560,963.19</b> |

8.6. According to the SPD personnel, these old pre-printed ID cards can still be used in the operation of the agency with the aid of a specialized ink to be used in erasing the existing signatures. He said ink would cost ₱6,500.00 each which can print 3,000 cards per ink. They claim that with the use of the specialized ink, a recovery cost of about 80 per cent of the cost of the pre-printed ID cards can be generated rather than disposing them. However, if this will materialize, issuance of the ID should be controlled with caution on the consequence as this might lead to manipulation on the issuance of the ID cards. At any rate, the PRC has to arrive at a decision most advantageous to the agency

8.7. Further, the RPCI did not include the following series of board certificates:

**Board Certificates Not Included in the RPCI**

| <b>Board Certificates</b>                  | <b>Serial Numbers</b> |           | <b>Quantity</b> | <b>Remarks</b>               |
|--|-----------------------|-----------|-----------------|------------------------------|
|  | <b>From</b>           | <b>To</b> |                 |                              |
| Agricultural Engineers                     | 1,543                 | 1,650     | 108             | Old format.<br>For disposal. |
| Electronics and<br>Communication Engineers | 9,560                 | 10,500    | 941             | Old format.<br>For disposal. |
| Pharmacists                                | 1,475                 | 1,500     | 26              | Double serial<br>numbers     |
| Real Estate Brokers                        | 24,001                | 26,000    | 2,000           | Double serial<br>numbers     |

8.8. Some of the certificates were of outdated formats such as for Agricultural Engineers and Electronics and Communications Engineers, hence, no longer usable. Others such as Pharmacists (1475-1500) and Real Estate Brokers (24001-26000) were already issued with corresponding Requisition and Issuance Slip (RIS), hence, there were double serial numbers actually in the custody of SPD. According to them these board certificates are ready for disposal. The continued safekeeping of these certificates however, exposes to misuse specially that these were not reported in the physical inventory report for CY 2016.

8.9. Section 7(k), Chapter 8, Volume I of the GAM states that “the Report of Accountability for Accountable Forms (RAAF) per Appendix 67 of GAM Volume II shall be prepared by the Accountable Officer to report on the movement and status of accountable forms in his/her possession. The accountable forms include those with or without face value.” Instructions set in the filling up of this report further states that “it shall prepared in two copies, the original to COA Auditor and the second copy as Accountable Officer’s

file.” Although the SPD was able to prepare the RAAF, it failed to submit to COA the original copies of the RAAF as required by the GAM.

8.10. Appendix 66, Volume II of GAM provides the required format for the RPCI. The reports shall be prepared in four copies and certified correct by the Inventory Committee, approved by the Head of Agency or his/her authorized representative and verified by the COA Auditor. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively. However, upon verification of the submitted RPCI as of December 31, 2016, the SPD is still using the old format per Manual on New Government Accounting System (MNGAS) and not in accordance with the format prescribed under Appendix 66, Volume II of GAM.

**8.11. We recommended that the Management require the Supplies and Property Division to:**

- a. update the Property Cards and regularly reconcile with the Accounting Division’s Supplies Subsidiary Ledger balances and make the necessary adjustments on the discrepancies noted;**
- b. observe stricter implementation of effective internal controls on the issuance of supplies and accountable forms such as prompt recording of inventory issuances to ensure accurate inventory balances and safeguard the accountable forms from any unauthorized use;**
- c. create a method on proper segregation of inventories available for issuance and inventories already issued and issue immediately the inventories to end-user upon approval of the RIS;**
- d. submit Report on Accountability for Accountable Forms in compliance with the provision of Section 7(k), Volume I of GAM,;**
- e. explain the incurrence of double serial numbers for pharmacists and real estate brokers board certificates; and**
- f. use the prescribed format for RPCI in accordance with Appendix 66, Volume II of the GAM.**

*Unreconciled/Unreliable balances of PPE*

- 9. The existence and accuracy of the reported Property, Plant and Equipment (PPE) totaling ₱521,953,406.58 as at December 31, 2016 cannot be relied upon due to: a) the reporting difference amounting to ₱445,559,939.58 on the cost of PPE between the balances per accounting books as against the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); b) misclassification of some PPE accounts; c) completed projects still recorded**

**under account Construction in Progress; d) inclusion of unreconciled/dormant accounts totaling ₱14,864,649.49; e) existence of PPE with negative balances of ₱6,312,515.83; and f) non-provision of depreciation contrary to the pertinent provisions of PD No. 1445 and the GAM for NGAs.**

- 9.1. Section 38 Volume I of GAM provides that, “The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the RPCPPE (Appendix 71 Volume III of GAM) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.
- 9.2. Section 111 of PD No.1445 provides that the accounts of the agency shall be kept in such detail as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government; and that the highest standard of honesty objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.
- 9.3. Audit of PPE accounts with a total carrying amount of ₱521,953,406.58 showed the following deficiencies noted as discussed in the preceding paragraphs:

*a) Reporting differences in Accounting and Property Records*

- 9.4. The PRC was able to submit the annual RPCPPE only on March 29, 2017. The RPCPPE balances were found not reconciled with that in the books of accounts. The book balances of the PPE accounts as verified against the RPCPPE disclosed a reporting difference of ₱445,559,939.58, details as follows:

| <b>PPE Accounts</b>                                | <b>Per General Ledger</b> | <b>Per RPCPPE</b> | <b>Difference</b> |
|--|---------------------------|-------------------|-------------------|
| Land   | 160,554,070.30            | -                 | 160,554,070.30    |
| Buildings and Other Structure                      | 136,422,588.24            | -                 | 136,422,588.24    |
| Office Equipment                                   | 24,036,445.15             | 26,374,520.55     | (2,338,075.40)    |
| Information and Communication Technology Equipment | 149,501,580.38            | 108,879,606.16    | 40,621,974.22     |
| Communication Equipment                            | 9,190.00                  | -                 | 9,190.00          |
| Disaster Response and Rescue Equipment             | 465,218.00                | -                 | 465,218.00        |
| Medical Equipment                                  | 36,550.00                 | 237,750.00        | (201,200.00)      |
| Technical and Scientific                           | 31,540,859.69             | 16,325,903.16     | 15,214,956.53     |



| <b>PPE Accounts</b>                     | <b>Per General Ledger</b> | <b>Per RPCPPE</b>     | <b>Difference</b>     |
|---|---------------------------|-----------------------|-----------------------|
| Equipment                               |                           |                       |                       |
| Other Machinery and Equipment           | 3,052,782.41              | 5,865,005.89          | (2,812,223.48)        |
| Transportation Equipment-Motor Vehicles | 36,709,675.76             | 36,719,451.76         | (9,776.00)            |
| Furniture and Fixtures                  | 45,140,235.12             | 22,911,853.73         | 22,228,381.39         |
| Books                                   | 1,112,728.65              | 1,356,096.03          | (243,367.38)          |
| Construction in Progress                | 74,746,898.95             | -                     | 74,746,898.95         |
| Other Property, Plant and Equipment     | 2,235,529.24              | 1,334,225.03          | 901,304.21            |
| <b>Total</b>                            | <b>665,732,982.42</b>     | <b>220,004,412.31</b> | <b>445,559,939.58</b> |

- 9.5. It was noted that the huge difference in the reported Agency's PPE per accounting and property records was due to Land and Building accounts booked by the Accounting Division in the amount of ₱160,554,070.30 and ₱136,422,588.24, respectively but not recognized in the records of Property Division.

*b) Misclassification of PPE accounts*

- 9.6. Various PPE accounts were misclassified to other PPE accounts which affected the fair presentation of each PPE account balances as of year-end as summarized in the table below:

**Overstatement/Understatement of PPE Accounts**

| <b>PPE Account</b>                                    | <b>Errors/Misclassification</b>  | <b>(Overstatement)<br/>Understatement</b> |
|---|--|---|
| a. Office Equipment                                   | Office Equipment recorded as Technical and Scientific Equipment  | 2,029,642.50                              |
|   | Inclusion of equipment costing below the ₱15,000 threshold to be classified as PPE                               | (1,302,235.87)                            |
| b. Information and Communication Technology Equipment | Computers recorded under the Technical and Scientific Equipment  | 9,556,332.74                              |
| c. Medical Equipment                                  | Medical Equipment classified as Technical and Scientific Equipment   | 153,600.00                                |
|   | Medical Equipment classified as Other PPE  | 154,780.00                                |
| d. Technical and Scientific Equipment                 | Inclusion of equipment not categorized as technical and scientific equipment but classified as Medical Equipment | (12,167,705.50)                           |
| e. Furniture and Fixtures                             | Inclusion of equipment costing below the ₱15,000 threshold   | (9,342,880.90)                            |
| f. Other PPE  | Inclusion of equipment costing below the ₱15,000 threshold   | (577,263.47)                              |
|   | Inclusion of Medical Equipment   | (172,170.00)                              |

| <b>PPE Account</b> | <b>Errors/Misclassification</b> | <b>(Overstatement)<br/>Understatement</b> |
|--------------------|---------------------------------|---|
|                    | classified as Other PPE         |   |

*c) Completed projects still recorded under Construction in Progress account*

- 9.7. Chapter 3, Volume II of the GAM, provides that “Construction in Progress-Buildings and Other Structures account is debited to recognize the accumulated cost or other appropriate value of buildings and other structures which are still in the process of construction or development and this account is credited for reclassification to the appropriate Buildings and Other Structures account upon completion.”
- 9.8. Verification of the SL balances of the aforesaid account totaling ₱74,453,898.95 as of December 31, 2016 showed that the following projects were already completed and paid. Moreover, some were even started in CY 2004 but still included in the account:

| <b>Description</b>                    | <b>Amount</b>        |
|---------------------------------------|----------------------|
| 1. E-PLDT                             | 15,357,028.29        |
| 2. GAR Enterprise                     | 308,000.00           |
| 3. GS-SSPI Systems. Inc               | 9,671,540.42         |
| 4. Incuventure Partners Corporation   | 4,652,500.00         |
| 5. MC Torio Construction              | 1,361,520.00         |
| 6. Mega Data Corporation              | 2,150,000.00         |
| 7. Melda Madrid Hardware Center, Inc. | 5,607,082.00         |
| 8. Meta Systems Development, Inc.     | 4,158,767.40         |
| 9. Total Information Management Corp  | 30,296,400.00        |
| Unreconciled amount                   | 891,060.84           |
| <b>Total</b>                          | <b>74,453,898.95</b> |

*d) Unreconciled/Dormant and negative account balances*

- 9.9. The details on the SLs of the following PPE accounts showed various unreconciled/dormant balances since CY 2004 totaling ₱14,864,649.49 and negative balances of ₱6,312,515.83 that were added/deducted to the ending balances of these accounts as of December 31, 2016, thus affecting the reliability of said accounts, summarized as follows:

| <b>Accounts</b>                                       | <b>Unreconciled/<br/>dormant</b> | <b>Negative<br/>Balance</b> |
|---|----------------------------------|-----------------------------|
| Office Equipment                                      | 401,067.00                       |                             |
| Information and Communication<br>Technology Equipment | 5,778,456.69                     |                             |
| Disaster Response and Rescue<br>Equipment             | 7,315.00                         |                             |

| <b>Accounts</b>  | <b>Unreconciled/<br/>dormant</b> | <b>Negative<br/>Balance</b> |
|--|----------------------------------|-----------------------------|
| Technical and Scientific Equipment                         |                                  | (6,312,515.83)              |
| Other Machinery and Equipment                              | 3,052,782.41                     |                             |
| Furniture and Fixtures                                     | 3,500,114.85                     |                             |
| Other Property, Plant and Equipment                        | 1,233,852.70                     |                             |
| Construction in Progress-Buildings<br>and Other Structures | 891,060.84                       |                             |
| <b>Total</b>   | <b>14,864,649.49</b>             | <b>(6,312,515.83)</b>       |

- 9.10. The Accountant explained that these unreconciled/dormant balances of various PPE accounts emanated from the change in old electronic National Government Accounting System (e-NGAS) in CY 2004 to the Enhanced electronic version of the NGAS (EeNGAS). The amount posted “Unreconciled Balances” pertain to the difference between the GL and SL balances at the time of the migration from the old to Enhanced e-NGAS. These balances remained unaccounted to date due to lack of detailed schedules and other supporting documents from which they could be verified.

*e) Non-Provision of Depreciation*

- 9.11. The provision of the depreciation expenses as required in the GAM for the following PPE accounts were not computed due to the absence of the dates of acquisition of the equipment and the non-availability of records for the old building occupied by PRC:

| <b>Accounts</b>               | <b>Amount</b>         |
|-------------------------------|-----------------------|
| Building                      | 136,422,588.24        |
| Other Machinery and Equipment | 3,052,782.41          |
| <b>Total</b>                  | <b>139,475,370.65</b> |

- 9.12. Section 27 of GAM for NGAs defines that Depreciation is the allocated cost that needs to be distributed on a systematic basis over its useful life. Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, depreciation shall be for one month if the PPE is available for use on or before the 15<sup>th</sup> of the month. However, if the PPE is available for use after the 15<sup>th</sup> of the month, depreciation shall be for the succeeding month.

**9.13. We recommended that the Management direct:**

- a. the Accountant and the Property Officer to regularly monitor and reconcile their records and make the necessary adjustments on the discrepancies to reflect the correct balances of the PPE accounts in the financial statements;**



- b. the Accountant to make detailed analysis and categorize each PPE accounts on their proper account classification in accordance with the GAM and effect the necessary adjustments to correct the reported balances of the affected PPE accounts in the financial statements;**
- c. the Accountant to exert all efforts to analyze, verify, reconcile and identify the unreconciled and negative accounts by referring to the earliest available records and make necessary adjustments in the books of accounts;**
- d. the Accountant to provide the accumulated depreciation based on the formula or the guidelines provided by the GAM on the computation of depreciation; and**
- e. the SPD and the Inventory Team to reconcile the RPCPPE items, quantity and balances with those recorded in the PPE SL.**

*Compliance with the requirements of the Property Insurance Law administered by the Government Service Insurance System (GSIS)*

**10. The PRC insured its insurable properties with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) for CY 2016 as required under RA No. 656 and COA Circular No. 92-390 dated November 17, 1992**

- 10.1. Section 5 of RA No. 656, as amended by PD No. 245, requires government properties, assets and interests to be insured with the GIF, as administered by the GSIS, against any insurable risk.
- 10.2. COA Circular No. 92-390 dated November 17, 1992 was issued in support on the implementation of the GIF and Property replacement Fund of the GSIS in:
  - a) determining the physical assets of the national and local governments including those of government-owned and/or controlled corporations and their subsidiaries and affiliates; and
  - b) ensuring that all insurable assets and properties of the Government are adequately covered/ insured with the GIF of the GSIS.
- 10.3. Verification of the General Ledger for the account Insurance Expenses revealed that the PRC incurred payments totaling ₱615,032.68 for insurance premiums for all of its vehicles and buildings including those of the regional offices with insurable assets.

*Gender and Development Plan (GAD)*

- 11. Out of the proposed PRC GAD budget of ₱31,540,552.00, six percent or ₱1,888,001.50 was utilized and only 0.3 percent instead of the five percent of the PRC annual budget of ₱677,523,000.00 was programmed for GAD programs and projects which is inconsistent with Section 6.1 of Philippine Commission on Women (PCW)-National Economic Development Authority (NEDA) and Department of Budget and Management (DBM) Joint Circular No. 2012-01 and Section 35 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.**

11.1. 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 Other Operating Expenses (MOOE), Capital Outlay (CO), and Personal Services (PS). It is understood that the GAD budget does not constitute and additional budget over an agency’s total budget appropriations”

11.2. Section 35 of the General Provisions of RA No. 10717, the GAA for FY 2016 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 Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2011-2016).”

11.3. The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent of their budgets. For this purpose, activities currently being undertaken by the agencies which are GAD related are those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women’s human rights and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

11.4. Verification of the agency’s GAD Plan revealed that only ₱31,540,552.00 or four percent was allocated for GAD out of the required five percent of the agency’s total budget of ₱677,523,000.00, or a deficiency of ₱2,335,598.00 for CY 2016.

- 11.5. Based on the GAD Accomplishment Report, the PRC spent only ₱1,888,001.50 or six percent of the total agency approved budget for CY 2016 amounting to ₱31,540,552.00 attributed for gender-based programs and projects.

Breakdown of the reported actual expenses for each program is as follows:

| GAD Objectives          | Actual Budget        | Accomplishment /Utilized | Unutilized           |
|-------------------------|----------------------|--------------------------|----------------------|
| A. Organization Focused | 21,947,024.00        | 1,318,142.95             | 20,628,881.05        |
| B. Client Focused       | 9,593,528.00         | 569,858.55               | 9,023,669.45         |
| <b>Totals</b>           | <b>31,540,552.00</b> | <b>1,888,001.50</b>      | <b>11,605,211.60</b> |

**11.6. We recommended that the GAD Focal Committee:**

- a. **strictly comply with the requirements of the PCW-NEDA-DBM JC No. 2012-01 and fully attain the targeted activities and develop a GAD plan or program projects and activities that will be more responsive to the gender issues envisioned to promote gender equality among employees and clients; and**
- b. **closely monitor the implementation of the GAD Plan endorsed by the PCW.**

*Senior Citizens and Persons with Disability*

**12. 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 2016 with no separate plan and programs using one percent of the total budget of the Agency pursuant to Section 35 of RA No. 10651.**

- 12.1. Section 36 of the General Provision of RA No. 10717 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”.

- 12.2. The budget for the implementation of the aforesaid Act was incorporated in the GAD program instead of the one percent of the total budget of ₱677,023,000.00 or ₱ 6,770,230.00 for the concern of the Senior Citizens and the PWDs. Only ₱95,343.47 was disbursed mostly for the printing of tarpaulin, collaterals and flyers for the purpose of informing the rights of the SCPD posted at the PRC Building. It was noted however, that there was no feedback mechanism on the responsiveness of these programs.

*Compliance with Tax Laws*

**13. The PRC complied with the provision of RA No. 7649, BIR Tax Revenue Regulation No. 10-2008 and EO No. 651 on the withholding and remittance of taxes. For CY 2016, a total of ₱50,677,655.21 was withheld by the agency for the compulsory taxes and remitted ₱50,366,206.10 to the Bureau of Internal Revenue (BIR), including the unremitted balance of ₱1,001,955.88 for CY 2015 representing the taxes withheld for the month of December.**

13.1. 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.

13.2. The PRC is compliant with the tax laws and regulations. It had remitted on time to the BIR the amount of ₱44,918,662.24 representing taxes withheld for the months of January to November 2016, including the balance of CY 2015. The amount of ₱1,313,405.01 withheld in December 2016 was remitted on January 11 and 13, 2017. Summary of the 2016 tax withholding and remittances as follows:

| Period                | Tax Withheld         | Tax Remitted/<br>Tax Refunded/<br>Account<br>Reclassifications | Date of<br>Remittance    | Unremitted<br>Balance |
|-----------------------|----------------------|--|--------------------------|-----------------------|
| Balance, Jan. 1, 2016 |                      |  |                          | 1,001,955.88          |
| January 2016          | 3,362,262.74         | 6,005,348.90   | Feb. 10, 2016            | (1,641,130.28)        |
| February              | 4,283,468.93         | 1,639,002.10   | Mar. 8 & 9,<br>2016      | 1,003,336.55          |
| March                 | 4,860,295.11         | 4,908,834.39   | Apr. 7, 2016             | 954,797.27            |
| April                 | 2,150,593.73         | 2,398,826.15   | May 5 & 6,<br>2016       | 706,564.85            |
| May                   | 3,059,567.91         | 3,045,143.41   | Jun. 9, 2016             | 720,989.35            |
| June                  | 7,198,982.56         | 7,221,263.59   | Jul. 8, 2016             | 698,708.32            |
| July                  | 4,459,683.83         | 4,437,064.46   | Aug. 9, 2016             | 721,327.69            |
| August                | 4,276,654.89         | 4,279,627.20   | Sep. 9, 2016             | 718,355.38            |
| September             | 1,637,249.80         | 1,599,246.47   | Oct. 7, 2016             | 756,358.71            |
| October               | 5,445,838.14         | 5,463,327.87   | Nov. 11,<br>2016         | 738,868.98            |
| November              | 3,892,571.46         | 3,920,977.70   | Dec. 9, 2016             | 710,462.74            |
| December              | 6,050,486.13         | 5,447,543.86   | Jan. 9, 11 &<br>13, 2017 | 1,313,405.01          |
| <b>Total</b>          | <b>50,677,655.23</b> | <b>50,366,206.10</b>   |                          |                       |

13.3. We commended Management in regularly and religiously remitting all taxes withheld thus, no penalties for late remittance of taxes were incurred.



*Compliance with GSIS*

- 14. The Due to GSIS account balance of ₱1,347,376.44 was overstated by net amount of ₱34,656.01 due to error in applying remittances made applicable to other accounts and misclassification of liabilities. Moreover, delay in some remittances of contributions incurred payment of penalty by the PRC.**

14.1. Section 6 (b) of RA No. 8291 states that “each employer shall remit directly to the GSIS the employee’s and employer’s contributions within the **first ten (10) days** of the calendar month following the month to which the contributions apply. The remittance by the employer of the contribution to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.”

14.2. Most of the contributions withheld were properly remitted on the due date but there were instances wherein remittances were late, thereby causing unnecessary penalty to the agency. For example, remittance of PRC Zamboanga for the month of October 2016 amounting to ₱38,593.67 was remitted only on November 17, 2016.

| <b>Period/Month</b>                | <b>Contributions</b> | <b>Remittances</b> | <b>Date Remitted</b>                               | <b>Ending Balance</b> |
|------------------------------------|----------------------|--------------------|--|-----------------------|
| Beginning Balance, January 1, 2016 |                      |                    |  | 2,711.93              |
| January 2016                       | 1,407,038.47         | 1,404,394.84       | Feb. 2,3,5,9 & 10, 2016                            | 5,355.56              |
| February                           | 1,406,945.29         | 426,991.60         | Feb. 24 & 29, 2016                                 | 985,309.25            |
| March                              | 1,576,088.32         | 2,416,844.79       | Mar. 4,10,16 & 28, 2016<br>Apr. 4,5,7 & 8, 2016    | 144,552.78            |
| April                              | 1,442,743.31         | 586,266.43         | May 3,4,5,10 & 31, 2016                            | 1,001,029.66          |
| May                                | 1,434,643.06         | 2,355,460.20       | May 3,10,30 & 31, 2016<br>Jun. 1-3,7-10 & 14, 2016 | 80,212.52             |
| June                               | 1,405,182.39         | 1,484,245.91       | Jun. 7,17,28 & 30, 2016<br>Jul. 5,7 & 8, 2016      | 1,149.00              |
| July                               | 1,410,018.65         | 870,901.13         | Jul. 7,12,14 & 20, 2016<br>Aug. 1 & 5, 2016        | 540,266.52            |
| August                             | 1,412,530.93         | 585,119.48         | Aug. 3-5,8-10 & 30-31, 2016                        | 1,367,677.97          |

| Period/Month | Contributions        | Remittances          | Date Remitted                                      | Ending Balance |
|--------------|----------------------|----------------------|--|----------------|
| September    | 1,408,364.95         | 2,336,229.70         | Sep. 2,8 & 19, 2016<br>Oct. 3,6,7 & 10, 2016       | 439,813.22     |
| October      | 1,445,150.59         | 1,061,350.48         | Oct. 7,11,13,17 & 20, 2016<br>Nov. 9,10 & 17, 2016 | 823,613.33     |
| November     | 1,409,142.14         | 814,946.86           | Nov. 3,8 & 26, 2016                                | 1,417,808.61   |
| December     | 1,416,262.31         | 1,486,694.48         | Dec. 2 & 14, 2016                                  | 1,347,376.44   |
| <b>Total</b> | <b>17,174,110.41</b> | <b>15,829,445.90</b> |  |                |

- 14.3. Remittances of employees' PAG-IBIG contribution for the month of February 2016 with Check No. 2274279 amounting to ₱50,500.00 was improperly charged to Due to GSIS account, thus, overstating the account by the same amount.
- 14.4. Review of the general ledger also showed understatement of ₱15,843.99 in the Due to GSIS account of the book of the agency for CY 2016. The said understatement was a misclassification of accounts reported in the financial statements and was due to non-establishment of Due to GSIS account upon realizing the liabilities and recording of accounts payable at year-end. The Accounting Division charged the entire obligation in the Accounts Payable account instead of separating it into Accounts Payable account and Due to GSIS account.

| Particulars   | Amount           |
|---|------------------|
| Rosario R. Brillantes - Payment for Accounts Payable - To payment of salary differential to step increment for the period of Aug. 1 - Dec. 31, 2016       | 94.05            |
| Armando L. Red - Payment for Accounts Payable - To payment of salary differential due to step increment for the period of Mar. 1 - Dec. 31, 2016          | 139.50           |
| Cecilia M. Lagoc - Payment for Accounts Payable - To payment of maternity benefit as Executive Assistant V for the period covered Oct. 28 - Dec. 26, 2016 | 8,674.40         |
| Diana Jane C. Sorongon - Payment for Accounts Payable - To payment of first salary and PERA as Senior PRO for the period of Nov. 16 - Dec. 31, 2016       | 4,812.51         |
| Gaudencia B. Nayre - Payment for Accounts Payable - To payment of salary and PERA as Admin. Aide VI for the period of Mar. 1 - Apr. 30, 2016              | 2,123.53         |
| <b>Total</b>  | <b>15,843.99</b> |

**14.5. We recommended and Management agreed that the Accounting Division:**

- a. ensure accurate and timely remittance of GSIS contributions to secure proper transfer of amounts withheld from employees and to avoid incurrence of unnecessary penalties; and**
- b. recognize the appropriate liability account in recording the transactions.**

*Status of Settlement of Audit Suspensions and Disallowances*

**15. Out of the total suspensions and disallowances of ₱13,277,376.39 and ₱45,933,770.04, respectively only ₱32,310.00 were settled leaving a balance of ₱13,245,066.39 and ₱45,933,770.04, respectively as of year-end.**

|                        | <b>Beg. Balance,<br/>January 1, 2016</b> | <b>Issued</b>       | <b>Settled</b>   | <b>Ending Balance,<br/>December 31, 2016</b> |
|------------------------|--|---------------------|------------------|--|
| Notice of Suspension   | 10,480,347.27                            | 2,797,029.12        | 32,310.00        | 13,245,066.39                                |
| Notice of Disallowance | 45,829,613.24                            | 104,156.80          | -                | 45,933,770.04                                |
| <b>Total</b>           | <b>59,143,398.93</b>                     | <b>2,901,185.92</b> | <b>32,310.00</b> | <b>59,178,836.43</b>                         |

15.1. The Notices of Disallowances as of December 31, 2016 amounted to ₱45,933,770.04, details as follows:

| <b>ND No.</b> | <b>Date</b>       | <b>Amount</b> | <b>Status</b>   |
|---------------|-------------------|---------------|---|
| 2010-01       | October 6, 2010   | ₱528,900.00   | Appeal Memorandum has been filed with COA                               |
| 2013-03       | November 22, 2013 | 9,535.27      | With Notice of Finality (NFD) dated December 11, 2014                   |
| 2014-02       | June 5, 2014      | 1,400,000.00  | Appeal Memorandum already filed to the Cluster Director, Cluster 5, NGS |
| 2014-05       | June 5, 2014      | 26,380.00     | NFD dated December 11, 2014   |
| 2014-09       | September 1, 2014 | 1,800.00      | NFD dated April 20, 2016  |
| 2015-03       | March 31, 2015    | 43,821,479.60 | Appeal memorandum already transmitted to the Commission Proper          |
| 2015-04       | April 6, 2015     | 25,536.26     | NFD dated April 20, 2016  |
| 2015-04       | April 6, 2015     | 7,982.11      |   |
| 2015-08       | October 8, 2015   | 8,000.00      |   |
| 2016-01       | August 18, 2016   | 85,680.00     | Memorandum already filed to the Cluster                                 |

| ND No.       | Date            | Amount               | Status   |
|--------------|-----------------|----------------------|--|
|              |                 |                      | Director   |
| 2016-02      | August 18, 2016 | 12,196.80            | Memorandum already<br>filed to the Cluster<br>Director |
| 2016-03      | August 22, 2016 | 6,280.00             |  |
| <b>Total</b> |                 | <b>45,933,770.04</b> |  |

- 15.2. An appeal memorandum of PRC for the disallowance of ₱43,821,479.60 representing payments for the fringe benefits granted to its officers and employees has already been transmitted to the Cluster Director on December 23, 2015.
- 15.3. 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.