

**PHILIPPINE COCONUT AUTHORITY  
ACTION PLAN TO IMPLEMENT AUDIT RECOMMENDATIONS  
As of December 31, 2013**

Audit Observations	Recommendations		Assigned to Office/Person	Time Frame	Status of Implementation	Reason for Non-Implementation																																			
	Per Audit Report	Specific Actions to Implement Recommendations																																							
<p><b>1. Recoverability of long outstanding Accounts Receivable – PCA fees accumulating to P30.963 million was uncertain/ doubtful because these pertained to the accounts of oil millers either with cases pending in court, ordered archived by court or referred to PCA Legal Department for filing of cases.</b></p> <p>1.1 This includes reiteration of prior years' audit observation.</p> <p>1.2 The year-end balance of Accounts Receivable (A/R) – PCA fees as of December 31, 2012 amounted to P79,339,143 consisting of Central Office accounts of P79,208,951 and Region VI accounts of P130,192. Table 1 summarizes the aging of the year-end balance of A/R – PCA fees of Central Office, with comparative figures in Calendar Year (CY) 2011:</p> <p style="text-align: center;"><b>Table 1. Aging summary of A/R – PCA fees</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Age of A/R – PCA Fees</th> <th style="text-align: right;">2012</th> <th style="text-align: right;">2011</th> <th colspan="2" style="text-align: center;">Increase</th> </tr> <tr> <th></th> <th></th> <th></th> <th style="text-align: right;">Amount</th> <th style="text-align: right;">Per cent</th> </tr> </thead> <tbody> <tr> <td>Over 10 years</td> <td style="text-align: right;">P18,302,957</td> <td style="text-align: right;">P17,443,883</td> <td style="text-align: right;">P 859,074</td> <td style="text-align: right;">4.92</td> </tr> <tr> <td>Over 5 to 10 years</td> <td style="text-align: right;">8,360,969</td> <td style="text-align: right;">8,051,809</td> <td style="text-align: right;">309,160</td> <td style="text-align: right;">3.84</td> </tr> <tr> <td>Over 2 to 5 years</td> <td style="text-align: right;">10,093,886</td> <td style="text-align: right;">6,930,444</td> <td style="text-align: right;">3,163,442</td> <td style="text-align: right;">45.65</td> </tr> <tr> <td>Less than 2 years</td> <td style="text-align: right;">42,451,139</td> <td style="text-align: right;">38,465,575</td> <td style="text-align: right;">3,985,564</td> <td style="text-align: right;">10.36</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>P79,208,951</b></td> <td style="text-align: right;"><b>P70,891,711</b></td> <td style="text-align: right;"><b>P8,317,240</b></td> <td style="text-align: right;"><b>11.73</b></td> </tr> </tbody> </table>	Age of A/R – PCA Fees	2012	2011	Increase					Amount	Per cent	Over 10 years	P18,302,957	P17,443,883	P 859,074	4.92	Over 5 to 10 years	8,360,969	8,051,809	309,160	3.84	Over 2 to 5 years	10,093,886	6,930,444	3,163,442	45.65	Less than 2 years	42,451,139	38,465,575	3,985,564	10.36	<b>Total</b>	<b>P79,208,951</b>	<b>P70,891,711</b>	<b>P8,317,240</b>	<b>11.73</b>	<p><b>1.11 We reiterated our recommendations that Management:</b></p> <p><b>a. Exert more efforts to recover/collect long outstanding accounts receivables, to include:</b></p> <p><b>a.1 Initiation/formulation of a policy recommendation to reinstate the commodity or export clearance to compel companies with unpaid accounts to settle first their accounts before allowing them to</b></p>	<p>Attached (Annex A) is the PCA's legal opinion and provisions regarding the validity and legality of compromise settlements. Copy of the compromise agreement was included in the Management Comments dated July 22, 2013.</p> <p>Effective January 2014, Management has issued memorandum to all Regional Managers for the non-registration of companies with outstanding PCA Fee collection. Memo attached for reference.</p>	Central Office Legal Dept. CISF Dept. Accounting Div.	2014	Partial	On-going
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**1.3** Of the P79.208 million outstanding balance of A/R – PCA fees as of December 31, 2012, P30.963 million or 39.09 per cent pertained to 37 accounts with cases either pending in court, ordered archived by court or referred to PCA Legal Department for filing of cases. Aging summary of these accounts is shown in Table 2.

**Table 2. Aging summary of A/R-PCA fees with pending or archived court cases or referred to PCA Legal Department**

Age	Amount	Per cent
Over 10 years	P17,312,795	55.91
Over 5 years to 10 years	8,133,858	26.27
Over 2 years to 5 years	3,860,968	12.47
Less than 2 years	1,655,626	5.35
<b>Total</b>	<b>P30,963,247</b>	<b>100.00</b>

**1.4** The composition of the aforementioned 37 accounts with comparative figures in CY 2011 is summarized in Table 3 below.

**Table 3. Composition of accounts with pending or archived court cases or referred to PCA Legal Department**

Status of Accounts	2012		2011		Increase/(Decrease)	
	Qty.	Amount	Qty.	Amount	Amount	Per cent
I. Cases still pending in court	7	P 6,844,748	8	P 7,954,231	P(1,109,483 )	(13.95)
II. Cases ordered archived by the court / unlocated addresses:						
a. Decision could not be executed / enforced	6	2,848,757	6	2,764,266	84,491	3.06
b. Company owner remained at	3	6,687,159	3	6,334,347	352,812	5.57

**export; and**

**a.2 Coordination with the Department of Interior and Local Government/Municipal Mayors to have an agreement on how they can help in the collection efforts;**

**b. Revert back the account written-off in the amount of P1,301,818; and**

**c. Submit the compromise agreement to the Commission on Audit for review and request for approval on the settlement of claims as prescribed in Section 36 of PD No. 1445, as restated by Section 20 (1), Chapter IV, Subtitle B, Title I, Book V of the Administrative Code of 1987**

large c. Summons could not be served, company ceased operation	13	9,937,071	13	9,937,071	-	-
<b>Total</b>	<b>22</b>	<b>19,472,987</b>	<b>22</b>	<b>19,035,684</b>	<b>437,303</b>	<b>2.30</b>
III. Accounts forwarded to PCA Legal Department for appropriate action and/or filing of case	8	4,645,512	8	4,573,270	72,242	1.58
<b>Total</b>	<b>37</b>	<b>P30,963,247</b>	<b>38</b>	<b>P31,563,185</b>	<b>P (599,938)</b>	<b>(1.90)</b>
<p>1.5 The above table shows that accounts with cases still pending in court decreased in number from eight to seven with a corresponding decrease in amounts from P7.954 million in CY 2011 to P6.845 million in CY 2012. The movement of these accounts was brought about mainly by the result of a compromise settlement with one account, which reduced the receivables from P1.397 million to P95,512 as per court decision rendered by Branch 91 of Quezon City Regional Trial Court dated July 17, 2012. As such, the amount of P1.302 million was dropped from the books without authority from the Commission on Audit contrary to Section 20 (1), Chapter IV, Subtitle B, Title I, Book V of the Administrative Code of 1987, which provides that:</p> <p>“Section 20. Power to Compromise Claims. - (1) When the interest of the Government so requires, the Commission may compromise or release in whole or in part, any settled claim or liability to any government agency not exceeding ten thousand pesos arising out of any matter or case before it or within its jurisdiction, and with the written approval of the President, it may likewise compromise or release any similar claim or liability not exceeding one hundred thousand pesos. In case the claim or liability exceeds one hundred thousand pesos, the application for relief therefrom shall be submitted, through the Commission and the President, with their recommendations, to the Congress[.] x x x”</p>						

<p><b>1.6</b> Said provision restated Section 36 of Presidential Decree (PD) No. 1445, which states that:</p> <p>“when the interest of the government so requires, the Commission may compromise or release in whole or in part, any settled claim or liability to any government agency not exceeding ten thousand pesos arising out of any matter or case before it, or within its jurisdiction, and with the written approval of the Prime Minister, it may likewise compromise or release any similar claim or liability not exceeding one hundred thousand pesos. In case the claim or liability exceeds one hundred thousand pesos, the application for relief there from shall be submitted, through the Commissioner and the Prime Minister, with their recommendations to the National Assembly.”</p> <p><b>1.7</b> The compromise agreement was entered into by and between PCA and an oil company in connection with the court cases pending between them. A civil case was previously filed by PCA for collection of PCA fees and the interests thereon. Consequently, the said oil company filed a civil case for the declaration of nullity of administrative sanctions e.g., penalty interest for delay in payment of PCA fees. Both parties thereafter agreed to dismiss said cases while payment by the oil company of P95,512 was deemed to be in full settlement of all claims of PCA from the former by virtue of the said compromise agreement, excerpts of which are as follows:</p> <p>“(1) xxx payment to PCA of xxx P95,512.13 xxx shall be deemed in full settlement of all the claims of the PCA against xxx.</p> <p>(2) The PCA and xxx shall, xxx, cause the dismissal of Civil Case xxx.</p> <p>(3) xxx shall withdraw its petition/complaint in, or cause the dismissal of Civil Case xxx.</p> <p>(4) Nothing xxx shall affect the rights and/or defenses of the Parties with respect to other PCA claims of similar nature outside of the coverage of Civil Case xxx.”</p>						
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1.8 However, despite the provision on the Compromise Agreement for the settlement of all claims of PCA, interest for late payment amounting to P1.166 million was still in the books of the Coconut Industry Stabilization Fund (CISF) Assessment and Collection Office and the Accounting Division. The rest of the accounts were still incurring interest which attributed to the increase of prior period receivables. Validation of the latest action taken by Management showed that the balances of the aforementioned seven accounts still pending in court increased by P287,487 or an average of five per cent. The CISF Assessment and Collection Office had reported that of the seven accounts, only two with outstanding balance of P2.482 million were considered active accounts as of year-end. As discussed in the prior year audit observation, Management was optimistic to recover the accounts of nine companies with a total amount of P10.380 million, status and details of which are summarized in Table 4.

**Table 4. Status of nine accounts which have a likelihood of recoverability**

Status of Accounts	2012		2011		Increase/ (Decrease)
	No. of Accts	Amount	No. of Accts	Amount	
Cases still pending in court, hearings are still on-going (active)	1*	P 1,530,058	2	P 2,868,075	P(1,338,017)
Court decision had been rendered in favor of PCA, and for execution by the Legal Affairs Department (active)	1	951,730	1	921,215	30,515
Accounts are still with Legal Affairs Department and the companies are still operating	4	699,204	4	656,320	42,884
<b>Total</b>	<b>9</b>	<b>P10,379,717</b>	<b>10</b>	<b>P11,414,478</b>	<b>P(1,034,761)</b>

<p>* reduced by settlement of one account</p> <p><b>1.9</b> In a recent reply to prior year audit observation, Management disclosed that one of the 22 cases ordered archived by the court/unlocated addresses, will be refiled for revival as there is a possibility of collection of the amount due considering that the company is still presently operating. The remaining 21 accounts will be requested for write off, along with five of the seven cases still pending in court, as only two accounts were found out to be active.</p> <p><b>1.10</b> As mentioned also in the prior year observation, an added measure to enforce collection of overdue accounts was effected through the issuance of Administrative Order (AO) No. 1, series of 2012, amending Sections 3.5 and 5.2 of the AO No. 2, series of 2010, which took effect on March 10, 2012. AO No. 1, series of 2012, provides for additional grounds for the denial of registration, suspension, revocation or non-renewal of the Certificate of Registration of companies, as follows: a) non-payment of the PCA fees; and b) non-submission of the reports of purchase, domestic and export sales, production and inventory products. Despite the issuance of said AO, the A/R-PCA fees account still increased and its collectibility and recoverability may be doubtful. In view thereof, collection of P30.963 million, representing 39.02 per cent of the total A/R-PCA of P79.339 million, is deemed uncertain, hence, may affect the valuation of the account in the financial statements.</p>						
<p><b>2. Non-recognition of billed and unbilled PCA Fees, Interests, and Interest for late payment of PCA Fee resulted in understatement of P.719 million of Accounts Receivable – PCA Fees and the corresponding Income from PCA Fees by the same amount at year-end.</b></p> <p><b>1.12</b> This is a reiteration of the previous year’s audit observation.</p> <p><b>1.13</b> Paragraph 27 of Philippine Accounting Standard (PAS) No. 1 provides that:  “an entity shall prepare its financial statements, except for cash flow information, using the <u>accrual basis of accounting</u>” (underscoring supplied)</p> <p><b>1.14</b> Also, paragraph 4.47 of the Conceptual Framework states that:</p>	<p><b>1.19 We reiterated our recommendations that Management require the:</b></p> <p><b>a. CISF Assessment and Collection Office and the Accounting Division to adopt the accrual basis of recording PCA fee</b></p>	<p>The Accounting Division and CISF Department are adopting the accrual basis of recording PCA fee receivables from the start. The CISF Dept. is preparing their Schedule of Outstanding PCA Fees quarterly, thus reconciliation is being made in a quarterly basis.</p> <p>Any discrepancy is either taken up or dropped from the books, as the case maybe. There is always the element of cut-off dates that causes discrepancies</p>	<p>Central Office CISF Dept. Accounting Div.</p>		<p>Full Complied</p>	

<p>“income is recognized in the income statement when increase in the future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be <u>measured reliably</u>” (underscoring supplied)</p> <p><b>1.15</b> Pursuant to the provision of PD No. 1854 dated December 21, 1982 authorizing an adjustment of the funding support of the PCA and instituting a procedure for the management of such fund, as implemented under series of AOs, PCA was authorized to impose and collect fees for every kilo of copra or the copra equivalent of other coconut products delivered to and/or purchased by oil millers, coconut product exporters, dessicators and other end-users of coconut products.</p> <p><b>1.16</b> The Coconut Industry Stabilization Fund (CISF) Assessment and Collection Office assesses, computes PCA fees, and issues bills and orders of payment to companies for payment of PCA fees based on the documents, e.g., purchases, inventory reports and export shipments submitted by the companies. In case a company was delinquent or has deficiency in payment of the required PCA fees, the said Office notifies the company through issuance of a letter of billing and statement of accounts.</p> <p><b>1.17</b> The Accounting Division and the CISF Assessment and Collection Office had already reconciled their records on outstanding balances of A/R-PCA fees at year-end in response to prior year’s audit observation. Review of records, however, disclosed that the observations noted in the previous year, including the circumstances that contributed to the cause of prior year variance, still existed in CY 2012, as follows:</p> <p>a. Accounting Division booked the receivables not based on the billings/statement of accounts but on the Schedule of Outstanding PCA fees, both of which were issued by CISF Assessment and Collection Office. The Accounting Division made only two entries to record the accruals and adjustments in the A/R-PCA fees for CY 2012.</p> <p>b. CISF Assessment and Collection Office did not recognize PCA fees, which were subsequently collected in the following year, as receivables at year-end. Management explained that adopting the accrual method of accounting for receivables on PCA fees was impractical as reports of the</p>	<p><b>receivables and perform periodic reconciliation between two records;</b></p> <p><b>b. CISF Assessment and Collection Office to always furnish the Accounting Division with copies of bills/statement of accounts as the latter’s reference in the accrual of PCA fee receivables to facilitate reconciliation/counterchecking of records; and</b></p> <p><b>c. Accounting Division to effect the proposed adjustment on the understated account</b></p>	<p>between the two units.</p> <p>Adjustment already made per JEV#503-1311-543 in the amount of P719,051.00</p>				
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<p>companies such as purchases, production of coco-based products, inventory reports and export shipments were received only after year-end. Based on said reports, assessments were computed and PCA fees were thereafter collected, hence it was considered of no relevance anymore to recognize subsequent collections as receivables at year-end.</p> <p><b>1.18</b> Further, eight sampled companies obtained from the CISF Assessment and Collection Office central file records showed that receivables of P719,051 pertaining to CY 2012 that were either: (a) unbilled and unrecorded; (b) billed but unrecorded, or; (c) collected but still reported as outstanding receivables, which consequently resulted in the understatement of the A/R-PCA fees by the said amount.</p>	<p><b>balances in the amount of P719,051 by debiting Accounts Receivable-PCA fees and crediting Income from PCA fees.</b></p>																																							
<p><b>3. Overstatement of Php 31.842 million, absence of complete depreciation schedules, and incomplete inventory count rendered the year-end balance of Property, Plant and Equipment (PPE) accounts of Php 341.628 million inaccurate.</b></p> <p><b>3.1</b> This is a reiteration of prior year's observation.</p> <p><b>A. Overstatement of P31.842 million due to the inclusion of cost of PPE not yet paid/received, already disposed of, and error in the computation of depreciation expenses</b></p> <p><b>3.2</b> As of December 31, 2012, the net book value of PPE accounts amounted to P341.628 million. Of this amount, P231.048 million pertained to Central Office which composed of Fund Code 503 and Fund 401, representing Corporate Funds and Small Coconut Farms Development Project Funds, respectively, shown in Table 5.</p> <p style="text-align: center;"><b>Table 5. Composition of PPE by fund</b></p> <table border="1" data-bbox="317 1166 1158 1344"> <thead> <tr> <th>Fund Code</th> <th>Acquisition Cost</th> <th>Accumulated Depreciation</th> <th>Net Book Value</th> </tr> </thead> <tbody> <tr> <td>503</td> <td>P324,132,006</td> <td>P112,165,210</td> <td>P211,966,796</td> </tr> <tr> <td>401</td> <td>89,376,475</td> <td>70,295,505</td> <td>19,080,970</td> </tr> <tr> <td><b>Total</b></td> <td><b>P413,508,481</b></td> <td><b>P182,460,715</b></td> <td><b>P231,047,766</b></td> </tr> </tbody> </table> <p><b>3.3</b> Comparison between inventory count and book balances, however, showed a</p>	Fund Code	Acquisition Cost	Accumulated Depreciation	Net Book Value	503	P324,132,006	P112,165,210	P211,966,796	401	89,376,475	70,295,505	19,080,970	<b>Total</b>	<b>P413,508,481</b>	<b>P182,460,715</b>	<b>P231,047,766</b>	<p><b>3.16 We recommended that Management require the:</b></p> <p><b>a. Central Office Accounting and Property Divisions to (i) prepare the necessary adjustments to reverse entries pertaining to the cost of undelivered and unpaid PPE, (ii) drop from the books PPEs already disposed of, (iii) prepare complete</b></p>	<p>The Accounting Division has partially prepared some necessary adjustments to drop from the books, adjust the depreciation expense, adjust erroneous entries pertaining to PPEs, to wit:</p> <p><u>Corporate Fund 503:</u></p> <table border="0"> <tr><td>JEV#503-1302-102 P</td><td>228,000.00</td></tr> <tr><td>JEV#503-1301-018</td><td>316,325.00</td></tr> <tr><td>JEV#503-1304-201</td><td>11,198.00</td></tr> <tr><td>JEV#503-1305-249</td><td>9,619.09</td></tr> <tr><td>JEV#503-1310-500</td><td>131,978.99</td></tr> <tr><td>JEV#503-1304-157</td><td>17,375,000.00</td></tr> </table> <p><u>SCFDP Fund 401:</u></p> <table border="0"> <tr><td>JEV#401-1301-001</td><td>720,165.00</td></tr> <tr><td>JEV#401-1307-005</td><td>1,034,700.00</td></tr> <tr><td>JEV#401-1310-007</td><td>1,174,087.00</td></tr> </table>	JEV#503-1302-102 P	228,000.00	JEV#503-1301-018	316,325.00	JEV#503-1304-201	11,198.00	JEV#503-1305-249	9,619.09	JEV#503-1310-500	131,978.99	JEV#503-1304-157	17,375,000.00	JEV#401-1301-001	720,165.00	JEV#401-1307-005	1,034,700.00	JEV#401-1310-007	1,174,087.00	<p>Central Office Accounting Division Property Division</p>		<p>Partial</p>	<p>On-going reconciliation</p>
Fund Code	Acquisition Cost	Accumulated Depreciation	Net Book Value																																					
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difference of P34,509,356, as shown in Table 6.

**Table 6. Difference between inventory count and book balances of PPE**

<b>Fund Code</b>	<b>Per Books</b>	<b>Per Inventory Count</b>	<b>Difference</b>
503	P324,132,006	P306,006,384	P18,125,622
401	89,376,475	72,992,741	16,383,734
<b>Total</b>	<b>P413,508,481</b>	<b>P378,999,125</b>	<b>P34,509,356</b>

**3.4** We appreciated Management's efforts in preparing the reconciliation report on PPE accounts as of December 31, 2012. However, the amount of reconciling items had increased by P25,989,415 or 305 per cent compared to that in the prior year, as shown in Table 7.

**Table 7. Comparison of PPE reconciling items for CYs 2011 and 2012**

<b>Fund Code</b>	<b>2012</b>	<b>2011</b>	<b>Increase</b>	
			<b>Amount</b>	<b>Per cent</b>
503	P18,125,622	P1,519,298	P16,606,324	1,093
401	16,383,734	7,000,643	9,383,091	134
<b>Total</b>	<b>P34,509,356</b>	<b>P8,519,941</b>	<b>P25,989,415</b>	<b>305</b>

**3.5** The increase was attributed to the inclusion in the books of four vehicles and various laboratory equipment amounting to P3,456,000 and P230,700, respectively, or totalling P3,686,700 which were procured in 2012 but were delivered and paid only in 2013. In addition, the book balance included cost of 250 units motorcycles in the amount of P17,375,000 which were delivered to regional offices/centers only in 2013. Inclusion of said items, as reconciling items, in the inventory report overstated the balances of property records considering it should only include items which actually existed as of balance sheet date.

**3.6** Moreover, unserviceable assets costing P10,488,995 which were already disposed of were still included in the book balance, thus overstating the PPE by the same amount. The overstatement of the corresponding Accumulated Depreciation accounts could not be determined due to incomplete depreciation schedule and unavailability of subsidiary ledgers. On the other hand, the Other Business and Service

schedules of depreciation expenses, (iv) compute correct depreciation, (v) adjust the erroneous recording of proceeds of sale and henceforth recognize gain/loss on sale of assets only after deducting the net book value of disposed PPE from the proceeds of the sale, and (vi) account those PPE items with duplicate/triplicate assigned numbers and effect the necessary adjustment in the inventory report, when applicable;

Income – Sale of Waste Materials account posted a year-end total of P149,095. Of this amount, P122,889 pertained to net proceeds of the sale of various unserviceable items in Central Office which was recognized directly as income instead of deducting first the net book value of the assets disposed of to arrive at whether there was gain or loss on sale.

**3.7** Further, recomputation of depreciation on the PPE accounts of Region XII and New Coconut Seed Production Center (NCSPC) revealed that depreciation expenses for various property were erroneously computed resulting in the understatement of depreciation expenses and the related accumulated depreciation accounts by P291,495 and overstatement of corresponding PPE accounts by the same amount. Details are shown in Table 8.

**Table 8. Computation of understatement of depreciation expenses**

Region/Center	Per Audit	Per Books	Understatement
NCSPC	P265,249	P178,690	P 86,559
Region XII	288,441	83,505	204,936
<b>Total</b>	<b>P553,690</b>	<b>P262,195</b>	<b>P291,495</b>

**3.8** In Central Office, computation of depreciation expenses disclosed that the PPEs were depreciated starting on the succeeding half of the month following their acquisition dates. For instance, those PPEs acquired during the first 15 days of the month would be depreciated starting on the 16<sup>th</sup> day of the same month. On the other hand, various IT equipment, particularly personal computers were depreciated over an estimated useful life of less than five years. Said computation was not in conformity with Section 2.1 of COA Circular Letter No. 2004-003 dated October 4, 2004, which provides that the computation of the depreciation expense shall start on the following month after the purchase/completion of the PPE, irrespective of the date within the month.

**3.9** Further, review showed that the inventory report of the Central Office included PPEs with duplicate/triplicate assigned property numbers with aggregate value of P5,228,093. This affected the accuracy of the inventory report as well as the reconciliation report which showed that there were unreconciled items of P2,574,614 and negative amount of P669,259, or in the net amount of P1,643,732, representing the

**b. PCA Region XII and NCSPC to effect the necessary adjustment in the depreciation expense & accumulated depreciation accounts;**

**c. PCA Regions XIII, V and VII to finish/conduct inventory count, prepare inventory report and reconcile the balances per inventory count against the accounting records, and effect the necessary adjustments in the books duly supported with documents;**

Region XII, NCSPC  
Necessary adjustments to correct errors have already been made

Region V  
Inventory was conducted and report was prepared. (Report was submitted on October 24, 2013)

Region XIII  
Conduct inventory count at least twice a year.

Region VII  
Inventory Reports of four (4) provinces for CY2011 were consolidated after the Dec. 31, 2012 COA audit report. Property Inventory of Negros Oriental is already included in the Region's Final Inventory Report for CY2012.

The Regional Manager had already directed the Supply Officer to use the proper Inventory Report Form as

Region XII, NCSPC  
Accounting Unit

Region V  
Accounting Unit  
Property Section

Region XIII  
Accounting Unit  
Property Section

Region VII  
Accounting Unit  
Property Section

Full

Full

Full

Full

<p>net excess cost of per inventory count over that of per books still subject for further verification.</p> <p><b>3.10</b> Section 491(b) of Government Accounting and Auditing Manual (GAAM), Volume I, provides that all discrepancies between physical count and book balances of fixed asset account must be investigated and cleared immediately.</p> <p><b>B. Absence of complete depreciation schedules in Central Office</b></p> <p><b>3.11</b> There were no complete/detailed schedules of depreciation expenses prepared by Central Office. A difference of P119,852,081 was noted between the depreciation schedule and book balances, as shown in Table 9.</p> <p style="text-align: center;"><b>Table 9. Comparison of balances per books and depreciation schedule</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Balances, per Books</td> <td style="text-align: right;">P181,401,457</td> </tr> <tr> <td>Balances, per Depreciation Schedule (e-copy)</td> <td style="text-align: right;">61,549,376</td> </tr> <tr> <td><b>Difference</b></td> <td style="text-align: right;"><b>P119,852,081</b></td> </tr> </tbody> </table> <p><b>3.12</b> Inquiry with Management on the cause of the difference disclosed that the e-copy of depreciation schedule was incomplete, and therefore unreliable for purposes of validating the reconciling items in the reconciliation report. Management further averred that PPEs acquired during the period 1972 to 2004 were excluded from the schedule. Validation, however, revealed otherwise, as there were PPEs, acquired way back in 1973, which form part of the total acquisition cost of PPE reported in the depreciation schedule.</p> <p><b>C. Inventory count was incomplete in Region XIII and not conducted at all in Regions V and VII</b></p> <p><b>3.13</b> Section 4 of COA Circular No. 80-124 dated January 18, 1984 specifically states that:</p> <p style="padding-left: 40px;">“a Physical inventory of fixed assets shall be made at least once a year as of December 31, in accordance with the guidelines enumerated herein xxx.”</p>	Particulars	Amount	Balances, per Books	P181,401,457	Balances, per Depreciation Schedule (e-copy)	61,549,376	<b>Difference</b>	<b>P119,852,081</b>	<p><b>d. Supply/Property Section of PCA Region V to maintain properly the property cards; and</b></p> <p><b>e. PCA Region VII to conduct investigation on the circumstances</b></p>	<p>recommended by COA. Inventory Report for CY2012 is now in the required format, including the column for Unit Value.</p> <p>Errors on the descriptions of articles were already corrected in the CY2012 Inventory Report.</p> <p>Properties with double recording according to dates and amounts are on the process of verification which shall be included in a final report by Dec., 2013. Necessary adjustments for the double recording are not yet done pending the completion of the verification of the subject properties.</p> <p>Region V Supply and Property Section is currently maintaining property cards.</p> <p>Region VII Investigation is being conducted to verify the properties which were inadvertently unlisted such as, among others, the unserviceable Tractor and Sprayer. The Tractor and Power Sprayer were already included in the CY2012 Inventory Report.</p>	<p>Region VII Accounting Unit</p> <p>Region V Property Section</p> <p>Region VII Property Section Accounting Unit</p>		<p>Partial</p> <p>Full</p> <p>Partial</p>	<p>On-going verification of the subject properties</p> <p>Ongoing verification of unlisted properties</p>
Particulars	Amount													
Balances, per Books	P181,401,457													
Balances, per Depreciation Schedule (e-copy)	61,549,376													
<b>Difference</b>	<b>P119,852,081</b>													

<p><b>3.14</b> Also, Section 490 of the GAAM, Volume I states that</p> <p>“the physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory - taking which is required semi-annually or annually should be regarded with importance.”</p> <p><b>3.15</b> The inventory count of PPE for CY 2012 was not conducted in Region V and incomplete in Region XIII, while the inventory report submitted by Region VII pertained to inventory count conducted during CY 2011. Also, records of the Supply/Property Section in Region V revealed that property cards were not properly maintained and transactions were not posted promptly. On the other hand, the inventory report for CY 2011 submitted by Region VII on March 7, 2012 showed deficiencies as follows:</p> <ul style="list-style-type: none"> <li>a. The report was incomplete since it did not include the property located in Negros Oriental Provincial Office where no inventory count was conducted;</li> <li>b. The form used was not in accordance with the required form since it did not include the column for the Unit Value;</li> <li>c. The Inventory report also disclosed certain errors on the descriptions of articles per previous inventory reports. The errors were observed during the latest physical count;</li> <li>d. There was double recording of property items with aggregate cost of P48,716; and</li> <li>e. Several property of undetermined costs were found during count and were recorded in the books under the Agricultural Equipment account but were not listed in the previous inventory report, among which were two items consisted of Tractor and Power Sprayer. Also, various PPE with a total cost of P61,304 were not found during the inventory count.</li> </ul>	<p><b>surrounding the loss of various property costing P61,304. In case the concerned officers and employees would be found liable for the loss, require them to pay the cost of the property, considering that the required request for relief from property accountability had not been filed within the reglementary period.</b></p>	<p>The investigation /verification of properties found to be unlisted and missing in the previous inventory report, similar to the enlisting of unserviceable tractor and sprayer which had already been properly corrected is still on-going. An inventory team is set to be sent to the provincial offices of Siquijor and Bohol, as Cebu, Negros Oriental and Ubay Seedgarden had already been inventoried and checked.</p>				
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<p><b>4. Various accounts/funds with accumulated amount of Php 30.548 million had been outstanding for more than two to 32 years, thus, validity of the accounts was doubtful and could not be further ascertained.</b></p> <p><b>5.1</b> COA Circular No. 97-001 dated February 5, 1997 defines dormant accounts as individual or group of accounts which balances remained non-moving for more than five years. Dormant funds, on the other hand, refer to funds with their own assets, liabilities and residual equity created for specific projects/programs, the implementation of which have been completed and the account balances remained non-moving for more than five years.</p> <p><b>5.2</b> As of December 31, 2012, the financial statements of PCA showed 61 accounts which had not been moving for more than two to 32 years, as discussed below:</p> <p><b>A. Unreconciled variances of Intra-funds accounts and Intra-agency accounts of P24.901 million</b></p> <p><b>5.3</b> The Intra-fund accounts used by PCA in recording intra-fund transactions are the Due from Other Funds and Due to Other Funds accounts while the intra-agency accounts used in recording intra-office transactions are the Due from Regional Offices and Due to Central Office accounts. These temporary accounts are maintained to serve the purpose of monitoring and recording intra-fund/intra-office transactions for</p>	<p><b>5.14 We recommended that Management direct the:</b></p> <p><b>a. Accounting Division, Central Office to analyze/review, reconcile the Intra-fund accounts, and exert best efforts to locate the documents of the transfers to facilitate reconciliation and effect the necessary adjustments in Intra-agency</b></p>	<p>Central Office As efforts are continually being exerted to fully analyze, reconcile and adjust the variances of Intra-fund accounts, Central Office has, as of this date, made the following JEVs to adjust/correct/ reverse/close some of these accounts, to wit:</p> <ul style="list-style-type: none"> <li>• JEV#503-1305-219 P 12,620.00</li> <li>• JEV#503-1305-220 133,700.00</li> <li>• JEV#503-1305-210 6,151.31</li> <li>• JEV#503-1307-330 56,000.00</li> <li>• JEV#503-1308-399 28,000.00</li> <li>• JEV#503-1310-498 200,932.57</li> <li>• JEV#CISF-1310-01 <u>200,932.57</u></li> </ul> <p style="text-align: right;">Total P <u>638,336.45</u></p> <p>Fund CISF - Management had requested for authority to write-off the Coconut Industry Stabilization Fund (CISF) accounts, however, the same was returned by the Audit Team</p>	<p>Central Office Accounting Division</p>		<p>Partial</p>	<p>On-going analysis and reconciliation</p>

convenience in setting up and offsetting internal transactions. As such, these accounts should always have equal balances as a result of the elimination/offsetting process and the same should have zero net balance in the consolidated financial statements at the end of the accounting period.

**5.4** Pursuant to the One Fund Accounting System, the consolidated financial statements of the PCA is composed of the funds shown under Table 10.

**Table 10. Fund composition of PCA financial statements**

<b>Code</b>	<b>Description</b>
Fund 101	General Fund
Fund 503	Corporate Fund which includes Accounts of Fund 201 – Special/ calamity fund and Fund 501 – National Coconut Productivity Program/Energy Self-reliance Program Funds and Coconut Farms Safety Net Program (CFSNP). The Special/calamity fund, National coconut productivity/energy self-reliance programs and CFSNP had already been completed several years ago.
Fund 151	Special Account in the General Fund
Fund 401	Small Coconut Farms Development Project (SCFDP) was a foreign assisted project financed through a World Bank loan aimed to launch a program of coconut development and productivity improvement, increase the income of small scale coconut farmers by improving coconut yields and copra quality. The program started its implementation on June 4, 1990 and was terminated on December 31, 1999.
CISF	Coconut Industry Stabilization Fund represents levies collected from the copra dessicators, copra exporters, oil millers, refiners and other end-users of copra or its equivalent in other coconut products for viability and stability of the coconut industry, pursuant to PD Nos. 1468 and 1842. Collection of the levies was lifted on August 28, 1982.

**5.5** As of December 31, 2012, Due from Other Funds and Due to Other Funds accounts had variances accumulating to P12,890,101 compared to last year's of P15,168,040; a decrease of P2,277,939 or 15 per cent, after the elimination of the intra-fund transactions which remained unreconciled for more than nine years to 30 years due to lack and unavailability of supporting records/documents to facilitate analysis of

**accounts; submit latest status of action taken on the long outstanding reconciling items; and intensify monitoring for the timely recording of intra-agency transactions; and**

**b. ZRC to exert extra effort to collect the receivables by sending to the concerned officials and employees demand letters, otherwise hold accountable the person/s responsible for non-collection of the receivables.**

requiring submission of documents prescribed under COA Circular No. 97-001.

To date, after exerting best efforts to locate the documents required as per COA Circular No. 97-001, still no available records were found.

ZRC  
Send demand letters to concerned officials and employees. (Demand letters were already sent)

ZRC  
Accounting Unit

Partial

Waiting for reply of concerned employees

the intra-fund transactions. Management had requested for authority to write-off the Coconut Industry Stabilization Fund (CISF) accounts, however, the same was returned by the Audit Team requiring submission of documents prescribed under COA Circular No. 97-001. Details of unreconciled variances of Intra-fund accounts are shown in Table 11.

**Table 11. Variance between the Intra-fund accounts**

Particulars	Unreconciled Intra-fund accounts balances as of December 31, 2012			Outstanding since
	Due from other Funds	Due to other Funds	Total	
CISF	P -	P 310,133	P 310,133	1982
Fund 101		1,609,512	1,609,512	1979
Fund 151		6,422,836	6,422,836	1979
Fund 501		1,015,335	1,015,335	1982
Fund 401		186,900	186,900	1999
Fund 201	611,416		611,416	1982
Fund 503	2,727,818		2,727,818	1982
CFSNP	6,151		6,151	2003
<b>Total</b>	<b>P3,345,385</b>	<b>P9,544,716</b>	<b>P12,890,101</b>	

**5.6** On the other hand, as of December 31, 2012, the balances of the Due from Regional Offices and Due to Central Office accounts amounted to P356,243,755 and P341,886,292, or having an unreconciled variance of P14,357,463 as compared to last year's of P21,521,957, a decrease of P7,164,494 or 33.29 per cent. The difference was attributed to either time lag or errors in recording intra-office transactions in the Central Office and Regional Offices/Centers books of accounts. The Receivables-Payables Reconciliation Statements of the Intra-Agency accounts as of December 31, 2012, revealed that P7,286,054 or 50.75 per cent of P14,357,463 were reconciling items dating back in 1996-2010 and those inter-regional property transfers were either lacking in or with incomplete supporting documents. Accordingly, the Accounting Division encountered difficulties in locating the required supporting documents.

**5.7** While we appreciated Management's response to previous year's observation that efforts were exerted in conducting verification and analysis of the regional offices/centers accounts, the reconciling items dating back 1996-2010 transactions

Central Office  
 Aside from prior years' adjustments taken up in the Cash Receipts Journal (CRJ) in 2013 in the total amount of P7,602,626.77, the following Journal Entry Vouchers were made to take up some of the reconciling items in the Due from Regional Offices and Due to Central Office accounts:  
 JEV#503-1309-415 P 964,903.54  
 JEV#503-1309-415 160,581.50  
 JEV#503-1301-025 63,640.00  
 JEV#503-1301-025 3,000.00  
 JEV#503-1301-025 14,391.40  
 JEV#503-1301-025 3,000.00

Central Office  
 Accounting Division

Partial

On-going  
 reconcili-  
 ation

accumulating to P7,796,273 in CY 2011 reconciliation statement were reduced only by P510,219 or 6.54 per cent as of December 31, 2012. It was also noteworthy to mention that Management performed periodic reconciliation of the aforementioned reciprocal accounts on a quarterly basis. Reconciling items, however, were not promptly taken up in the books at year-end, including the following two of the current year transactions:

a. The allotment released for MOOE of four regional offices in the total amount of P182,379 were already deposited to their respective accounts but remained unrecorded in the books of the recipient offices, as shown in Table 12.

**Table 12. Unrecorded collections of the recipient regional offices**

Regional Offices	Check			Date Deposited
	No.	Date	Amount	
VII	1123409	December 3, 2012	P35,000	December 4, 2012
VIII	1123114	November 7, 2012	22,800	November 7, 2012
	1038731	May 2, 2012	82,390	May 3, 2012
IX	1095172	June 27, 2012	13,793	June 28, 2012
XIV	1038732	May 2, 2012	28,396	May 3, 2012
<b>Total</b>			<b>P182,379</b>	

b. The amount of P121,379 representing the cost of a PCA Satellite Laboratory located at Cabadbaran City, Agusan Norte was transferred to the books of accounts of Region XIII from Davao Research Center, per JEV No. 503-1207-323. Said transfer was not taken up in the books of the recipient office as it had not yet issued the required supporting acknowledgment receipt.

**5.8** Also, there were 22 accounts found in Central Office and Region VI books of accounts in the total amount of P4,724,846 as of December 31, 2012 which remained outstanding for more than 10 years. These consisted of Due from Other Funds – Special Funds 201 and Receivables-Disallowances and Charges accounts.

JEV#503-1306-266	6,888.00
JEV#503-1301-025	4,000.00
JEV#503-1301-026	4,000.00
JEV#503-1310-475	29,360.00
JEV#503-1309-432	6,000.00
JEV#503-1309-447	416.00
JEV#503-1309-447	443,088.25
JEV#503-1309-447	506,065.45
JEV#503-1306-226	945,957.56
JEV#503-1310-477	64,053.67
JEV#503-1301-027	2,824.53
JEV#503-1303-125	60.00
JEV#503-1301-040	26,048.00
JEV#503-1303-150	518.00
JEV#503-1306-273	16,838.62
JEV#503-1301-040	5,970.24
JEV#503-1310-478	22,879.30
JEV#503-1306-274	228,793.00
JEV#503-1310-040	78,072.50
JEV#503-1305-260	91,037.24
JEV#503-1301-039	908,256.89

Likewise, the regional offices and research centers concerned have already made adjustments on their respective accounts pertaining to 2012 reconciling items.

Region VII  
P35,000.00 – Recorded for the month of April 2013 per DCA No. CO-2013-04-021

Region VIII  
P22,800.00 – Recorded for the month of March 2013 per Statement of Payables

Region VII  
Accounting Unit

Region VIII  
Accounting Unit

Full

Full

<p><b>5.9</b> In addition, there were 41 accounts of Central Office and the Other-Receiveable account of Zamboanga Research Center (ZRC) with balances of P7,972,583 and P211,506, respectively, or totalling P8,184,089 which had been non-moving from two to seven years. Other-Receiveable account of ZRC represented receivables for: (a) freight of coco seed nuts and seedlings paid by ZRC in behalf of PCA officials and employees, some of whom are no longer connected with the PCA; and (b) power consumption of the PCA Employees' Cooperative. These accounts may not yet qualify as dormant accounts defined in COA Circular No. 97-001, however, the same might mature as such in case no action will be taken by Management.</p>		<p>Region IX P82,390.00 &amp; P13,793.00 -This was reflected on December 2012 Statement of Payables but there was an error in forwarding the balance. This was corrected in November 2013 trial balance.</p> <p>Region XIV P28,396.00 – Recorded for the month of April, 2013.</p> <p>Region VI We have recovered/located initial documents to support the unadjusted accounts of P1.123Million and still verifying the validity and reliability of those documents in order to support and adjust balance presented in our financial statements. (Ongoing verification of documents recovered)</p> <p>ZRC Sent demand letters to concerned officials and employees.</p>	<p>Region IX Accounting Unit</p> <p>Region XIV Accounting Unit</p> <p>Region VI Accounting Unit</p> <p>ZRC Accounting Unit</p>		<p>Full</p> <p>Full</p> <p>Partial</p> <p>Partial</p>	
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<p><b>B. Unexpended balances of fund transfers for special projects amounting to P3.339 million not returned to the source agencies</b></p> <p><b>5.10</b> This is a reiteration of prior year's audit observation.</p> <p><b>5.11</b> COA Circular No. 94-013 dated December 13, 1994 prescribes the rules and regulations in the grant, utilization and liquidations of funds transferred to implementing agency and provides that the implementing agency shall return to the source agency any unused balance upon completion of the project.</p> <p><b>5.12</b> PCA received funds from various national government agencies (NGAs) and international agency for implementation of special projects by virtue of Memorandum of Agreement (MOA)/Letter of Agreement (LOA). The MOA/LOA also provides, among others, that any unspent funds upon completion of the project will be returned to the source agency. As of December 31, 2012, there were 29 projects composed of seven and 22 accounts funded by international agency and NGAs with outstanding unexpended balances of P554,420 and P2,784,574, respectively, or in the total amount of P3,338,994 which had been outstanding from two to five years. Since the accounts had not been moving and there were no disbursements for the last five years, these are the indication that the projects had already been completed.</p> <p><b>5.13</b> Also, the unexpended balance included the amount of P1,084,663 pertaining to fund transfer from National Agricultural and Fishery Council (NAFC) amounting to P4,009,525 covered by MOA dated December 15, 2000 for the implementation of the Loay Coconut Husk Processing Project (LCHPP) at Loay, Bohol. The balance of P1,084,663 which had been outstanding since CY 2008 was net of P1,909,600 released to a private corporation pursuant to a Technology Development Cooperation Agreement entered on August 28, 2001 to establish the pilot coir processing plant at PCA Alaminos, Laguna prior to the establishment of the LCHPP. Notice of Suspension (NS) No. 02-09-503(01) was issued on June 17, 2002, requiring submission of: (a) registration of the technology developed at the Philippine Patent Office; (b) certificate of accreditation by PCA; (c) accounting manual designed for the project as required in the MOA; (d) authority of Deputy Administrator to request the change in the original strategy in the implementation of LCHPP; and (e) certification from LGU concerned attesting to the credibility and capability of the officers and staff of the private corporation. Review of available records, however, revealed that there was only partial</p>	<p><b>5.15 We reiterated our recommendation that Management return to the concerned NGAs and to the international agency the total amount of P3.339 million representing the unexpended balance of project funds pursuant to COA Circular No. 94-013 and MOA/LOA. Also, we recommended that Management submit explanation/justification why there was only partial compliance with the aforementioned NS, otherwise the transactions would be disallowed in audit.</b></p>	<p>Central Office There was a partial remittance made in the amount of P38,459.86 to the Department of Agriculture for the following projects:</p> <p>DA-Augmentation Fund P14,747.23 DA-Grains Enhancement Program P8,956.70 DA-Agri-Makamasa Program P14,755.93</p>	<p>Central Office Accounting Div.</p>		<p>Partial</p>	
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<p>compliance made on the said requirements under the NS.</p>						
<p><b>5. Non-submission to the Accounting Section of documents which serves as basis in recording in the books of accounts the issuance/distribution of salt fertilizers amounting to Php 13.522 million and the non-recognition/booking of undistributed agricultural supplies amounting to Php 1.543 million resulted in the net overstatement of the Agricultural and Marine Supplies Inventory account by Php 11.979 million at year end.</b></p> <p><b>5.1</b> Section 8 of PCA Memorandum Circular No. 06 dated January 9, 2012 provides that:</p> <p style="padding-left: 40px;">“all fertilizer purchases by PCA shall be recorded and accounted for in the PCA book of accounts, following the prescribed accounting entries. For proper accounting of fertilizer delivery, the acceptance and subsequent application of fertilizers by the farmer-participants, the Regional Technical Staff shall furnish the CO through FSB, regional accounting and auditing units of the properly accomplished forms xxx.”</p> <p><b>5.2</b> The Master list of Farmer-participants and Acknowledgment Receipt and Certificate of Distribution of Agricultural Fertilizers (ARCDAF) are the documents required to support the delivery and acceptance of the farmer-beneficiaries of the salt fertilizers under Salt Fertilization Project (SFP). However, as of year-end, said documents were not yet submitted by the Regional Technical Staff of PCA Region XIII despite actual distribution of 45,382 bags of salt fertilizers with a total cost of P13,522,321 to the farmer-beneficiaries. Thus, the distribution was not recorded in the books.</p> <p><b>5.3</b> On the other hand, procurement in Region XII of agricultural supplies</p>	<p><b>5.5 We recommended that the:</b></p> <p><b>a. Regional Technical Staff of PCA Region XIII submit immediately the Masterlist of Farmer-participants and Acknowledgment Receipt and Certificate of Distribution of Agricultural Fertilizers to the Accounting Section; and Regional Accountant to record adjusting entries pertaining to the Agricultural</b></p>	<p>Region XIII Require the CDOs to immediately submit the acknowledgment receipts of the farmer-participants so the Technical Unit can collate and Accounting Unit can make the necessary adjustments in the books.</p>	<p>Region XIII Technical Staff CDOs Accounting Unit</p>		<p>Full</p>	

<p>amounting to P32,368,663, which consisted of fertilizers, coconut seedlings, coco seednuts and planting materials were recorded as an outright expense instead of inventory. The direct booking of purchases of these supplies as expense resulted in the non-recognition of undistributed agricultural supplies amounting to P1,543,750 as of December 31, 2012 under Agricultural and Marine Supplies Inventory account.</p> <p><b>5.4</b> In view of the above, the year-end balance of Agricultural and Marine Supplies Inventory account was overstated by P11,978,571. Validation and confirmation as to whether the intended beneficiaries actually received the agricultural supplies could not be made due to the non-submission of the required documents.</p>	<p><b>and Marine Supplies Inventory- Fertilizer account upon receipt of the said documents; and</b></p> <p><b>b. Accounting Section of PCA Region XII records the procurement of agricultural supplies under the appropriate Inventory accounts instead of taking up the same as an outright expense.</b></p>	<p>Region XII Recommendation well taken, proper procurement recording will be kept; For the P1,543,750.00 agricultural supplies inventory balance, adjustment had already been made.</p>	<p>Region XII Accounting Unit</p>		<p>Full</p>	
<p><b>6. Bank reconciliation statements were either not prepared or not submitted on time and unreleased/stale checks were not restored to Cash in Bank account at year-end, thereby affecting the reliability of the Cash in Bank account of Php 721.320 million.</b></p> <p><b>A. Bank reconciliation statements were either not prepared or submitted late by three regional offices and one research center</b></p> <p><b>7.1</b> This is a reiteration of prior year's audit observation.</p> <p><b>7.2</b> Section 74 of Presidential Decree (PD) No. 1445 requires that:</p>	<p><b>7.13 We reiterated our recommendations that the Accounting</b></p>					

“at the close of the month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”

**7.3** The bank reconciliation statement (BRS) is an indispensable tool in the audit of cash to ascertain that government funds are adequately safeguarded against possible misappropriation, as well as to determine that the highest standards of honesty, objectivity and consistency are observed by the accountable officers in keeping the accounts of the agency as safeguard against inaccurate or misleading information.

**7.4** During CY 2012, three regional offices and a research center neither prepared nor submitted on time the BRS, thus the accuracy and existence of the year-end balance of their Cash in Bank Local Currency – Current account of P96,831,442 could not be ascertained, summarized in Table 13.

**Table 13. Year-end balances of Cash in Bank Local Currency – Current accounts**

Region / Center	Year-end balance
Albay Research Center (ARC)	P13,070,403
Region VI	11,051,893
Region VII	57,763,646
Region IX	14,945,500
<b>Total</b>	<b>P96,831,442</b>

**7.5** In ARC, the latest BRS prepared was for the month of May 2012 as they were not able to obtain the bank statements on time. However, Cashier’s records and the Accountant’s records were reconciled monthly to ensure correct balance of the cash in bank.

**7.6** In Region VI, the latest BRS submitted were for CY 2011. The Accounting personnel had been rendering overtime to update the preparation and submission of BRS, however, as of audit date, there were no BRS prepared and submitted. Meanwhile, interview with the Accountant revealed that the year-end balance of the

**Section of the concerned regional offices:**

**a. Prepare and submit monthly BRS within the prescribed period to ensure the correct and accurate year-end balance of Cash in Bank account; and**

**b. Request the depository bank to provide the agency with the copy of the bank statements within five days after the end of the month, and request electronic copies (snapshots) of transactions of the bank accounts to**

ARC  
We already requested for a monthly electronic copies (snapshots) of transactions of the bank accounts. (Complied)

Region VI  
a. We already prepared submitted and furnished copies of our monthly bank

ARC  
Accounting Unit  
Cashier

Region VI  
Accounting Unit

Full

Full

<p>Cash in Bank account included the amount of P8,000,000 for the purchase of agricultural grade salt fertilizers, coconut seedlings and other agricultural crops for the intercropping program of PCA, implemented through the Priority Development Assistance Fund of a certain member of the House of Representatives for Livelihood Assistance Project for coconut farmers of Region VI.</p> <p><b>7.7</b> In Region VII, the late preparation and submission of BRS ranged from 19 to 113 days. The latest BRS prepared and submitted to COA as of October 19, 2012 was for the month of August 2012. The Accountant explained that the cause of the delay in the preparation of the BRS was the delay of the depository bank to provide the agency with the monthly bank statements.</p> <p><b>7.8</b> In Region IX, the latest BRS prepared was for the month of December 2009. The Accountant explained that BRS were not prepared due to huge volume of transactions in the Accounting Section where he is only the personnel assigned thereat.</p>	<p><b>facilitate the preparation of the monthly BRS.</b></p>	<p>reconciliation statements to RO- COA.</p> <p>b. At the end of each month, the agency didn't fail to request the depository bank for the copy of bank statements and electronic copies (snapshot) of transactions of our bank accounts to facilitate the preparation of our BRS but the agency were receiving those monthly bank statements after two (2) months.</p> <p>Region VII Our application to the WeAccess facility was already submitted and processed through which we can have ready access to our bank statement to facilitate the timely preparation of the Bank Reconciliation Statements. (Partially implemented – We are still coordinating with LBP since we had encountered technical error in logging-in to the facility.</p> <p>Region IX Fast Tract Compliance, especially on Months free from programs and projects that necessitate issuances of voluminous checks. Monthly</p>	<p>Region VII Cashier Accounting Unit</p> <p>Region IX</p>		<p>Partial</p> <p>Full</p>	<p>Still coordinating with LBP since we had encountered technical</p>
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<p><b>B. Non-restoration of unreleased checks and stale checks at year-end in the Central Office</b></p> <p><b>7.9</b> Section 2.4 of COA GAFMIS Circular Letter No. 2002-001 dated December 16, 2002 provides that, at the end of the year, a Journal Entry Voucher (JEV) shall be prepared to record the entry for the restoration of the cash equivalent to the unreleased checks and recognition of the appropriate payable/liability accounts.</p> <p><b>7.10</b> As of December 31, 2012, the balance of the Central Office Cash in Bank, Local Currency - Current account was P313,153,567. Of this amount, P7,767,787 were reported as outstanding checks in the bank reconciliation statement for the month of December 2012. Review of records revealed that there were checks issued between July to December 2012 in the aggregate value of P672,798 which were not yet claimed by or released to payees as of December 31, 2012. Moreover, stale checks in the total amount of P5,472 were still included in the list of outstanding checks reported in the bank reconciliation statement for the month of December 2012. The total unreleased checks and stale checks of P678,270 represented 8.73 per cent of the total outstanding checks as of year-end.</p> <p><b>7.11</b> Management explained that no adjustment had been made on the unreleased checks at year-end as these were expected to be claimed on the subsequent month (January 2013). As to the stale checks, accordingly, these were cancelled in February 2013.</p> <p><b>7.12</b> Non-restoration to the cash in bank and the corresponding liability accounts of the aforementioned unreleased checks, as well as stale checks in the total amount of P678,270 consequently understated the said accounts by the same amount.</p>	<p><b>7.14 We recommended that, henceforth, Management restore the cash equivalent of the unreleased checks at the end of the year to the corresponding cash in bank account pursuant to COA GAFMIS Circular Letter No. 2002-001.</b></p>	<p>preparation of BRS within the prescribed period will be strictly complied with.(BRS is now updated)</p> <p>Central Office Attached (Annex B) is the letter to the COA Supervising Auditor responding to AOM No. 2013-004 (2012) dated Apr. 5, 2013 regarding unreleased and stale checks in the total amount of P678,269.94.</p> <p>Management did not agree that non-restoration of the unreleased checks is erroneous as of the balance sheet date for the following reasons:</p> <ol style="list-style-type: none"> <li>1. Most of the checks issued were dated December 2012 which under bank rules, has not met the six (6) months period before it can be declared stale;</li> <li>2. Most of the checks issued prior to December 2012 (from July to December 2012) were already claimed during the period January 20, 2013 to February, 2013;</li> <li>3. The Authority does not adopt the Modified Disbursement</li> </ol>	<p>Central Office Accounting Div.</p>		<p>Not implemented</p>	<p>See attached Annex B</p>
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		<p>Scheme where unclaimed checks as of end of fiscal year are automatically reverted to the account of the Treasurer of the Philippines; and</p> <p>4. These payments are valid claims, hence could not understate the cash in bank and liability accounts.</p> <p>As to unreleased checks issued from July to November 2012, only the check issued to University of Asia and Pacific which to date remains unclaimed has been cancelled and such cancellation has been then taken up in the books per JEV#503-1301-052. One check issued to Chemline Scientific Corp., in the amount of P530.00 dated July 5, 2012 was already cancelled, but upon the request of end-user, this was replaced because the items procured were already delivered. The cancelled check of P530.00 was already taken up in the books per JEV#503-1302-101.</p> <p>Of the P5,472.37 stale checks which were already released to payees but which remain outstanding as of balance sheet dated, we confirm that there was an oversight on the part of</p>				
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		Accounting Division since these were only cancelled on February 2013 per JEV#503-1302-101 and March 2013 per JEV#503-1303-109. In our opinion, only a minimal amount is involved, and does not materially affect the balance sheet balances.				
<p><b>8. Collections were remitted late by three regional offices and six provincial offices to Central Office, respectively, while collections of two regional offices were not deposited intact and daily, contrary to PCA and COA existing rules and regulations.</b></p> <p><b>8.1</b> Section 69 of PD No. 1445 states that:</p> <p>“Public officers authorized to receive and collect moneys arising from taxes, revenues, or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the treasury of the agency concerned and credited to the particular accounts to which the said moneys belong.”</p> <p><b>8.2</b> Likewise, Memorandum dated January 29, 2007 of the Deputy Administrator, Corporate Services Branch, PCA prescribed the procedures of remittance by regional offices/centers to Central Office. The remittance of all collections shall be in the form of check drawn against the account of regional offices/centers in favor of Central Office duly supported with Invoice Receipt for Fund. The remittance shall be made at least once a month.</p> <p><b>8.3</b> Further, Section 34 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 8048 (Coconut Preservation Act of 1995) states that:</p> <p>“All fees herein collected by the PCA Provincial Coconut Development Managers (PCDMs) shall immediately be deposited with the nearest Landbank of the Philippines branch or other government depository bank in their area of responsibility and shall be remitted to the PCA Regional Office for proper accounting thereof</p>	<p><b>8.8 We recommended that Management:</b></p> <p><b>a. Monitor collections and remittances of the regional offices to ensure that collections are deposited intact and remitted on a timely manner to Central Office pursuant to Memorandum dated January 29, 2007 of the Deputy Administrator, Corporate Services Branch, PCA; and</b></p>	<p>Region IV-A</p> <p>The Management is now strictly monitoring the collections and remittances of the region to ensure that the collections are deposited intact and remitted on a timely manner to Central Office pursuant to Memorandum dated January 29, 2007 of the Deputy Administrator-CSB.</p> <p>We have already required the concerned provincial offices to deposit its collections intact daily and remit the same timely to the regional office pursuant to Sec. 69 of PD 1445 and IRR of RA8048 to avoid loss/misuse of funds.</p> <p>To date, the region is religiously complying with the remittance of collection on time.</p> <p>Region VI</p> <p>a. Collections and remittances of Provincial Offices were monitored and copies of</p>	Region IV-A		Full	
			Region VI Cashier PCDMs Accounting Unit		Full	

in accordance with existing COA rules and regulations.”

**8.4** Test of collections from Daily Cash Position Report (DCPR) of the collecting officers for the period October 2012 to January 11, 2013 showed that collections from Regions IV-A, VI and XIII pertaining to prior years in the total amount of P7,662,349 were remitted late ranging from two months to four years to the Central Office, details are shown in Table 14.

**Table 14. Delayed remittance of collections by Regional Offices to Central Office**

Region	Date Remitted	Period of Collection	Amount	No. of years / months delay
IV-A	October 16, 2012	December 2007 to February 2012	P5,951,097	4 years and 7 months
VI	January 11, 2012	June 2012 to October 2012	932,043	2-6 months
XIII	December 3, 2012	June 2012 to August 2012	779,209	3-5 months
<b>Total</b>			<b>P7,662,349</b>	

**8.5** Also, remittances of the provincial offices of Regions IV-B and V to the regional offices were delayed contrary to the above-stated PCA regulations, discussed as follows:

a. In Region IV-B, collections of its 13 provincial offices for the month of December 2012 in the total amount of P662,792 were not deposited intact and remitted on time to the regional office account. Instead, savings accounts in the name of PCA were maintained by the accountable officers wherein their collections were temporarily deposited pending remittance to the regional office. As of December 31, 2012, the amount of cash collections still in the possession of these Accountable Officers amounted to P540,287; and

b. In Region V, collections in the total amount of P2,336,103 received by Provincial Coconut Development Managers (PCDMs) of the provincial offices were not remitted every 15 days to the regional office and the corresponding Reports of Collections and Deposits were not also submitted on time, thus,

**b. Require the concerned provincial offices to deposit their collections intact and daily to depository bank(s) and remit the same to regional office pursuant to Section 69 of PD No. 1445 and IRR of RA No. 8048.**

collections collected were updated.

b. The agency already required concerned provincial offices to remit and deposits its collections intact and shall immediately be remitted to PCA Regional Office for proper accounting.

c. Delayed remittances of collections were due to lack of personnel on accounting units. The agency was responsible for the said delay and asking an apology for that cause and the said amount were already remitted.

Region IV-B  
Savings accounts of provincial offices are already closed. Collections of provincial offices are deposited on-line to the account of the Regional Office. Cash books are already maintained by concerned accountable officers and given sample format for uniformity.

Region IV-B  
PCDMs  
Cashier  
Accounting Unit

Full

Region V  
a. Memorandum issued regarding collections & remittances to all concerned

Region V  
Regional Manager  
Accounting Unit  
PCDMs

Full

collections were not recorded in the books during the months these were collected. The late remittance ranged from two to 86 days as shown in Table 15.

**Table 15. Delayed remittances of Region V provincial offices**

<b>Provinces</b>	<b>Amount</b>
Albay	P 190,173
Camarines Norte	495,525
Camarines Sur I	531,585
Camarines Sur II	115,450
Catanduanes	186,495
Masbate	816,875
<b>Total</b>	<b>P2,336,103</b>

**8.6** Further, collections of the provincial offices of Regions VII and XIII were not deposited intact and daily to authorized depository bank(s) contrary to Section 69 of PD No. 1445.

**8.7** The above-cited practices pose risk of possible loss and/or misuse of the undeposited/unremitted funds and the likelihood of understatement of income in the books of accounts as at year-end. The delay in remittance consequently deprived Management of funds, which should had been already available for use in operations.

accountable offices/provincial offices have been implemented.

b. Deposit of collections and remittances of the same are complied with pursuant to PD 1445 and IRR 8048.

**Region VII**  
The concerned provincial offices were required to deposit the collections intact and daily whenever feasible and practical. This had been complied with by the provincial offices except for the Ubay seedgarden where collections are deposited at least once a week considering the distance of the depository bank from the seedgarden.

Region VII  
PCDMs  
Cashier

Full

**Region XIII**  
The Regional Office through a memorandum to the PCDMs should establish a time frame for collection to deposit and reporting to submission of IRFs

Region XIII  
PCDMs

Full

**8. Shares of the municipalities/barangays in the permit fees of P1.506 million remained unremitted by Region V contrary to RA 8048, thus depriving the**

**9.6 We recommended that the:**

<p><b>concerned LGUs from using the funds for the intended purpose.</b></p> <p><b>9.1</b> Section 5 of RA No. 8048 states that:</p> <p>“no coconut tree or trees shall be cut unless a permit therefore, upon due application being made, has been issued by the PCA pursuant to Section 6 of this Act. The applicant shall pay an application fee in the amount of Twenty-five Pesos (P25.00) for every tree intended to be cut payable to the PCA. Ten Pesos (P10.00) of the fee shall accrue in favor of the PCA, Ten Pesos (P10.00) shall accrue in favor of the municipal government concerned, and Five Pesos (P5.00) in favor of the barangay unit concerned.</p> <p><b>9.2</b> Likewise, Section 34(c) of the Revised IRR of RA No. 8048, series of 2005 states that:</p> <p>“within three (3) months from receipt of remittances, the PCDM/Division Chief shall prepare the voucher in favor of the Municipal Treasurer of the local government unit for remittance of the share in the fees. The voucher and the check shall be approved and signed by the Regional Manager.”</p> <p><b>9.3</b> As of December 31, 2012, the Due to LGUs account of PCA Region V had a balance of P1,506,437 representing shares of the municipalities and barangays in the permit fees from every coconut tree cut amounting to P936,038 and P570,399, respectively. The shares of the Provinces of Camarines Sur II and Catanduanes for the period March 2012 to December 2012 were not remitted at all during the year. Also, remittances of the collections by the PCA Albay Provincial Office in December 2012 included remittances to the Municipalities of Sto. Domingo and Manito of P8,160 and P38,920, representing shares for the period 2002 to 2011 and 2007 to 2011, respectively.</p> <p><b>9.4</b> The purposes of the permit to cut fees are for the PCA's replanting program and for the repair and rehabilitation of roads of the respective LGUs damaged by the continuous passage of heavy vehicles used for transporting coconut lumber and therefore, the share of the LGUs concerned in the permit fees should have been remitted on time so they could use the funds for the intended purpose.</p>	<p><b>a. Accounting Section of Region V prepare a monthly schedule of the collections on permit fees to cut coconut to facilitate computation of the share of the LGUs concerned and effect immediately remittance thereof; and</b></p> <p><b>b. Concerned Division Chiefs of the Provincial Offices of Region V coordinate with the Accounting Section for timely remittance of the share of the LGUs pursuant to Section 34(c) of the IRR of</b></p>	<p>Region V</p> <p>a. Remittances to LGU shares on-going</p> <p>b. Schedules are being prepared by the Accounting Section in coordination with the Division Chief/OIC as basis for remittance.</p>	<p>Region V Accounting Unit</p>		<p>Full</p>	
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<p><b>9.5</b> The Officer-in-Charge (OIC)-Regional Manager of Region V commented that the Accounting Section will prepare the monthly schedule of the collections on permit fees as the basis for the computation of the shares of the concerned municipalities/barangays. They commented further that the Division Chiefs/OICs will be directed to coordinate with the Accounting Section for the timely remittance of the municipal and barangay shares.</p>	<p><b>RA No. 8048.</b></p>					
<p><b>9. Procurement of coconut seed nuts totalling P32.125 million was made thru shopping instead of public bidding, while the issuance of Reimbursement Expense Receipts instead of Official Receipts in the procurement of the same resulted in the splitting of payments, contrary to Sections 10 and 54.1 of Republic Act (RA) No. 9184 and COA Circular No. 76-41, respectively.</b></p> <p><b>A. Procurement made through shopping instead of public bidding</b></p> <p><b>9.1</b> Section 10 of RA No. 9184 states that:</p> <p>“All procurement shall be done through Competitive Bidding, except as provided for in Article XVI of this Act.”</p> <p><b>9.2</b> Also, Section 52.1 of RA No. 9184 allows procurement of goods thru shopping mode, only in any of the following cases:</p> <p>“a. When there is an unforeseen contingency requiring immediate purchase: Provided, however, That the amount shall not exceed One Hundred Thousand Pesos (P100,000.00) for GOCCs.</p> <p>b. Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding Five Hundred Thousand Pesos (P500,000.00) for GOCCs.”</p> <p><b>9.3</b> The Coconut Seedlings Dispersal Project (CSDP) is implemented in support of the Accelerated Coconut Planting and Replanting Project which aimed at making readily available the good quality seedlings to the coconut farmers and would-be</p>	<p><b>9.5 We recommended that Management require regional/provincial offices to conduct public bidding in the procurement of coconut seed nuts/seedlings by region/province pursuant to Section 10 of RA No. 9184.</b></p>	<p>Region IV-A</p> <ol style="list-style-type: none"> <li>2) Requisition of coconut seednuts/seedlings were made by individual agriculturist for delivery to different beneficiaries in the barangays;</li> <li>3) The price of coconut seednuts/seedlings varies depending on the prevailing market price and the location of farm source;</li> <li>4) Drop-off points (irregular terrain, accessibility of transportation facilities) affects the varying prices of the materials procured with the same supplier/dealer; and</li> <li>5) The availability of good quality seednuts/seedlings also affects its prices.</li> </ol>	<p>Region IV-A Regional Manager Regional BAC</p>		<p>Full</p>	

coconut farmers. The project is also implemented to cater to the demands for coconut seedlings by non-governmental organizations, some sector-local government units, and other government agencies in many parts of the country.

**9.4** During CY 2012, procurement of coconut seed nuts/seedlings under CSDP amounting to P32.125 million was made by four regional offices through shopping instead of public bidding, as shown in Table 16. Provincial offices conducted canvassing of at least three coconut seed nuts suppliers/producers in the locality. Region XIII emphasized that the price of each seed nut should not exceed P13.00 (P12.00/seed nut and P1.00 transportation cost).

**Table 16. Procurement of seednuts/seedlings under CSDP**

<b>Region</b>	<b>Amount</b>
Region IV-A	P 5,818,943
Region IV-B	15,607,318
Region X	1,401,353
Region XIII	9,297,150
<b>Total</b>	<b>P32,124,764</b>

**B. Issuance of Reimbursement Expense Receipts (RERs) resulted in the splitting of payments**

**10.1** Section 54.1 of RA No. 9184 states that:

“Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GOP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR-A, especially the necessity of public bidding and the requirements for the alternative methods of procurement.”

**10.2** Also, COA Circular No. 76-41 dated July 30, 1976 prohibits splitting of payments involving procurement of equipment, supplies and materials.

**10.6 We recommended that Management require concerned regional/provincial offices to:**

- a. Avoid splitting of payments pursuant to Section 54.1 of RA No. 9184 and COA**

Region IV-B  
The 2<sup>nd</sup> year implementation (CY 2013) of the Coconut Seednuts/Seedlings Dispersal Project (CSDP) wherein the R.O. already conducted public bidding in the procurement of seedlings for Phase 1 and 2. PCA also entered into a Memorandum of Undertaking (MOU) with state universities, colleges and LGUs to supply seedlings under this project.

Region XIII  
Public bidding as method of procurement should be used whenever appropriate.

Region IV-B  
Regional BAC  
Regional Manager

Region XIII  
Regional Manager  
Regional BAC

Full

Full

<p><b>10.3</b> Meanwhile, Section 14.4 of PCA Memorandum Circular No. 02, series of 2012, re: Guidelines on the Implementation of the Coconut Seedlings Dispersal Project, provides that:</p> <p style="padding-left: 40px;">“considering that the seed nuts/seedlings producers and suppliers are not actually business entities required by the Bureau of Internal Revenue (BIR) to issue the official receipts, the RER shall be acceptable for disbursements as per COA Circular No. 2004-006 dated September 9, 2004.”</p> <p><b>10.4</b> Further, maximum ceiling amount of purchase was set at P12,000 per supplier.</p> <p><b>10.5</b> PCA Region IV-A purchased coco seed nuts and seedlings from same suppliers in several transactions but for the same period instead of consolidating the same in one single procurement, thus causing different prices ranging from P10 to P15 and P13 to P27 per coco seed nuts and seedlings, respectively. On the other hand, PCA Region IV-B procured 1,292,814 seed nuts in the total amount of P15,607,318 for CY 2012. Pursuant to the aforementioned PCA Memorandum Circular, payments to the suppliers of the seed nuts were supported only by the issuance of RER. Moreover, to ensure that each purchase would qualify for the P12,000 maximum ceiling, splitting of payments was observed in Regions IV-A and Region IV-B, particularly in the provinces of Palawan and Romblon for the procurement of 493,196 seed nuts/seedlings with a total cost of P6,207,203. Details are shown in Table 17.</p> <p style="text-align: center;"><b>Table 17. Summary of splitting of payments</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Date</th> <th style="text-align: center;">Supplier No. / P.O. No.</th> <th style="text-align: center;">Quantity (in pieces)</th> <th style="text-align: center;">Amount</th> <th style="text-align: center;">Frequency of payment splitting</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Region IV-A</b></td> </tr> <tr> <td colspan="5"><b>A. Coco seed nuts</b></td> </tr> <tr> <td></td> <td style="text-align: center;">1</td> <td style="text-align: right;">74,400</td> <td style="text-align: right;">P940,200</td> <td style="text-align: center;">22</td> </tr> <tr> <td></td> <td style="text-align: center;">2</td> <td style="text-align: right;">2,250</td> <td style="text-align: right;">29,250</td> <td style="text-align: center;">3</td> </tr> <tr> <td></td> <td style="text-align: center;">3</td> <td style="text-align: right;">15,364</td> <td style="text-align: right;">206,460</td> <td style="text-align: center;">5</td> </tr> <tr> <td></td> <td style="text-align: center;">4</td> <td style="text-align: right;">1,420</td> <td style="text-align: right;">14,200</td> <td style="text-align: center;">2</td> </tr> <tr> <td></td> <td style="text-align: center;">5</td> <td style="text-align: right;">46,000</td> <td style="text-align: right;">477,400</td> <td style="text-align: center;">4</td> </tr> <tr> <td></td> <td style="text-align: center;">6</td> <td style="text-align: right;">1,370</td> <td style="text-align: right;">13,700</td> <td style="text-align: center;">2</td> </tr> </tbody> </table>	Date	Supplier No. / P.O. No.	Quantity (in pieces)	Amount	Frequency of payment splitting	<b>Region IV-A</b>					<b>A. Coco seed nuts</b>						1	74,400	P940,200	22		2	2,250	29,250	3		3	15,364	206,460	5		4	1,420	14,200	2		5	46,000	477,400	4		6	1,370	13,700	2	<p><b>Circular No. 76-41; and</b></p> <p><b>b. Discontinue the practice of allowing the use of RER as proof of acknowledgment of payment of seed nuts particularly in huge amount of purchases and demand official receipts from the suppliers.</b></p>	<p>Region IV-A The Management accepted the RER considering that some of the seednuts/seedlings were purchased from the local producers and suppliers who were not actually business entities required by the BIR to issue the OR. But to avoid the same case in the future, the Management will make sure that the winning suppliers for the good quality seednuts/seedlings are considered business entities as required by the BIR and will issue the Official Receipts instead of using RER if the amount is more than P12,000.00.</p> <p>Region IV-B The procurement of seedlings was under public bidding and MOU with state universities, colleges and LGUs wherein they</p>	<p>Region IV-A Regional Manager Accounting Unit</p> <p>Region IV-B Regional Manager Accounting Unit</p>	<p>Full</p> <p>Full</p>	
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	5	46,000	477,400	4																																														
	6	1,370	13,700	2																																														

7		42,585	476,525	8	<p>are business entities and can issue official receipts and other invoices registered at BIR.</p> <p>Region X</p> <p>a) Procurement of coconut seednuts under CSDP were made in accordance with the guidelines under MC No. 02 series of 2012 dated Jan. 9, 2012 particularly on 13.2.1 wherein procurement was done at the Municipal level and Memo dated March 16, 2012.</p> <p>BAC Resolution attached to the Disbursement Voucher includes the existence of the following conditions to justify the Small Value Procurement to wit:</p> <ul style="list-style-type: none"> <li>• Minutes of the BAC meeting as evidence to support the conclusion that public bidding cannot be ultimately pursued.</li> <li>• Conclusion that the amounts involved are within the threshold provided in the Small Value Procurement under the Revised IRR of RA 9184.</li> <li>• BAC Resolution recommending the alternative method of procurement, Small</li> </ul>	<p>Region X</p> <p>Regional Manager</p> <p>Regional BAC</p> <p>Accounting Unit</p> <p>Cashier</p>	<p>Full</p>
8		12,750	161,250	2			
9		79,682	1,009,980	19			
10		2,250	29,250	3			
11		36,500	465,500	3			
12		7,500	97,500	10			
13		2,200	25,400	3			
14		56,875	718,863	22			
15		3,000	39,000	2			
<b>Sub-total</b>		<b>384,146</b>	<b>4,704,478</b>				
<b>B. Coco seed seedlings</b>							
16		3,600	46,800				
17		12,000	324,000				
<b>Sub-total</b>		<b>15,600</b>	<b>370,800</b>				
<b>Region IV-B</b>							
<b>Palawan</b>							
06/21/12	2012-06-020a	21,550	269,375	23			
07/05/12	2012-07-034	7,500	93,750	8			
06/21/12	2012-06-024	19,000	228,000	19			
06/21/12	2012-06-023	5,250	63,000	6			
06/22/12	2012-06-016a	4,000	48,000	4			
06/23/12	2012-06-026	5,000	77,500	7			
07/02/12	2012-07-026a	5,500	71,500	6			
07/05/12	2012-07-016c	12,150	145,800	8			
<b>Sub-total</b>		<b>79,950</b>	<b>996,925</b>				
<b>Romblon</b>							
06/01/12	2012-06-003	7,500	75,000	8			
06/07/12	2012-06-005	6,000	60,000	6			
<b>Sub-total</b>		<b>13,500</b>	<b>135,000</b>				

		Value Procurement approved by HOPE.														
		b) Supplier of Coco seednuts are accredited/registered with PCA-10 and are non-established dealers since these are not their regular business, hence Acknowledgment Receipt were issued upon receipt of payment of seednuts instead of RER and/or Official Receipts.														
<p><b>10. Nursery of seed nuts/seedlings under the Coconut Seedlings Dispersal Project (CSDP) was neither well maintained nor established.</b></p> <p><b>12.1</b> Section 9.1 of Memorandum Circular No. 02 dated January 9, 2012 provides that:</p> <p>“as a general strategy, a communal nursery shall be established in every municipality or if needed in the different barangays where seed nuts shall be propagated for a period of 4 to 6 months. xxx”</p> <p><b>12.2</b> Section 9.2 also of the said Memorandum Circular provides that:</p> <p>“in areas covered by DA-DSWD-PCA project, it shall be the responsibility of the PCA to establish and maintain the nursery. xxx.”</p> <p><b>12.3</b> The required nurseries for propagation of seed nuts/seedlings under CSDP were not well maintained and not established in seven provinces/municipalities of Region X and three provincial offices of Region XIII, respectively, as shown in Table 18.</p> <p style="text-align: center;"><b>Table 18. List of Nurseries which were neither well-maintained nor established</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Region</th> <th style="text-align: center;">Provinces / municipalities</th> <th style="text-align: center;">No. of seednuts</th> <th style="text-align: center;">Amount</th> <th style="text-align: center;">Nursery Condition</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;">Sapad, Lanao del Norte</td> <td style="text-align: center;">2,500</td> <td style="text-align: center;">P32,500</td> <td>Nursery was exposed and not well maintained, hence susceptible to pilferage. Seed</td> </tr> </tbody> </table>	Region	Provinces / municipalities	No. of seednuts	Amount	Nursery Condition	X	Sapad, Lanao del Norte	2,500	P32,500	Nursery was exposed and not well maintained, hence susceptible to pilferage. Seed	<p><b>12.5 We recommended that Management require the concerned CDOs to comply strictly with the provisions of Sections 9.1 and 9.2 of Memorandum Circular No. 02, series of 2012, on the proper establishment and management of nurseries.</b></p> <p><u>1.Sapad Nursery, Lanao del Norte:</u> Nursery is open to the public, not well maintained, exposing to possible theft and pilferage. Seednut were not covered with soil to hasten the germination.</p>	<p>Region X The nursery site is owned by the Brgy. Chairman whose residence is just adjacent to the nursery and other residents that live there are her close relatives, thus pilferage and possible theft is quite impossible. Seednuts were taken care of by the Brgy. Chairman after the visit of the auditor and germination rate still conforms with the germination rate of coconut dwarf variety.</p> <p>During the visit of the audit team the 2,500 seednuts are already properly sown in the seedbeds and that prior to the vist of COA Audit Team, a team from Regional Office and Central Office has already visited the area. The nursery site in Brgy. Butadon was recommended by LGU/DA of Kapatagan, Lanao</p>	Region X Concerned PCDMs, CDOs		Full	
Region	Provinces / municipalities	No. of seednuts	Amount	Nursery Condition												
X	Sapad, Lanao del Norte	2,500	P32,500	Nursery was exposed and not well maintained, hence susceptible to pilferage. Seed												

			nuts were not covered with soil.						
	Butanon, Lanao del Norte	2,500	32,500	Coco seednuts were scattered not in the nursery site but stored in a densely-populated area instead of in a nursery, hence, susceptible to pilferage. The LGU seemed to have no concern over the preservation and protection of seed nuts.	<u>2. Butadon Nursery, Lanao del Norte-</u> coco seednuts were scattered not in the nursery site but in a densely populated area susceptible to theft. The LGU seem to have no concern over the preservation and protection of the coco seed nuts.	del Norte and 3 of their Job Order personnel oversee the area since it is also the site of DA projects.			
	Buko, Kinuguitan	1,500	19,500	Nurseries were not well-maintained while seed nuts were not covered with soil.	<u>3. Buko, Kinuguitan Nursery-</u> Nurseries not well maintain, seed nuts covered with soil	After the visit of the Audit Team the seednuts were re-set by caretaker and covered with soil.			
	St. Ana, Tagoloan, Misamis Oriental	1,750	22,750	Coco seed nuts, which were scattered not in the nursery but in the backyard of a house, were not plotted.	<u>4. Sta. Ana, Tagoloan, Mis. Or.-</u>	During the field inspection of the Audit Team, the nursery is still being prepared as the seednuts were delivered 2-5 days prior to the inspection. As of to date the Sta. Ana nursery has been fenced already.			
	Poblacion, Alubijid	9,000	99,000	Clearing of the identified nursery in front of the Municipal Hall was still on going. Coco seed nuts were scattered on the grass and not yet plotted.	<u>Coco Seednuts were scattered in the backyard of the house instead of the nursery. Not plotted thus, there was difficulty in counting.</u>	During the field inspection of the Audit Team, the nursery is still being prepared as the seednuts were delivered 2-5 days prior to the inspection. As of to date the only 3 sides were fenced, except the side fronting PNP station.			
	San Isidro, Alae, Misamis Oriental	2,500	27,300	Uneven germination of coco seed nuts. Nursery was located in a grassy area.		After the visit of the Audit Team, the nurseries were cleaned and maintained by the groups, and the lacking 88 pcs. Seednuts were already delivered by PCA-BAFC which was the supplier of the seednuts.			
	Kidapawan, Kibawe, Bukidnon	2,400	31,200	Nursery full of weeds and partially plotted.	<u>5. Poblacion Alubijid, Mis. Or.-</u>	After the visit of the Audit Team, the nurseries were cleaned and maintained by the group.			
	<b>Sub-total</b>	<b>22,150</b>	<b>P264,750</b>						
XIII	Agusan del Sur	700		Nurseries not established					

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Surigao del Norte</td> <td style="width: 20%; text-align: center;">3,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Surigao del Sur</td> <td style="text-align: center;">1,500</td> <td></td> </tr> <tr> <td><b>Sub-total</b></td> <td style="text-align: center;"><b>5,200</b></td> <td></td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>27,350</b></td> <td style="text-align: center;"><b>P264,750</b></td> </tr> </table> <p><b>12.4</b> The non-establishment of nurseries resulted in the distribution of seed nuts directly to the farmer-beneficiaries, thereby inappropriately bestowing to them the primary responsibility of seed nuts propagation, which should have been done by the Coconut Development Officers (CDOs). The seed nuts were just laid and dumped underneath the houses of the farmer-beneficiaries. This condition further runs the risk of not generating good quality coconut seedlings, decreasing its actual germination rate, and exposure to theft and pilferage.</p>	Surigao del Norte	3,000		Surigao del Sur	1,500		<b>Sub-total</b>	<b>5,200</b>		<b>Total</b>	<b>27,350</b>	<b>P264,750</b>	<p>grass and not yet plotted.</p> <p><u>6.San Isidro, Alae, Bukidnon-</u> Uneven germination of coco seed nuts. Nursery is located in the grassy area, thus there was difficulty in counting.</p> <p><u>7.Kidapawan, Kibawe, Bukidnon-</u> Nursery is full of weeds and partially plotted.</p>	<p>Region XIII Instructed CDO to encourage farmer-beneficiaries to establish and maintain nurseries in accordance to proper establishment and management of nurseries as set upon by Memorandum Circular. (Fully implemented)</p>				
Surigao del Norte	3,000																	
Surigao del Sur	1,500																	
<b>Sub-total</b>	<b>5,200</b>																	
<b>Total</b>	<b>27,350</b>	<b>P264,750</b>																
<p><b>11. Test weighing of salt fertilizers delivered in the five provinces of Region X disclosed 20 bags were underweight or below the required weight per bag.</b></p> <p><b>11.1</b> The Guidelines on Salt Fertilization Project, particularly on the acceptance at the Provincial/Municipal Drop-Off Points provides:</p> <p style="padding-left: 40px;">“a. Once the fertilizers have been completely delivered, the authorized PCA representative shall subject the fertilizers for inspection according to the physical and technical specifications (color: off-white, physical appearance: dry, free flowing and free of lumps and net weight: 50 kgs.) as well as the quantity specified in the supply contract.</p> <p style="padding-left: 40px;">b. xxx</p> <p style="padding-left: 40px;">c. Any negative discrepancy particularly as to weight per bag and/or specifications should be sufficient ground for PCA representative not to sign inspection and acceptance report as well as the delivery receipt.”</p> <p><b>11.2</b> Inspection conducted on the deliveries of salt fertilizers under the Salt</p>	<p><b>11.4 We recommended that Management instruct the Division Chiefs of the provincial offices to weigh salt fertilizers delivered to their areas and submit report on the weighing results. Coordinate with the supplier on the noted deficiencies particularly on the quality of the stocks delivered as well as the deficiency in the packaging of salt fertilizers to avoid waste and spillages, and demand replacement of the</b></p>	<p>Region X The Regional Management have instructed the Division Chiefs to adhere strictly on the Guidelines on Salt Fertilization Project per Memorandum Circular No. 06 series of 2012 dated March 9, 2012 particularly on the acceptance at the provincial and/or Municipal drop-off points. Reports on deficiencies in salt fertilizer delivery were submitted to the regional management sometime in August and September 2012. Underweight bags of fertilizers were already replaced by the supplier.</p>	<p>Region X Regional Manager PCDMs</p>		Full													

Fertilization Project included test weighing. Results of test weighing of salt fertilizers delivered at the drop-off-points (DOPs) and obtained thru random sampling disclosed that of the 640 bags, 20 bags weighed below the required weight per bag of 50 kg. Details are shown in Table 19.

**Table 19. Results of random test weighing of deliveries of salt fertilizers**

DOPs	Random samples		Results of test-weighing			
	Cost of bags (in pesos)	No. of bags*	No. of under weighed bags	Average		Equivalent no. of under weighed bags
				Weight per bag	Under weighed bag	
Bukidnon	101,456	400	10	48.25	1.75	14
Kiburiao, Quezon, Bukidnon	60,873	240	10	47.40	2.60	12.48
<b>Total</b>	<b>162,329</b>	<b>640</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*@ required weight of 50 kilos per bag

**11.3** Also, busted bags of salt fertilizers were observed during inspection in almost all warehouses in the provinces of Bukidnon, Misamis Oriental and Camiguin. The appearance of some salt fertilizers in the busted bags seemed to be old stocks mixed with dust particles which added weight to the bag. It appeared then that the delivered salt fertilizers were mixed with new and old stocks and re-sacked in a sub-standard bag which would easily break during delivery. Further, other provinces did not observe weighing of the salt fertilizers. The Division Chief of PCA Camiguin commented that some of the stocks were already distributed to the farmers without weighing due to non-availability of the weighing machine. However, he committed to weigh, on sampling basis, the remaining stocks in the warehouses. These deficiencies if not addressed by Management may result to wastage of government funds and non-attainment of the objectives of program/project.

**underweight deliveries.**

**12. Payment of incentives was made to the farmers of Nueva Ecija and Romblon of P308, 000 and 31,360, respectively, despite not meeting the requirements prescribed under PCPP Guidelines.**

**13.7 We recommended that Management see to it that the necessary**

**13.1** Participatory Coconut Planting Project (PCPP) is implemented to sustain coconut planting and replanting of coconut farms to ensure long-term reliability of supply of coconut in the country. It promotes participatory and incentive-based system approach to encourage coconut farmers and would-be coconut farmers to plant more coconut trees. Participating farmers are tapped to source their own seedlings, sow and propagate them in their own nursery to produce good seedlings of at least two feet tall, and transplant them on the field following the PCA recommended good agricultural practices. It involves two phases as follows:

- a. Phase I - the Nursery Operations involves the establishment of nursery, seed nuts setting, seed nut germination and care and maintenance of seedling; and
- b. Phase II – the Transplanting of Seedlings involves field planting of seedlings produced in the nursery about three feet tall.

**13.2** Participating farmers were entitled from a minimum of 0.5 hectare to a maximum of five hectares of new or existing coconut lands for coconut planting and replanting. Also, the minimum amounts of incentives that the farmers would receive in any of the two phases are shown in Table 20.

**Table 20. Incentives of participating farmers under Phases I and II**

Phase	Quantity of Seedlings/Trees		Unit Cost	Total Amount	
	0.5 ha.	1.0 ha.		0.5 ha.	1.0 ha.
I	55	110	P14	P770	P1,540
II	50	100	16	800	1,600

**13.3** For CY 2012, total payment of incentives made by PCA Region IV-B to 5,832 coconut farmers under Phase I amounted to P12,142,816 which consisted of 873,014 two-feet tall seedlings at a cost of P14 per seedling. In the Province of Romblon, the amount of incentives paid to 16 farmers amounted to P49,980 for 3,570 seedlings. However, results of the inspections and evaluation conducted showed that of the 16 farmers, nine farmers who received P31,360 for 2,240 two feet tall seedlings did not pass the requirements on good agricultural practices and were not recommended for issuance of Certificate of Payment of Incentives.

**requirements are met by the farmer recipients before payments are made to them and conduct investigation to ascertain the validity of granting the incentives and submit a report on the result of the investigation to the Audit Team, as reference in audit.**

Region IV-B  
We will be more cautious in reviewing supporting documents and that provisions stated in the PCPP guidelines are met before payment.  
Based on the Coconut Planting Inspection and Evaluation Report

Region IV-B  
Regional Manager  
Accounting Unit  
PCDMs, CDOs

Full

<p><b>13.4</b> Also, 43 farmers from Laur, Nueva Ecija were paid incentives totalling P308,000 for 22,000 seedlings sown in a communal nursery located in Matawe, Dingalan, Aurora which is outside the locality of the farmers' farms located in the four barangays of Laur, Nueva Ecija as shown in Communal Nursery Inspection and Evaluation Report.</p> <p><b>13.5</b> As required under PCPP guidelines, the seed nuts should be reared in the nursery for about 4-6 months before they are transplanted and a good nursery should: (a) be open, level, and well-drained; (b) have light or loose-textured soil to facilitate nursery operations; (c) have a good source of light without the possibility of being flooded; (d) accessible to transportation; and (e) far from existing potential sources of pests and diseases. In addition, the nursery should be properly fenced to protect the seed nuts and seedlings from stray animals and others.</p> <p><b>13.6</b> Since the communal nursery was located far from the residence of the participating farmers, proper maintenance in raising and protecting the seedlings during the 4-6 months period from any form of destruction could not be provided by them which may result in waste of government funds and non-attainment of the goals of the PCPP.</p>		<p>on farmer-recipients of Laur, Nueva Ecija and Alcantara, Romblon showed that the seedlings stabilized are in accordance to good agricultural practices.</p>				
<p><b>13. Procurement of Security Services was not awarded to the lowest bidder which resulted in excessive payment of Php 0.963 million.</b></p> <p><b>14</b> This pertains to the Contract for Security Services entered into by and between Philippine Coconut Authority and a security provider for the period August 1, 2012 to December 31, 2012 or five month-period with a contract price of P12,745,835 for 178 security guards assigned in the Central Office and regional offices/centers.</p> <p><b>14</b> Review of the bidding documents showed that there were four security providers which submitted bid proposals. During opening of the bids conducted on February 29, 2012, the bid of one security provider was disqualified due to the non-payment of bid security. The contract was not awarded to the lowest bidder with a bid price of P11,782,550 but instead to the second lowest bidder with a contract price of P12,745,835 or a difference of P963,285. The difference represents the 10 per cent administrative fee which was computed based on contract price instead of the contract cost pursuant to Section 9(b) ii of Department of Labor and Employment (DOLE)</p>	<p><b>14 We recommended that Management observe strictly the following:</b></p> <p><b>a. DOLE Department Order No. 18-A, series of 2011 on the procurement of security services; and</b></p> <p><b>b. Procurement process not to exceed three</b></p>	<p>Central Office A Memorandum from DA Carpio dated October 03, 2012 (Annex C) was issued to COA citing the reasons why the procurement of security services was not awarded to the lowest bidder (RJCSIA) instead awarding it to the second lowest bidder (Stanch Security ). Also attached are the following documents for reference: (Annex C1) 1.Minutes dated 21 June 2012-10-08 2.BAC Resolution No. 004-2012 3.Governing Board Resolution</p>	<p>Central Office CO-BAC</p>		<p>Full</p>	

<p>Department Order No. 18-A, series of 2011.</p> <p><b>14</b> In addition to the required equipment/firearms and transport facilities, the security provider with lowest bid price offered add-on freebies at “no cost” to PCA.</p> <p><b>14</b> Table 21 summarizes a comparison of bids between the two bidders:</p> <p style="text-align: center;"><b>Table 21. Comparison of bids between the two bidders</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Particulars</th> <th colspan="2" style="text-align: center;">Bidder</th> <th rowspan="2" style="text-align: center;">Difference</th> </tr> <tr> <th style="text-align: center;">Lowest</th> <th style="text-align: center;">2nd Lowest</th> </tr> </thead> <tbody> <tr> <td>Total Monthly Rate</td> <td style="text-align: right;">P 2,356,510</td> <td style="text-align: right;">P 2,549,167</td> <td style="text-align: right;">P192,657</td> </tr> <tr> <td>Multiplied by five months</td> <td style="text-align: right;">11,782,550</td> <td style="text-align: right;">12,745,835</td> <td style="text-align: right;">963,285</td> </tr> </tbody> </table> <p><b>14</b> Further review of the bidding documents disclosed that PCA issued the Notice of Award to the security provider with the 2<sup>nd</sup> lowest bid price five months after the opening of bids contrary to Section 38.1 of the Implementing Rules and Regulations (IRR) of RA No. 9184 which provides that “the procurement process from the opening of bids up to the award of the contract shall not exceed three (3) months, or a shorter period to be determined by the procuring entity concerned.”</p>	Particulars	Bidder		Difference	Lowest	2nd Lowest	Total Monthly Rate	P 2,356,510	P 2,549,167	P192,657	Multiplied by five months	11,782,550	12,745,835	963,285	<p><b>months, in accordance with Section 38.1 of the IRR of RA No. 9184.</b></p>	<p>No. 077-2012 4.Reply of DOLE-NCR Director Macaraya re: BAC Request for Clarification</p>				
Particulars		Bidder			Difference															
	Lowest	2nd Lowest																		
Total Monthly Rate	P 2,356,510	P 2,549,167	P192,657																	
Multiplied by five months	11,782,550	12,745,835	963,285																	
<p><b>14. Prior years' cash advances of Php 251,476 remained unliquidated as of yearend contrary to COA Circular No. 2012-004 dated November 28, 2012, thereby resulted in the overstatement of Advances to Officers and Employees account and Retained Earnings.</b></p> <p><b>14.1</b> This is a reiteration of prior years' audit observation.</p> <p><b>14.2</b> Item No. 1 of COA Circular No. 2012-004 dated November 28, 2012 states that:</p> <p>“Under existing regulations, cash advances must, as a rule, be liquidated within the prescribed periods depending upon the nature and purpose of the cash advance (e.g., for salaries and wages; petty and field operating expenses; local travel and foreign travel). Included among operating expenses are cash advances for the payment of</p>	<p><b>14.6 We reiterated our prior years' recommendations that Management:</b></p> <p><b>a. Submit proof that efforts were exerted to</b></p>	<p>Central Office To date, there was no response yet from the Office of the Government Corporate Counsel (OGCC) as to the status update of the unliquidated cash advances of former PCA officers and employees.</p> <p>Attached are letters of communications from/to CSB, Legal Dept. and OGCC regarding the matter.</p>	<p>Central Office CSB, Legal Dept., FMSD</p>		<p>Partial</p>	<p>Continues communication to OGCC for updates and action</p>														

<p>honoraria and similar payments to officials and employees; operating expenditures for special projects and activities like anniversary celebration; and special purpose and time bound activity like cultural and athletic activities. These must be liquidated within twenty (20) days from accomplishment of the purpose.”</p> <p><b>14.3</b> Further, Item No. 9 of the same Circular provides the consequences on the failure of an accountable officer to liquidate his cash advance, to wit:</p> <p>“9.1 Failure of an accountable officer to liquidate his outstanding cash advance on or before January 31, 2013 shall constitute cause for the filing of malversation charge under Article 217, failure to liquidate cash advance under Article 218, both of the Revised Penal Code or criminal prosecution under Section 128 of PD No. 1445.</p> <p>9.2 The suspension of salaries of erring accountable officers shall be ordered by the auditor concerned to the proper agency official through the head of the Agency.</p> <p>9.3 Appropriate administrative proceedings shall likewise be instituted.”</p> <p><b>14.4</b> As of December 31, 2012, the Advances to Officers and Employees account of the Central Office had an outstanding balance of P282,462. Of this amount, P251,476 or 89.03 per cent pertained to prior years’ advances. These prior years’ unliquidated cash advances were granted, to defray the cost of foreign and local travels from 1986 to 2011, to former officers/employees who were no longer connected with the agency and left PCA without any clearance.</p> <p><b>14.5</b> In reference to previous year’s audit observation, Management averred that the only legal recourse was the filing of appropriate civil action against the erring accountable officers. However, they anticipated that the case may not prosper as summons may likewise be returned unserved for reasons like “moved out”, “no such person”, and “unknown” as what had happened to those previously-sent demand letters. Nevertheless, Management accordingly referred the said accounts to the Office</p>	<p><b>locate the whereabouts of the aforementioned accountable officers to require them to settle immediately their unliquidated cash advances; and</b></p> <p><b>Observe the provisions of Section 9 of COA Circular No. 2012-004 dated November 28, 2012 and submit report on the status of referral of the subject accounts to the OGCC</b></p>					
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<p>of the Government Corporate Counsel (OGCC) for appropriate action. Non-settlement of said long outstanding cash advances will lead to the issuance of Notice of Disallowance.</p>																												
<p><b>15. Non-settlement of tax arrearages may subject the PCA to fines and penalties imposed by Bureau of Internal Revenue (BIR) to delinquent taxpayers.</b></p> <p><b>16.1</b> BIR Revenue Regulation No. 2-98 provides that the withholding tax return, covering both creditable and final withholding taxes, must be filed and the taxes be paid within 10 days after the end of each month, except for taxes withheld for December which should be filed on or before January 25 of the following year.</p> <p><b>16.2</b> The Due to BIR account of PCA-Central Office had a year-end balance of P560,631, breakdown of which is shown in Table 22.</p> <p style="text-align: center;"><b>Table 22. Composition of Due to BIR account</b></p> <table border="1" data-bbox="325 727 1150 964"> <thead> <tr> <th>Sub-Account Name</th> <th>Account Code</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>Taxes on Wages</td> <td>412-1</td> <td>P162,052</td> </tr> <tr> <td>Other Fees and Taxes</td> <td>412-2</td> <td>41,903</td> </tr> <tr> <td>Value-Added Tax</td> <td>412-3</td> <td>290,965</td> </tr> <tr> <td>Expanded Tax</td> <td>412-4</td> <td>65,711</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>P560,631</b></td> </tr> </tbody> </table> <p><b>16.3</b> Review of documents disclosed that the total amount credited to Due to BIR account for the period December 2011 to November 2012 amounted to P10,846,715, however, the total amount debited for the period January to December 2012 amounted to P11,452,851, thereby showing an excess of P606,136.</p> <p><b>16.4</b> Also, taxes debited to Due to BIR account in December 2012 amounted to P2,686,275; compared to the taxes credited to the same account in November 2012 of only P1,049,414 or having an excess of P1,636,861 or 156 per cent, as shown in Table 23.</p> <p style="text-align: center;"><b>Table 23. Tax credited in November 2012 vis-à-vis tax debited in December 2012</b></p> <table border="1" data-bbox="325 1360 1212 1401"> <thead> <tr> <th>Particulars</th> <th>Credited in</th> <th>Debited in</th> <th>Excess/(Under)</th> </tr> </thead> <tbody> </tbody> </table>	Sub-Account Name	Account Code	Balance	Taxes on Wages	412-1	P162,052	Other Fees and Taxes	412-2	41,903	Value-Added Tax	412-3	290,965	Expanded Tax	412-4	65,711	<b>Total</b>		<b>P560,631</b>	Particulars	Credited in	Debited in	Excess/(Under)	<p><b>We recommended that the Accounting Division of Central Office prepare and submit a schedule to account for, and settle the arrearages payable to BIR and strictly observe the timely settlement of tax obligations.</b></p>	<p>Central Office The Accounting Division has updated and prepared a schedule to account for, and settle the arrearages payable to BIR (see attached Schedule Annex D)</p>	<p>Central Office Accounting Division</p>		<p>Partial</p>	<p>Ongoing analysis and reconciliation</p>
Sub-Account Name	Account Code	Balance																										
Taxes on Wages	412-1	P162,052																										
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<b>Total</b>		<b>P560,631</b>																										
Particulars	Credited in	Debited in	Excess/(Under)																									

	November	December	Amount	Per cent
Taxes on Wages	P 747,740	P1,558,675	P 810,935	108
Other Fees & Taxes	5,284	2,123	(3,161)	-60
Value Added Tax	234,098	799,168	565,070	241
Expanded Withholding Tax	62,292	326,309	264,017	424
<b>Total</b>	<b>P1,049,414</b>	<b>P2,686,275</b>	<b>P1,636,861</b>	<b>156</b>

**16.5** Hence, the excess of taxes debited to the Due to BIR account in December 2012 over that amount credited in November 2012 would suggest that December 2012 settlement/remittance of taxes did not pertain only to November 2012 but also, in part, that of prior periods as well.

**16.6** Further, amount of taxes credited for the month of December 2012 was P1,337,069, however, there was still a year-end balance of Due to BIR account of P560,631 after deducting the remittance of P1,586,650 in December 2012 which was subsequently paid in January 2013.

**16.7** On the other hand, there was no amount debited to the account in January 2012 despite the existence of the 2011 year-end balance of P981,822, an indication that there were arrearages which remained unsettled as of audit date. For instance, monthly transactions of the Other Fees and Taxes sub-account revealed that the CY 2012 beginning balance of P41,647 was not settled during the year, as illustrated in Table 24.

**Table 24. General ledger summary of other fees and taxes sub-account**

Particulars	Debit	Credit	Balance
Beg. Balance	P -	P -	P41,647
January 2012	-	-	41,647
February 2012	-	167	41,814
March 2012	2,349	1,355	40,820
April 2012	-	1,055	41,875
May 2012	455	-	41,420
June 2012	-	290	41,710

<table border="1"> <tr><td>July 2012</td><td>414</td><td>63</td><td>41,359</td></tr> <tr><td>August 2012</td><td>-</td><td>-</td><td>41,359</td></tr> <tr><td>September 2012</td><td>63</td><td>-</td><td>41,296</td></tr> <tr><td>October 2012</td><td>-</td><td>-</td><td>41,296</td></tr> <tr><td>November 2012</td><td>2,794</td><td>5,284</td><td>43,786</td></tr> <tr><td>December 2012</td><td>2,123</td><td>240</td><td>41,903</td></tr> </table>	July 2012	414	63	41,359	August 2012	-	-	41,359	September 2012	63	-	41,296	October 2012	-	-	41,296	November 2012	2,794	5,284	43,786	December 2012	2,123	240	41,903												
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<p><b>16.8</b> Review of balances of Other Fees and Taxes sub-account for the period 2007-2012 revealed that the transaction pertaining to unsettled CY 2012 beginning balance might have already occurred since CY 2007, as shown in Table 25.</p>																																				
<p style="text-align: center;"><b>Table 25. CYs 2007-2012 balances of other fees and taxes sub-account</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th rowspan="2">Balance</th> <th colspan="2">Increase/(Decrease)</th> </tr> <tr> <th>Amount</th> <th>Per Cent</th> </tr> </thead> <tbody> <tr><td>2007</td><td>P47,236</td><td></td><td></td></tr> <tr><td>2008</td><td>46,464</td><td>P (772)</td><td>-2</td></tr> <tr><td>2009</td><td>59,042</td><td>12,577</td><td>27</td></tr> <tr><td>2010</td><td>44,486</td><td>(14,556)</td><td>-25</td></tr> <tr><td>2011</td><td>41,647</td><td>(2,839)</td><td>-6</td></tr> <tr><td>2012</td><td>41,903</td><td>256</td><td>1</td></tr> </tbody> </table>	Year	Balance	Increase/(Decrease)		Amount	Per Cent	2007	P47,236			2008	46,464	P (772)	-2	2009	59,042	12,577	27	2010	44,486	(14,556)	-25	2011	41,647	(2,839)	-6	2012	41,903	256	1						
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<p><b>16.9</b> Inquiry with Management confirmed that there were indeed prior period balances which accordingly are still subject for reconciliation. Portion of the payment was intended for the partial settlement of these prior period balances.</p>																																				
<p><b>16.10</b> In view thereof, non-settlement of arrearages may subject the PCA to fines and penalties imposed by BIR to delinquent taxpayers.</p>																																				
<p><b>16. Expenses of P182.931 million representing total cost of GAD-related activities, were computed based on unrealistic estimates; hence, the correctness of the expenses reported in the FY 2012 Annual GAD Accomplishment Report, could not be ascertained.</b></p>	<p><b>16.5 We recommended that Management require the PCA GAD Focal Point to:</b></p>	<p>Central Office Management appreciated the observation and confirmed that the reported total expenses of P182,930,824 as indicated in the Annual GAD AR for FY 2012</p>	<p>Central Office PCA-GAD Focal Point; CSB</p>		<p>Full</p>																															

**16.1** Section 2.4 of Joint Circular No. 2004-1 dated April 5, 2004, issued by Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), and then National Commission on the Role of Filipino Women (NCRFW) now the Philippine Commission on Women (PCW), provides that, pursuant to the annual General Appropriations Act, agencies are tasked to formulate a Gender and Development (GAD) plan and to implement the same by utilizing at least five per cent of their total budget appropriations. Annex B of the same Joint Circular specifies the Instructions in formulating the GAD Accomplishment Report (AR), which includes, among others, a provision that agencies will only report the actual cost for the conduct of the GAD activities to avoid double counting and attributing the entire program or project cost as GAD Budget.

**16.2** Review of the FY 2012 Revised Annual GAD Plan and Budget (GPB) of PCA disclosed that P110,803,800, representing 6.89 per cent of the agency's total corporate operating budget of P1,606,094,000, was allocated to the Central Office and regional offices/centers for the implementation of planned GAD activities. Also, examination of the Annual GAD AR of PCA revealed that the reported total expenses of P182,930,824 purportedly exceeded its budget by P72,127,024 or 65.09 per cent, details are shown in Table 26.

**Table 26. GAD Budget and Expenses**

Activity	Budget	Expenses	Variance
1. Client-focused:			
Kasaganaan sa Niyuganay Kaunlaran ng Bayan (KAANIB) Project	P 7,200,000	P 14,737,777	P 7,537,777
Accelerated Coconut Planting / Replanting Project (ACPRP)	60,277,200	78,514,490	18,237,290
Salt Fertilization Project (SFP)	40,342,440	76,198,100	35,855,660
Farmers Education & Skills Training (FEAST) Program	-	12,044,500	12,044,500
Search for Outstanding Gawad Saka Coconut Farmers	340,000	-	(340,000)

**a. Quantify the actual cost or fund utilized specifically in the implementation of GAD client-focused activities incorporated into the regular programs/projects of the agency instead of using the formula of multiplying the total number of women participants by the variable costs per training/seed nuts/bag of fertilizers; and**

**b. Coordinate with concerned agencies on the formulation of GAD AR to facilitate simplified yet accurate report and**

exceeded its budget by P72,127,024 or 65.09%.

In the computation of actual expenses for client-focused activities, Management considered in its accomplishment report, the direct project cost which is the actual cost of package of assistance that the farmer-beneficiaries received for each project. Considering that reported activities are major PCA programs and projects of national magnitude, the quantification of the exact number of farmer-women is difficult. However, previous reports of regions indicated that thirty-five (35) percent of farmer-participants were women. It is for this reason that the total expenses exceeded the budget as a result of an increase in the number of farmer-women who benefited in the programs/projects. Management gave an assurance that there was no double counting as to the number of participants as well as in the costing.

For the organization-focused activities, the reported accomplishments are specifically those being participated by

<table border="1"> <tr> <td>Sub-total</td> <td>108,159,640</td> <td>181,494,867</td> <td>73,335,227</td> </tr> <tr> <td>2. Organization-focused:</td> <td>2,644,160</td> <td></td> <td></td> </tr> <tr> <td>    Annual Planning Review</td> <td></td> <td>741,795</td> <td></td> </tr> <tr> <td>    KAANIB Trainors' Training</td> <td></td> <td>351,162</td> <td></td> </tr> <tr> <td>    Women's Month</td> <td></td> <td>343,000</td> <td></td> </tr> <tr> <td>Sub-total</td> <td>2,644,160</td> <td>1,435,957</td> <td>(1,208,203)</td> </tr> <tr> <td><b>Total</b></td> <td><b>P110,803,800</b></td> <td><b>P182,930,824</b></td> <td><b>P72,127,024</b></td> </tr> </table>	Sub-total	108,159,640	181,494,867	73,335,227	2. Organization-focused:	2,644,160			Annual Planning Review		741,795		KAANIB Trainors' Training		351,162		Women's Month		343,000		Sub-total	2,644,160	1,435,957	(1,208,203)	<b>Total</b>	<b>P110,803,800</b>	<b>P182,930,824</b>	<b>P72,127,024</b>	<p><b>quantification of actual cost of GAD client-focused activities as disintegrated from the total cost of regular programs/projects of PCA.</b></p>	<p>women employees of the Authority.</p> <p>As being done by other agencies and even as suggested by the DBM, the GAD activities are mainstreamed into major programs and projects of the PCA. As a result, the budget for PCA-GAD activities for FY 2012 is estimated at 20% of the Agency's total budget of P898.02M for the ACPRP, SFP and KAANIB. Section 2.4 of Joint Circular No. 2004-1 of the DBM, NEDA and PCW prescribes that at least 5% of the Agency's total budget appropriations be appropriated for this purpose.</p> <p>In the preparation of the PCA GAD Plans and Budget as well as its Accomplishment Report, Management sees to it that it always coordinates with concerned agencies like the Dept. of Agriculture and Phil. Commission on Women.</p>				
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<p><b>16.3</b> Verification disclosed that the above-mentioned expenses for client-focused activities were derived at by multiplying the number of women participants by the computed cost per participant/beneficiary for each project/program. For instance, it was identified that 3,827 women coco farmers were benefited from the KAANIB Project. Hence, expenses of P14,737,777 were computed using the established cost of P3,851/beneficiary. Inquiry, however, revealed that the variable number of 3,827 was accordingly based on the estimate that 35 per cent of the 10,934 total beneficiaries were composed of women. Moreover, report obtained from the Budget Division of Central Office showed that actual expenses of organization-focused activities amounted to only P824,452, of this amount, P279,500 pertained to expenses of the Regional Offices on the celebration of Women's Month. However, said amount of P279,500 did not reconcile with that reported by the GAD Focal Point amounting to P343,000, as shown in the above table, hence, there was an unreconciled difference of P63,500. Also, expenditures reported by the Budget Division included team building expenses of P429,234 while the remaining expenses pertained to the cost incurred for the aerodance/aerobics, uniform of players, seminars, travels, and celebration of Family Week.</p> <p><b>16.4</b> The aforementioned basis for computing the expenses reported in the GAD AR did not truly reflect the actual cost incurred by PCA for its GAD activities.</p>	<p>Central Office The Accounting Division is currently analyzing Due to BIR accounts and subsequently preparing the proper adjusting entries before proper</p>	<p>Central Office Accounting Division</p>		<p>Partial</p>	<p>Ongoing analysis and reconciliation</p>																													
<p><b>17. Compliance with Tax Laws</b></p> <p>It was noted that PCA had been regularly deducting taxes from salaries and other benefits due from its employees as well as from cost of goods and services procured. Likewise, the amounts withheld from the same were remitted to the BIR, except the tax</p>																																		

<p>arrearages discussed in Observation and Recommendation No. 15.</p>		<p>remittances of arrearages to the BIR be made. As of this date, the following adjusting Journal Entry Vouchers were made:            JEV#503-1307-362 P 10,909.84            JEV#503-1307-364 ( 6,812.73)            JEV#503-1308-368 ( 51.60)            JEV#503-1308-398 492.85</p>																												
<p><b>18. Summary of Audit Suspensions, Disallowances, and Charges.</b></p> <p><b>18.1</b> Table 27 shows the summary of unsettled audit suspensions, disallowances, and charges as of December 31, 2012. Details of unsettled audit suspensions, disallowances, and charges are shown in Annex 1.</p> <p style="text-align: center;"><b>Table 27. Unsettled Suspensions and Disallowances as of December 31, 2012</b></p> <table border="1" data-bbox="325 797 1223 1052"> <thead> <tr> <th>PCA Offices</th> <th>Suspensions</th> <th>Disallowances</th> <th>Charges</th> </tr> </thead> <tbody> <tr> <td>Central Office</td> <td>P -</td> <td>P438,475</td> <td>P -</td> </tr> <tr> <td>Region I - IV-B</td> <td>576,295</td> <td>6,889</td> <td>2,130</td> </tr> <tr> <td>Region VII</td> <td>117,464</td> <td>2,159</td> <td>-</td> </tr> <tr> <td>Region VIII</td> <td>36,152</td> <td>4,943</td> <td>-</td> </tr> <tr> <td><b>Total</b></td> <td><b>P729,911</b></td> <td><b>P452,466</b></td> <td><b>P2,130</b></td> </tr> </tbody> </table>	PCA Offices	Suspensions	Disallowances	Charges	Central Office	P -	P438,475	P -	Region I - IV-B	576,295	6,889	2,130	Region VII	117,464	2,159	-	Region VIII	36,152	4,943	-	<b>Total</b>	<b>P729,911</b>	<b>P452,466</b>	<b>P2,130</b>		<p>Central Office            ND#0901-503 – The amount of P289,300.00 disallowance was wholly deducted from the terminal leave claims of Mr. Dennis Calub (Project Manager, NFDPP). Mr. Calub has filed a Position Paper but the Management has issued a letter dated Feb. 07, 2013 denying his request with finality. (Annex E)            On April 2, 2013 Mr. Calub seek appeal to President Aquino for the release of the withheld amount, in which, the Management replied in negative as contained in a letter dated May 24, 2013 (Annex E1)</p> <p>ND#2012-005-503 – Statement of Accounts were already issued to all the PCAEA officers and employees involved and proper set-up of receivables was taken up in the books per JEV#503-1210-0482 in the total amount of P69,619.00, but Mr. Ramon Benedictos (EA president) filed</p>	<p>Central Office            CSB, FMSSD,            Accounting Division</p>		<p>Partial</p>	<p>See attached Annex E</p>
PCA Offices	Suspensions	Disallowances	Charges																											
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		<p>of Settlement of the NS No. 11-003-101(11) on the payment of Staple Food Allowance amounting to P65,000.00. Justifications and compliance of this suspension were already submitted to COA.</p> <p>Region VIII Suspensions have been settled in the amount of Php 36,152.00 as of September 30, 2012 and the Disallowance has been settled last December 19, 2012. Attached is a copy of a letter to Ms. Marina Q. Barrot of Audit Team Leader, COA, Region 8.</p>	<p>Region VIII Regional Manager Accounting Division</p>		<p>Full</p>	
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