

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We have followed up the actions taken by the Agency to implement the prior years' audit recommendations and noted the following:

Status of Implementation	No. of Recommendations	
	Quantity	Percentage
Fully Implemented	50	56
Not Implemented	39	44
Total	89	100

Not implemented recommendations with impact on the financial statements are reiterated in Part II of this report. The results of our validation are as follows:

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
Financial Audit			
<i>Misstatements in the Financial Statements</i>			
1. Errors and omissions in the recording of financial transactions resulted in misstatements on the Assets, Liabilities and Equity categories totaling ₱275,439,837.57 as at December 31, 2018, thus casting doubts on the existence, completeness and accuracy of the affected accounts in the Financial Statements (FSs) of PRC.	Pages 31-40 CY 2018 AAR		
a. Understatement of Inventory accounts due to Items on hand per count but not recorded in the books - ₱1,917,723.68			
b. Overstatement of PPE accounts-₱252,362,330.10	Page 60-68		
• Erroneous computation of Accumulated Depreciation- ₱218,328,559.15	of AAR CY		

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<ul style="list-style-type: none"> Erroneous computation of Depreciation Expense- ₱8,496,844.17 Items below the ₱15,000.00 threshold were still included in the PPE- ₱25,536,926.70. <p>c. Overstatement of Accounts Payable-₱19,739,170.23</p> <p>The Accounts Payable account totaling ₱32,501,380.51 is overstated by ₱19,739,170.23, representing payable accounts which remained unadjusted and have been due for more than two years against which no actual claim, administrative or judicial, has been filed and remained unreverted to Accumulated Surplus/(Deficit), contrary to Section 98 of PD No. 1445 and the amount of ₱5,605,320.87 were not supported with documents thus, affecting the fair presentation of the account in the financial statements as at year-end.</p> <p>d. Errors/Omissions in recording collections resulting in understatement of income of ₱1,420,613.56</p> <ul style="list-style-type: none"> Unreconciled difference 	<p>2017</p> <p>Pages 50-55 AAR CY 2016</p> <p>Pages 43-46 CY 2015 AAR</p>		

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<p>between the Report of Collections and Deposits (RCD) and General Ledger (GL) per electronic National Government Accounting System (eNGAS) amounting to ₱560,744.56.</p> <ul style="list-style-type: none"> • Unrecorded income per reported ePayment Portal-LBP amounting to ₱859,869.00. <p>We recommended and Management agreed to require the Accountant to:</p> <p>a. book up the unrecorded inventories found on hand during the physical count;</p> <p>b. effect the reversion of outstanding accounts payable without actual claim, either judicial or administrative, and to prepare the necessary adjusting entries to reflect the accurate balances of the accounts for fair presentation in the financial statements;</p> <p>c. book up the unrecorded collections and submit/ furnish the Audit Team the</p>		<p>Submitted a proposal for reassignment of Regional Accountants to Central Office in order to address the reconciliation of PPE and Inventory items.</p> <p>Identified the recorded Accounts Payable without actual claim and prepared necessary adjusting entries to effect the reversion.</p> <p>A Letter was sent to NCR-Finance & Administrative</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Fully Implemented</p> <p>The reconciling items were already recorded in the books per JEV Nos. 2019-01-000188, 2019-01-000189, 2019-01-000191.</p> <p>Not Implemented</p> <p>Reconciliation is still</p>

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<p>PPE accounts;</p> <p>e. make the necessary adjustments to correct the understatement of recorded accumulated depreciation and depreciation expenses charged and make analysis to categorize each Property, Plant and Equipment (PPE) account under its proper classification in accordance with the GAM for NGAs.</p>		<p>process. Appropriate adjusting entries were recorded for the disposal of various PPE, recalculate the correct Accumulated Depreciation and properly derecognize the affected account. The reconciliation has yet to resume after closing of 2019 books. However, please be informed that one of the factors for the erroneous computation of Accumulated Depreciation and Depreciation Expense was attributed also to the eNGAS error wherein some of the PPE acquired before the year 2015 (old ENGAS) was excluded by the system in the generation of monthly Depreciation Expense in the new ENGAS. To better carry out the reconciliation, the Management has issued Memorandum Order (MO) No.15 dated March 11, 2020 prescribing the guidelines on the conduct of physical</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing.</p>

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		inventory of properties, equipment, semi-expendable items, and supplies and materials. The management is thereby requesting for an ample time to fully implement the noted recommendations. A report will be sent to COA-ASDOSO pertaining to the observed system error once the e-ticketing system is back online.	
Misclassification of accounts			
<p>2. Income collected for Examination Fees for the month of June 2018 totaling ₱21,197,391.00 was erroneously recorded as Licensing Fees, resulting in an overstatement of the Licensing Fees and understatement of the Examination Fees account by the same amount.</p> <p>We recommended that the Management make the necessary adjustment to correct the erroneous income classification.</p>	<p>Page 41 CY 2018 AAR</p>	<p>The Income for the CY 2018 was restated in the presentation of comparative Statement of Financial Position, Statement of Financial Performance, &</p>	<p>Fully Implemented</p> <p>The Income for the CY 2018 was properly restated in the presentation of comparative Financial Statement for the CY2019.</p>

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		Statement of Changes in Net Assets/Equity for the CY 2019.	
Unreliable account balances			
<p>3. Audit of the accounts disclosed deficient accounting and property controls, casting doubts on the completeness, existence and accuracy of the reported cash, receivable, inventory and PPE balances, contrary to Section 6 (e), Chapter 19 of the GAM for NGAs, Volume I.</p> <p>a) Unreliable Cash in Bank-Local Currency, Current Account (LCCA) balance- ₱6,820,698.38</p> <p>b) Unreliable Receivable balances- ₱60,220,799.68</p> <ul style="list-style-type: none"> Advances to Operating Expenses with negative balances of ₱2,622,894.09 Unreliable Due from NGAs account- ₱62,843,693.77 <p>c) Unreliable Inventory accounts balances- ₱44,357,894.20</p> <ul style="list-style-type: none"> Reporting difference in the recorded unit costs and quantity per books and per RPCI, resulting in a net discrepancy of ₱35,200,273.13 Non-moving inventory 	<p>Pages 41-52 CY 2018 AAR</p> <p>Pages 41-43 of CY 2015 AAR</p>		

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<p>items from CYs 2014-2018 - ₱3,756,659.71</p> <ul style="list-style-type: none"> • CY 2014 forwarded unreconciled balances of Office Supplies Inventory - ₱5,400,962.07 <p>d) Unreliable PPE accounts balances-₱487,433,257.89</p> <ul style="list-style-type: none"> • Unreconciled balances between accounting and property records- ₱479,175,548.12 • CY 2004 forwarded unreconciled balances of ₱7,757,712.67 <p>e) Undocumented payables- ₱5,605,320.78</p> <p>f) Unreliable Income accounts-₱173,205,650.00</p> <p>We recommended and Management agreed to:</p> <p>Cash Accounts -</p> <p>a. require the Accountant to prepare and submit regularly the monthly BRS in accordance with Section 74 of PD No. 1445 and Sections 5, 6, and 7 of the GAM for NGAs, Volume I for all bank accounts;</p>	<p>Pages 42-43 CY 2014 AAR</p>	<p>A letter was sent to the Landbank of the Philippines (LBP) requesting for the Bank Statement (BS) of Account Nos. 2001-9017-20, 0012-1171-24 BAC Fund and 0012-1172-30 for years 2004-2018 to facilitate the preparation of Bank Reconciliation</p>	<p>Not Implemented</p> <p>Upon verification, only the Cash-MDS, Regular account has BRS, while for other accounts, there was no BRS submitted.</p>

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<p>b. stop the practice of allowing other personnel to borrow paid Disbursement Vouchers and their supporting documents but advise them to secure first the needed copies before submitting such documents for payment to the Accounting Division;</p> <p>Receivable Accounts -</p> <p>c. review all the liquidation reports of those with negative balances and make adjustments properly;</p> <p>d. require Property Officer and the Accountant to reconcile the variances noted with DBM-PS and make necessary adjustments in PRC's book balances;</p>		<p>Statement (BRS).</p> <p>Immediately prepared and submitted the BRS and recorded the book reconciling items after receipt of requested BS.</p> <p>Immediately stopped the practice of borrowing DV/s from Accounting Division.</p> <p>On-going reconciliation of advances to operating expenses with negative balances.</p> <p>DBM-PS was informed regarding the comparison made between its ledger and the records maintained by PRC thru email and has requested to issue a revised ledger to reflect the PRC's fund transfer amounting to ₱22,886,224.78 as</p>	<p>Fully Implemented</p> <p>Upon verification, the Accounting Division has already stopped the practice of borrowing DVs.</p> <p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Not Implemented</p> <p>Reconciliation is still ongoing. The same findings were noted in CY2019 AAR.</p>

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<p>e. prudently transfer funds to PS such that funds transferred made are fully served by the PS and avoid overlapping of funds transferred;</p> <p>f. require the Property Officer to make representation with the DBM-PS on the status of the undelivered items. Assess the need for the items and require the refund and/or deduct from succeeding advances the cost of the undelivered item;</p>		<p>these amount were actual deposit of the year but were not reflected in the ledger maintained by them, The subject unrecorded fund transfer were only reflected by DBM in PRC ledger only in 2019.</p> <p>The transfers were limited only to procurement of common-used office supplies</p> <p>The PSD is closely monitoring the deliveries/liquidation for PRC's fund transfers.</p>	<p>Fully Implemented</p> <p>Review of the Due From NGAs Subsidiary Ledger for CY 2019 showed that current advances made pertains to purchase of common-used supplies.</p> <p>Fully Implemented</p> <p>Procurement and Supply Division ensures that the current Agency Procurement Requests (APRs) will be charged against outstanding advances made to DBM-PS. However, there is no instance that the Agency</p>

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<p>Inventory Accounts -</p> <p>Require the Accountant and PSD to:</p> <p>g. reconcile their balances of the inventory accounts and after the review and reconciliation, effect the correction/adjustments to arrive at reliable balances at yearend;</p> <p>h. reconcile all deliveries of supplies and materials upon receipt and prepare RSMI upon issuance; and</p> <p>i. book up the unrecorded inventories found/on hand during the physical count;</p> <p>PPE Accounts -</p> <p>require the Accountant and Procurement and Supply Division to:</p> <p>j. conduct regular reconciliation to facilitate adjustments of discrepancies between</p>		<p>A letter was sent to Procurement and Supply Division on September 12, 2019, to request submission of the RPCI as of December 31, 2018, to facilitate the reconciliation and recompute the weighted average cost. Also, a proposal for reassignment of Regional Accountants was submitted to the Central Office in order to address the reconciliation of PPE and Inventory items.</p> <p>The Property Division has updated the RPCPPE to include the Land and</p>	<p>made a refund.</p> <p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Not Implemented</p> <p>Reconciliation is still ongoing.</p>

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<p>balances per books and per RPCPPE; and</p> <p>k. exert all efforts to analyze, verify, reconcile and identify the unreconciled and negative balances by referring to the earliest available records;</p> <p>Liability Accounts -</p> <p>l. require the Accounting Division to prepare valid documents before payable account is obligated;</p> <p>Income Accounts -</p> <p>m. to institute internal controls within the Operating Offices to establish check and balance, particularly the reliability of the reports they generated and require the Planning Division, in particular, and ICT Division to regularly</p>		<p>Building accounts.</p> <p>A letter was also sent to PSD on September 12, 2019, to request submission of the RPCPPE as of December 31, 2018. A proposal for reassignment of Regional Accountants was submitted to the Central Office in order to address the reconciliation of PPE and Inventory items.</p> <p>Accounting Division prepares valid documents before payable account is obligated.</p> <p>The Management issued a Memorandum regarding who will reconcile the records between the Planning and Management Division and ICT Division.</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Fully Implemented</p> <p>Upon verification, the Accounting Division prepares valid documents before payables are obligated.</p> <p>Fully Implemented</p>

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monitor the collection processes (from all sources) and reconcile records immediately.			
Income			
<p>4. Collections in the amount of ₱142,730,006.58 were not deposited intact daily and some accountable officers in PRC Tuguegarao City and Davao City are not bonded, contrary to Section 30, Volume I of GAM for NGAs and Section 101 of PD No. 1145. In addition, deposits totaling ₱706,985,497.77 were unrecognized by the BTr.</p> <p>We recommended and Management agreed to:</p> <p>a. require the Cash Collecting Officers (COs) to immediately deposit their respective accountabilities totaling ₱142,730,006.58 within the prescribed period set and institute penal sanctions for those Accountable Officers (AOs) who will fail to comply with the directive of the Chairman and; henceforth, direct COs to deposit collections intact daily; and require each accountable officer to apply for fidelity bond with BTr;</p>	<p>Pages 53-58 CY 2018 AAR</p>	<p>A reply letter was sent to COA Resident Auditor which was received on April 3, 2019.</p> <p>The applications for bond of Regional Offices' employees and officials were previously done in the Central Office which prolonged the processing, thus, Regional Offices have been permitted now to process their own application of bond to Regional BTR Offices. Lucena and Davao Regional Offices were already</p>	<p>Not Implemented</p> <p>As per Management reply letter, it stated that the unaccounted deposits were actually deposited. However, there is no proof of deposit attached to the reply. Hence, the Audit Team will verify the said deposit.</p>

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<p>b. reconcile the details of the remaining collections without the BTR's Certification amounting to ₱706,985,497.77 and submit summary of collections from all sources deposited to LBP in the name of BTr-PRC Clearing Account; and</p> <p>c. demand from DBP-DCI penalties for late remittances totaling ₱175,943,246.35 from May 12, 2017 to May 31, 2018, including interest compounded daily based on Bangko Sentral ng Pilipinas overnight lending rate and additional penalty of</p>		<p>informed of the noted observations and recommendations.</p> <p>Management explained that the remaining ₱706,985,497.77 represents collections by the Central Office for October to December 2018; in NCR (November to December 2018) and other ROs. Requests for BTr Certifications have been sent to the BTr, however, no response was received to date. A memorandum has also been sent to all Regional Collecting Officers to submit complete certifications for the year 2018.</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing.</p> <p>Fully Implemented</p> <p>PRC filed a Petition for Arbitration with the Department of Justice, against DBP-DCI praying among others that the latter the pay the penalties. The case is</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
₱38,593,652.00 for January 1 to May 31, 2018, excluding interest.			still pending resolution as of this report.
<i>Unliquidated Cash Advances</i>			
<p>5. Lapses in the grant and liquidation of cash advances such as granting of new cash advances even though previous cash advances given to some employees have not been settled resulted in accumulation of over-due cash advances amounting to ₱17,435,569.96 and improbable collectability of advances of resigned/retired employees of ₱311,953.64.</p> <p>We recommended and Management agreed to:</p> <p>a. demand from all officers and employees with outstanding balances to liquidate/settle immediately their cash advances and/or refund all unexpended balances, pursuant to COA Circular Nos. 97-002 and 2012-004, otherwise, cause the suspension of salaries of erring AOs;</p> <p>b. stop the practice of granting additional cash advances unless the previous ones are settled;</p>	<p>Pages 58-62 CY 2018 AAR</p>	<p>Demand Letters were sent to the concerned officials and employees with unliquidated cash advances.</p>	<p>Fully Implemented</p> <p>Reconciliation is still ongoing. Upon verification, out of ₱17,435,569.96 unliquidated cash advances as of December 31, 2018, 92% or ₱16,052,635.86 of which were already liquidated while 8% remains unliquidated.</p> <p>Fully Implemented</p> <p>A notice of unliquidated cash advance was issued</p>

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<p>c. cause the recovery of unliquidated cash advances from any amount due from those who have transferred, retired and separated from government service; and</p> <p>d. henceforth, all concerned officers and employees strictly comply with Section 89 of PD No. 1445 and COA Circular Nos. 97-002 and 2009-002 on the granting, utilization and liquidation of cash.</p>			<p>to concerned employees to remind them of their cash advance and inform the reglementary period to liquidate.</p> <p>Not Implemented</p> <p>Fully Implemented A notice of unliquidated cash advance was issued to concerned employees to remind them of their cash advance and inform the reglementary period to liquidate.</p>
<i>Unauthorized payment of Appreciation Cash Gifts to retiring officials</i>			
<p>6. Appreciation cash gifts amounting to ₱537,300.00 were given to retiring officials and employees without legal basis and not in accordance with the Civil Service Commission (CSC) Memorandum Circular No. 7, series of 1998 dated March 13, 1998 and COA Circular No. 2013-003 dated January 30, 2013.</p> <p>We recommended and Management agreed to stop the practice of granting</p>	<p>Pages 62-64 CY 2018 AAR</p>	<p>Management informed that the appreciation gift was</p>	<p>Fully Implemented We agree that PRC</p>

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monetary appreciation gifts and demand the refund of ₱537,500.00 from the grantees.		patterned after the DOLE's grant of similar benefit. The grant of said benefit was inquired with CSC and CSC affirmed/allowed the said grant thru the CNA, thus it was included in the economic provisions of the PRC, the CNA which was duly approved by CSC. Nonetheless, Management commit to stop the practice of granting such benefit in compliance with the audit recommendation.	can continue the "SALAMAT-PAALAM" Program by holding simple ceremony and awarding of plaque or simple token for the retirees but not in the form of monetary appreciation gifts. In addition, Management should still demand the refund of the benefits already granted from concerned retired officials and employees.
Unsupported payments of Honoraria			
7. Honoraria paid to various Chairmen and Members of the different Professional Regulatory Boards (PRBs) totaling ₱148,870,260.14 were not supported with adequate documentation, thereby the validity and propriety of expenditures were not established. We recommended and Management agreed to submit the organizational structure of the PRBs with the duly approved appointment papers of the Chairmen and Members of all the PRBs and require all PRBs to submit their	Pages 65-66 CY 2018 AAR	Management already issued PRC Resolution No. 1160 s. 2019, which provides the guidelines in the reporting and consolidation of	Fully Implemented The Management already submitted approved appointments of the PRBs and their Annual

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individual annual accomplishment reports with the signatures of all the members duly verified/approved by the PRC Management and to be attached to support their claims.		Accomplishment Reports by PRBs in the delivery of PRC services.	Accomplishment Reports on April 8, 2019 and reviewed by the Audit Team to determine the compliance to the audit recommendations.
<i>Non-submission/delayed submission of financial reports and documents</i>			
<p>8. PRC Offices at the Central Office and in the regions either reported delayed or failed at all in their submission of financial reports, records and other required documents which is not in keeping with PD No. 1445, and other applicable laws, rules and regulations precluding the timely audit of agency transactions.</p> <p>We recommended that Management direct immediate submission of the financial reports, DVs, RCD, ORs and supporting documents to COA for a timely and systematic review of transactions; and comply strictly with the existing laws, rules and regulations on submission of required reports.</p>	<p>Pages 66-69 CY 2018 AAR</p>	<p>Management has complied with the required documents.</p>	<p>Fully Implemented</p> <p>The Management has submitted the documents to COA within the respective deadlines.</p>
Other Compliance Issues			
<i>Gender and Development (GAD)</i>			
9. Out of the proposed PRC GAD budget of ₱22,652,850.00, only 14 percent or ₱3,214,174.15 was utilized which is inconsistent with Section 6.1 of Philippine Commission on Women (PCW) - National	<p>Pages 69-70 CY 2018 AAR</p>		

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<p>Economic and Development Authority (NEDA) and DBM Joint Circular (JC) No. 2012-01 and Section 30 of the General Provisions of the GAA for FY 2018. Likewise, targeted activities in the GAD Plan were not fully accomplished or achieved particularly on the Organization Focused projects.</p> <p>We recommended that:</p> <p>a) the GAD Focal Committee 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</p> <p>b) closely monitor the implementation of the GAD Plan endorsed by the PCW.</p>	<p>Pages 71-74 AAR CY 2017</p> <p>Pages 56-57 AAR CY 2016</p> <p>Pages 54-55 CY 2015 AAR</p>	<p>The PRC is strictly complying with the requirements of the PCW-NEDA-DBM JC No. 2012-01. For the year 2019, the Annual Gender and Development (GAD) was submitted to PCW with total proposed budget amounting P39,630,025.00 or 4.44% of the total GAA. Out of the proposed total budget, 100% was utilized.</p>	<p>Not Implemented</p> <p>Same finding is reiterated in Part II of CY 2019 AAR.</p> <p>Fully implemented</p> <p>The Agency has attributed expenditures and exceeding the GAD budget for CY 2019.</p>
Senior Citizens and Persons with Disability			
10. The Agency did not	Pages		

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<p>formulate plans, programs and projects intended to address the concerns of Senior Citizens (SCs) and Persons with Disability (PWDs) and instead incorporated them in the GAD program for CY 2018, using one percent of the total budget of the Agency, pursuant to Section 31 of R.A. No. 10924.</p> <p>We recommended that the Management comply with the requirements of Section 21, General Provisions of RA No. 10964 or the GAA for FY 2018 in order to address the concerns of the senior citizens and differently-abled persons.</p>	<p>70-71 CY 2018 AAR</p> <p>Page 74 AAR CY 2017</p> <p>Pages 55-56 CY 2015 AAR</p>	<p>The Commission has issued Office Order No. 2019-92 to reconstitute GAD Focal Point System for the implementation and monitoring of GAD Plan.</p>	<p>Fully Implemented</p> <p>For CY 2019, expenditures attributed to SCs and PWDs exceeded the budget allocation therefor.</p>
<i>Compliance with the requirements of the Property Insurance Law</i>			
<p>11. The PRC insured its insurable properties with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) for CY 2018, totaling ₱1,244,963.27 as required under RA No. 656 and COA Circular No. 92-390 dated November 17, 1992.</p>	<p>Page 71 CY 2018 AAR</p>		<p>Fully Implemented</p>
<i>Status of Settlement of Audit Suspensions and Disallowances</i>			
<p>12. Audit suspensions, disallowances and charges totaling ₱18,664,901.91, ₱45,849,903.99 and ₱149,464,894.35, respectively, remained unsettled as of December 31, 2018, contrary to COA Circular No. 2009-006 dated September 15, 2009, which prescribes the rules and</p>	<p>Pages 72-73 CY 2018 AAR</p> <p>Pages 78-80 AAR CY</p>	<p>The Accounting Division will exert effort to enforce immediate settlement of the subject suspensions and the refund of disallowance which are already final and</p>	<p>Not Implemented</p> <p>The lack of documentation on file has derailed the completion of the task.</p>

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<p>regulations on the settlement of accounts.</p> <p>We recommended that the Management strictly comply with the provisions of COA Circular No. 2009-006 dated September 15, 2009 on the settlement of accounts.</p>	2017	executory.	
<p>13. Penalties were incurred for late remittances of collections to the National Treasury (NT) amounting to ₱137,349,594.35 for the period May 12, 2017 to December 31, 2017. This excludes interest by the Development Bank of the Philippines-Data Center, Inc. (DBP-DCI) as the service provider of the PRC on its online collection system of fees on annual registration and examinations including surcharges. In addition, there was an unauthorized collection by Dragonpay Corporation of ₱100,703,643.00 for the period January 1, 2017 to May 11, 2017, instead of the DBP-DCI collecting, of which ₱12,115,300.00 remained undeposited to the NT.</p> <p>We recommended that the Management:</p> <p>a. strictly monitor compliance with the salient provisions of the MOA between the PRC and the DBP-DCI;</p>	<p>Pages 34- 40 CY 2017 AAR</p>	<p>Management explained that they had already sent a letter to DBP-DCI requesting</p>	<p>Fully Implemented</p> <p>No longer enforceable since contract with DBP-</p>

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<p>b. reconcile the discrepancy found on the unremitted collections of ₱12,115,300.00 with the Dragonpay Corporation, and demand immediate remittance to the BTr by the DBP-DCI and Dragonpay Corporation of the undeposited collections; and</p> <p>c. require DBP-DCI to:</p> <p>c.1. submit proof of guaranty deposit equivalent to the average total daily collections of PRC fees or ₱4,000,000.00, whichever is higher from which DBP automatically debits any unremitted collections;</p>		<p>explanation on why Dragonpay is still collecting despite the expiration of the MOA on November 16, 2016. Based on the reply made by DBP-DCI, they justified that DBP-DCI had challenges along the way in obtaining from Dragonpay a copy of the software architecture and codes so that DBP-DCI can migrate, make transition and takeover the system of the software architecture and codes. Management added that it has neither knowledge, nor participation when DBP-DCI used the system of Dragonpay.</p> <p>Management also commented that they have sent DBP-DCI several communications and demand letters since last year to address the issues on collections and deposits, but their repeated demands</p>	<p>DCI already expired on May 31, 2018.</p> <p>Fully Implemented</p> <p>PRC has filed with the DOJ a Petition for Arbitration praying among others the payment of the unremitted collections. The discrepancy noted however was not is for further reconciliation thus, the Audit Team in its Answer to DBP-DCI Appeal, requested a special audit to determine the correct amount of unremitted collections by Dragonpay.</p> <p>Fully Implemented</p> <p>Recommendation not applicable. DBP-DCI is no longer the service provider.</p>

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<p>c.2.submit copy of Letters of Instructions (LOI) duly stamped posted by DBP and bank statements issued by DBP;</p> <p>c.3.secure and submit BTr Certification of the daily deposits and bank deposit slips with machine validation showing the dates of deposit to PRC's account for the period from January 2017 to December 2017; and</p> <p>c.4.for the late remittances, require DBP-DCI to pay: penalty equivalent to five percent of the total amount of PRC Fees collected daily totaling ₱137,349,594.35; and interest compounded daily based on BSP's overnight lending rate for deposit to the National Treasury.</p>		<p>were not heeded. PRC developed an in-house LERIS through the ICT office in anticipation of the termination of DBP-DCI as service provider with the assistance of the Department of Information and Communication Technology and the Management is contemplating on filing a case against DBP-DCI for failure to perform its obligations under the MOA.</p>	<p>Fully Implemented</p> <p>LOIs were already submitted to the Audit Team.</p> <p>Fully Implemented</p> <p>PRC has filed with the DOJ a Petition for Arbitration praying among others the compliance of DBP-DCI with the agreed deliverables as stated in the MOA.</p> <p>Fully implemented</p> <p>PRC has filed a Petition for Arbitration with the DOJ praying among others that DBP-DCI pay the penalties. To date the case is still pending resolution.</p>
<p>14. Non-adherence to the provisions of Section 89 of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997 and other pertinent regulations on the granting, utilization and liquidation of cash advances, and the absence of proper monitoring</p>	<p>Pages 47-56 CY 2017 AAR</p>	<p>Management agreed with the recommendations and replied that several liquidation reports were submitted by the different ROs and</p>	

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>mechanism resulted in the accumulation of ₱38,589,508.28 unliquidated or unsettled cash advances, which likewise, misstated the expenses and income accounts for refund as at year-end.</p> <p>We recommended that the Management:</p> <p>a. require the Accountable Officers to immediately liquidate all cash advances including the refund of any unexpended balance upon completion of the purpose for which these were granted and strictly comply with the provisions provided under COA Circular No. 97-002 and PD No. 1445;</p> <p>b. stop the practice of granting additional cash advances unless the previous ones are settled;</p> <p>c. require the Accountant to monitor and strictly enforce the liquidation of cash advances within the</p>		<p>recorded in the books of accounts in January 2018. As of March 31, 2018, a total of ₱36,068,248.37 or 93 percent were already liquidated.</p> <p>A notice of unliquidated cash advance was issued to concerned employees to remind them of their cash advance and inform them of the reglementary period to liquidate.</p> <p>The Management is strictly monitoring cash advances, enforcing liquidation and implementing the policy that no additional cash advance shall be granted for employees with unliquidated cash advance.</p> <p>The assumption of the new personnel rendered the immediate recording</p>	<p>Fully Implemented</p> <p>As per records, Management has submitted the said liquidation reports for CY2018.</p> <p>Fully Implemented</p> <p>A notice of unliquidated cash advance was issued to concerned employees to remind them of their cash advance and inform the reglementary period to liquidate.</p> <p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>prescribed period enumerated in COA Circular No. 97-002, and must see to it that no additional cash advances shall be allowed unless the previous cash advance given to him/her is first settled or proper accounting thereof is made;</p> <p>d. require the Accounting Division-Main to immediately review all liquidation reports already submitted and cause the preparation of JEV to recognize liquidations thereof; and</p> <p>e. designate additional Disbursing Officer for each RO depending on the frequency of examination/activities being undertaken based on previous records,</p>		<p>of the complete liquidation reports in time for the closing of books.</p> <p>Recording of Liquidation reports on the books of accounts were delayed due to lack of dedicated personnel who will perform the task. However, timely for the closing of books, the assumption of the new personnel renders the immediate recording of the complete liquidation reports, thereby stating accurate balance of the account as of the year-end.</p> <p>Regional Offices were advised to designate an additional disbursing officer and there were already an</p>	<p>Fully Implemented</p> <p>Though the liquidation reports were prepared with JEV to recognize the liquidations, we still note in CY2019 late submission of LRs.</p> <p>Not Implemented</p> <p>There are still noted instances in the ROs that unbonded personnel are</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>provided that the officer/employee to be designated is a holder of regular plantilla position, must be sufficiently bonded and must undergo training in cash management and proper handling of records/reports before discharging the function.</p>		<p>additional disbursing officer designated in the concerned Regional Officers which could also be shown in the summary of bonded officials.</p>	<p>performing disbursing/collecting functions.</p>
<p>15. The Procurement and Supply Division (PSD) did not submit the Report on the Physical Count of Inventories (RPCI) as of December 31, 2017 and failed to maintain accurate recording, safe storage and proper disposal of supplies and materials inventory, in violation of Section 13, Chapter 8 of the GAM for NGAs, Volume I, resulting in unreliable balances of the Office Supplies Inventory and Accountable Forms, Plates and Stickers Inventory accounts totaling ₱80,656,369.77 in the financial statements as of year-end and variances of negative ₱85,725.81 noted between the report on the physical inventory of supplies and materials and the Supplies Ledger Cards (SLCs).</p> <p>We recommended that the Management:</p> <p>a. require PSD to:</p>	<p>Pages 56-59 AAR CY 2017</p>	<p>Management commented that the reconciliation of variances and the preparation of inventory of unused cartridges and summary of unused Optical Media Reader (OMR)/AS are in progress.</p> <p>The board certificates for Pharmacists were issued to end-user because it was included in the Requisition and Issue Slip (RIS) No. 777 dated August 3, 2012. The board certificates of Real Estate Brokers were requested for disposal.</p> <p>Conducted physical inventory-taking in December 2018 and</p>	

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>a.1.reconcile the variances noted in the year-end report of physical inventory as against the SLC;</p> <p>a.2.follow the prescribed guidelines in the proper disposal of unusable supplies, materials or accountable forms;</p> <p>a.3.submit the RPCI as of year-end; and</p> <p>a.4.submit documents to show disposal/issuance of various ink cartridges found inside the cabinet; and</p> <p>b. issue necessary guidelines in the procurement of OMR/Answer Sheets and issuance thereof to facilitate the proper way of safeguarding accountable forms.</p>		<p>reconciliation between Property and Accounting records is still ongoing. The Commission will assign personnel from Accounting and Property to monitor the inventory and PPE accounts and reduce, if not eliminate, the discrepancy.</p> <p>The various ink cartridges were not yet disposed. The printer is no longer existing and unavailable in the market.</p>	<p>Not Implemented</p> <p>Same finding is reiterated in Part II of CY 2019 AAR.</p> <p>Fully Implemented</p> <p>PSD already sent inventory of supplies for disposal to the Audit Team.</p> <p>Fully Implemented</p> <p>PSD already submitted the RPCI for CY 2017.</p> <p>Fully implemented</p> <p>The audit team would request Management to include the same in IURRP</p> <p>Fully Implemented</p> <p>PRC issued Memorandum Order No. 42 dated August 17, 2018 to address the audit observation.</p>
16. The Accounts Payable was overstated by ₱14,624,351.24 due to: a) inclusion of payables totaling ₱13,508,047.49 which have been outstanding for more	Pages 68-70 AAR CY 2017	The Accounting Division has started and still in the process of the reconciliation of the	

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>than two years and remained unreverted to Accumulated Surplus/(Deficit), contrary to Section 98 of PD No. 1445; and b) erroneous entries totaling ₱1,116,303.75 which remained unadjusted in the books of accounts, thus the Accounts Payable in the financial statements were not fairly presented as of year-end.</p> <p>We recommended that the Management require the Accountant to prepare necessary journal entries to effect the reversion of long outstanding accounts and adjustments to those accounts which should have been dropped from the books to reflect the accurate balances of the Accounts Payable for the fair presentation in the FS.</p>		<p>accounts.</p> <p>Appropriate adjusting entries were recorded at yearend which resulted in decrease of the account for the years 2015, 2016 and 2017 totaling ₱5,643,560.21.</p>	<p>Fully Implemented</p> <p>Adjusting entries were already recorded.</p>
<p>17. The rates for the fees collected for the accreditation of Service Provider and its CPD Program in relation to RA No. 10912 was not coordinated with the Task Force on Fees and Charges created under Administrative Order (AO) No. 255 series of 1996. It was not established whether the new fees and charges are just, reasonable and uniform for similar or comparable services offered by other government agencies and the private sector.</p>	<p>Pages 44-47 AAR CY 2017</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>We recommended and Management agreed to coordinate with the Task Force on Fees and Charges for the evaluation of the rates of PRC CPD fees and charges to ensure reasonableness and uniformity; and publish the new/revised rates as required in AO No. 31, s. 2012 and its IRR and DOF-DBM-NEDA Joint Circular No. 1-2013.</p>		<p>Management commented that the fees for CPD accreditations were lifted from Resolution No. 990, series of 2016 entitled "Amendments to the Revised Guidelines on the Continuing Professional Development Program for All registered and Licensed Professionals". Consultations were made prior to the approval and publication of the said guidelines on the required submission with the Task Force on Fees and Charges through its Secretariat, the National Tax Research Center, the Commission has issued a Notice of Meeting requiring the members and secretariat of the Technical Committee on Fees and Charges to submit a terminal report on all its activities and accomplishments since its creation.</p>	<p>Fully Implemented</p> <p>The Committee on the Revision of Fees was reconstituted per Office Order 397 dated July 8, 2018 and has been meeting to review existing fees in accordance with the guidelines per DOF-DBM-NEDA JC No. 1-2013 and AO 31 s. 2012. To date, the Committee has come up with a new/revised fees including the CPD related fees which will be submitted to the Task Force on Fees and Charges for evaluation and eventual approval of the DOLE. As of March 8, 2019, the Committee has completed its proposal for the new rates of fees and charges and sought the technical assistance and evaluation of the proposed fees from the National Tax Research Center (NTRC). A consultative meeting on 23 April has been confirmed</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
			by NTRC. If the proposed fees are found in order the same shall be submitted for approval. On July 11, 2019 a consultation was held wherein process of costing was presented. PRC was required by the NTRC for comparison purposes to prepare the computation based on its prescribed formula/template.
2016 Audit Recommendations			
<i>Program Implementation</i>			
<p>18. Funds transferred to the 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.</p> <p>We recommended that the Management:</p> <p>a. revisit its operating and monitoring strategies on project implementation to ensure achievement of the</p>	<p>Pages 30-32 AAR CY 2016</p>	<p>A Contract Management Committee was created who shall</p>	<p>Fully Implemented</p> <p>No longer enforceable</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>objectives that it envisioned to realize based on its set goals and commitments;</p> <p>b. strictly follow timelines in the implementation of projects to avoid wastage of funds; and</p> <p>c. follow up with the DPWH the immediate return of the unutilized fund transfers of ₱508,300,000.00.</p>		<p>perform, but not limited to, monitoring of compliance with and the implementation of the terms and conditions as specified in the procurement contract and purchase order.</p> <p>A letter requesting reversion of funds was sent to DPWH together with pertinent documents.</p>	<p>Not Implemented</p> <p>There is still delay in the procurement process in the implementation of the Agency's project.</p> <p>Not Implemented</p> <p>PRC already sent a letter to DPWH to return said funds but funds were not yet reverted back to PRC.</p>
<i>Accounting Deficiencies</i>			
<p>19. 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</p>	<p>Pages 33-37 AAR CY 2016</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>continued to collect fees as a payment facility for the 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.</p> <p>We recommended that the Management:</p> <p>a. review the existing reporting and monitoring controls within the electronic payment collection system to address the recurring deficiencies noted;</p> <p>b. enforce the collections of the unremitted fees derived thru e-payment system made by Dragonpay Corporation, SMI and DBP DCI using the agreed</p>		<p>The Management has sent several communications to DBP-DCI and held them accountable for unremitted collections. All Letters of Instruction duly stamped received by DBP and the DBP Bank Statements pertaining to DCI collections have been submitted to PRC. DBP-DCI has yet to secure the BTr Certification to validate deposits made.</p> <p>Terms of Reference has been rigorously prepared in accordance with Joint Department Administrative</p>	<p>Fully Implemented</p> <p>The understatement of collections in March 2016 amounting to ₱15,718,111.00 was an inadvertence in recording but was properly reflected in the DCI's Online collection report. This was eventually taken up in the books of accounts in January 2017 per JEV #2017-01-000704.</p> <p>a. The developed in-house online collection system was deployed on June 2018..</p> <p>Fully Implemented</p> <p>A Petition for Arbitration was already filed by PRC with the DOJ</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>guaranty facility; and</p> <p>c. strictly monitor compliance of the service providers on the terms and provisions of the contract agreement and enforce appropriate sanctions for breach thereof.</p>		<p>Order No. 10-01 and Joint Department Administrative Order No. 06-02 which prescribe the guidelines for the use of Electronic Payment and Collection System to acknowledge collection of income and other receipt of the government.</p>	<p>praying among others that DBP-DCI remit the collections collected by Dragonpay during the said period. However, as to the SMI it still show a negative balance in the SL.</p> <p>Fully Implemented</p> <p>In-house collection system was already created by PRC.</p>
<p>20. 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 BRS, contrary to Section 3, Volume I of the GAM for National Government Agencies (NGAs) and Section 74 of Presidential Decree No. 1445.</p> <p>We recommended and Management agreed to direct the Accounting Division to 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.</p>	<p>Pages 37-40 AAR CY 2016</p>	<p>Management already submitted the required BRS.</p>	<p>Not Implemented</p> <p>Non-submission of BRS for the Cash in Bank Local Currency account still noted in CY 2019 AAR.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>21. 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.</p> <p>We recommended that the Management 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.</p>	<p>Pages 40-42 AAR CY 2016</p>	<p>The Accounting Division was not able to remit to National Treasury the excess deposit due to pending preparation of Bank Reconciliation Statement. The ICTS is still finding ways to recover the files of old books of accounts and once the record has been recovered, we shall facilitate the preparation of bank reconciliation statement and prepare necessary adjusting entry.</p>	<p>Not Implemented</p> <p>Verification of the SL balance of the account showed that it has still an outstanding balance of ₱1,764,130.09 as of December 31, 2019.</p>
<p>22. 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 SLs of some Collecting Officers (COs) indicative of questionable</p>	<p>Pages 42-44 AAR CY 2016</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>accountabilities. Moreover, undeposited collections at year-end aggregating ₱17,931.88 remained on hand with the COs.</p> <p>We recommended that the Management require the Accounting Division to analyze and determine the causes of the negative balances in the accounts of the COs and make the necessary adjustments in the books.</p>		<p>Office Memorandum No. 2017-03 dated March 30, 2017 was issued directing all Cash Disbursing Officers in the Central and ROs to refund any excess amount of cash advance and to refrain from using excess amount for the next scheduled board examinations.</p>	<p>Not Implemented</p> <p>The accountable officer has already been required to submit his explanation for the noted deficiency but has resigned without submitting his response. No clearance was given to the AO.</p>
<p>23. 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.</p> <p>We recommended that the Management require all concerned officers and employees to:</p>	<p>Pages 44-47 AAR CY 2016</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>a. liquidate/settle immediately their outstanding cash advances and/or refund all unexpended balances, otherwise, impose appropriate actions against erring accountable officers; and</p> <p>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.</p>		<p>Management religiously issues the notice of unliquidated cash advance to concerned accountable officer to remind the reglementary period for liquidation and advise to immediately submit liquidation report with complete supporting documents.</p> <p>Accounting Division is strictly implementing no additional cash advance shall be granted for employees with unliquidated cash advance.</p>	<p>Not Implemented</p> <p>Replies on the Demand Letters issued by the Audit Team revealed that several liquidation reports were already submitted/ forwarded to the PRC-Main Accounting Division but not yet recorded in the books of accounts.</p> <p>Not Implemented</p> <p>Additional cash advances were granted despite non-liquidation of previous cash advances.</p>
<p>24. 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</p>	<p>Pages 48-50 AAR CY 2016</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>the monthly Report of Accountability for Accountable Forms (RAAF). Moreover, the RPCI submitted is not in accordance with the format prescribed in the GAM.</p> <p>We recommended that the Management require the Supplies and Property Division to:</p> <p>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;</p> <p>b. observe stricter implementation of effective internal controls on the</p>		<p>A reply letter was submitted by the PSD to Accounting Division on November 8, 2018 and will be forwarded to COA Resident Auditor's Office. The 3,075 Board Certificates that are not included in the Report of Physical Count of Inventories for the year ended December 31, 2016 was due to its obsolescence / old format, hence, for disposal. Property cards of various office supplies, materials and accountable forms were updated by the PSD.</p> <p>Strict implementation of</p>	<p>Not Implemented</p> <p>Balances per books and RPCPPE are not yet reconciled.</p> <p>Not Implemented</p> <p>Same observation</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>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;</p> <p>c. submit Report on Accountability for Accountable Forms in compliance with the provision of Section 7(k), Volume I of GAM;</p> <p>d. explain the incurrence of double serial numbers for pharmacists and real estate brokers board certificates.</p>		<p>ISO - Quality Procedure Manual of PSD, page 9, letter "D", re: Issuance of supplies, materials and accountable forms. Immediate recording / posting of issued supplies, materials and accountable forms in the stock cards of the PSD before the preparation of Report of Supplies and Materials Issued (RSMI) every end of the month.</p> <p>The PSD's procurement of board certificates is always based on the quantities and serial number per profession indicated in the end-user's RIS. Hence, the incurrence of double serial numbers for pharmacists and real state broker's board certificates was due to the negligence of the end-user to have</p>	<p>noted in CY2019 AAR.</p> <p>Fully Implemented</p> <p>The PSD religiously submits RAAF monthly.</p> <p>Fully Implemented</p> <p>Management comments noted. The Audit Team will conduct duplicate test to ensure that the incurrence of double serial numbers in board certificates was resolved by Management.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
		a proper monitoring of serial number per board certificates.	
2015 AUDIT RECOMMENDATIONS			
Program Evaluation			
<p>25. 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. and the lack of personnel to print the large volume of identification cards (IDs). The Commission failed to observe compliance on the provision of the MOA entered into by and between the PRC, BTr and the SMI by allowing the SMI to continue with the renewal of professional licenses of applicants without any documents or resolution.</p> <p>We recommended that Management:</p> <p>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;</p> <p>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</p>	<p>Pages 29-31 AAR CY 2015</p>	<p>Management had already terminated the services of the SMI in 2016 in time for the soft opening of the Dragonpay Corporation online system. The validity and correctness of the deposits made by SMI will be validated by requesting certification from the BTr. Any</p>	<p>Fully Implemented</p> <p>Recommendation not applicable due to termination of agreement with service provider.</p> <p>Fully Implemented</p> <p>No longer enforceable.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
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.		undeposited collections will be demanded from the Service Provider, SMI.	Not Implemented The PRC is still in the process of reconciling with SMI the discrepancy in the collections.
Accounting Deficiencies			
26. 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 LBP and the BTr as required under Section 3.7 to 3.9 of the MOA with SMI. 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. 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	Pages 37-39 of CY 2015 AAR	The Management said that they will enforce the submission of complete Reports of Collections from the	Not Implemented The Management is still in the process of reconciling the variances noted in

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>responsibility of verifying/monitoring remittances of SMI against the Summary Report of Collections because of the significance of the amounts of discrepancies noted; and</p> <p>b. request certifications from the LBP and the BTr on the total actual deposits made by SMI to PRC.</p>		<p>SMI and will request for LBP and the BTr Certifications to ascertain the correctness of deposited collections.</p>	<p>the collections recorded in the books of PRC with that of the remittances of SMI.</p> <p>Not Implemented</p> <p>The Accounting Division is still reconciling the actual deposits based on the certification from the LBP and BTr.</p>
<p>27. Unrecorded deliveries of office supplies purchased thru the DBM-PS totaling ₱8,284,786.94 in CY 2015 resulted in the overstatement of the account Due from NGAs and understatement of the Inventories accounts by the same amount. The validity of the balance of account Due from NGAs 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 DBM-PS and the PRC books from CYs 2004 to 2015.</p> <p>We recommended that the Management:</p> <p>a. refrain from transferring funds to DBM-PS until the available funds are utilized,</p>	<p>Pages 39-41 of CY 2015 AAR</p>	<p>Management has made representation with the DBM-PS to</p>	<p>Not Implemented</p> <p>Verification of the</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>the purchased items were served and purchase only the much needed supplies and IT requirements for the agency;</p> <p>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 NGAs in the FS; and</p> <p>c. require the Property Office to ask from DBM-PS for copies of the Delivery Receipts (DRs) and other pertinent documents supporting thereon to facilitate matching of payments against the corresponding deliveries.</p>		<p>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 Division. The Accounting Division already effected recording of payments to Procurement Service upon processing of the voucher for each Agency Purchase Request.</p>	<p>SL for Due from NGAs showed that there were still advances made to PS despite non-delivery of items of previous fund transfers.</p> <p>Not Implemented</p> <p>Noted unrecorded deliveries in CY2019 AAR due to failure of PSD to forward the needed DRs to Accounting Division upon receipt of items.</p> <p>Not Implemented</p> <p>No result of reconciliation was forwarded to the Audit Team.</p>
<p>28. 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 GAM. The fund transferred to DPWH Tuguegarao amounting</p>	<p>Pages 46-48 CY 2015 AAR</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>to ₱1,862,950.79 was recognized under account Construction in Progress account thereby overstating the said account.</p> <p>We recommended that the Accountant correct/adjust the accounts affecting the CIP, Development in Progress and Due NGAs to reflect the accurate balance of the accounts in the financial statements.</p>		<p>Management said that there was no actual reclassification in the books of accounts for various IT Software from the CIP account to Intangible Asset 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 Chart of Accounts. 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</p>	<p>Fully Implemented</p> <p>As per CY2019 Financial Position, the balance of ₱66,594,236.11 was already presented as Intangible Assets – Computer Software. However, the Audit Team still called Management's attention to remove the same from the records due to its unserviceability. With respect to the advances made to DPWH Tuguegarao, the same was already recorded in the Due from NGAs account.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
		February 2016.	
<p>29. 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.</p> <p>We recommended that the Management:</p> <p>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</p> <p>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</p>	<p>Pages 48-51 CY 2015 AAR</p>	<p>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</p>	<p>Fully Implemented</p> <p>Noted Notices of Unliquidated Cash Advance sent to AOs. However, there are AOs who have either resigned, dismissed or deceased which could not anymore located.</p> <p>Not Implemented</p> <p>Service Contractors are still designated as members of the delegation on licensure examinations.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
holding period.		subjects concerned.	
<p>30. 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. These JOs/SCs were granted cash advances as Special Disbursing Officers contrary to CSC Resolution No. 020790 dated June 5, 2002 and COA Circular No. 97-002 dated February 10, 1997.</p> <p>We recommended that 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.</p>	<p>Pages 51-52 CY 2015 AAR</p>	<p>On June 8, 2016, the new Organizational Structure and Staffing Pattern (OSSP) pursuant to Republic Act (RA) No. 8981 was approved by the Department of Budget and Management (DBM). The Notice of Organization, Staffing and Compensation (NOSCA) formalizing the approved OSSP of PRC Central Office, effective not earlier than June 8, 2016, has been transmitted</p>	<p>Fully Implemented</p> <p>Despite approval of PRC reorganizational plan by DBM, there were still JOs/SCs who are still handling cash advances and also members of the delegation for the conduct of licensure examinations.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
		by DBM on October 10, 2016. As of December 31, 2018, approximately 600 plantilla items were already filled-up by either outside applicants or JO thereby decreasing the number of employed JO. Currently, the Commission has stopped the practice of designating JO as a SDOs. As of December 31, 2019, a total of seven hundred seventy five (775) plantilla positions were filled-up, while two hundred ninety four (294) remaining positions are under the selection process.	
<p>31. The Commission allowed JOs/SCs personnel to render overtime services in violation of JC No. 1 dated November 25, 2015 of the CSC and the DBM. The Service Contractors were granted fringe benefits and Christmas bonuses in CY 2014 and 2015.</p> <p>We recommended that the Management:</p> <p>a. stop the practice of allowing SCs/JOs personnel in</p>	<p>Pages 52-54 of CY 2015 AAR</p>	<p>The Commission had stopped the</p>	<p>Not Implemented</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>rendering overtime services with pay or compensation in accordance with JC No. 1 dated November 25, 2015 and the payment of Christmas bonus/fringe benefits;</p> <p>b. cause the refund of the Christmas Bonus/Fringe benefits paid to the JOs/SCs; and</p> <p>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.</p>		<p>practice of granting overtime services with pay except for the employees assigned in Rating Division in accordance with Joint Circular No. 1 s.2015.</p>	<p>PRC is still allowing JOs/SCs to render overtime. A Notice of Suspension was issued.</p> <p>Not Implemented</p> <p>PRC made an appeal to COA Commission Proper on the lifting of the Notice of Disallowance for the said benefits.</p> <p>Fully Implemented</p> <p>On June 8, 2016, the new Organizational Structure and Staffing Pattern (OSSP) pursuant to Republic Act (RA) No. 8981 was approved by the Department of Budget and Management (DBM). The Notice of Organization, Staffing and Compensation (NOSCA) formalizing the approved OSSP of PRC Central Office, effective not earlier than June 8, 2016,</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
			has been transmitted by DBM on October 10, 2016. Although there were more regular employees than JOs/SCs, still the latter are still allowed as members of the delegations in the conduct of licensure examinations.
2014 AUDIT RECOMMENDATIONS			
<i>Program Evaluation</i>			
<p>32. Deficient planning and defects in the implementation of the program of works by the Contractor in the renovation of the old PRC building with contract cost amounting to ₱22.381 million resulted on the delay of project completion to the detriment of the agency. There was an improper charging of expense amounting to ₱2.389 million out of the ₱26.825 million allotted funds for the said major renovation.</p> <p>We recommended that the Management:</p> <p>a. reconcile with the DPWH for any discrepancies on the contract cost and the program of works to be done in the implementation of the project on the repair/renovation of the building to avoid further delay of the project;</p>	<p>Pages 31-34 CY 2014 AAR</p>	<p>As of December 31, 2019, funds transferred to DPWH were fully liquidated as shown in the following JEVs; JEV No. Amount 1) 2019-06-004175 (Check Refund)</p>	<p>Fully Implemented</p> <p>Refund Check Verified per JEV indicated. Liquidations of DPWH verified per JEV indicated. However, it is recommended that</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>b. formulate a realistic and attainable work plan and budget in the AWP to ensure that the proposed project is implemented within the schedule; and</p> <p>c. ensure that the projects and activities are ready for implementation upon release of the allocated funds to avoid the lapsing of cash allocations.</p>		<p>₱1,226,783.63 2) 2019-12-009152 ₱14,740,924.72 3) 2019-12-009153 ₱ 6,413,291.65 TOTAL ₱22,381,000.00 The PRC has not yet accepted the works, thus, still recorded in the books as Construction-in-Progress amounting to ₱21,154,216.37.</p> <p>In 2018, The Commission has issued Office Order No. 18-194 dated 27 March 2018, designating Hon. Praxedes Bernardo as authorized Engineer for the renovation and retrofitting of Central Office Building and Engr. Romeo Gerona as authorized Engineer for the rehabilitation of electrical of Central Office Building to provide technical assistance for the implementation of various infrastructure projects and will certify that projects</p>	<p>PRC conduct the necessary steps in order to accept the works performed.</p> <p>Fully Implemented</p> <p>Noted the Office Order issued. Compliance with project timelines as certified by the designated engineers will be verified in future project implementation.</p> <p>Fully Implemented</p> <p>Same reason as above</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
		are being undertaken based on its set timelines.	
<i>Accounting Deficiencies</i>			
<i>Compliance Issues</i>			
<p>33. The Agency failed to provide copies of Lease Contracts and other documentary requirements needed to support the Contract of Lease used by the different Regional Offices as basis for the legality and validity of Lease Contracts and is contrary to COA Circular No. 2012-001.</p> <p>We recommended that the Management submit duly authenticated copies of the Lease Contracts and additional documentary requirements pursuant to COA Circular No. 2012-001 dated June 14, 2012 as basis for the auditorial and technical review of the Lease Contract.</p>	<p>Pages 60-62 CY 2014 AAR</p>	<p>To date, copies of Lease Contracts have been furnished the Office of the Resident Auditor. Furthermore, a Commission Memorandum was issued directing all Regional Directors/ BAC Chairpersons to transmit copies of Lease Contracts and supporting documents to the COA Auditor pursuant to COA Circular No. 2012-001.</p>	<p>Fully Implemented</p> <p>Noted submission of lease contract. In CY 2019, there is no noted non-submission of lease contract in the MLs/SAORs of ROs.</p>
<p>34. The Commission granted fringe benefits to the PRC Employees, Contractual and Service Contractors totaling ₱43,821,479.60 for CYs 2013 and 2014 with no written authority from the Office of the</p>	<p>Pages 51-53 CY 2014 AAR</p>		

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>President which is in violation of RA No. 6758 and COA Circular No. 2013-03.</p> <p>We recommended that the Management require the payees/claimants to refund the amount received as fringe benefits amounting to ₱43,821,479.60 which is not in accordance with RA No. 6758 and COA Circular No. 2013-03 dated January 30, 2013. Thereafter, Management should refrain from giving fringe benefits without any authority issued thereon.</p>		<p>The Commission maintain its position that there is no need for the approval of the President in the granting of fringe benefits considering that RA No. 8981 authorized the Commission to grant the subject benefits.</p> <p>Further, RA No. 6758 and COA Circular No. 2013-03 allows exceptions "if there is legal basis." RA No. 8981 provides the legal basis.</p>	<p>Fully Implemented</p> <p>PRC already submitted a Petition for Review to the COA Commission Proper.</p>

Observations and Recommendations	Ref.	Management Actions/Comments	Status of Implementation and Auditor's Validation
<p>35. Inaccurate balances of Cash-Local Currency Savings Account amounting to ₱109,082.72 and the Cash-Local Currency Current Account of ₱965,688.31 due to failure of the Accounting Division to reconcile and monitor the book balances as against the bank balances of the agency, resulting in discrepancy of the said accounts in the amount of ₱656,118.36 and ₱341,236.01, respectively.</p> <p>We recommended that Management:</p> <p>a. close the RO/FO Cash Savings Accounts and open a Cash-Current Account where the funding checks intended for Regional Office will be deposited and checks will be drawn for each disbursement; and</p> <p>b. prepare monthly bank reconciliation statement for each bank account maintained by the CO and the RO/FO to monitor the correctness and accuracy of the balances and prepare adjusting entry for discrepancies, if there's any.</p>	<p>Pages 47-48 CY 2013 AAR</p>	<p>In view of the current set-up of Centralized Accounting System, opening a separate Current Account in the regional/field office will require authority from the BTr. The ROs will be tasked to prepare the monthly bank reconciliation for the savings account maintained in their region.</p>	<p>Not Implemented</p> <p>Funds for operations of the ROs are still deposited in the Cash Savings Accounts of RO/FO.</p> <p>Not Implemented</p> <p>Prepared and submitted BRS for CO accounts only.</p>