

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

Of the 45 prior years' audit recommendations as of December 31, 2022, 34 or 76 percent were implemented, of which 15 audit recommendations were overtaken by subsequent events, thus considered closed. The remaining 11 or 24 percent recommendations remained not implemented, of which, 3 were reiterated/restated under Part II of this report. The details of the implemented and not implemented recommendations are presented hereunder:

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
Financial Audit			
<i>Accounting Errors and Improper Accounting Treatment of Transactions</i>			
<p>1. Total misstatements of P30,366,859.32 in the consolidated financial statements (FSs) of PRC due to accounting errors and improper accounting treatment of transactions that are considered departures from the International Public Sector Accounting Standards. The impact of such errors and omissions significantly affects the overall fairness of the presentation of the FSs as at December 31, 2021.</p> <p>a) Non-inclusion/ Omission of current account for payroll.</p> <p>b) Unrecorded deposits and charges on trust receipts</p> <p>c) Erroneous computation of Accumulated</p>	<p>PRC CAAR 2021</p> <p>Par.1.1 -1.29</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>Depreciation- P122,536.48</p> <p>d) Provision of depreciation in prior and current year items that are already fully depreciated and/or derecognized - P29,184,654.11</p> <p>e) Accounts payable aging 2 years has no existing valid or legitimate claims nor has outstanding judicial or administrative claims- P70,169.37</p>			
<p>Cash and Cash Equivalents-</p> <p>We recommended and Management agreed to require the Accounting Division to:</p> <p>a. issue the corresponding demand letters to the concerned employees for the refund of overpayment of salaries/wages amounting to P5,500.40; and</p>	<p>PRC CAAR 2021</p> <p>Par.1.5 -1.11</p>	<p>The Accounting Division has started the preparation of bank reconciliation statement (BRS) for the payroll account and requested to Human Resource Development Division (HRDD) in charge of distribution/transfer of cash from the Agency payroll account to the designated</p>	<p>Not Implemented</p> <p>On-going reconciliation.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		employees' accounts to submit the list of unposted/unsuccessful payments, and for the overpaid salaries/wages, a corresponding demand letter shall be issued to concerned officials and employees after completion of BRS.	
b. make the necessary adjusting entries to the cash and all affected accounts and prepare the bank reconciliation statements.		On the unrecorded disbursement/charges in the bank account for Trust Receipts, the Management stated that the error was not adjusted due to limited records such as the absence of prior years' bank statements and unsuccessful retrieval of records in the old electronic New Government Accounting System (eNGAS).	Not Implemented On-going reconciliation.
Property, Plant and Equipment (PPE)- c. We recommended and Management agreed to instruct the Accounting Division to make the necessary adjustments and corrections to eliminate the remaining			Implemented Adjusting entries were recorded in the books and were verified by the Audit Team.

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
overstatements in the Accumulated Depreciation and to monitor the periodic provision for depreciation for accuracy and correctness.			
Accounts Payable- d. We recommended and Management agreed to require the Chief Accountant to effect the immediate reversion of the accounts payable accounts without valid or legitimate claims totaling P70,169.37 to the Accumulated Surplus/Deficit.		The Management commented that the accounts payable for reversion to Accumulated Surplus/ Deficit amounting to P12,700.00 was already prepared. While the accounts payable amounting to P57,469.37 was included in the balance as of yearend due to an error which was corrected per JEV No. 2022-01-000837 dated January 3, 2022.	Implemented Adjusting entries were recorded in the books and was verified by the Audit Team.
Trust Liabilities e. We recommended and Management agreed to instruct the Chief Accountant to reclassify the Other Payables account of BAC to Trust Liabilities amounting to P1,147,168.75.			Implemented Adjusting entries were recorded in the books and were verified by the Audit Team.

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<i>Other Accounting Deficiencies</i>			
2. Other accounting deficiencies totaling P115,365,722.30 were observed in the recording and reporting of financial transactions due to insufficient reconciliation of Accounting/Property records, non-conduct of property count at year-end, non-preparation of the required records/reports, non/lack of verification, analysis, and validation of unsupported/ unaccounted balances in the books of accounts, thus, affecting the reliability, accuracy, completeness, and existence of the reported account balances of the Assets and Liabilities, Income and other related accounts in the FSs of the Commission as at December 31, 2021.	PRC CAAR 2021 Par. 2.6- 2.12		
Other Payables We recommended and Management agreed to instruct the Chief Accountant to perform a reconciliation between the trust receipts and its corresponding CIB account and recognize the necessary adjustments/ corrections in the books.			Implemented Adjusting entries were recorded in the books and was verified by the Audit Team.
Compliance Audit			
<i>Fund Utilization</i>			
3. Due to the imposed restrictions on mobility and	PRC CAAR		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>prohibition of mass gatherings caused by the Covid-19 pandemic, PRC has only utilized 74 percent of the CY 2021 P1,636,511,809.00 Appropriation/Allotment with the disbursement of only P1,123,390,274.01 or 69 percent, thus one of its main functions to regulate/supervise the practice of professions was not fully exercised on which the projects/activities on case resolution and monitoring and inspection of institutions/ establishments were substantially affected.</p> <p>We recommended and Management agreed to improve the attainment of their operational and financial targets and minimize the disparity between actual cash disbursement and the available cash allocations.</p>	<p>2021 Par. 3.1-3.8</p>	<p>Management acknowledged the audit findings and committed to undertake catch up plan measures to improve the attainment of financial targets and minimize the disparity between actual expenditure and the annual appropriations for FY 2022 financial performance in the adherence of the cash-based budgeting under DBM NBC No. 587</p>	<p>Implemented</p> <p>With improvements of 87% allotment utilization rate and disbursement rate of 77% based on total current allotments received for CY 2022.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		dated January 3, 2022, for the guidelines on the release and use of funds for FY 2022 GAA (RA 11639) and RA No. 11640 which extended R.A. No. 11518 (FY 2021 GAA) appropriation of MOOEs and Capital Outlays until 31 December 2022.	
<i>Delays in the release of PRC Identification Cards (ICs)</i>			
<p>4. In RO VI, 5,766 Professional ICs of clients who applied for either renewal, duplicate or first-time registration were unreleased as of December 31, 2021, due to backlogs in ID printing caused by the shortage of raw materials, delays in the inspections at the CO, and transportation issues caused by travel restrictions, thus affecting the prompt delivery of service to the Professionals by the concerned Region.</p> <p>We recommended and Management agreed to identify the root cause of the problem. Should the lag involve oversight on the supplier's end, Legal Officers to look into the details of the</p>	<p>PRC CAAR 2021</p> <p>Par. 4.1-4.9</p>		<p>Implemented</p> <p>PRC RO VI complied with the recommendation.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
contract and take immediate action and solution be given as soon as possible.			
<i>Unremitted Trust Receipts</i>			
<p>5. Excess collections from trust receipts exclusively used for the payment of honoraria and overtime pay in the procurement process totaling P1,110,250.59 were not remitted to the BTr. contrary to Section 6.2 of DBM Budget Circular No. 2004-5A dated October 7, 2005.</p> <p>We recommended and Management agreed to remit to the BTr. the excess amount of collection in CY 2020 and PYs.</p>	<p>PRC CAAR 2021</p> <p>Par. 5.1-5.3</p>	<p>The PRC deposited the amounts to BTr and opened a Trust Account.</p>	<p>Implemented Validated per audit</p>
<i>Irregular and Excessive Expenditures</i>			
<p>6. Non-compliance with COA Circular No. 2012-003 dated October 29, 2012, or Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant, and Unconscionable Expenditures resulted in irregular and excessive expenditures totaling P13,162,223.64.</p> <p>We recommended and Management agreed to:</p> <p>For Irregular Expenditures:</p>	<p>PRC CAAR 2021</p> <p>Par. 6.1-6.4</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>a) comply with the provisions of Budget Circular No. 2021-3 on the allotment sources for the Collective Negotiation Agreement (CNA) Incentive of the PRC;</p>		<p>Management explained that the Supplies and Materials Expenses include Accountable Forms under the GAM Revised Chart of Accounts; Item 4.3.2 b of the DMB BC No 2021-3 is not clear to which of the sub-objects of the Supplies and Materials under GAM Volume III are considered exceptions; that funds may be utilized after fulfilling or complying all funding requirement or mandatory requirement as specified in Section 74 of the FY 2021 GAA and as provided in the implementing guidelines. If the correct interpretation is that Accountable Forms was not among the listed allowed sources of allotment for the CNA Incentive under item 4.3.2b of Budget Circular No. 2021-3, the Commission</p>	<p>Implemented</p> <p>Management complied with the recommendation.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		(PRC) will no longer include the funds for Accountable Forms as one of the sources of CNA for FY 2022.	
<p>b) instruct the:</p> <ul style="list-style-type: none"> • Budget Officer and Chief Accountant of the CO to strictly comply with the limitations and validity of Appropriations/Allocations and adhere to the rules and regulations provided in budget issuances; and • Procurement Division and End-Users of the CO to implement the applicable provisions of the contracts entered into whenever needed and avail the options and remedies available to PRC for problems that may arise in the procurement process and/or project completion; and 			<p>Implemented</p> <p>Management complied with the recommendation.</p>
<p>c) require the CO and ROs to close the saving accounts and remit all the account's</p>			<p>Not Implemented</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
remaining balances to the BTr.			Management is still coordinating with the ROs.
For Excessive Expenditures: d) require refund by the concerned personnel of the CO for the overpaid honoraria and RO III for the disallowed travel expenses.		<p>The concerned PRBs were already excluded from the General Payroll of honorarium-professional fee of Chairpersons and Members of various PRBs effective January 2022.</p> <p>The Management issued a memorandum addressed to all concerned personnel directing them to take appropriate actions and to strictly comply with the laws, rules and regulations provided by EO No. 77 and Section 2 of PD 1445. The accountable personnel have returned/refunded the overpaid travel expenses on March of 2022.</p>	Implemented The concerned personnel had refunded.
<i>Internal Control System</i>			
7. Other internal control weaknesses in the processing of disbursements, granting of	PRC CAAR 2021		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
cash advances and their liquidation, and conduct of licensure examinations in NCR, ROs III, and V were noted in audit contrary to the sound internal control system as provided under Section 123 and 124 of PD No. 1445, thus risk of loss of funds and doubtful transactions may not be prevented.	Par. 7.1-7.4		
<p>We recommended and Management agreed to:</p> <p>Disbursements:</p> <p>a) require the concerned offices to strictly comply with the requirements stated in the above circulars on the following deficiencies:</p> <ul style="list-style-type: none"> DVs and their supporting documents were not stamped "PAID" and without approval; insufficient information in the LDDAP-ADA form; and same signatories in boxes A and D of the DVs; 		<p>The failure to stamp "PAID" in said documents was caused by simple oversight of the disbursing officer. Starting January 2022, we ensure that all DVs and their supporting documents were properly stamped. List of Due and Demandable Accounts Payable–Advice to Debit Accounts (LDDAP-ADAs) that we prepared under PRC-NCR's account. As guidance for their preparations, PRC-NCR use the CO's</p>	<p>Implemented</p> <p>Management complied with the recommendations.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>pre-template forms bearing its Modified Disbursement System – Government Servicing Bank (MDS-GSB) Branch-which is LBP-Intramuros, and its account number-which is 2001900197. Upon using said forms for the subject LDDAP-ADAs, PRC-NCR failed to edit some of that information with our own account number and/or MDS-GSB branch. Despite those inconsistencies, we assure you that the values stated therein are properly credited to PRC-NCR's account.</p> <p>Finally, on three (3) DVs without the approval of the Head of Agency. The Cash and Accounting Section explained that the absence of the Head of the Agency in these instances was overlooked due to the bulk of accounts being processed and</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>the time constraints corresponding to their accomplishments. Generally, the above observations are not intentionally made nor motivated by ill-will. These are errors committed because we are still learning, albeit the hard way, the processes and procedures corresponding to the preparation of DVs. We are already taking measures to ensure that these discrepancies will not be repeated and we adhere to the recommendation of the Audit Team and provide herein the Certification from the Accountant that the previous cash advance has been liquidated and accounted for in the book for succeeding CAs.</p>	
<p>Cash Management:</p> <p>b) require the AO to refund the unutilized cash advances (CO); and</p>		<p>On deficiencies in cash advances, the Regional Director informed the Audit Team that the RO</p>	<p>Not Implemented</p> <p>Ongoing reconciliation</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
c) limit the amount of cash advances of the AOs to their maximum cash accountability (RO V);		had already initiated the process of increasing the amount of bond of Accountable Officers to prevent granting cash advances that exceeded their maximum cash accountability; will ensure completeness of the required documents such as certification from the Accountant that the previous cash advances had been liquidated and accounted for in the books. Management also assured the observations and recommendations are well-taken and strict compliance with rules and regulations shall be observed by the concerned personnel.	Not Implemented Reiterated in RO V's ML.
Conduct of Licensure Examinations: d) strictly comply with the PRC Memorandum Order No. 2021-17 series of 2021 on the Assignment of Personnel in Licensure Examinations.		During the exit conference, the Management further explained that the noted discrepancies in the assignment of personnel as	Implemented Management complied with the recommendation.

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>prescribed in the PRC Memorandum Order No. 2021-17 Series of 2021 were not meant to defy the existing guidelines but as an intervention and response to the challenges and issues encountered by PRC ROV in discharging its mandate of conducting a credible and reliable licensure examinations despite the continuing threat of COVID-19 such as compliance with Inter-Agency Task Force (IATF), Department of Health (DOH) and Local Government Unit (LGU) imposed health protocol and restrictions. In addition thereto, the Audit Team was provided by the Management a copy of the DOH-PRC-PNP Joint Administrative Order dated July 28, 2021 known as "Revised Standard Guidelines on the</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		Strict Observance of Health Protocols in the Conduct of Licensure Examination during Public Health Emergency and/ or Pandemic.”	
<i>Dormant Asset Accounts</i>			
<p>8. Dormant balances of asset accounts totaling P12,925,270.89 remained in the books of the CO due to insufficient monitoring actions by Management on account balances, contrary to COA Circular Nos. 2016-005 dated December 19, 2016 and 97-001 dated February 5, 1997, thus balances of the said accounts could no longer be ascertained, and collections of receivables ceased to be probable.</p> <p>We recommended and Management agreed to instruct the Accounting Division to update the status of implementation with programs/projects implementers totaling P4,977,344.45, and revert the trust fund to the general fund if warranted.</p>	<p>PRC CAAR 2021</p> <p>Par. 8.1-8.8</p>		<p>Not Implemented</p> <p>Ongoing reconciliation and coordination with the concerned Regions.</p>
<i>Incomplete documentation of financial transactions</i>			
9. Disbursements totaling P235,612,235.14 were made	PRC CAAR		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>despite the lack of documentary requirements, contrary to Section 4(6) of PD No. 1445, pertinent provisions of COA Circular No. 2012-001 dated June 14, 2012, thus the legality and propriety of the recorded transactions cannot be immediately established.</p> <p>We recommended and Management agreed to require the CO and RO I to submit the lacking documents immediately in compliance with Section 4(6) of PD No. 1445 and COA Circular No. 2012-001.</p>	<p>2021 Par. 9.1-9.7</p>	<p>The Commission has been requiring the said report from the concerned PRBs to be submitted before processing the payment for Honoraria every January of the following year.</p> <p>The Management of RO 1 stated that they will comply with the requirements and will be issuing additional documents such as Special Office Order stating the duties and responsibilities of all examination personnel as supplemental documentation to support the payment of their daily and meal allowances.</p> <p>\</p>	<p>Implemented</p> <p>Management already submitted the reports.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<i>Non-submission/delayed submission of reports</i>			
<p>10. Delayed /non-submission of financial and property/inventory reports, records, and documents contrary to PD No. 1445, GAM for NGAs and pertinent COA Circulars, affected the timely conduct of audit and evaluation of the PRC's financial accounts, transactions and property accountabilities during the year.</p> <p>We recommended and Management agreed to require the concerned Offices to:</p> <p>a) strictly comply with COA Circular No. 2009-001 by submitting to the Audit Team the contracts, POs and JOs within the prescribed period of five (5) days from its execution to prevent the undue delay in the review thereof;</p>	<p>PRC CAAR 2021</p> <p>Par. 10.1- 10.12</p>	<p>The LR's amounting to P2,197,440.00 were already submitted to the Audit Team on May 17, 2022. Relative to the cash advance for the Civil Engineers Licensure Examination amounting to P90,520.00, the Management submitted the LR but not its supporting documents.</p> <p>Management issued a memorandum addressed to all</p>	<p>Implemented</p> <p>Management complied with the recommendation.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>concerned personnel directing them to religiously follow COA Circular No. 2009-001 dated February 12, 2009. Subsequently, the copies of perfected contracts, purchase orders and their supporting documents for the year 2022 were submitted on time to the Audit Team.</p> <p>Management assured the Audit Team that contracts, purchase order and other related documents were always prepared and attached to the paid DVs for proper documentation of the procurement. Likewise, Management directed/reminded the Supply Officer to fully comply with the abovementioned COA Circular.</p>	
b) require all officials/personnel concerned to comply with the pertinent rules and regulations on the submission of financial		They commented and amenable that there were DVs not yet submitted on time due to lack of manpower to augment the Finance	<p>Implemented</p> <p>Management complied with the recommendation.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
reports/records including supporting documents thereof within the prescribed deadlines to ensure that all transactions are recorded in the period those transactions have transpired; and		and Administrative Division.	
c) enforce the penal provision on withholding of salaries of responsible officers in case of unjustified failure on their part to submit the reports on time.			Implemented Management complied with the recommendation.
2020 Audit Recommendations			
Financial Audit			
<i>Accounting Errors and Omissions</i>			
18. Errors and omissions in the recording of financial transactions resulted in misstatements on Assets, Liabilities and Equity accounts totaling P306,353,562.35, thus affecting the fair presentation thereof in the FSs of the PRC as at December 31, 2020.	PRC AAR 2020 Par. 1.1- 1.64 PRC AAR 2019 Par. 6.1- 6.10		
We recommended that the Management:	PRC AAR 2020		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>Property, Plant and Equipment (PPE)</p> <p>i. require the Accounting Division to make the necessary adjustments to correct the understatement of recorded Accumulated Depreciation and Depreciation Expenses.</p>	<p>Par. 1.26-1.40</p>	<p>Management commented that preliminary analysis of the PPE Schedule for Motor Vehicles (MV) disclosed that indeed a system error in electronic New Government Accounting System (e-NGAS) was one of the factors which contributed to the erroneous computation of Depreciation Expense resulting in an understatement of the Accumulated Depreciation. Initial analysis has shown that there was no corresponding Depreciation Expense generated by the system for property numbers labeled as letters f,g,h, and i, when compared to the same property number labeled as number 6,7,8 & 10. Hence, the new e-NGAS discontinued generating depreciation expense for the PPE that were procured</p>	<p>Implemented</p> <p>The Accounting Division adjusted the Accumulated Depreciation and Depreciation Expense in the books.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>before the year 2015 which resulted in the understatement of Depreciation Expenses and Accumulated Depreciation for 2015 and years thereafter.</p> <p>The COA-ASDOSO was already informed regarding the erroneous computation of Accumulated Depreciation and Depreciation Expense and we are still waiting for the feedback. Further, there is an on-going reconciliation of the records between the Report of Physical Count of PPE (RPCPPE) and PPE Ledger Cards (PPELC) for the year 2020.</p>	
<p>Other Payables-</p> <p>k. reclassify the proceeds from the sale of bid documents as Trust Liabilities account and remit to the BTr the remaining balance of the proceeds per Section 6.2 of DBM BC No. 2005-4A.</p>	<p>PRC AAR 2020 Par. 1.48- 1.52</p>	<p>The reconciliation of Other Payables Account from 2015-2020 shall commence after the receipt of requested Bank Statement from Landbank of</p>	<p>Implemented</p> <p>Validated the adjustments to the books and transfer of funds to the BTr.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		the Philippines (LBP).	
Accounting and Property Controls Deficiencies			
Deficiencies totaling P686,719,197.52 observed in the recording and reporting of financial transactions such as: a) absence of reconciliation of accounting records, b) late recording of transactions, c) existence of dormant accounts, and d) unsupported prior year balances, thus affecting the reliability of the reported balances of the Assets, Liabilities and Revenue in the FSs as of December 31, 2020.	PRC AAR 2020 Par. 2.3-2.13 PRC AAR 2019 Par. 3.1-3.10		
Cash and Cash Equivalents 19. The Cash and Cash Equivalents account balance of P7,296,383.09 cannot be ascertained due to the: i) unreconciled negative /abnormal SL balances; ii) undeposited collections per COs' SLs not reflected in the RCD; iii) unreconciled differences due to non-preparation of BRS; and iv) existence of dormant or inactive Trust accounts. We recommended, and Management agreed, to require the Accounting Division to:			

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>a. prepare and submit regularly the BRSs for all bank accounts together with the JEVs taking up the reconciling items; and</p> <p>b. make the necessary reconciliation of the dormant Trust accounts and transfer the remaining balance thereof to the BTr.</p>		<p>The Accounting Division has already issued a Memorandum dated March 18, 2021 requesting the concerned COs to reconcile their respective SL transactions. To date, 2 COs already submitted reconciliation and supporting documents to be validated by the Accounting Division and shall be the basis to prepare the appropriate adjusting entry, if any.</p> <p>The Accounting Division was unable to start the reconciliation due to the unavailability of records from the database of old e-NGAS which covered the transactions of CY 2014 and prior years. We already seek assistance from our Information and Communications Technology (ICT) Division and COA-</p>	<p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p> <p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>ASDOSO as well, but to no avail. The Commission will send a letter before the COA Proper to inform them and elevate the matter for any intervention/assistance that may be extended.</p> <p>The Accounting Division has already requested an electronic copy of the BRS from Landbank on March 19, 2021 for the transactions covering the period from 2015-2020 to aid the reconciliation process. A reconciliation of the available records shall be immediately started and appropriate adjusting entry prepared, if any, including the reversion of unutilized remaining balance as mentioned in the comment of observation letter b. Pending the retrieval of the old e-NGAS</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		database, the Accounting Division will exert effort to locate the available documents that may be of help in the reconciliation process.	
<p>Inter-Agency Receivables</p> <p>20. The balance of the account Due from NGAs of P57,609,070.84 as of December 31, 2020, is doubtful due to unreconciled differences between the books of PRC and with the DBM - PS totaling P32,365,829.44.</p> <p>We therefore reiterate our recommendations that Management require the:</p> <p>a. Property Officer to reconcile their records with the PS-DBM and request offsetting of the balances with the succeeding purchases; if warranted; and</p> <p>b. Accounting Division to make the necessary adjustments in the books of accounts to record the deliveries and perform the procedures stated in Chapter 3, GAM for NGAs, Volume III.</p>	<p>PRC AAR 2020</p> <p>Par. 2.14 – 2.25</p> <p>PRC AAR 2019</p> <p>Par. 4.1- 4.6</p>	<p>The Accounting Division was unable to start the reconciliation due to unavailability of records from the database of old eNGAS which covered the transactions of CY 2014 and prior years. We already seek assistance from our ICT Division and COA-ASDOS as well, but to no avail. The</p>	<p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p> <p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>Commission will send a letter before the COA proper to formally inform them and elevate the matter for any intervention/assistance that may be extended.</p> <p>Nonetheless, the reconciliation of the books of accounts from year 2015 and years thereafter are already being addressed by the Accounting Division.</p> <p>Further, the deliveries (liquidation) by DBM-PS amounting to P146,314.40 represents DRs issued for the procurement of plane fare which remained unrecorded due to discrepancies to its corresponding SI issued by the Philippine Airlines (PAL). This was already coordinated by PSD to DBM-PS sometime last year, but to no avail. A follow-up shall be</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		made regarding the matter.	
<p>Inventories</p> <p>21. The balances of two Inventories accounts totaling P79,189,404.93 are unreliable due to the</p> <p>i) variance of P33,075,665.87 between the Inventory Schedule and the Report on the Physical Count of Inventory (RPCI);</p> <p>ii) unaccounted Inventory items of P25,148,237.30;</p> <p>iii) unrecorded Inventory items per Accounting records of P2,391,129.61;</p> <p>iv) unreconciled CY 2004 SL carry-over balance of the account Office Supplies Inventory of P5,400,962.07; and</p> <p>v) existence of negative quantity and unit cost in the Inventory Schedule of P1,499,281.32.</p> <p>We recommended that Management require the Accounting Division and PSD to:</p> <p>a. reconcile regularly their respective records and effect the adjustments to arrive at reliable balances at yearend;</p>	<p>PRC AAR 2020</p> <p>Par. 2.26–2.37</p> <p>PRC AAR 2019</p> <p>Par. 5.1–5.12</p>	<p>The Accounting Division strictly adheres to the provisions set forth in Chapter 3, GAM for NGAs, Volume III. However, there</p>	<p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>b. record the receipt and issuance of inventory items on time and keep the detailed records thereof; and</p> <p>c. coordinate to ensure that inventories are recorded in the appropriate Inventories account or Expenses account when an item of inventory is delivered or issued.</p>		<p>may be instances that DBM-PS was delayed in transmitting the concerned Delivery receipts (DRs) for items procured from them which could be one of the factors of discrepancies between our records.</p>	<p>Implemented</p> <p>Management complied with the recommendation.</p> <p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>
<p>Construction in Progress – Buildings and Other Structures</p> <p>22. The Construction in Progress – Building and Other Structures of P124,311,914.16 is of doubtful validity due to the inclusion of: i) Department of Public Works and Highways (DPWH)-undertaken projects with unknown status of P31,328,577.89; ii) non-moving projects from CY 2015-2020 totaling P6,968,602.00; and iii) undocumented unreconciled balance of P891,060.84.</p> <p>i. Inclusion of DPWH-undertaken projects with unknown status;</p>	<p>PRC AAR 2020</p> <p>Par. 2.38- 2.43</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>ii. Non-moving projects from CY 2015- 2020 - P6,968,602.00;</p> <p>iii. Undocumented and “Unreconciled balance” of P891,060.84.</p> <p>We recommended, and Management agreed, to require the Administrative Division, End-user, and Accounting Division to coordinate on the submission of documents on completed projects and locate pertinent records regarding the dormant projects, DPWH projects, and unreconciled balances for proper recording in the books.</p>		<p>Since the concerned accounts are real or permanent accounts wherein the beginning balances are cumulative balances resulting from previous years’ transactions, reconciliation of those would require records of prior years’ transactions to aid the process. The earliest available records are from the year 2015; hence, it entails difficulty in attaining reconciled SLC and SC records. An email was sent to COA-ASDOSO on November 16, 2020 to seek assistance from them in retrieving the old e-NGAS back-up database.</p> <p>The lack of dedicated personnel in the Accounting</p>	<p>Not Implemented</p> <p>Ongoing reconciliation and coordination with the concerned ROs.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>Division who can be exclusively assigned to the reconciliation of the accounts has affected the completion of the reconciliation.</p> <p>A meeting with the TWG-AOM was conducted on March 30, 2021, which was participated by the various concerned officials and employees. Among the discussion was the proposal to seek assistance from Regional Accountants in recording JEVs in e-NGAS while on remote to give ample time for the Accounting Division to focus in reconciliation of records from CY 2015 and years thereafter as a strategy to address this matter promptly and fully.</p> <p>The Accounting Division will coordinate with Administrative Service to request the latter to provide</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>us the copies of Certificates of Completion and serve as our basis in preparing the necessary reclassification entry to record them to their appropriate Property, Plant and Equipment accounts.</p> <p>The amounts included in the Construction in Progress account are the cumulative balance of progress payments made amounting to P1,361,520.00 and P5,607,082.00 for the contractors MC Torio Construction and Melda Madrid Hardware Center, Inc. for the labor and materials, respectively, concerning the construction of RO No. II Office Building located at Regional Government Center, Carig Sur, Tuguegarao City, Cagayan. Further clarification with the concerned RO was</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		made by the Planning, Management and Financial Service in its email message on December 14, 2020, for the submission of additional documents for reference and recollection due to the lapse of time.	
<p>PPE</p> <p>23. The Property, Plant and Equipment account balance of P565,142,339.94 is unreliable as it includes:</p> <p>i) an account labeled as “Unreconciled Balance” with negative carrying amount of P23,060,857.52;</p> <p>ii) PPE items with no acquisition dates amounting to P98,868.40; and iii) PPE items with erroneous/negative acquisition costs of P3,019,563.87.</p> <p>We recommended and Management agreed to require the:</p> <p>a. Accounting Division and PSD to reconcile the balances of the PPE accounts, provide the relative information on the acquisition cost and date of the identified Property, Plant and Equipment and</p>	<p>PRC AAR 2020</p> <p>Par. 2.44- 2.51</p> <p>PRC AAR 2019</p> <p>Par. 6.1- 6.10</p>	<p>A meeting with the TWG–AOM was conducted on March 30, 2021, which was participated by various concerned officials and employees. Among</p>	<p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>after the review/reconciliation, effect the correction/adjustments to arrive at reliable balances at yearend; and</p> <p>b. Accountant to identify the unreconciled and negative balances by referring to the earliest available records.</p>		<p>the discussion was the proposal to seek assistance from Regional Accountants in recording JEV in e-NGAS while on remote to give ample time for the Accounting Division to focus in the reconciliation of records from CY 2015 and years thereafter as a strategy to address this matter promptly and fully.</p> <p>Aside from the errors that might have been committed in the encoding of the JEVs in the derecognition of the PPE, the Commission is also looking into the possibility that the property number was not made available, mismatched or incorrectly supplied, particularly for items that were procured way back. Thus, the recording was not properly done on the already</p>	<p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		disposed items, leaving as such, which still exists in the books. Nonetheless, the reconciliation of the record for 2015 and years thereafter are being handled by the Accounting Division and shall submit a report to your office to address that noted observations not later than April 19, 2021.	
<p>Advances</p> <p>24. Agency's insufficient observance of the laws, rules, regulations in the granting, utilization, and liquidation of cash advances under COA Circular No. 97-002 and Section 6 of COA Circular No. 2016-005 resulted in the a.) discrepancy of P16,013.16 between the Unliquidated Cash Advance Report and FSs as at December 31, 2020 and b.) presence of unreconciled/negative balances totaling P579,317.27 in the accounts' subsidiary ledgers.</p>	<p>PRC AAR 2020</p> <p>Par. 2.52- 2.59</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>We recommended and Management agreed to require the Chief Accountant to reconcile the negative balances noted and determine the nature thereof.</p>		<p>The Accounting Division, Central Office issued a Memorandum on March 19, 2021, requesting the concerned AO (providing copies of their SLs as reference) to reconcile their respective SL transactions. Thereafter, the Accounting Division will validate their submitted compliances and prepare the appropriate adjusting entry, if any. They also commented that during reconciliation of the FSs and Statement of Unliquidated Cash Advances (SUCA), the variance has been identified as an adjustment in the liquidation. A corrected SUCA shall be submitted by the Accounting Division to coincide with the correct account balance in</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		the books of accounts.	
<p>Liabilities</p> <p>25. The reliability of the Liabilities totaling P83,077,445.53 cannot be ascertained as it included Accounts Payable and Other Payables with combined negative balances of P(121,124.68) and Inter-Agency Payables Inter-Agency Payables with unreconciled/abnormal debit balances in SLs totaling P170,058,599.07 due to insufficient analysis and reconciliation of the recorded transactions.</p> <p>We recommended, and Management agreed, to require the Accounting Division to analyze the accounts with abnormal or debit balances, determine the causes of negative balances in the SLs, make necessary reconciliation and make the necessary adjustments to come up with the corrected balance in the FSs.</p>	<p>PRC AAR 2020 Par. 2.60- 2.74</p>	<p>Management commented that one of the procedures in the pre-audit, which the Accounting Division strictly observes is the correctness and appropriateness of the amount of DV being processed. The said observation of accounts with negative balances does not result from overpayment of expenses but perhaps under recording of amounts as payable.</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing on the unreconciled/abnormal debit balances in SLs.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>We shall prepare the required adjusting entry after the reconciliation of available records have been completed.</p> <p>Management further commented that in CY 2018, with the objective of making the reconciliation easier, recording the establishment of payable and subsequent remittances for the abovementioned statutory contributions was improved utilizing the SL features of e-NGAS for each officer and employee. The recording of remittances to the SL account which is different from the SL where the establishment was originally posted might be one of the factors which contributed to the negative balances noted in the SLs. Likewise, due to various types of loan which a member can</p>	

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		<p>avail, it would entail a high probability that an error might have been encountered in recording the establishment and remittances to two different SLs but will never decrease the exact actual outstanding payables as at reporting period as these would still be recorded within the same general ledger (GL) account contrary to the noted exceptions as mentioned.</p> <p>Prospectively, to prevent a repetition of this, the personnel in-charge of recording payments shall validate first the SL account used in the establishment of payable. The reconciliation is already being undertaken by the Accounting Division to address this observation.</p>	
COMPLIANCE AUDIT			
<i>Unremitted excess BAC Fund to the BTr</i>			
26. The balance of Cash in Bank – Local Currency, Current Account with an ending	PRC AAR 2020		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>balance of P1,703,196.54, designated as "BAC Fund," was unremitted to the BTr. contrary to Section 6.2 of Budget Circular No. 2004-5A dated October 7, 2005.</p> <p>We recommended, and Management agreed, to remit to the BTr the remaining balance of BAC Fund in accordance with Section 6.2 of DBM BC No. 2004-5A.</p>	<p>Par. 5.1-5.3</p>	<p>The reconciliation of Cash in Bank – Local Currency, Current Account and the corresponding account of Other Payables from 2015-2020 shall commence after the receipt of requested Bank Statement from LBP and immediately remit the BAC Fund balance after the completion of reconciliation and full payment of the claims for BAC Honoraria.</p>	<p>Implemented (Closed)</p> <p>With revised recommendation in 2021 CAAR.</p>
<i>Deficiencies in the Grant, Utilization and Liquidation of Cash Advances</i>			
<p>27. The Agency's insufficient observance of the laws, rules, and regulations in the granting, utilization, and liquidation of CAs under COA Circular No. 97-002 and Section 6 of COA Circular No. 2016-005 resulted in: a) unsettled balance from employees who resigned or no longer connected with the agency</p>	<p>PRC AAR 2020</p> <p>Par. 6.1 – 6.7</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>totaling P287,798.78; b) granting of additional CAs despite unliquidated previous advances; and c) disbursement for MOOE were paid in cash instead of using checks; d) CAs for MOOE deposited in the AOs personal account; and e) grant of CAs in excess of two-month requirement, thus exposing public funds to possible risk of misuse and recording errors.</p> <p>We recommended, and Management agreed, to direct the concerned Offices to exert immediate settlements of long-overdue unliquidated CAs of employees who resigned/are no longer connected with the Agency;</p>		<p>CO- A Notice of Unliquidated CA will be sent to the AOs who have resigned/are no longer connected with the PRC thru registered mail or email to the last known address of such AO to demand immediate settlement of long overdue unliquidated CAs and further comply with COA Circular No. 2016-005.</p>	<p>Not Implemented</p> <p>Ongoing reconciliation.</p>
<i>Compliance with RA No. 9184 or the Government Procurement Reform Act</i>			
28. The procurement process by the CO showed various omissions and practices which are not strictly in compliance with the Revised Implementing Rules and Regulations	<p>PRC AAR 2020</p> <p>Par. 7.1- 7.25</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>(RIRR) of RA No. 9184 and existing COA rules and regulation, thus affecting the propriety of the procurement activities for five projects of the Agency.</p> <p>vi. Non-submission of documents as integral part or as support to the approved contract as required in COA Circular No. 2009-001 dated February 12, 2009.</p> <p>We recommended that Management require the BAC/ PSD to submit all the lacking documents noted in accordance with COA Circular No. 2009-001.</p>		<p>As to the lacking contract documents the BAC/Secretariat noted that there was no mention in COA Circular No. 2009-001 dated February 12, 2009 with respect to the submission of the Minutes of the Pre-Procurement Conference or the print-out of web pages where Invitation to Bid (ITB) was posted, hence the same were not included in our submission. As to the photocopy of newspaper clippings for invitation, the BAC believes that the posting of the</p>	<p>Implemented (Closed)</p> <p>For issuance of other audit actions which may either be in the form of NS or ND.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		Invitation to Bid in the PhilGEPS website suffices per RA No. 9184.	
2019 Audit Recommendations			
Financial Audit			
<i>Accounting Errors and Omissions</i>			
29. Errors and omissions in the recording of financial transactions resulted in misstatements on the Assets, Liabilities and Equity accounts totaling P290,634,445.04 as at December 31, 2019, thus affecting the fair presentation thereof in the FSs of PRC.	PRC AAR 2019 Par. 1.1- 1.23		
a. Non-reversion of stale checks to Cash in Bank-Modified Disbursement System (MDS), Regular and Payable accounts-P81,776.84	PRC AAR 2018 Par. 1.1- 1.30		
We recommended that the Management:	PRC AAR 2017 Par. 7.1 – 7. 17		
Expense/Accumulated Surplus and Payable-	PRC AAR 2016		
a. require the Accounting Division to make the necessary adjusting entry in the books of account to record the correction in the cancellation/reversion of stale check;	Par. 9.1 – 9.13 PRC AAR 2015		Implemented (Closed) With revised recommendation in the 2021 CAAR.

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
	Par. 7.1-7.8		
COMPLIANCE AUDIT			
<i>Altered Official Receipts</i>			
<p>30. Alterations, erasures or corrections on the face of some Official Receipts (ORs) were noted in the audit of collections in PRC-RO No. VI, due to data errors caused by system glitches, indicating lack of policy or procedure to follow in those situations, contrary to Sections 123 and 124 of PD No. 1445.</p> <p>We recommended and Management agreed to consider issuing an Office Order detailing the mechanism on cash handling, so that there will be a proper procedure for cash collection to be observed.</p>	<p>PRC AAR 2019</p> <p>Par. 9.1 – 9.3</p>	<p>PRC-RO No.VI was informed and waiting for the reply.</p> <p>To coordinate with Administrative Office for the issuance of Office Order.</p>	<p>Implemented (Closed)</p> <p>Implementation by management of control measures other than the Audit Team's recommended course of action.</p>
2018 Audit Recommendation			
Financial Audit			
<i>Misstatements in the Financial Statements</i>			
<i>Income</i>			
<p>31. Collections in the amount of P142,730,006.58 were not deposited intact daily and some accountable officers in PRC Tuguegarao City and Davao City are not bonded, contrary to Section 30,</p>	<p>PRC AAR 2018</p> <p>Par. 4.1 – 4.14</p>		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>Volume I of GAM for NGAs and Section 101 of PD No. 1145. In addition, deposits totaling P706,985,497.77 were unrecognized by the BTr.</p> <p>We recommended and Management agreed to:</p> <p>a. require the COs to immediately deposit their respective accountabilities totaling P142,730,006.58 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>b. reconcile the details of the remaining collections without the BTr's Certification amounting to P706,985,497.77 and submit summary of collections from all sources deposited to LBP in the name of BTr-PRC Clearing Account.</p>		<p>A reply letter was sent to the COA Resident Auditor which was received on April 3, 2019. The applications for bond of ROs' employees and officials were previously done in the Central Office which prolonged the processing, thus, ROs have been permitted now to process their own application of bond to Regional BTr Offices. Lucena and Davao ROs were already informed of the noted observations and recommendations.</p> <p>Management explained that the remaining P706,985,497.77 represents collections by the</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> <p>Implemented (Closed)</p> <p>For issuance of other audit actions which may either be in the form of NS or ND.</p>

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
		CO 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.	
2015 AUDIT RECOMMENDATIONS			
<i>Accounting Deficiencies</i>			
32. The accuracy and validity of deposits/remittances of Shoe Mart Inc. (SMI) collections totaling P144,879,449.96 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	PRC AAR 2015 Par. 1- 1 – 1.13 Par. 4.1 – 4.14		

Observations and Recommendations	Ref.	Management Actions	Status of Implementation and Result of Auditor's Validation
<p>of required reports from SMI, thus rendering such amount doubtful.</p> <p>We recommended that the Management:</p> <p>a. verify/ensure the veracity of the collections recorded in the books of the PRC. Assign responsible personnel, if necessary, to take charge of the responsibility of verifying/monitoring remittances of SMI against the Summary Report of Collections because of the significance of the amounts of discrepancies noted and if discrepancy has occurred demand from the Service Provider the amount equivalent to such discrepancy; and</p> <p>b. request certifications from the LBP and the BTr on the total actual deposits made by SMI to PRC.</p>		<p>The Management said that they will enforce the submission of complete Reports of Collections from the SMI and will request for LBP and the BTr Certifications to ascertain the correctness of deposited collections.</p>	<p>Implemented (Closed)</p> <p>For issuance of other audit actions which may either be in the form of NS or ND.</p> <p>Implemented (Closed)</p> <p>For issuance of other audit actions which may either be in the form of NS or ND.</p>