



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

September 5, 2014

THE GOVERNING BOARD
Philippine Coconut Authority
Elliptical Road, Diliman
Quezon City

RECEIVED
16:10 am

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Philippine Coconut Authority (PCA)**, for the year ended December 31, 2013.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Year's Audit Recommendations; and Annex.

The Auditor expressed a qualified opinion on the fairness of presentation of the financial statements of PCA as of December 31, 2013 for the following reasons:

1. The accuracy of the Cash in Bank - Local Currency, Current account of P1.222 billion was not established considering that 71.1 per cent of this or P869.192 million were either not supported with bank reconciliation statements (BRS) or if prepared, these were not updated or with errors; and due to non-restoration to the said account the cash equivalent of unreleased/stale checks at year-end;
2. The existence and reliability of the Property, Plant and Equipment (PPE) account of P388.421 million was not established as there was no reconciliation between accounting and property records which was brought about by absence of inventory reports in Regions VII and XIII, incomplete inventory counts in Region XII and Zamboanga Research Center, and non-conduct of physical inventory count in Region V;
3. Unpaid incentives to beneficiaries of Participatory Coconut Planting Project (PCPP) and unpaid costs of undelivered coco seedlings and livestock procured under Coconut Seedlings Dispersal Project (CSDP) and Kasaganaan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project accumulating to P31.702 million and unpaid costs of undelivered agricultural inputs of P8.350 million were treated as outright expenses, thus, overstating the Agricultural and

Marine Supplies Expense account and Donations account by P31.702 million and P8.350 million, respectively, while overstating the Accounts Payable account by P40.052 million.

4. Accuracy and reliability of the year-end balance of Due from Regional Offices (ROs) account of P27.224 million was doubtful due to incomplete supporting documents for various transactions aggregating P80.814 million and the existence of unreconciled differences between intra-agency accounts, general ledger (GL) and subsidiary ledgers (SLs), and consolidated and individual ROs' trial balances (TBs).

For the above-mentioned audit observations which caused the issuance of qualified opinion, we recommended that Management:

1. Require the concerned accountants to assign qualified personnel to assist in the preparation and prompt submission of BRS; and CO Accounting Division to perform adequate review of BRS and prepare necessary adjustment in the books for unreleased checks to comply with the aforementioned regulations and to fairly present the affected accounts in the financial statements at year-end.

2. Direct the concerned ROs/Center to: (a) assign additional personnel to facilitate the conduct and completion of physical inventory count of PPE, as well as, the preparation and submission of inventory report; (b) ensure that the inventory count is properly scheduled; and (c) conduct reconciliation between inventory report and accounting records and make necessary adjustment for any discrepancy.

3. Require Regions I-IV-B to: (a) effect the necessary adjustments in the Agricultural and Marine Supplies Expense, Donations, and Accounts Payable accounts in accordance with paragraph 91 of Framework for the Preparation and Presentation of Financial Statements and paragraph 11 of Philippine Accounting Standard No. 37; and (b) ensure that recorded transactions are duly supported with complete documents.

4. Require the Central Office (CO) to: (a) coordinate with ROs/Centers for the reconciliation of their respective records to account for the difference, effect the necessary adjustments and continue monitoring the reconciling items to avoid further accumulation thereof; (b) reconcile the GL and SLs balances, as well as the consolidated TB and that of ROs/Centers, and effect the necessary adjustments; and (c) submit duly-verified Report of Disbursements for project expenditures of P55.282 million, duly-signed Debit/Credit Advices and the necessary supporting documents for various collections of P7.989 million and disbursements charged to ROs of P17.543 million.

The other significant observations and recommendations that need immediate action are as follows:

5. Various procurements of Region IV-A of agricultural and laboratory supplies, equipment, coco seednuts and seedlings aggregating P46.990 million were not compliant with the provisions of Republic Act (RA) No. 9184 because there were splitting of requisitions, purchases thru shopping/direct contracting and on piecemeal basis, thus, indicating irregularities on the transactions and the possibility of wastage of government funds.

5.1 We recommended that Management direct Region IV-A to: (a) adopt public bidding in procurement and stop the practice of splitting requisitions in accordance with Sections 10 and 54.1 of the revised Implementing Rules and Regulations (IRR) of RA No. 9184 to ensure

transparency and be able to obtain the most advantageous price; and (b) observe strict compliance with Section 7 of the revised IRR of RA No. 9184 on the procurement of coco seednuts and related supplies by preparing and consolidating the requisitions and purchase orders.

6. Allocation of funds for three locally-funded projects in the aggregate amount of P1.506 billion was not prioritized to regions with the highest poverty incidence of farmers contrary to Item 7 of the Special Provisions of the Fiscal Year (FY) 2013 General Appropriations Act (GAA).

6.1 We recommended that Management comply with Item 7 of the Special Provisions of FY 2013 GAA and other applicable laws, rules, and regulations, particularly on budget formulation and allocation of projects of PCA and submit the actual utilization of FY 2013 budget per expenditure and per region to properly assess whether the same was in accordance with Item A.4(B), Section XXXV of FY 2013 GAA.

7. Attainment of the objectives of the Salt Fertilization Project (SFP) for FY 2013 costing P336 million could not be ascertained due to inadequate monitoring and evaluation in the implementation of the said project.

Incomplete Masterlist of Farmer-Participants and Periodic Yield Assessment Monitoring and Evaluation Form

7.1 We recommended that Management monitor strictly and evaluate the implementation of the projects and ensure that ROs submit the Masterlist of Farmer-Participants, as well as, the duly-accomplished Periodic Yield Assessment Monitoring and Evaluation Form.

Non-submission of the Masterlists of Farmer-Participants (MLFP) and Acknowledgement Receipts and Certificates of Distribution of Agricultural Fertilizers (ARCDAs) by Regions IV-A and XIII -

7.2 We recommended that the Regional Technical Staff of the concerned ROs submit immediately the MLFP and ARCDAs to facilitate the conduct of validation/confirmation. Henceforth, adhere strictly to the provisions of PCA MC No. 4.

Inconsistency/discrepancy in the names of beneficiaries and allocations of salt fertilizers between Masterlists Summary, Accomplishment Reports, MLFP and ARCDAs submitted by Regions I-IV-B cast doubt whether all recipients were legitimate beneficiaries -

7.3 We recommended that Management direct the Regional Manager of Regions I-IV-B to require the: (a) concerned Coconut Development Officer (CDO) to distribute strictly the salt fertilizers to the farmers listed in the MLFP and request approval from the Regional Manager and concerned Central Office official for any change in the MLFP as to beneficiaries and allocations of fertilizers; and (b) Project Coconut Development Officer (PCDO) assigned in the RO to review and reconcile the Masterlists Summary, MLFP and ARCDAs submitted by the POs to ensure completeness and accuracy of reports.

Test weighing of 4,559 salt fertilizers delivered in different drop-off-points (DOPs) of three regions disclosed these were underweight or below the required weight per bag -

7.4 We recommended that Management direct the Regional Managers to: (a) demand for the replacements of underweight delivery of salt grade fertilizers or deduct the corresponding peso value from the outstanding amount due the supplier. In case of replacements, submit to the Audit Team actions taken by the POs, including list of recipients. Also, ensure that timelines are observed in the issuance and reporting of the Notice of Defects as provided for in the contract; (b) initiate appropriate courses of action to demand from the supplier the replacement at Lanao del Norte consisting of 921 bags costing P217,356; (c) observe strictly the implementing guidelines on the salt fertilizer acceptance at the provincial DOPs, particularly on the conduct of weighing of deliveries and attach the weighing documents to the disbursement vouchers as evidence that test weighing was made; and (d) require the Provincial Technical Inspectors and the PCDOs to observe the guidelines in the conduct of inspection of deliveries, which requires the presence of the supplier's representative during test weighing.

8. There was no assurance that the total incentives of P54.543 million were paid to bonafide farmer-participants of the Participatory Coconut Planting Project (PCPP)-Phase II considering that there was no proof that they were required to present during registration any of the documents as proof of their identity or land ownership prescribed under PCA MC No. 4, series of 2012, dated January 9, 2012.

8.1 We recommended that Management direct the concerned Regional Managers to immediately submit: (a) proof that land ownership/identity prescribed under Item 4.1 of the PCA MC No. 4 dated January 9, 2012 had been presented by the farmer-participants to ensure that they are legitimate beneficiaries of the PCPP; and (b) Masterlists of farmer-participants duly approved by the Regional Manager and PCDMs.

9. The intent of the Coconut Seedlings Dispersal Project (CSDP) to make good quality of seedlings readily available for coconut farmers is not assured to have been effectively attained since the 1.702 million coconut seedlings worth P41.452 million were procured from ineligible/incapable suppliers and whose sources of seedlings were from nurseries not pre-inspected during post-qualification of bids. As an upshot of the obvious laxity during bidding process, there is probable loss of almost P4 million, short delivery of 65,000 seedlings worth P1.633 million, and one supplier completing the deliveries of another supplier.

9.1 We recommended that Management direct the concerned Regional Manager to: (a) inform the supplier of the various defects noted in the contract and demand refund of P3.896 million representing the difference between the cost of seedlings sourced out from within and outside the region; (b) forfeit the performance security posted by the supplier due to default in the delivery of 65,000 seedlings; (c) disqualify/ban the suppliers from future biddings; and (d) comply strictly with the provision of Section 38.1 of the revised IRR of RA No. 9184 in awarding the contract to the winning bidder within three months from the opening of the bids.

10. High percentage of ungerminated coco seednuts and culled coco seedlings procured by Regions IX and X for CSDP which resulted in loss of government funds of approximately P3.627 million is attributed to, among others, poor management of nurseries and deliveries of seeds from unregistered cultivars that were not pre-inspected and evaluated. Likewise, liability for the ungerminated/culled coco seednuts/seedlings could not be pinpointed due to absence of Memorandum of Agreement (MOA) with the supplier in Region IX.

10.1 We recommended that Management direct the Regional Managers of Regions IX and X to: (a) conduct seminars/trainings to field personnel on the implementation of CSDP; (b) require the Provincial Agriculturists and the CDOs to supervise strictly the harvesting, delivery and unloading of seednuts in the nursery sites and monitor closely the nurseries established and maintained by PCA and proponents; (c) instruct the Provincial Coconut Development Managers (PCDMs) to prepare the nurseries prior to delivery of seednuts; (d) conduct procurement of seednuts during the onset of rainy season to attain the desired objectives of seednuts germination; and (e) create a composite team to assess the project implementation, submit a report thereon and recommend necessary improvement for effective and efficient implementation of the project.

The other audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 29, 2014 are discussed in detail in Part II of the report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the report.

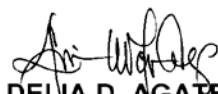
In our transmittal letter of even date, we request the Administrator of PCA to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


DELIA D. AGATEP
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
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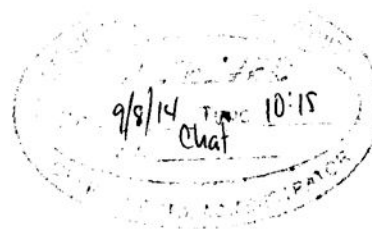


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

September 5, 2014

MR. ROMULO N. ARANCON, JR.
Administrator
Philippine Coconut Authority
Elliptical Road, Diliman
Quezon City



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10. High percentage of ungerminated coco seednuts and culled coco seedlings procured by Regions IX and X for CSDP which resulted in loss of government funds of approximately P3.627 million is attributed to, among others, poor management of nurseries and deliveries of seeds from unregistered cultivars that were not pre-inspected and evaluated. Likewise, liability for the ungerminated/culled coco seednuts/seedlings could not be pinpointed due to absence of Memorandum of Agreement (MOA) with the supplier in Region IX.

10.1 We recommended that Management direct the Regional Managers of Regions IX and X to: (a) conduct seminars/trainings to field personnel on the implementation of CSDP; (b) require the Provincial Agriculturists and the CDOs to supervise strictly the harvesting, delivery and unloading of seednuts in the nursery sites and monitor closely the nurseries established and maintained by PCA and proponents; (c) instruct the Provincial Coconut Development Managers (PCDMs) to prepare the nurseries prior to delivery of seednuts; (d) conduct procurement of seednuts during the onset of rainy season to attain the desired objectives of seednuts germination; and (e) create a composite team to assess the project implementation, submit a report thereon and recommend necessary improvement for effective and efficient implementation of the project.

The other audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on May 29, 2014 are discussed in detail in Part II of the report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the report.


We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:



DELIA D. AGATEP
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
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The Speaker of the House of Representatives
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COMMISSION ON AUDIT
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ANNUAL AUDIT REPORT

on the

PHILIPPINE COCONUT AUTHORITY

For the Year Ended December 31, 2013

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Coconut Authority (PCA) was created on June 30, 1973 by virtue of Presidential Decree (PD) No. 232, as amended by PD No. 1468 (or Revised Coconut Industry Code). Its primary objective is to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants and beneficiaries thereof.

PCA is a Government-owned and Controlled Corporation attached to the Department of Agriculture (DA). Its corporate powers and functions are vested in and exercised by the Board of Directors chaired by the Secretary of the DA with six members. Its day to day affairs and operations is being managed by the Administrator in accordance with the policies established by the Board.

The PCA adopts the regionalization scheme of the national government except for Regions I, II, III and IV-B which are under the Regional Office in Quezon City and Region IV-A under the Regional Office in Lucena City. It has 12 regional offices (ROs), 67 provincial offices (POs), three research centers as well as training and seed production centers headed by a Regional Manager, Provincial Coconut Development Manager and Center Manager, respectively.

SCOPE OF AUDIT

Our audit covered the operations of PCA for Calendar Year (CY) 2013. Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Balance Sheet

	2013	2012 (As restated)	Increase/ (Decrease)
Total assets	6,678.079	2,596.046	4,082.033
Total liabilities	622.395	450.954	171.441
Equity	6,055.684	2,145.092	3,910.592

II. Statement of Income and Expenses

	2013	2012 (As restated)	Increase/ (Decrease)
Total income	422.069	434.117	(12.048)
Expenses	1,620.236	1,162.187	458.049
Loss from operations	1,198.167	728.070	470.097
Subsidy from national government	5,107.440	1,182.757	3,924.683
Income after subsidy from national government	3,909.273	454.687	3,454.586

III. Comparison of 2013 Budget and Actual Expenses

	Corporate Operating Budget	Actual Expenses	Savings
Personal services	426.268	419.436	6.832
Maintenance and other operating expenses	1,523.599	1,179.309	344.290
Financial expenses	0.300	0.229	0.071
	1,950.167	1,598.974	351.193

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The accuracy of the Cash in Bank - Local Currency, Current account of P1.222 billion was not established considering that 71.1 per cent of this or P869.192 million were either not supported with bank reconciliation statements (BRS) or if prepared, these were not updated or with errors; and due to non-restoration to the said account the cash equivalent of unreleased/stale checks at year-end;
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SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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1. Require the concerned accountants to assign qualified personnel to assist in the preparation and prompt submission of BRS; and CO Accounting Division to perform adequate review of BRS and prepare necessary adjustment in the books for unreleased

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2. Direct the concerned ROs/Center to: (a) assign additional personnel to facilitate the conduct and completion of physical inventory count of PPE, as well as, the preparation and submission of inventory report; (b) ensure that the inventory count is properly scheduled; and (c) conduct reconciliation between inventory report and accounting records and make necessary adjustment for any discrepancy.

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The other significant audit observations and recommendations are as follows:

5. Various procurements of Region IV-A of agricultural and laboratory supplies, equipment, coco seednuts and seedlings aggregating P46.990 million were not compliant with the provisions of Republic Act (RA) No. 9184 because there were splitting of requisitions, purchases thru shopping/direct contracting and on piecemeal basis, thus, indicating irregularities on the transactions and the possibility of wastage of government funds.

5.1 We recommended that Management direct Region IV-A to: (a) adopt public bidding in procurement and stop the practice of splitting requisitions in accordance with Sections 10 and 54.1 of the revised Implementing Rules and Regulations (IRR) of RA No. 9184 to ensure transparency and be able to obtain the most advantageous price; and (b) observe strict compliance with Section 7 of the revised IRR of RA No. 9184 on the procurement of coco seednuts and related supplies by preparing and consolidating the requisitions and purchase orders.

6. Allocation of funds for three locally-funded projects in the aggregate amount of P1.506 billion was not prioritized to regions with the highest poverty incidence of farmers contrary to Item 7 of the Special Provisions of the Fiscal Year (FY) 2013 General Appropriations Act (GAA).

6.1 We recommended that Management comply with Item 7 of the Special Provisions of FY 2013 GAA and other applicable laws, rules, and regulations, particularly on budget formulation and allocation of projects of PCA and submit the actual utilization

of FY 2013 budget per expenditure and per region to properly assess whether the same was in accordance with Item A.4(B), Section XXXV of FY 2013 GAA.

7. Attainment of the objectives of the Salt Fertilization Project (SFP) for FY 2013 costing P336 million could not be ascertained due to inadequate monitoring and evaluation in the implementation of the said project.

Incomplete Masterlist of Farmer-Participants and Periodic Yield Assessment Monitoring and Evaluation Form

7.1 We recommended that Management monitor strictly and evaluate the implementation of the projects and ensure that ROs submit the Masterlist of Farmer-Participants, as well as, the duly-accomplished Periodic Yield Assessment Monitoring and Evaluation Form.

Non-submission of the Masterlists of Farmer-Participants (MLFP) and Acknowledgement Receipts and Certificates of Distribution of Agricultural Fertilizers (ARCDA) by Regions IV-A and XIII -

7.2 We recommended that the Regional Technical Staff of the concerned ROs submit immediately the MLFP and ARCDA to facilitate the conduct of validation/confirmation. Henceforth, adhere strictly to the provisions of PCA MC No. 4.

Inconsistency/discrepancy in the names of beneficiaries and allocations of salt fertilizers between Masterlists Summary, Accomplishment Reports, MLFP and ARCDA submitted by Regions I-IV-B cast doubt whether all recipients were legitimate beneficiaries -

7.3 We recommended that Management direct the Regional Manager of Regions I-IV-B to require the: (a) concerned Coconut Development Officer (CDO) to distribute strictly the salt fertilizers to the farmers listed in the MLFP and request approval from the Regional Manager and concerned Central Office official for any change in the MLFP as to beneficiaries and allocations of fertilizers; and (b) Project Coconut Development Officer (PCDO) assigned in the RO to review and reconcile the Masterlists Summary, MLFP and ARCDA submitted by the POs to ensure completeness and accuracy of reports.

Test weighing of 4,559 salt fertilizers delivered in different drop-off-points (DOPs) of three regions disclosed these were underweight or below the required weight per bag -

7.4 We recommended that Management direct the Regional Managers to: (a) demand for the replacements of underweight delivery of salt grade fertilizers or deduct the corresponding peso value from the outstanding amount due the supplier. In case of replacements, submit to the Audit Team actions taken by the POs, including list of recipients. Also, ensure that timelines are observed in the issuance and reporting of the Notice of Defects as provided for in the contract; (b) initiate appropriate courses of action to demand from the supplier the replacement at Lanao del Norte consisting of 921 bags costing P217,356; (c) observe strictly the implementing guidelines on the salt fertilizer

acceptance at the provincial DOPs, particularly on the conduct of weighing of deliveries and attach the weighing documents to the disbursement vouchers as evidence that test weighing was made; and (d) require the Provincial Technical Inspectors and the PCDOs to observe the guidelines in the conduct of inspection of deliveries, which requires the presence of the supplier's representative during test weighing.

8. There was no assurance that the total incentives of P54.543 million were paid to bonafide farmer-participants of the Participatory Coconut Planting Project (PCPP)-Phase II considering that there was no proof that they were required to present during registration any of the documents as proof of their identity or land ownership prescribed under PCA MC No. 4, series of 2012, dated January 9, 2012.

8.1 We recommended that Management direct the concerned Regional Managers to immediately submit: (a) proof that land ownership/identity prescribed under Item 4.1 of the PCA MC No. 4 dated January 9, 2012 had been presented by the farmer-participants to ensure that they are legitimate beneficiaries of the PCPP; and (b) Masterlists of farmer-participants duly approved by the Regional Manager and PCDMs.

9. The intent of the Coconut Seedlings Dispersal Project (CSDP) to make good quality of seedlings readily available for coconut farmers is not assured to have been effectively attained since the 1.702 million coconut seedlings worth P41.452 million were procured from ineligible/incapable suppliers and whose sources of seedlings were from nurseries not pre-inspected during post-qualification of bids. As an upshot of the obvious laxity during bidding process, there is probable loss of almost P4 million, short delivery of 65,000 seedlings worth P1.633 million, and one supplier completing the deliveries of another supplier.

9.1 We recommended that Management direct the concerned Regional Manager to: (a) inform the supplier of the various defects noted in the contract and demand refund of P3.896 million representing the difference between the cost of seedlings sourced out from within and outside the region; (b) forfeit the performance security posted by the supplier due to default in the delivery of 65,000 seedlings; (c) disqualify/ban the suppliers from future biddings; and (d) comply strictly with the provision of Section 38.1 of the revised IRR of RA No. 9184 in awarding the contract to the winning bidder within three months from the opening of the bids.

10. High percentage of ungerminated coco seednuts and culled coco seedlings procured by Regions IX and X for CSDP which resulted in loss of government funds of approximately P3.627 million is attributed to, among others, poor management of nurseries and deliveries of seeds from unregistered cultivars that were not pre-inspected and evaluated. Likewise, liability for the ungerminated/culled coco seednuts/seedlings could not be pinpointed due to absence of Memorandum of Agreement (MOA) with the supplier in Region IX.

10.1 We recommended that Management direct the Regional Managers of Regions IX and X to: (a) conduct seminars/trainings to field personnel on the implementation of CSDP; (b) require the Provincial Agriculturists and the CDOs to supervise strictly the harvesting, delivery and unloading of seednuts in the nursery sites and monitor closely the nurseries established and maintained by PCA and proponents; (c) instruct the Provincial Coconut Development Managers (PCDMs) to prepare the nurseries prior to delivery of seednuts; (d) conduct procurement of seednuts during the onset of rainy

season to attain the desired objectives of seednuts germination; and (e) create a composite team to assess the project implementation, submit a report thereon and recommend necessary improvement for effective and efficient implementation of the project.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The audit suspensions, disallowances, and charges as at December 31, 2013 amounted to P2.348 million, P465,559, and P20,500, respectively. Audit suspensions resulted from incomplete documentation and erroneous charging of expenses while audit disallowances represented payments of expenses which were excessive, unnecessary, and without legal basis. Likewise, audit charges pertained to non-collection of fees.

Office	Suspensions	Disallowances	Charges
Central Office	P 12,119	P 443,659	P -
Regions I – IV-B	246,475	-	-
Region VI	-	3,421	-
Region VII	1,303,543	-	-
Region VIII	36,152	-	-
Region XI	-	-	20,500
Region XIII	-	16,979	-
NCSPC	747,063	-	-
DRC	3,014	1,500	-
	P 2,348,366	P 465,559	P 20,500

Of the aforementioned suspensions, disallowances, and charges, 86 per cent, four per cent, and seven per cent, respectively, were already settled in CY 2014.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 36 audit recommendations embodied in the previous year's Annual Audit Report, 10 were fully implemented, 16 were partially implemented and 10 were not implemented. Details are presented in Part III of this Report.

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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Coconut Authority
Elliptical Road
Quezon City

We have audited the accompanying financial statements of the **Philippine Coconut Authority (PCA)** which comprise the balance sheet as at December 31, 2013, and the statement of income and expenses, statement of changes in equity, statement of cash flows, and statement of comparison of budget and actual amounts expended for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

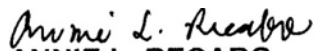
We rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The accuracy of the Cash in Bank - Local Currency, Current account of P1.222 billion was not established considering that 71.1 per cent of this or P869.192 million were either not supported with bank reconciliation statements (BRS) or if prepared, these were not updated or with errors; and due to non-restoration to the said account the cash equivalent of unreleased/stale checks at year-end;
2. The existence and reliability of the Property, Plant and Equipment account of P388.421 million was not established as there was no reconciliation between accounting and property records which was brought about by absence of inventory reports in Regions VII and XIII, incomplete inventory counts in Region XII and Zamboanga Research Center, and non-conduct of physical inventory count in Region V;
3. Unpaid incentives to beneficiaries of Participatory Coconut Planting Project (PCPP) and unpaid costs of undelivered coco seedlings and livestock procured under Coconut Seedlings Dispersal Project (CSDP) and Kasaganaan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project accumulating to P31.702 million and unpaid costs of undelivered agricultural inputs of P8.350 million were treated as outright expenses, thus, overstating the Agricultural and Marine Supplies Expense account and Donations account by P31.702 million and P8.350 million, respectively, while overstating the Accounts Payable account by P40.052 million.
4. Accuracy and reliability of the year-end balance of Due from Regional Offices (ROs) account of P27.224 million was doubtful due to incomplete supporting documents for various transactions aggregating P80.814 million and the existence of unreconciled differences between intra-agency accounts, general ledger (GL) and subsidiary ledgers (SLs), and consolidated and individual ROs' trial balances (TBs).

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **PCA** as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT



ANNIE L. RECABO

State Auditor IV

OIC-Supervising Auditor

Audit Group C

Cluster 5- Agricultural and Natural Resources

Corporate Government Sector

May 29, 2014



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF AGRICULTURE
PHILIPPINE COCONUT AUTHORITY

Elliptical Road, Diliman, Quezon City Tel. No.: 928-4501 to 09
P.O. Box 3386, Manila, TIN # 000724616
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March, 3, 2014

The Cluster Director
Cluster V
Corporate Government Sector
Agricultural Trading and Promotions
Commission on Audit
Quezon City


Sir:

In accordance with your examination of the Financial Statements of the Philippine Coconut Authority as of December 31, 2013, for the purpose of expressing an opinion as to whether the Financial Statements present fairly the financial position, results of operation, and changes in financial position in conformity with generally accepted accounting principles, we confirm to the best of our knowledge and belief, the following representations made during your examination:

1. We are responsible for the fair presentation in the financial statements of financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles.
2. We have made available to you all financial records and related data.
3. There have been no:
 - Irregularities involving management or employees who have significant roles on system of internal control;
 - Irregularities involving other employees that could have material effect on the financial statements;
 - Communications from regulatory agencies concerning non-compliance with or deficiencies in financial practices that could have a material effect on the financial statements.
4. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
5. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or a basis for recording a loss contingency.



6. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
7. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated realizable value.
8. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
9. No events have occurred subsequent to the balance sheet date that would require adjustments or disclosure in the financial statements.



EUCLIDES G. FORBES

Administrator

03-010-14



SHIRLEY S. PASCUAL

Manager II

Financial Management and Service Department

PHILIPPINE COCONUT AUTHORITY
BALANCE SHEET

As at December 31, 2013
(In Philippine Peso)

	Note	2013	2012 (As restated)
A S S E T S			
Current assets			
Cash	3	1,515,226,126	1,013,051,981
Receivables - net	4	3,845,415,141	354,304,475
Inventories	5	179,413,899	155,008,803
Prepayments	6	13,878,156	7,708,894
Other current assets	7	16,395,759	2,821,038
		5,570,329,081	1,532,895,191
Non-current assets			
Investments	8	88,515	88,515
Property, plant and equipment - net	9	388,420,654	341,487,760
Other assets	10	719,240,956	721,574,152
		1,107,750,125	1,063,150,427
TOTAL ASSETS		6,678,079,206	2,596,045,618
LIABILITIES AND EQUITY			
Current liabilities			
Payable accounts	11	425,460,566	292,501,519
Inter-agency payables	12	70,466,887	46,387,700
Intra-agency payables	13	8,180,136	9,259,783
Other payables	14	27,558,117	29,295,301
		531,665,706	377,444,303
Non-current liabilities			
Mortgage payable	15	1,955,520	2,859,870
Deferred credits	16	88,774,191	70,649,901
		90,729,711	73,509,771
TOTAL LIABILITIES		622,395,417	450,954,074
EQUITY	17, 18, 19	6,055,683,789	2,145,091,544
TOTAL LIABILITIES AND EQUITY		6,678,079,206	2,596,045,618

The Notes on pages 11 to 27 form part of these Financial Statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012 (As restated)
INCOME	20		
Fees, permits and licenses		342,130,843	338,959,439
Service income		45,504,572	55,953,705
Business income		26,687,246	26,991,430
Other income		7,746,350	12,212,731
		422,069,011	434,117,305
EXPENSES	21		
Personal services		419,435,865	437,485,311
Maintenance and other operating expenses		1,200,570,428	724,529,837
Financial expenses		229,397	171,702
		1,620,235,690	1,162,186,850
LOSS FROM OPERATIONS		1,198,166,679	728,069,545
Subsidy income from national government	22	5,107,440,000	1,182,757,000
INCOME AFTER SUBSIDY FROM NATIONAL GOVERNMENT		3,909,273,321	454,687,455

The Notes on pages 11 to 27 form part of these Financial Statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012 (As restated)
Government equity	17	1,166,631,512	1,165,312,588
Appraisal capital	18	19,855,000	19,855,000
Retained earnings	19		
Balance, beginning of year		959,923,956	505,236,501
Net income		3,909,273,321	454,687,455
Balance, end of year		4,869,197,277	959,923,956
EQUITY		6,055,683,789	2,145,091,544

The Notes on pages 11 to 27 form part of these Financial Statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of subsidy from the national government		1,738,750,000	1,182,757,000
Collection of income		550,562,836	285,346,826
Collection of PCA fee receivables		5,959,094	1,743,167
Collection from officers and employees		1,080,093	-
Collections from NCIPs, SCFOs, etc.		727,856	-
Receipt of advances from contractors/guaranty deposits		650,200	5,259,926
Refunds of receivables and disallowances		15,768	46,383
Payment of operating expenses		(1,683,915,170)	(1,091,682,384)
Payment of prior year's payables		(69,036,928)	(7,864,763)
		544,793,749	375,606,155
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of property and equipment		10,830,233	20,057,037
Proceeds from bank interests		9,502,375	10,772,899
Proceeds from sale of property and equipment		41,325	690,128
Acquisition of livestock		-	(3,302,929)
Transfer of principal and interest from CISF deposits		-	(3,232,577)
Purchase/construction of property and equipment		(75,701,819)	(41,310,053)
		(55,327,886)	(16,325,495)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from trust funds/special projects		37,619,523	5,969,911
New loan from LBP		-	2,793,600
Release of funds from special projects		(23,777,493)	(24,937,613)
Payment of domestic loans		(904,351)	(694,854)
Cash payment of interest on loans and other financial charges		(229,397)	(171,702)
		12,708,282	(17,040,658)
NET INCREASE IN CASH AND CASH EQUIVALENTS		502,174,145	342,240,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,013,051,981	670,811,979
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	1,515,226,126	1,013,051,981

The Notes on pages 11 to 27 form part of these Financial Statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL EXPENSES

For the Period January 1 to December 31, 2013

(In Philippine Peso)

	Budget	Actual	Savings/ (overdraft)
Personal services			
Salaries and wages	250,000,000	245,904,192	4,095,808
Personnel economic relief allowance (PERA)	25,000,000	19,707,643	5,292,357
Representation allowance (RA)	8,934,000	8,486,127	447,873
Transportation allowance (TA)	8,934,000	5,453,246	3,480,754
Clothing/uniform allowance	5,000,000	4,126,790	873,210
Subsistence allowance	25,000	21,600	3,400
Productivity incentive bonus (PIB)	2,522,000	1,624,000	898,000
Productivity enhancement incentive (PEI)	-	4,018,000	(4,018,000)
Anniversary bonus	5,850,000	2,490,000	3,360,000
Longevity pay	1,000,000	882,945	117,055
Overtime and night pay	-	1,860,616	(1,860,616)
Cash gift	5,000,000	4,125,375	874,625
Year-end bonus	25,000,000	20,701,754	4,298,246
Life and retirement insurance contributions	35,000,000	29,516,569	5,483,431
Pag-IBIG contributions	1,640,000	987,313	652,687
Philhealth contributions	3,450,000	2,470,741	979,259
ECC contributions	1,640,000	992,640	647,360
Vacation and sick leave benefits	45,688,000	44,488,614	1,199,386
Counsel allowance	-	7,500	(7,500)
Loyalty award	1,000,000	875,000	125,000
Per diem of directors	585,000	375,200	209,800
Others	-	20,320,000	(20,320,000)
Total allowances and other compensation	176,268,000	173,531,673	2,736,327
	426,268,000	419,435,865	6,832,135
Maintenance and other operating expenses (MOOE)			
Traveling expenses	45,000,000	42,866,021	2,133,979
Training and scholarship	30,000,000	27,295,545	2,704,455
Supplies expense	962,980,000	723,806,547	239,173,453
Utility expense	25,000,000	19,134,238	5,865,762
Communication expense	15,000,000	10,061,418	4,938,582
Awards, prizes and other claims	1,000,000	730,000	270,000
Advertising, promotional and marketing expenses	2,000,000	815,624	1,184,376
Printing expense	2,000,000	1,209,770	790,230
Rent/lease expense	10,000,000	8,373,392	1,626,608
Representation expense	1,000,000	465,005	534,995
Transportation expense	15,000,000	13,718,347	1,281,653
Subscription expense	419,000	312,090	106,910
Other professional services	125,000,000	92,571,630	32,428,370
Legal services	200,000	54,950	145,050
Auditing services	25,000,000	23,820,650	1,179,350
Consultancy services	2,000,000	1,542,500	457,500

	Budget	Actual	Savings/ (overdraft)
General/janitorial services	85,000,000	72,012,195	12,987,805
Security services	35,000,000	30,503,662	4,496,338
Repairs and maintenance	30,000,000	20,214,498	9,785,502
Extraordinary and miscellaneous expense	2,000,000	1,524,699	475,301
Donation	60,000,000	42,799,196	17,200,804
Taxes, duties and premiums	15,000,000	11,904,917	3,095,083
Other MOOE	35,000,000	33,572,459	1,427,541
	1,523,599,000	1,179,309,353	344,289,647
Financial expenses	300,000	229,397	70,603
Total expenses	1,950,167,000	1,598,974,615	351,192,385

PHILIPPINE COCONUT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso)

1. GENERAL INFORMATION

The Philippine Coconut Authority (PCA) was created on June 30, 1973 by virtue of Presidential Decree (PD) No. 232 as amended by PD No. 1468 (or Revised Coconut Industry Code). Its primary objective is to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth.

PCA is a Government-Owned and Controlled Corporation attached to the Department of Agriculture (DA). The corporate powers and functions of the Authority are vested in and exercised by the Board of Directors chaired by the Secretary of the DA with six members. The day to day affairs and operations of the Authority is being managed by the Administrator in accordance with the policies established by the Board.

The PCA adopts the regionalization scheme of the national government except for Regions I, II, III and IV-B which are under the Regional Office in Quezon City and Region IV-A under the Regional Office in Lucena City. It has 12 regional offices, 67 provincial offices, 3 research centers as well as training and seed production centers headed by a Regional Manager, Provincial Coconut Development Manager and Center Managers, respectively.

The Authority had total actual manpower complement as of December 31, 2013 of 863, consisting of 167 in the Central Office, 105 in Centers and 591 in the Regional and Field Offices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Combination of financial statements

The financial statements are combination of the 12 regional offices, 3 research centers, 1 training center, 1 coconut production center and that of the Central Office in accordance with PCA's One Fund Accounting System Manual. All significant intra-fund items and transactions are eliminated in the consolidation.

2.2 Basis of presentation

The financial statements have been prepared in accordance with the New Government Accounting System (NGAS).

2.3 Decentralization of accounting system

The accounting system of PCA regional offices and research/training centers is completely decentralized.

2.4 Cash equivalents

Cash equivalents are short-term investments with maturities of three months or less from the date of acquisition.

2.5 Allowance for doubtful accounts

Allowance for doubtful accounts was provided in the books specifically on PCA fees in accordance with Corporate Order No. 2, series of 2002.

The policy of providing allowance includes the aging of receivables method of estimating uncollectible accounts. By this method, the accounts are classified according to age from less than two years to over 10 years and provision for the allowance for doubtful accounts shall be as follows:

Over 10 years	15 per cent
Over 5 years to 10 years	10 per cent
Over 2 years to 5 years	5 per cent
Less than 2 years	0 per cent

Any of the following conditions must be present before the accounts shall be considered as uncollectible and qualified for write-off from the books, duly approved by COA:

- a. No response from the debtor after issuance of at least three demand letters with an interval of three months during the following year;
- b. The debtor had been declared bankrupt, insolvent and had ceased operation;
- c. The debtor had died and left no assessable property/estate; and
- d. The debtor could no longer be located despite reasonable efforts.

Allowance for doubtful accounts was also provided to all receivables such as Receivable-Officers and Employees, National Coconut Improvement Program (NCIP), Small Coconut Farmers Organization (SCFO) and others.

2.6 Inventory valuation

Inventories are valued at cost using the weighted average method.

2.7 Property, plant and equipment

Property, plant and equipment are valued at cost and depreciated quarterly using the straight line method. A residual value equivalent to 10 per cent of the acquisition cost/appraised value was deducted before dividing the same by the estimated useful life. This is in compliance with COA Circular No. 2003-007, on the revised useful life in computing depreciation for government property, plant and equipment which took effect on January 1, 2004.

2.8 Recognition of income and expenses

The Authority recognizes income on fees from local and export sales of coconut products on the period of such sales based on the audited reports submitted by oil millers for local sales, and the results of its coordination with the Bureau of Customs and its regional offices for export sales, in accordance with the principle of proper matching of costs against revenues. Similarly, regulatory fees on registration of dealers and traders are recognized on or before December 31 of each year. Expenses are recognized on accrual basis.

2.9 Capitalization policy

The following expenditures are capitalized:

- a. Improvements, additions, extensions or enlargement of existing units; repainting where such is done for the whole building; and
- b. Major repairs, otherwise known as "Extraordinary Repairs" of property which will restore said property to good condition, improve their efficiency and/or extend their useful life to more than a year; and where such repairs amount to not less than P10,000 or at least 40 per cent of the replacement cost of the property.

2.10 Research and development costs

All research and development costs of the three research centers in Albay, Davao and Zamboanga and the training center in Davao are charged to expenses as incurred.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2013	2012 (As restated)
General Fund 151 (Regulatory fees)		
Cash - national treasury	8,313,735	5,168,852
Cash for Corporate Fund 503 (One Fund)		
Cash on hand		
Cash - collecting officers	2,897,947	3,770,710
Cash - disbursing officers	2,598	-
Petty cash fund	186,526	178,078
Cash - national treasury	5,332,884	11,592,649
Cash in bank		
Local currency, current account	1,221,917,882	721,328,697
Local currency, savings account	273,900,613	268,981,830
Foreign currency, savings account	560,852	25,104
Foreign currency, time deposits	2,113,089	2,006,061
	1,506,912,391	1,007,883,129
	1,515,226,126	1,013,051,981

The Cash in bank account represents PCA's funds deposited at the Land Bank of the Philippines (LBP). It includes short-term investments on high-yield savings accounts to maximize income generation of funds held in trust which are temporarily in custody of the Authority until such time that the amounts will be released for specific purpose or project. Included also in the Cash in bank account are cash for payment of mandatory obligations due to Government Service Insurance System, Bureau of Internal Revenue, Home Development Mutual Fund and Philippine Health Insurance Corporation. It also includes fund transfers for the implementation of special projects from government agencies, such as the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Science and Technology (DOST), Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD), Philippine Council for Industry and Energy Research Development (PCIERD), Bureau of Agricultural Research (BAR) and other Coconut Genetic Resources Network funded projects.

4. RECEIVABLES

This account consists of the following:

	2013	2012 (As restated)
Accounts receivable – PCA fees	314,120,351	204,693,563
Due from officers and employees	594,890	469,962
Interest receivable	897,421	1,932,899
Due from national treasury	3,368,823,209	133,209
Due from national government agencies	6,499,546	165,137
Due from non-governmental organizations (NGOs)/ people's organizations (POs)	528,236	498,377
Due from regional offices	27,224,570	9,077,316
Due from operating/field units	150,000	-
Due from other funds	2,631,166	3,332,765
Receivables - disallowances/charges	134,689,713	134,849,224
Advances to officers and employees	403,374	359,533
Other receivables	26,057,441	32,674,883
Total	3,882,619,917	388,186,868
Less: Allowance for doubtful accounts	37,204,776	33,882,393
	3,845,415,141	354,304,475

Accounts receivable – PCA fees and Other receivables are stated at amortized cost less provision for impairment/bad debts. Impairment is considered when there is objective evidence that the Authority will not be able to collect the receivables.

Pursuant to Administrative Order (AO) No. 01, series of 2011, effective April 1, 2011, PCA fee remittance/collection increased to P0.12/kilo from P0.06/kilo, on purchases of copra and/or receipt of copra or copra equivalent of husked nuts/dehusked nuts, fresh young nuts ("buko") and copra equivalent in other coconut products delivered to the coconut product exporters, oil millers, desiccators or other payors contemplated in Section 3 of aforesaid AO.

However, despite the aforementioned AO, several companies particularly the oil millers continue to pay PCA fee at the old rate of P0.06/kilo instead of the new rate or withhold remittances at the new rate, for the reason that the case of Philippine Coconut Oil Producers Association (PCOPA) versus PCA docketed as Civil Case No. Q-96-27056 is still pending before the Regional Trial Court, Branch 98 of Quezon City. The PCOPA and non-PCOPA members have manifested that they will maintain the status quo, that is to pay at the old rate until the PCOPA case is resolved.

Therefore, based on the monitoring and verification made by PCA Assessment and Monitoring Office, formerly named as Coconut Industry Stabilization Fund (CISF) Assessment and Collection Office, a deficiency of P0.06/kilo was noted on the oil milling companies' payment of P0.06/kilo against the targeted amount due them of P0.12/kilo.

On November 5, 2013, the Regional Trial Court, Branch 98 of Quezon City, ordered the dismissal of the Petition for Relief from Judgment for the case filed by PCOPA. With this development, the PCA Assessment and Monitoring Office assessed the companies of fee deficiency of P0.06/kilo or a total amount of P217.109 million, booked and summarized as follows:

Year	Principal	Interest	Total
2011	24,217,605	765,058	24,982,663
2012	87,978,669	9,506,253	97,484,922
2013	73,450,917	21,190,435	94,641,352
	185,647,191	31,461,746	217,108,937

5. INVENTORIES

This account pertains to agricultural and marine supplies consisting of the following:

	2013	2012 (As restated)
Fertilizers (salt)	67,717,198	55,467,698
Coconut seedlings	38,170,957	6,718,392
Makapuno seedlings	14,000	-
Coconut seed nuts	43,295,185	67,007,934
Agricultural chemicals (Inoculants)	365,551	17,235,976
Planting materials (Intercrops, e.g. corn)	7,237,875	5,150,356
Earwigs	17,285,858	227,000
Crops and fruits inventory	2,804,754	2,859,625
Other agricultural supplies	2,522,521	341,822
	179,413,899	155,008,803

For the year 2013, PCA implemented the following projects:

- a. Kasaganahan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Enterprise Development Project (KEDP) aims to promote and institutionalize coconut-based enterprises through an integrated resource-service convergence approach to increase farm productivity and income of the small coconut farming communities.
- b. Coconut Seedlings Dispersal Project (CSDP) is implemented to cater the demand for coconut seedlings by some private and government sectors (e.g., Local Government Units, Non-Governmental Organizations, and other government agencies) in many parts of the country. This requires the procurement of good quality coco seed nuts and the establishment of communal nurseries for the propagation of coconut seedlings for distribution to identified beneficiaries.
- c. Participatory Coconut Planting Project (PCPP) espouses a participatory and incentive-based approach to encourage coconut farmers and would-be-coconut farmers to plant more coconut trees. Under this scheme, participating farmers are tapped to source their own coco seed nuts, 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.
- d. Salt Fertilization Project (SFP) is the national distribution, as well as, the application of agricultural grade salt at farm levels intended to boost coconut production and productivity of the coconut industry.

Upon purchase of coco seed nuts/seedlings and fertilizers, they were taken up in the books as Inventories.

The distributions of fertilizers and coco seed nuts to farmers were not fully taken up in the books as Expense account as of December 31, 2013, pending the submission by the provincial offices of the following documents:

- a. Certificate of Distribution and Application of Agricultural Grade Salt Fertilizer;
- b. Master List of Farmer-Participants;
- c. Provincial/Terminal Reports; and
- d. Accomplished Acknowledgement Receipt of Farmer-Recipients.

Once submitted to the Regional Offices, said documents will be the bases for effecting the necessary adjusting entries in the books (see Note 16).

6. PREPAYMENTS

This account consists of the following:

	2013	2012 (As restated)
Prepaid rent	26,503	61,880
Prepaid insurance	133,418	142,770
Prepaid interest	2,388	3,960
Deferred charges	543,083	543,083
Other prepaid expenses	20,550	18,426
Office supplies inventory	1,614,669	1,210,910
Medical & laboratory supplies inventory	909,718	807,930
Fuel, oil and lubricants inventory	296,646	277,795
Spare parts inventory	2,466,054	572,992
Construction materials inventory	389,429	499,999
Other supplies inventory	7,475,698	3,569,149
	13,878,156	7,708,894

Except for agricultural and marine supplies, all other inventories were reclassified to Prepayments account for financial statement presentation purposes.

7. OTHER CURRENT ASSETS

This account comprises the following:

	2013	2012
Guaranty deposits	989,839	924,189
Marginal deposits	58,224	58,224
Deposits on containers	96,500	99,500
Other deferred charges	15,251,196	1,739,125
	16,395,759	2,821,038

The increase of P13.512 million in Other deferred charges account was due to recording of agricultural inputs and recognition of liability by Region XII for the projects under KANIB, SFP, Coffee/Cacao Intercrops and coconut seedlings dispersal. Most of the contracts covering these agricultural inputs chargeable against CY 2013 appropriations were already issued notices to proceed.

8. INVESTMENTS

This account represents the cost of stock certificates issued by the United Coconut Planters Bank, with a par value of P1.00 per common share.

9. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Land and land improvements	Buildings and other structures	Office equipment, furniture and fixtures	Machinery and transportation equipment	Other property, plant and equipment	Total
Cost						
January 1, 2013, as restated	167,807,117	240,649,209	85,762,461	192,096,073	9,045,813	695,360,673
Additions	2,795,323	1,333,332	7,163,293	63,511,746	898,125	75,701,819
Disposal/sale	-	(400,000)	(4,379,825)	(6,026,363)	(24,045)	(10,830,233)
Reclassification	(2,706,648)	106,980	(5,484,342)	(1,238,492)	79,236	(9,243,266)
Cost, December 31, 2013	167,895,792	241,689,521	83,061,587	248,342,964	9,999,129	750,988,993
Accumulated depreciation						
January 1, 2013, as restated	18,251,158	151,081,443	65,726,203	115,193,295	3,620,814	353,872,913
Additions	783,199	6,119,169	3,168,996	7,534,357	332,971	17,938,692
Reclassification	(35,201)	56,557	(7,314,829)	(1,949,794)	1	(9,243,266)
Accumulated depreciation December 31, 2013	18,999,156	157,257,169	61,580,370	120,777,858	3,953,786	362,568,339
Net book value, December 31, 2013	148,896,636	84,432,352	21,481,217	127,565,106	6,045,343	388,420,654
Net book value, December 31, 2012 as restated	149,555,959	89,567,766	20,036,258	76,902,778	5,424,999	341,487,760

The account also includes various property and equipment of P7.507 million with net book value of P1.038 million located in Region VIII, Palo, Leyte, which were damaged by the recent super typhoon Yolanda. Pending approval by the Commission on Audit for the request for relief of accountability, the following property and equipment accounts will be reclassified to Other assets account in CY 2014:

	Cost	Net Book Value
Land transportation	5,480,795	835,394
Office equipment	1,896,774	189,677
IT equipment	55,500	5,550
Other property, plant and equipment	73,915	7,391
	7,506,984	1,038,012

10. OTHER ASSETS

This account comprises the following:

	2013	2012 (As restated)
Work/breeding/other animals	248,204	3,551,133
Other assets	718,992,752	718,023,019
	719,240,956	721,574,152

Management has already requested from the Commission on Audit for the write-off of the account balances in the CISF books which was returned for submission of required documents. The request for write-off was based on the following reasons:

- The high-yield cash account of CISF in the amount of P489,284 has already been transferred to Corporate Fund 503 per JEV No. 503-1301-049

dated January 2013; and

b. Management has analyzed/evaluated the final disposition of the CISF accounts in the Trial Balance, premised on the reason that persons involved in the collection and management of the fund had either retired or were already deceased, with no proper turnover of accountabilities and necessary records. Based on the results of said evaluation/analysis and due to lack/unavailability of supporting documents which the present accounting personnel could rely on, proper adjusting/closing entries shall be made following the provisions of COA Circular No. 97-001 dated February 5, 1997, Re: Guidelines on the proper disposition/closure of dormant funds and/or accounts of National Government Agencies.

11. PAYABLES

This account is composed of the following:

	2013	2012 (As restated)
Accounts payable	422,493,591	290,550,090
Due to officers and employees	2,949,005	1,920,570
Tax refunds payable	17,970	30,859
	425,460,566	292,501,519

12. INTER-AGENCY PAYABLES

This account is composed of the following:

	2013	2012 (As restated)
Due to national government agencies (NGAs)		
Due to BIR	6,623,336	2,724,504
Due to GSIS	1,273,645	927,560
Due to Pag - IBIG	272,310	140,924
Due to Philhealth	249,808	126,988
Due to other NGAs	27,261,065	28,340,890
Due to GOCCs	18,361,517	1,080,516
Due to LGUs	16,425,206	13,046,318
	70,466,887	46,387,700

Inter-agency payables account includes liability for mandatory contributions of employees to the Government Service Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (Philhealth). Also recorded under this account are taxes withheld on salaries and other payments for remittance to the Bureau of Internal Revenue (BIR).

Due to other NGAs account includes cash from other government agencies held by PCA for the implementation of the DA's various special projects such as High-Value Commercial Crop (HVCC), DA-NAFC and DA-BAR programs, and the DOST-

PCAARRD's Integrated Coconut Research Development Enhancement Program (ICREDEP) projects.

Due to LGUs account represents the shares of the municipalities and barangays in the permit fees imposed by PCA for every coconut tree cut, remittance of which are made on a quarterly basis.

13. INTRA-AGENCY PAYABLES

This account is composed of the following:

	2013	2012 (As restated)
CISF	109,201	310,133
General fund 101	1,609,512	1,609,512
General fund 151	6,270,660	6,422,836
General fund 501	3,863	814,402
General fund 201	-	(84,000)
SCFDP fund 401	186,900	186,900
	8,180,136	9,259,783

CISF 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. There had been no financial transactions of the CISF considering collection of the levies was lifted on August 28, 1982.

Accounts of special/calamity fund - fund 201 and of National Coconut Productivity Program/Energy Self-reliance Program Funds and Coconut Farms Safety Net Program (CFSNP) – fund 501 form part of the Corporate Fund - fund 503. Programs for said funds had already been completed several years ago.

Special Account in the General Fund – fund 151 is sourced from automatic appropriations which expenditures are authorized under PD No. 1234.

Small Coconut Farms Development Project (SCFDP) - fund 401 was used for a foreign assisted project, financed through a World Bank loan, aimed to launch a program of coconut development and productivity improvement and 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.

14. OTHER PAYABLES

This account consists of the following:

	2013	2012 (As restated)
Guaranty deposits/performance payable	5,251,316	5,129,407
Contractor's retention money	6,553,657	7,144,615
Other payables	15,753,144	17,021,279
	27,558,117	29,295,301

15. MORTGAGE PAYABLE

This pertains to the outstanding principal balance of the loan granted by the Land Bank of the Philippines (LBP) in October 2012 in the gross amount of P2.794 million to finance the replacement/modernization of the elevator in the Central Office, payable in three years with an interest of 6.5 per cent per annum.

16. DEFERRED CREDITS

This comprises Other deferred credits account which is a suspense account for fertilizers and other intercropping agricultural supplies. Said account shall be adjusted once the documents, particularly the duly accomplished acknowledgment receipts of farmer-recipients are completely submitted.

	2013	2012
Central office	177,960	177,960
Region IV-A	412,018	1,495,616
Regions I-IV-B	14,477	12,500
Region V	20,043,840	26,713,481
Region VI	272,387	272,387
Region VII	2,757,942	13,129,641
Region VIII	41,587,673	18,116,359
Region IX	776,529	776,529
Region X	5,068,227	-
Region XI	357,014	357,014
Region XII	77,415	1,621,165
Region XIII	709,354	709,354
Albay Research Center	1,952,725	1,503,989
Coconut Extension Training Center	184,206	217,148
Davao Research Center	1,350,165	1,517,288
Coconut Seed Production Center	71,991	71,991
Zamboanga Research Center	12,960,268	3,957,479
	88,774,191	70,649,901

17. GOVERNMENT EQUITY

This account includes a parcel of land located at the Municipality of Alaminos, Laguna with total land area of 48,749 square meters (sq. m), covered by TCT No. (T-12840) T-4759 which was booked up at fair market value amounting to P73.124 million.

18. APPRAISAL CAPITAL

Appraisal Capital represents the difference between the original cost and the fair market value as appraised by Cuervo Appraisers, Inc. on August 25, 2004 of the land with a total area of 57,122 sq. m. of the defunct Desiccated Coconut Rationalization Fund's real property as enumerated as follows:

Location	Land area (in sq. m.)	Cost	Appraised value	Difference
Tiaong, Quezon	23,756	15,389,000	24,498,000	9,109,000
San Pablo City	17,332	15,500,000	24,650,000	9,150,000
Lucena City	16,034	13,500,000	15,096,000	1,596,000
	57,122	44,389,000	64,244,000	19,855,000

19. RETAINED EARNINGS

Retained earnings as at January 1, 2012				505,236,501
Add: Net income for CY 2012 after subsidy, as reported				354,038,143
Add/deduct: Adjustments of CY 2012 net income:				
Unrecorded income:				
Fees, permits and licenses	125,433,680			
Service income	236,966			
Business income	181,933			
Other income	651,606		126,504,185	
Unrecorded expenses:				
Personal services	20,667,736			
MOOE	5,187,137		25,854,873	100,649,312
Net income for CY 2012 after subsidy, as restated				454,687,455
Retained earnings at December 31, 2012, as restated				959,923,956
Add: CY 2013 net income after subsidy, as reported				3,909,273,321
Retained earnings, December 31, 2013				4,869,197,277

For the year 2013, the Income after subsidy from the National Government totalled P3.909 million. This includes subsidy for the following which, Sub-allotment Release Order (SARO) and Notice of Cash Allocation (NCA) were received only on December 27, 2013:

- a. Subsidy for the Coconut Rehabilitation Program of the Yolanda Recovery and Rehabilitation Plan amounting to P2.869 billion; and
- b. Subsidy for Calamity-related rehabilitation/restoration projects and other priority projects amounting to P0.500 billion.

The amounts of P2.869 billion and P0.500 billion were taken up in the books as Due from National Treasury (see Note 4).

20. INCOME

This account comprises the following:

	2013	2012 (As restated)
General and service income		
Fees, permits and licenses		
Permit (PCA) fees	246,380,854	269,439,801
Interest and surcharges on PCA fee	29,058,980	15,177,698
Transport permit fees	27,019,245	24,855,255
Registration fees	10,745,178	8,627,433
Cutting permit fees	8,986,002	7,218,803
Inspection fees – RA 8048	4,090,188	2,420,120
Chainsaw registration fee	3,556,670	3,337,206
Filing processing fee	3,137,755	2,600,965
Laboratory analysis fees	1,461,058	1,046,006
Fines and penalties	919,206	231,068
Surcharges on chainsaw registration fee	686,435	506,483
Moisture meter fees	269,511	193,487
Certificates, licenses and processing fees	55,856	14,244
Export processing fees	46,080	38,720
Seedling supplier registration fees	18,350	72,779
Other fees	5,699,475	3,179,371
	342,130,843	338,959,439
Service Income		
Other service income		
Seed nuts replacement	25,191,215	26,501,354
Sale of coco seed nuts	5,128,278	7,500,261
Sale of copra	4,145,737	8,631,328
Sale of coco seedlings	2,918,425	5,905,323
Sale of coco-by-products	2,000,190	967,180
Analysis fees - plant tissue analysis laboratory	1,668,741	1,446,169
Other fines and penalties	1,245,828	128,062
Sale of intercrops	408,906	447,906
Filing/certification fees	296,380	379,100
Sale of confiscated/seized goods	280,903	175,788
Sale of waste materials	-	149,095
Others	2,219,969	3,722,139
	45,504,572	55,953,705
Business income		
Rent/lease income	26,592,663	26,940,330
Income from dormitory operations	94,583	51,100
	26,687,246	26,991,430
Other income		
Interest income	7,573,016	11,403,970
Gain on foreign exchange	100,319	-
Gain on sale of assets	41,325	710,663
Income from photocopying service	31,690	47,812
Income from grants and donations	-	50,286
	7,746,350	12,212,731
Total income	422,069,011	434,117,305

21. EXPENSES

This account consists of the following:

	2013	2012 (As restated)
Personal services		
Salaries and wages	245,904,192	253,009,243
Other compensation		
Personnel economic relief allowance (PERA)	19,707,643	21,238,605
Representation allowance (RA)	8,486,127	6,715,931
Transportation allowance (TA)	5,453,246	4,073,561
Clothing/uniform allowance	4,126,790	4,480,800
Subsistence allowance	21,600	18,976
Productivity incentive bonus (PIB)	1,624,000	1,664,000
Anniversary bonus	2,490,000	-
Productivity enhancement incentive (PEI)	4,018,000	4,340,000
Longevity pay	882,945	1,076,302
Overtime and night pay	1,860,616	1,216,260
Cash gift	4,125,375	4,453,950
Year-end bonus	20,701,754	21,828,376
	73,498,096	71,106,761
Personnel benefit contributions		
Life and retirement insurance contributions	29,516,569	30,433,307
Pag-IBIG contributions	987,313	1,065,750
Philhealth contributions	2,470,741	2,050,338
ECC contributions	992,640	1,065,846
	33,967,263	34,615,241
Other personnel benefits		
Vacation and sick leave benefits	44,488,614	45,328,381
Counsel allowance	7,500	15,000
Loyalty allowance	875,000	1,200,000
Per diem of directors	375,200	240,800
Performance-based bonus (PBB)	-	10,460,500
Others	20,320,000	21,509,385
	66,066,314	78,754,066
Total personnel services	419,435,865	437,485,311
Maintenance and other operating expenses (MOOE)		
Travelling expenses		
Local	42,358,426	28,641,637
Foreign	507,595	1,409,072
	42,866,021	30,050,709
Training and scholarship	27,295,545	15,298,656
Supplies expense		
Office supplies	8,543,928	6,860,397
Medical, dental and laboratory expense	3,028,316	1,791,869
Gasoline, oil, and lubricants	19,702,939	13,199,343
Agricultural and marine supplies	687,034,891	440,134,979
Textbook and instructional materials	5,573	-

	2013	2012 (As restated)
Other supplies	5,490,900	4,648,709
	723,806,547	466,635,297
Utility expense		
Water	2,118,060	2,579,262
Electricity	17,011,037	17,904,255
Fuel	5,141	2,460
	19,134,238	20,485,977
Communication expense		
Postage and deliveries	1,228,447	1,016,691
Telephone/mobile	7,822,316	6,423,161
Internet	1,000,792	1,109,338
Cable, satellite, telegraph and radio	9,863	20,330
	10,061,418	8,569,520
Membership, dues & contribution expense	-	10,500
Awards, prizes and other claims	730,000	460,000
Advertising, promotional and marketing expense	815,624	416,137
Printing expense	1,209,770	683,069
Rent/lease expense	8,373,392	7,898,890
Representation expense	465,005	392,105
Transportation expense	13,718,347	7,481,870
Subscription expense	312,090	317,018
Professional services		
Legal services	54,950	37,350
Auditing services	23,820,650	10,000,000
Consultancy services	1,542,500	624,678
General/janitorial services	72,012,195	48,519,881
Security services	30,503,662	27,574,524
Other professional services	92,571,630	30,184,479
	220,505,587	116,940,912
Repairs and maintenance		
Buildings and other structures	6,604,422	4,421,173
Other structures	1,029,658	2,114,490
Office equipment	559,578	558,845
Furniture and fixtures	785,013	69,850
IT equipment	167,540	183,682
Machinery	1,202,636	49,284
Agricultural and marine equipment	435,141	575,293
Communication equipment	2,686	-
Medical, dental and laboratory equipment	788,737	-
Technical and scientific machinery equipment	272,519	138,441
Other machinery and equipment	173,900	223,024
Other property, plant and equipment	8,192,668	4,585,584
	20,214,498	12,919,666
Extraordinary and miscellaneous expense		
Extraordinary expense	1,503,445	1,532,492
Miscellaneous expense	21,254	101,956
	1,524,699	1,634,448

	2013	2012 (As restated)
Donation	42,799,196	1,653,264
Taxes, duties and premiums		
Taxes, duties and licenses	8,753,609	3,237,436
Fidelity bond premiums	615,215	642,031
Building insurance	972,421	811,972
Equipment insurance	943,367	189,217
Vehicle insurance	620,305	791,044
Flood/typhoon insurance	-	143,429
	11,904,917	5,815,129
Non-cash expense		
Bad debts expense	3,322,383	2,136,598
Depreciation expense	17,938,692	17,548,197
	21,261,075	19,684,795
Losses	-	85,910
Other MOOE		
Athletic and social events	2,929,498	1,396,770
Duplication costs	343,434	250,684
Meetings and conferences	2,088,034	930,896
Survey and research expenses	22,344,046	684,835
Others	5,867,447	3,832,780
	33,572,459	7,095,965
Total MOOE	1,200,570,428	724,529,837
Financial expenses		
Interest expense	167,330	90,230
Bank charges	7,594	4,193
Other financial charges	54,473	77,279
	229,397	171,702
Total expenses	1,620,235,690	1,162,186,850

22. SUBSIDY INCOME FROM NATIONAL GOVERNMENT

This represents subsidy from the National Government as follows:

	2013	2012
Regular subsidy	233,000,000	274,260,000
Agricultural fisheries modernization program		
MOOE	-	908,497,000
Locally funded projects	1,505,750,000	-
Calamity-related rehabilitation/restoration		
projects and other priority projects	500,000,000	-
Coconut rehabilitation program of the Yolanda		
recovery and rehabilitation plan	2,868,690,000	-
	5,107,440,000	1,182,757,000

23. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the financial statements were reclassified to conform to the current year's presentation.

24. RESTATEMENT OF ACCOUNTS

In conformity with Philippine Accounting Standard No. 8, certain accounts in the financial statements were restated to conform to the current year's presentation.

25. COMPLIANCE WITH REVENUE REGULATION 15-2010

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 arrearages discussed in observation no. 15 of CY 2012 AAR, wherein the recommendation was partially complied with, as mentioned in Part III of this report. Total taxes withheld and remitted for CY 2013 to BIR were as follows:

	Withheld	Remitted
On compensation	42,659,810	42,418,228
Expanded creditable income tax	7,444,867	6,832,157
VAT from suppliers/contractors	7,549,186	6,638,841
Other fees and taxes	4,921,067	3,956,936
	62,574,930	59,846,162

26. COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS) LAW, REPUBLIC ACT (RA) NO. 8291

PCA had been regularly deducting premiums from its employees and remitting the total amount withheld to GSIS. For CY 2013, the employees' premiums and employer's contributions of P22.299 million and P16.778 million, respectively, were remitted to GSIS.

PART II - OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL OPERATIONS

1. The accuracy of the Cash in Bank - Local Currency, Current account of P1.222 billion was not established considering that 71.1 per cent of this or P869.192 million were either not supported with the required bank reconciliation statements (BRS) or if prepared, these were not updated or with errors; and also due to the non-restoration to the said account the cash equivalent of unreleased/stale checks as at year-end.

1.1. Section 74 of Presidential Decree (PD) No. 1445 states that:

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

1.2. Likewise, Sections 3.3.21 and 3.3.22 of Joint Circular No. 1-90 dated February 27, 1990 issued by the Department of Finance and the Department of Budget and Management require all government agencies to reconcile all disbursement accounts with the corresponding statement of accounts furnished by the government servicing banks (GSBs) and to submit the BRS on or before the 15th day of the following month to the COA Auditor.

1.3. On the other hand, Section 9 of Philippine Accounting Standard No. 10 states that one of the examples of events after the balance sheet date that requires adjustments in the financial statements is the discovery of errors showing that the financial statements were incorrect.

1.4. Further, Section 52 of the New Government Accounting System (NGAS) Manual, Volume I, requires that unclaimed stale checks shall be cancelled while Sections 2.3 to 2.5 of COA Government Accounting and Financial Management Information System (GAFMIS) Circular Letter No. 2002-001 dated December 16, 2002 provides that, at year-end, the cash equivalent to the unreleased checks shall be restored and the appropriate payable/liability accounts shall be recognized.

1.5. The 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 safeguarded against inaccurate or misleading information.

1.6. The BRS of the Regional Offices (ROs) were either not prepared or not submitted on time, while that submitted by the Central Office (CO) contained erroneous entries, thus, accuracy of the balance of the Cash in Bank - Local Currency, Current account as at December 31, 2013 amounting to P1.222 billion could not be ascertained considering that the accounts in six offices, as summarized in Table 1, were not supported with BRS.

Table 1. Year-end balances of Cash in bank, local currency, current account

Office	Amount	Remarks
CO	P 693,643,844	With BRS but contained errors
Region VII	59,842,005	Latest BRS submitted for the month of April 2013 which pertained only to the account of RO
Region XI	28,722,507	Latest BRS submitted for the month of August 2012
Region XII	27,229,677	Latest BRS submitted for the month of October 2013
Region XIII	47,618,557	Latest BRS for the month of August 2013
NCSPC	12,135,152	Latest BRS submitted as of October 2013
P 869,191,742		

1.7. In Region VII, the BRS prepared and submitted pertained only to the bank account of the RO. There were no BRS prepared for the bank accounts of its three provincial offices (POs). Records show that the BRS submitted for the RO account was only up to April 2013. Interview with the Accountant disclosed that the delayed preparation of BRS was due to the lack of personnel in the Accounting Division. The job order employee hired had no accounting background, hence, could not perform the reconciliation and other accounting functions.

1.8. In Regions XI and XIII, the latest BRS submitted were for the months of August 2012 and August 2013, respectively, while that in Region XII and New Coconut Seed Production Center (NCSPC) were for the month of October 2013.

1.9. For CO, review of BRS reconciling items as at year-end disclosed the following:

a. Serial numbers of 42 outstanding checks in the total amount of P1.1 million were incorrect which were later found out to be transposition errors; and

b. Sixty three (63) outstanding and unreleased checks aggregating P3.454 million, representing 45.7 per cent of the 138 total number of outstanding checks at year-end, were not restored to cash and related payable accounts contrary to Sections 2.3 to 2.5 of COA GAFMIS Circular Letter No. 2002-001. Said observation was already noted in prior year. However, Management did not concur with the audit recommendation for the restoration of unreleased checks to affected accounts at year-end on the basis that the same were already claimed by the payees during the first two months of the subsequent year.

1.10. The non-preparation and non-submission of the BRS within the prescribed period may result in discrepancies/errors or other reconciling items not corrected/adjusted on time while the non-restoration of the outstanding and unreleased checks to the cash in bank and the corresponding liability accounts of P3.454 million consequently understated the said accounts by the same amount.

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

a. **Concerned regional accountants to assign qualified personnel to assist in the preparation and prompt submission of BRS; and**

b. **CO Accounting Division to perform adequate review of BRS and prepare necessary adjustment in the books for unreleased checks to**

comply with the aforementioned regulations and to fairly present the affected accounts in the financial statements at year-end.

1.12. Management of Region VII commented that additional personnel were already deployed in the Accounting Unit to assist in the preparation of the BRS and assured that the same will be submitted before end of March 2014 while preparation of BRS for its POs will start in January 2014. Likewise, Management of Region XIII explained that they could not submit the monthly BRS at the 15th day of the month following the reporting period considering that they issue about a thousand checks for Participatory Coconut Planting Project (PCPP) that made the monthly preparation of BRS tedious. They had been constantly making follow ups with their depository bank for the hard copies of the monthly bank statements since the bank had difficulty printing voluminous snapshots. Management believes that timeliness and accuracy are of equal importance, thus they are requesting for extension to submit their BRS beyond the 15th or before the end of the month following the reporting period. Management, however, assured that it will be one of their priorities in the next regular reporting cycle. Management of CO, on the other hand, submitted a revised BRS and committed to implement the recommendation starting CY 2014.

1.13. As a rejoinder, Region VII was able to submit BRS covering the month ending December 31, 2013, only in June 2014. Hence, we maintain our stand and further recommend **that Management of Regions VII and XIII observe the timely submission of BRS, as well as, formulate and adopt strategies to facilitate its preparation to ensure correct year-end balance of the Cash in Bank account.**

2. The existence and reliability of the Property, Plant and Equipment (PPE) account of P388.421 million was not established as there was no reconciliation between accounting and property records which was brought about by absence of inventory reports in Regions VII and XIII, incomplete inventory counts in Region XII and Zamboanga Research Center (ZRC), and non-conduct of physical inventory count in Region V.

2.1. Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I, provides that:

Chiefs of agencies are required to take a physical inventory of all equipment and supplies belonging to their respective office at least once a year, unless otherwise determined by the COA Chairman in specific cases. Such inventory shall be made as of December 31 on General Form 41-A, and submitted to the Auditor not later than January 31 of each year, unless extended by the Chairman, Commission on Audit, upon prior request of the chief of agency concerned.

2.2. Further, Section 4 of COA Circular No. 80-124 dated January 18, 1980 provides that:

All inventory reports shall be prepared on the prescribed form xxx and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The reports shall be properly reconciled with accounting and inventory records.

2.3. Despite the issuance of audit observation in CY 2012, inventory count was still not conducted in Region V during CY 2013. In Region XII and ZRC, inventory count was incomplete while in Regions VII and XIII, including their respective POs, though inventory counts were conducted, the corresponding Inventory Reports were not prepared and submitted. The PPE balances of these offices are shown in Table 2.

Table 2. Year-end balance of PPE account

Office	Amount
Region V	P 17,708,854
Region VII	28,464,458
Region XII	11,220,953
Region XIII	5,063,732
ZRC	34,527,229
	P 96,985,226

2.4. Management explained that the noted deficiencies were due to time constraint in Region XII and lack of manpower in ZRC and Regions V, VII, and XIII.

2.5. Thus, reconciliation of the results of inventory count with the accounting records was not made and consequently, the existence, accuracy, and reliability of the year-end balance of PPE account of P388.421 million cannot be ascertained.

2.6. **We recommended that Management direct the concerned ROs/Center to:**

- a. **Assign additional personnel to facilitate the conduct and completion of physical inventory count of PPE, as well as, the preparation and submission of inventory report;**
- b. **Ensure that the inventory count is properly scheduled; and**
- c. **Conduct reconciliation between inventory report and accounting records and make necessary adjustment for any discrepancy.**

2.7. During the exit conference, Management commented that they will call the attention of the concerned ROs on the matter. Likewise, Regions VII and XII agreed and committed to implement the recommendation while Region XIII assured to submit the inventory report on time and informed that they have already assigned additional personnel to assist the Supply Officer in the preparation of the inventory report.

3. Unpaid incentives to beneficiaries of Participatory Coconut Planting Project (PCPP) and unpaid costs of undelivered coco seedlings and livestock procured under Coconut Seedlings Dispersal Project (CSDP) and Kasaganaan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project accumulating to P31.702 million and unpaid costs of undelivered agricultural inputs of P8.350 million were treated as outright expenses, thus, overstating the Agricultural and Marine Supplies Expense account and Donations account by P31.702 million and P8.350 million, respectively, while overstating the Accounts Payable account by P40.052 million.

3.1. Paragraph 91 of Framework for the Preparation and Presentation of Financial Statements states that:

A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. In practice, obligations under contracts that are equally proportionately unperformed (for example, liabilities for inventory ordered but not yet received) are generally not recognized as liabilities in the financial statements. However, such obligations may meet the definition of liabilities and, provided the recognition criteria are met in the particular circumstances, may qualify for recognition. In such circumstances, recognition of liabilities entails recognition of related assets or expenses.

3.2. Likewise, paragraph 11 of Philippine Accounting Standard (PAS) No. 37 defines accruals as liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

3.3. PCA Memorandum Circular (MC) No. 4, series of 2012, dated January 9, 2012, provides for the guidelines on the implementation of the PCPP, which espouses a participatory and incentive-based systems approach to encourage coconut farmers and would-be coconut farmers to plant more coconut trees. The project covers the following two stages:

Phase 1 – Nursery operations. Participating farmers are tapped to source their own seednuts, sow and propagate them in their own nursery to produce good seedlings for at least four to six months; and

Phase 2 – Transplanting of seedlings. This refers to field planting of seedlings following the PCA recommended good agricultural practices.

3.4. The participating farmers who have satisfactorily met the requirements of the PCPP shall be entitled to a monetary incentive of P40 per tree stabilized on the ground.

3.5. On the other hand, CSDP is one of the four options of distributing coco seedlings to farmer-participants. Likewise, one of the three major components of KANIB project is the Coconut Intercropping Project which involves distribution of high-value crops and livestock to qualified beneficiaries. Paragraph VI, Section XIII of PCA MC No. 3, series of 2013, dated January 30, 2013, states that:

The receipt of planting materials, livestock and other farm inputs to the farm shall be recorded in a ledger card by the Agriculturist or Community Coordinator (CC) concerned for accounting and auditing purposes. Xxx. He or she takes the accountability of the farm inputs or equipment and machineries received at the farm until such time that the agreement shall have expired or a Deed of Donation as the case may be, shall have been made to the KANIB Project participants.

3.6. Said seedlings, high-value crops, and livestock may be sourced through procurement from qualified suppliers.

3.7. Accounting records showed that the Agricultural and Marine Supplies Expense account for CY 2013 of Regions I-IV-B amounted to P89.173 million, of which P18.919 million referred to unpaid incentives to farmer-beneficiaries of PCPP - Phase II, in which no report was presented as to whether the said farmer-beneficiaries had satisfactorily met the requirements of the project. Moreover, the amounts of P8.757 million and P4.026 million pertained to costs of coco seedlings and high value crops, procured under CSDP and KANIB Project, respectively, which were not yet delivered to and not yet paid by Regions I-IV-B, as shown under Table 3.

Table 3. Undelivered/unpaid Agricultural supplies expenses

Particulars	Total Amount	Paid/Delivered	Unpaid/Undelivered
PCPP – seedlings	P 29,592,232	P 10,673,694	P 18,918,538
CSDP – seedlings	35,227,930	26,470,616	8,757,314
KANIB – crops	6,316,105	2,289,790	4,026,315
	P 71,136,267	P 39,434,100	P 31,702,167

3.8. Also, procurements of agricultural inputs consisting of high-value crops and livestock under KANIB Project totaling P10.537 million were outright recorded under Donations account. Of this amount, P2.187 million were already received and distributed to the beneficiaries, albeit not covered with Deed of Donations, while the remaining balance of P8.350 million pertained to the costs of agricultural inputs which were not yet delivered to and paid by Regions I-IV-B at year-end, as shown in Table 4.

Table 4. Undelivered/unpaid Agricultural inputs

Particulars	Total Amount	Paid/Delivered	Unpaid/Undelivered
Crops	P 8,213,021	P 902,000	P 7,311,021
Livestock	2,323,918	1,284,960	1,038,958
	P 10,536,940	P 2,186,960	P 8,349,979

3.9. Consequently, the Agricultural and Marine Supplies Expense account and Donations account were overstated by P31.702 million and P8.350 million, respectively, while overstating the Accounts Payable account by P40.052 million.

3.10. **We recommended that Management require the Accountant of Regions I-IV-B to:**

- a. **Effect the necessary adjustments in the Agricultural and Marine Supplies Expense, Donations, and Accounts Payable accounts in accordance with paragraph 91 of Framework for the Preparation and Presentation of Financial Statements and paragraph 11 of PAS No. 37; and**
- b. **Ensure that recorded transactions are duly supported with complete documents.**

3.11. Management of Regions I-IV-B committed to comply with the audit recommendations.

4. Accuracy and reliability of the year-end balance of Due from Regional Offices (ROs) account of P27.224 million was doubtful due to incomplete supporting documents for various transactions aggregating P80.814 million and the existence of unreconciled differences between intra-agency accounts, general ledger (GL) and subsidiary ledgers (SLs), and consolidated and individual ROs' trial balances (TBs).

4.1. The intra-agency accounts used by PCA in recording intra-office transactions are the Due from ROs and Due to Central Office (CO) accounts. These temporary accounts are maintained to serve the purpose of monitoring and recording intra-office transactions for convenience in setting up and offsetting internal transactions. As such, these accounts should have equal balances and, as a result of the elimination/offsetting process, the same should have zero balance in the consolidated financial statements at the end of the accounting period.

4.2. As at year-end, the Due from ROs and Due to CO accounts prior to the elimination process had balances of P485.827 million and P458.603 million, respectively, thereby showing a difference of P27.224 million. Said audit observation was already noted in prior years and although Management agreed to reconcile the intra-agency accounts, the difference still increased by P12.867 million or 89.6 per cent compared to prior year's difference of P14.357 million. Details are summarized in Table 5.

Table 5. Unreconciled variance between intra-agency accounts

	2013	2012	Increase
Due from ROs (CO books)	P 485,827,432	P 356,243,755	P 129,583,677
Due to CO (ROs/Centers books)	458,602,862	341,886,292	116,716,570
Difference	P 27,224,570	P 14,357,463	P 12,867,107

4.3. The differences were mainly attributed to the time lag or error in recording intra-office transactions in the books of accounts of CO and ROs/Centers. The variance of P27.224 million included reconciling items of P21.546 million or 79.1 per cent pertaining to CY 2013 transactions, among which were allotments released for Maintenance and Other Operating Expenses (MOOE) to the ROs/Centers which were already deposited but remained unrecorded in the books of said recipient offices.

4.4. On the other hand, the remaining amount of P5.678 million, equivalent to 20.9 per cent of P27.224 million, were reconciling items pertaining to transactions dated back in CYs 1996-2012, wherein the present accountants have been encountering difficulties in locating the required supporting documents. It was worthy to note, however, that said reconciling items were reduced by P8.679 million or 60.4 per cent compared to that of prior year's of P14.357 million as at year-end.

4.5. Further, the Due from ROs account per SLs aggregate balance of P487.747 million differed from that of GL balance of P485.827 million or a discrepancy of P1.920 million. Verification showed that said variance pertained to the accounts of the PCA offices, as shown in Table 6.

Table 6. Discrepancy between the GL and SLs balances

Office	Per GL	Per SLs	Variance
Region IV-A	P 63,869,758	P 64,595,758	P 726,000
Region VII	39,421,815	40,408,951	987,136
Region XIV	7,360,819	7,360,839	20
New Coconut Seed Production Center (NCSPC)	11,821,451	12,028,284	206,833
	P 122,473,843	P 124,393,832	P 1,919,989

4.6. Moreover, the Due to CO account was misstated by P0.775 million, which pertained to the difference between Due to CO balance per consolidated TB of P458.603 million and per individual TBs of the ROs/Centers of P459.378 million.

4.7. In addition, Debit/Credit Advices (DCAs) and other documents supporting expenses accumulating to P17.543 million charged to ROs, including CY 2012 Collective Negotiation Agreement incentives of P17.475 million, were not attached to Journal Entry Vouchers (JEVs).

4.8. On the other hand, while JEVs to record utilizations/adjustments by the ROs/Centers of the funds for implementation of special projects amounting to P55.282 million were covered by DCAs, the same, however, were not supported with duly-verified Report of Disbursements (RDs), contrary to COA Circular No. 94-013 dated December 13, 1994.

4.9. Also, DCAs amounting to P7.989 million representing various collections of the ROs were recorded in the books of accounts even without the signatures of the concerned Accountants or Regional Managers, thus, the authenticity and correctness of the transactions could not be ascertained.

4.10. Circumstances considered, there was an indication of absence of reconciliation and monitoring of balances of intra agency accounts for CY 2013; hence, the accuracy and validity of the Due from ROs account of P27.224 million could not be ascertained.

4.11. **We recommended that Management require the CO Accounting Division to:**

- a. **Coordinate with ROs/Centers for the reconciliation of their respective records to account for the difference, effect the necessary adjustments and continue monitoring the reconciling items to avoid further accumulation thereof;**
- b. **Reconcile the GL and SLs balances, as well as the consolidated TB and that of ROs/Centers, and effect the necessary adjustments; and**
- c. **Submit duly-verified RDs for project expenditures of P55.282 million, duly-signed DCAs and the necessary supporting documents for various collections of P7.989 million and disbursements charged to ROs of P17.543 million.**

4.12. Management agreed that the differences were mainly attributed to the time lag or error in recording intra-office transactions in the books of accounts of CO and ROs/Centers. A number of reconciling items identified were already adjusted in the

respective books in CY 2014. Supporting documents, such as DCAs and RDs, will be submitted when they become available.

4.13. As a rejoinder to address the time log or error, we further recommend that **Management formulate guidelines to set up cut off periods in recording and closing of inter-office transactions to ensure that books are reconciled at year-end.**

5. Various procurements of Region IV-A of agricultural and laboratory supplies, equipment, coco seednuts and seedlings aggregating P46.990 million were not compliant with the provisions of Republic Act (RA) No. 9184 because there were splitting of requisitions, purchases thru shopping/direct contracting and on piecemeal basis, thus, indicating irregularities on the transactions and the possibility of wastage of government funds.

5.1. The following sections of the revised Implementing Rules and Regulations (IRR) of RA No. 9184 provide that:

10. All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR.

12.1. The [Bids and Awards Committee] BAC shall have the following functions: xxx (j) recommend to the Head of the Procuring Entity [HOPE] the use of Alternative Methods of Procurement xxx. (acronym supplied)

48.1 Subject to the prior approval of the HOPE, and whenever justified by the conditions provided in this Act, the procuring entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement xxx. In all instances, the procuring entity shall ensure that the most advantageous price for the Government is obtained. (acronym in lieu of full form supplied)

50. Xxx. Direct contracting may be resorted to xxx under any of the following conditions: xxx (c) Those sold by an exclusive dealer or manufacturer xxx which does not have sub-dealers selling at lower prices and for which no suitable substitute can be obtained xxx.

52. Shopping. Xxx shall be employed in any of the following cases:

(a) When there is an unforeseen contingency requiring immediate purchase: Provided, however, That the amount shall not exceed the thresholds prescribed in Annex "H" of this IRR.

(b) Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding the thresholds prescribes in Annex "H" of this IRR.

53.9 Where the procurement does not fall under Shopping in Section 52 of this IRR and the amount involved does not exceed the thresholds prescribed in Annex "H" of this IRR.

Items 1(a) and 2(a) of Annex H state:

1. Shopping [Section 52.1. (a)]. When there is an unforeseen contingency requiring immediate purchase, the amount shall not exceed the following:

a) For NGAs, GOCCs, GFIs, and SUCs, One Hundred Thousand Pesos (P100,000).

2. Shopping [52.1. (b)]. Procurement shall not exceed the following:

a) For NGAs, GOCCs, GFIs, and SUCs, Five Hundred Thousand Pesos (P500,000).

54.1. 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 its IRR, especially the necessity of public bidding and the requirements for the alternative methods of procurement.

5.2. For over three years, the coconut industry in the CALABARZON had been affected by the Coconut Scale Insect (CSI) outbreak, which has not been contained to date since the pests are wind-borne and are affected by other factors such as high planting density, topography and high temperature in the affected areas.

5.3. For CY 2013, PCA procured materials/agricultural and laboratory supplies and equipment, for mitigation/eradication of the CSI, in an aggregate amount of P14.134 million thru either shopping or direct contracting. Details are summarized in Table 7.

Table 7. Procurement of supplies/equipment for CSI

	Amount
Cochin oil	P 9,422,354
Dishwashing liquid	1,440,385
Power sprayer	3,271,200
	P 14,133,939

5.4. There was no public bidding conducted. Procurement of cochin oil was made thru direct contracting despite the absence of certification that the supplier was the sole distributor of the said product. Further, the procurement was neither supported with a recommendation from the Regional BAC to the HOPE, in this case, to the OIC- Regional Manager of PCA Region IV-A on the use of alternative mode of procurement nor approval on the same. This only proved that all purchases were not coursed thru the Regional BAC but were only initiated by the Regional Project Coordinator of the CSI Program.

5.5. Also, purchases of dishwashing liquid were made on a piecemeal basis, thus, the lowest price possible on bulk purchases was not availed by PCA.

5.6. On the other hand, splitting of requisitions was noted in the procurement of 200 units of power sprayer, contrary to Section 54.1 of the revised IRR of RA No. 9184 which prohibits splitting of government contracts.

5.7. Considering also the length of time that the CSI has continuously affected the Region, said purchases could no longer qualify under the circumstance of unforeseen contingency. Further, items purchased are neither considered as ordinary or regular office supplies and equipment nor valued at cost of not exceeding the thresholds prescribed in Annex H of the revised IRR of RA No. 9184 to justify shopping or small value procurement as the mode of procurement. Hence, public bidding should have been made, as required under Section 10 of the revised IRR of RA No. 9184.

5.8. Likewise, Section 7 of the revised IRR of RA No. 9184 provides the initial steps of the procurement process wherein the end users are required to prepare the respective Program Project Management Plan (PPMP) to be consolidated in the Annual Procurement Plan (APP), which serves as a vital tool to the agency for the proper managing and phasing of their procurement needs.

5.9. There was also splitting in the procurement of coco seednuts and seedlings under Coconut Seedlings Dispersal Project at varying unit prices in the total amount of P12.189 million and P20.667 million, respectively, due to non-preparation of the PPMP.

5.10. It was observed in the prior year that coco seednuts and seedlings for replanting and dispersal projects were purchased from the same suppliers in several transactions within the same period resulting in varying unit prices ranging from P10 to P15 and P13 to P27, respectively. During the current year, despite the issuance of said audit observation, Management still did not comply with the recommendation to consolidate its various purchases in one single procurement, and instead procured seednuts and seedlings at increased unit prices ranging from P9.50 to P16.90 and P26 to P27, respectively.

5.11. In view of non-compliance of the provisions of RA No. 9184, there was no assurance that the most advantageous prices were obtained in the procurement of the above-stated items.

5.12. **We recommended that Management direct Region IV-A to:**

a. Adopt public bidding in procurement and stop the practice of splitting requisitions in accordance with Sections 10 and 54.1 of the revised IRR of RA No. 9184 to ensure transparency and be able to obtain the most advantageous price; and

b. Observe strict compliance with Section 7 of the revised IRR of RA No. 9184 on the procurement of coco seednuts and related supplies by preparing and consolidating the requisitions and purchase orders.

5.13. During the exit conference, Management committed to call the attention of Region IV-A on the implementation of audit recommendation. Management of Region IV-A agreed to implement the recommendations for its procurement activities starting CY 2014.

5.14. As a rejoinder, further audit action will be undertaken to determine possible accountability of the persons involved in the transactions.

6. Contract for the supply and delivery of 66,895 bags of agricultural grade salt fertilizers with a contract price of P19.738 million in Region VII was awarded to the supplier despite absence of quorum during pre-bid conference, non-completion of the post qualification and non-posting of notice of award within the prescribed period, casting doubt as to the regularity of the said procurement.

6.1. Review of the documents relative to the bidding for the procurement of 66,895 bags of agricultural grade salt fertilizers for CY 2013 with a total contract price of P19.738 million in Region VII disclosed the following:

Absence of quorum during pre-bid conference -

6.2. Section 12.3 of the revised IRR of RA No. 9184 states that a majority of the total Bids and Awards Committee (BAC) composition, as designated by the Head of the Procuring Entity (HOPE), shall constitute a quorum for the transaction of business, provided that the presence of the Chairman or Vice-Chairman shall be required.

6.3. Further, Section 12.4 of the same revised IRR states:

xxx. The decision of at least a majority of those present at a meeting at which there is quorum shall be valid and binding as an act of the BAC.
Xxx

6.4. The Regional BAC (RBAC) created under Special Order No. 175 was composed of one Chairman, two regular members and two provisional voting members. The Minutes of the Pre-bid conference dated November 27, 2012 for the procurement of 66,895 bags of agricultural grade salt fertilizers showed that only two voting members were present which did not constitute a quorum. Thus, the decision arrived at during the said conference was considered not valid and binding as an act of the BAC.

RBAC recommended the award of the contract prior to completion of the post qualification process -

6.5. In order to determine that the goods offered would be compliant with the requirements specified in the Bidding Documents, Section 34.3.b.iii of the same IRR provides for the verification and/or inspection and testing of the goods/product, after-sales and/or maintenance capabilities in applicable cases, for the procurement of goods.

6.6. Review of the undated Report of Post-qualification disclosed that the RBAC conducted inspection at the salt yard of the supplier with Lowest Calculated Bid (LCB). The report showed that sample was taken and submitted to PCA Laboratory for analysis. The test report signed by the Officer-in-charge of PCA Plant and Soil Analysis Division showed that the sample was submitted and completed on December 17, 2012 and December 18, 2012, respectively. However, the RBAC recommended the award of the contract to the LCB on December 11, 2012 per RBAC Resolution No. 2013-01 which was signed by its three voting members despite that the results of the sample analysis were not yet completed and submitted to the RBAC.

6.7. Section 37.1.1 of the revised IRR of RA No. 9184 provides

The BAC shall recommend to the Head of the Procuring Entity the award of the contract to the bidder with Lowest Calculated Responsive Bid/Highest Rated Responsive Bid or the Single Calculated/Rated Responsive Bid after the post qualification process has been completed.

6.8. Apparently, the aforesaid provision was disregarded considering the award of contract was made prior to the results of the laboratory analysis, thus, suggest doubt that the goods to be delivered might not conform to the requirements specified in the Bidding Documents.

Notice of Award not posted within three days from its issuance -

6.9. Section 37.1.6 of IRR-A of RA No. 9184 provides:

The BAC, through the Secretariat, shall post, within three (3) calendar days from its issuance, the Notice of Award in the PhilGEPS, the website of the procuring entity, if any, and any conspicuous place in the premises of the procuring entity.

6.10. Verification of the documents disclosed that the Notice of Award was received by the winning bidder on March 18, 2013, while the posting in the website of PCA was made on April 1, 2013 or 14 days from its issuance. Likewise, there was no proof that the Notice of Award and Notice to Proceed were posted by the Central Office (CO) in the PhilGEPS website.

Abstract of Bids lacked basic information -

6.11. Section 32.3 of revised IRR of RA No. 9184 provides:

xxx. The Abstract of Bids shall contain the following:

- a. Name of the contract and its location, if applicable;*
- b. Time, date and place of bid opening; and*
- c. Name of bidders and their corresponding calculated bid prices arranged from lowest to highest, the amount of bid security and the name of the issuing entity.*

6.12. Verification disclosed that the date, time, and place of bid opening, including the amount of bid security and name of the issuing entity, were not indicated in the Abstract of Bids. Although said information was noted in the minutes of the Opening of Bids, absence of the required data renders lack of transparency of the bidding requirements and contradicts the aforesaid provision of the IRR.

Pre-procurement conference not conducted -

6.13. Further, there was also no proof that the procuring entity conducted a pre-procurement conference as required under Section 20 of the revised IRR of RA No. 9184 for the procurement of goods costing above P2 million. Management explained that majority of the voting members of the RBAC for 2013 Salt Fertilization Project (SFP) are assigned in the CO while the role of the Regional Manager commenced only during the signing of the Notice of Award, Contract and Notice to Proceed. The Head of RBAC Secretariat, in a letter dated April 15, 2013, informed that a copy of the minutes of the pre-procurement conference had already been requested from CO considering that the conduct of the said activity was held thereat. However, the document requested by Management and submitted to the Audit Team was not the minutes of the pre-procurement conference but rather the summary of the conduct of PCA Annual Assessment and Planning held on November 5-9, 2012 which tackled agency's various issues and concerns wherein one of the issues was the pre-procurement conference of the SFP.

6.14. It is therefore worthy to emphasize that the provision of Section 20 of the revised IRR of RA No. 9184 requires that pre-procurement conference be conducted to discuss, among others, the description, scope and duration of the contract, the criteria of eligibility screening, procurement schedule including the determination as to the readiness of the agency on the procurement at hand.

6.15. We recommended that Management require the RBAC of Region VII to observe Sections 12.3, 12.4, 20, 32.3, 37.1.1 and 37.1.6 of the revised IRR of RA No. 9184 and comply with the necessary requirements before undertaking any procurement activity to promote efficiency and transparency in government transactions.

7. Advance full payment was made for the procurement of 150 units chainsaw in the net amount of P8.369 million, contrary to Section 4.4 of Annex D of the revised IRR of RA No. 9184 and Section 88 of PD No. 1445.

7.1. Section 88 of PD No. 1445, otherwise known as the Government Auditing Code of the Philippines, prohibits advance payment of government contracts and that, no payment, partial or full, shall be made on any such contract except upon a certification by the head of the agency concerned that the goods have been delivered in accordance with the terms of the contract and have been duly inspected and accepted.

7.2. Section 4.4 of Annex D of the revised IRR of RA No. 9184, however provided an exemption allowing advance payment not exceeding 15 per cent of the contract amount, unless otherwise directed by the President, for procurement of goods required to address contingencies arising from natural or man-made calamities in areas where a "State of Calamity" has been declared by appropriate authorities.

7.3. In response to the extensive devastation caused by Typhoon Yolanda, the PCA executed clearing operations under the Coconut Timber Utilization and Disposal of the Yolanda Recovery and Rehabilitation Program and procured a total of 290 chainsaws in the net amount of P16.180 million as at year-end, of which, 150 units costing P8.369 million were fully paid in advance, contrary to Section 88 of PD No. 1445.

7.4. Records disclosed that the Delivery Receipts and Inspection and Acceptance Reports were issued between one to 22 days after full payment was made, which was an indication that items were delivered to and received by PCA subsequent to release of checks to the supplier. Thus, the disbursement was contrary to Section 4.4 of Annex D of the revised IRR of RA No. 9184.

7.5. Advance payment is disadvantageous considering that the agency is not assured of getting the same value of goods in which payment was made since the supplier may deliver goods with inferior quality.

7.6. Management commented that advance payment was resorted to as the supplier refused to deliver the items not until the checks paid were cleared by the bank.

7.7. We recommended that Management refrain from making an advance full payment; instead, negotiate for an advance payment equivalent to 15 per cent of contract cost, when warranted, which is allowed under Section 4.4 of Annex D of the revised IRR of RA No. 9184.

8. Non-compliance with regulations on the implementation, reporting, and return of unutilized fund transfer balance prescribed in COA Circular No. 94-013 on projects funded by various source agencies (SAs) with total outstanding balance of P26.834 million indicates inadequate monitoring and evaluation as to the status of the projects.

8.1. Section 6 of COA Circular No. 94-013, dated December 13, 1994, provides the duties and responsibilities of the Implementing Agencies, to wit:

6.4 within five (5) days after the end of each month, the Accountable Officer (AO) shall prepare the RCI and the RD and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency.

6.7 return to the SA any unused balance and refund of disallowance upon completion of the project.

8.2. The Due to Other National Government Agencies (NGAs) account of PCA pertains to funds received from various government/source agencies (SAs), such as, the following: Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD), National Agricultural and Fisheries Council (NAFC), Department of Agriculture (DA), DA-Bureau of Agricultural Research (DA-BAR), and Philippine Council for Industry and Energy Research and Development (PCIERD). Said funds were used in financing various projects being implemented by PCA. As at year-end, outstanding balance of the Due to Other NGAs account amounted to P27.261 million, 98.4 per cent of which or P26.834 million pertained to CO, as summarized in Table 8.

Table 8. Summary of Due to Other NGAs account-CO

Particulars	No. of Projects	Amount
Beginning balance (ongoing projects)	49	P 27,360,315
Add: Fund transfers received for:		
New projects	3	11,507,055
Six ongoing projects		7,782,970
Reversion of previously-charged expenses for closed projects	2	34,992
Total	54	46,685,332
Less: Payments for:		
Project utilizations (partial liquidations)		16,482,459
Return of unused balance for completed projects	7	3,368,957
Ending Balance	47	P 26,833,916

8.3. Of the outstanding balance, P3.064 million represents unexpended fund transfer balance of accounts which were either non-moving or movements pertained only to minor adjusting entries, as shown in Table 9.

Table 9. Non-moving or slow-moving accounts

Particulars	Amount
a. Non-moving trust liability accounts	P 2,960,314
b. Balance of project previously closed to miscellaneous income but recently reverted to trust liability account	15,211
c. Unexpended balance of fund transfers from DA	88,383
Total	P 3,063,908

8.4. Of the non-moving trust liability accounts, P2.960 million are composed of 17 projects, of which 15 were non-moving for more than two to seven years with total outstanding balance of P2.472 million. This indicates that said projects were already completed, hence, unexpended balances should have already been returned to the SAs, as recommended in prior year's audit. It is worthy to note that the non-moving accounts of P3.339 million in CY 2012 was already reduced by P0.867 million or 26.0 per cent in the current year.

8.5. As regards preparation of Report of Disbursements (RDs) to liquidate the trust liability accounts, verification disclosed that the Central Office (CO) prepared RDs at varying intervals and frequencies and not on a monthly basis as prescribed under Section 6.4 of COA Circular No. 94-013. In CY 2013, only 22 RDs covering disbursements accumulating to P13.790 million for 14 out of 49 ongoing projects were submitted by Management to the Audit Team. Of the 22 RDs, 21 pertained only to reports on prior years' transactions for fund transfers received in prior years, as shown in Table 10.

8.6. It was also noted that the RDs prepared by CO were not approved by the PCA Administrator. RDs were only certified as correct and noted by the respective chiefs of Accounting Division and the Financial Management and Services Department (now, Finance Department), respectively, without the required approval of the Head of the Agency. With this practice, the PCA Administrator being the person directly responsible of the implementation of various projects would not be timely informed of the status of the implementation of the projects.

Table 10. RDs for prior years' fund transfers submitted to Audit Team in CY 2013

No.	Project Name	RD as of	Amount per RD	No. of submitted RDs in CY 2013 covering		
				prior years	current year	Total
1	DA-BAR (Commercialization of High-value Coco Products)	12/31/2012	P 693,413	1	-	1
2	DA-BAR Ginintuang Masaganang Ani (GMAFV Coconut Seedfarm)	12/31/2012	291,553	1	-	1
3	DA-BAR Technology Utilization & Commercialization of Makapuno	12/31/2012	1,044,375	1	-	1
4	DA-BAR Development of Integrated Control Against Strategies Against Insects	12/31/2011 06/30/2012 12/31/2012	127,913 111,391 No RD	3	-	3
5	DA-BAR Establishment of Core Collection of Tall Accessories	06/30/2012 12/31/2012	183,143 472,223	2	-	2
6	DA-High Value Commercial Crops (HVCC)-Program Management Office (PMO)	12/31/2012	3,908	1	-	1
7	DA-HVCC-GMA-PMO 3	12/31/2012 09/30/2013	1,876,007 310,310	1	- 1	1 1
8	DA-HVCC-GMA-Brontispa Control Program 2011	12/31/2012	3,312,275	1	-	1
9	DA-HVCC-Intercropping Project Region VI	12/31/2012	3,418,731	1	-	1
10	DA Biotech-Accelerated Development of Coco Synthetic Variety	12/31/2012	20,655	1	-	1
11	DA Biotech-Pilot Field Testing of Biological Control Agents	06/30/2012 12/31/2012	8,055 No RD	2	-	2
12	DA Biotech-Development of Protocol for Clonal Propagation of Coconut	06/30/2012 12/31/2012	71,715 52,264	2	-	2
13	DA Biotech-Micropropagation of Makapuno	06/30/2012 12/31/2012	73,355 132,054	2	-	2
14	DA Calamity Assistance Rehabilitation Effort (CARE)	09/30/2012 12/31/2012	1,562,099 24,725	2	-	2
TOTAL			P 13,790,164	21	1	22

8.7. Further, Debit/Credit Advices (DCAs) issued by the ROs and centers in the net amount of P14.236 million were recorded in the books of the CO despite these not having been verified by the Audit Team Leaders concerned. Thus, the veracity of liquidations made by said ROs and Centers could not be established.

8.8. Furthermore, test of details revealed the following:

- a. Financial plans prepared by PCA were not approved by the SAs; and

b. Project terminal reports and financial reports pertaining to seven completed projects with returned unutilized fund transfer balance totaling P3.369 million were not submitted to concerned SAs within 30 days from the completion of the respective projects, as provided for in the Memorandum of Agreement (MOAs).

8.9. Delay is also often encountered in the reporting of status of implementation of projects which is attributed to the geographical distance between the ROs and CO. Considering also the materiality of funds entrusted by SAs and the volume of projects being implemented by PCA, maintenance of an online repository of information, through utilization and improvement of the latter's existing network, would have addressed such concerns to achieve complete and expeditious project reporting, monitoring, and evaluation.

8.10. **We recommended that Management direct the concerned officers to adequately manage, monitor, and evaluate projects through:**

a. **Strict compliance with COA Circular No. 94-013 dated December 13, 1994 on the monthly preparation and submission of duly-approved Report of Disbursements (RDs) and recording only of the RDs and DCAs from the regions that have been verified by the auditor thereat;**

b. **Strict compliance with the provision of MOA requiring submission of project terminal and financial reports to account for fund transfers received from concerned SAs;**

c. **Return of the unexpended balance of fund transfers to concerned SAs; and, henceforth, return of the same should be within 30 days from completion of each project; and**

d. **Maintenance of an online database of projects being implemented by PCA to facilitate complete and expeditious reporting, monitoring, and evaluation.**

8.11. Management committed to comply with the audit recommendations.

9. **Shares of municipalities/barangays in the permit fees collected by ROs/POs, some as early as in 2007-2008 which have accumulated to P4.983 million were not yet remitted to them, contrary to RA No. 8048, as amended by RA No. 10593, due to lack of information in the collection documents, thereby, depriving the concerned local government units (LGUs) from using the funds for repair and rehabilitation of roads damaged by the continuous passage of heavy vehicles used for transporting coconut lumber.**

9.1. Section 2 of RA No. 10593, amending Section 5 of RA No. 8048, provides:

The applicant shall pay an application fee in the amount of One hundred pesos (P100.00) for every tree intended to be cut payable to the PCA, Forty pesos (P40.00) of the fee shall accrue in favor of the PCA, Forty

pesos (P40.00) in favor of the municipal government concerned, and Twenty pesos (P20.00) in favor of the barangay unit concerned. xxx the fees allocated to the municipal/city government shall be used for the repair and rehabilitation of roads of the respective local government units which have been damaged by the continuous passage of heavy vehicles used for transporting coconut lumber.

Xxx. Fees accruing to the local government unit shall be remitted within three (3) months in accordance with existing Commission on Audit (COA) rules and regulations.

9.2. Likewise, Section 34(c), Article VII of Administrative Order No. 1, series of 2013, otherwise known as the Revised Implementing Rules and Regulations of RA No. 8048, as amended by RA No. 10593, provides:

Within three (3) months from receipt of remittances, the Division Chief I shall prepare the voucher in favor of the Municipal Treasurer of the local government unit for remittance of their share in the fees. Xxx

9.3. As at year-end, shares of the municipalities and barangays in the permit fees from every coconut tree cut amounted P3.291 million and P1.692 million, respectively, or a total of P4.983 million remained unremitted by five ROs, as shown in Table 11.

Table 11. Unremitted LGU shares as at December 31, 2013

Region	Shares		Total
	Municipalities	Barangays	
V	P 519,328	P 295,274	P 814,602
VII	1,212,047	605,786	1,817,833
XI	787,504	392,452	1,179,956
XIII	411,384	208,937	620,321
XIV (ARMM)	360,880	189,520	550,400
	P 3,291,143	P 1,691,969	P 4,983,112

9.4. The non-remittance of LGUs' shares by concerned ROs was due to the following:

a. The recorded liabilities for the LGUs' share in the cutting permit fees was based on the Invoice Receipt for Funds (IRF) which served as the collection and remittances report prepared by the designated Collecting Officers of the ROs for their collections received, as well as, remittances made to CO. However, the IRF, including the supporting official receipts, did not contain the names of municipalities and barangays and corresponding breakdown of the amount of share. As a consequence, the share of the municipalities/barangays where the permit fees were collected cannot be remitted.

b. The Provincial Offices (POs) prepares the Summary of Permit to Cut Issuances (SPCI) only when they intended to remit the shares of the LGUs and not on a regular basis. Further, there was no standard format adopted by the POs in the preparation of SPCI. Hence, computation of the LGUs shares, as well as, remittance thereof could not be facilitated.

c. Moreover, the Accountant averred that, upon processing of the remittances for the LGUs' shares, they merely relied on the SPCI attached to the Disbursement Vouchers due to the difficulty of validating the correctness of the amount due for payment to concerned LGUs considering the absence of the updated subsidiary record in the Accounting Section. Thus, validity and accuracy of the payment made could not be ascertained.

9.5. Consequently, the recorded liabilities lacked the detailed information required to process the remittance of LGU shares. Also, the absence of standard format of SPCI, as well as, non-maintenance of updated subsidiary ledger indicates inadequate monitoring of PCA relative to its implementation of RA No. 8048, as amended.

9.6. Further, of the P1.818 million unremitted shares of Region VII, P0.695 million represented collections in CYs 2007-2008 at the port area in Cebu City for the over shipment of coco lumber from Ozamis, Iligan, Camiguin and Lanao del Norte, in spite of prior years' recommendation to request the CO to reclass said amount to Other Income account. There were no available documents that would identify the particular municipalities and barangays where the coco trees originated considering that these areas are outside Region VII, thus, causing difficulty of determining the LGUs which were supposed to be entitled to the shares from said collections.

9.7. Considering that the purpose of the permit to cut fees for the PCA's replanting program is 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 it can be used for the intended purpose.

9.8. **We recommended that Management require the concerned ROs to:**

- a. **Prepare on a monthly basis the SPCI indicating the name of LGUs to facilitate computation of the share of the LGUs concerned and effect immediate remittance thereof;**
- b. **Use the duly-accomplished SPCI, instead of IRF, as basis for recording liabilities for the LGUs' shares; and**
- c. **Exert effort to establish the LGUs which were supposed to be recipients of permit fees and to prepare and update the corresponding subsidiary ledgers. If such action will later prove to be futile, provide complete information to the Central Office so that the liability thereto may be reclassified as income.**

9.9. Management of Region VII commented that the recommendations are well taken and they also presented the following specific actions to implement the audit recommendations: (i) memorandum will be sent to the designated Collecting Officers to prepare the SPCI as an integral part of the IRF; (ii) accounting personnel shall be designated to prepare the subsidiary record of the LGUs' share of the cutting permit fees and to update it regularly; and (iii) request the CO to reclassify unremitted shares of unidentified LGUs to Other income account. Management of Region XIII, on the other hand, informed that majority of the unremitted shares of municipalities and barangays as at December 31, 2013 pertained to prior years' collections and the Accounting Unit is

now in the process of digging the origin of these accounts to determine the concerned LGUs and assured to maintain subsidiary ledger for the Due to LGUs account.

9.10. As a rejoinder, we further recommend that **Management re-design the SPCI format for uniform use of the ROs and POs and require complete information as to the names of municipalities and barangays as basis for recognizing liabilities in the books.**

10. There were cash advances granted based on excessive or unsupported detailed estimates of expenses and improper utilization and liquidation thereof, contrary to the provisions of COA Circular Nos. 97-002, 96-004, and 2012-003, which could have possibly resulted in wastage of government funds.

10.1. The guidelines on the granting, utilization, and liquidation of cash advances are prescribed under COA Circular No. 97-002 dated February 10, 1997, among which are the following:

- a. A cash advance shall be reported on as soon as the purpose for which it was given has been served;
- b. An accountable officer shall liquidate his cash advance for official local travel within 30 days after return to his permanent official station;
- c. The cash advance on petty operating expenses and current operating expenses shall be supported by estimate of expenses and budget, respectively, among others; and
- d. Liquidation of salaries and wages shall be supported with Report of Disbursements, attached with all duly signed payrolls and/or vouchers and all pertinent supporting documents, such as daily time records, among others.

10.2. Likewise, Section 3.3 of the same Circular provides the duties and responsibilities of the agency Accountant in the monitoring of cash advances for travel, which includes verification of the liquidation voucher and supporting documents.

10.3. Moreover, COA Circular No. 96-004 dated April 19, 1996 governs the grant of cash advance for travels, Section 3.1.1.1 of which requires that an itinerary of travel detailing the transportation expenses and travel expenses to be incurred shall be the basis for determining the amount of cash advance.

10.4. Further, Section 4.1 of COA Circular No. 2012-003 dated October 29, 2012 provides that an expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary.

10.5. Review of cash advance liquidations of the CO disclosed that refunds usually resulted from the grant of excessive cash advances due to excessive cost estimates on plane fares which were usually pegged as high as twice the actual costs. Cash advances were also utilized for the payment of the following: seat selector fees, travel insurance premiums, full per diems although hotel accommodation and meals were already paid for by the hosts/sponsors/organizers, as well as, rebooking fees attributed

to conflict of schedules and higher amounts of plane tickets due to unscheduled travels which would have been avoided, if not minimized, had there been proper planning made.

10.6. In addition, there were instances wherein the cash advance granted was not supported at all with details or breakdown of estimated expenses, which usually resulted in high amount of refunds upon liquidation. Also, there were refunds which were made 31 to 65 days after travel was completed. This practice posed risk that the amount to be refunded might be misappropriated.

10.7. It was also observed that some liquidations were approved despite the inadequacy of supporting documents, such as: (a) revised or supplemental special order or any proof supporting the change of schedule, (b) certificates of travel completed and appearance, (c) boarding passes, and (d) reimbursement expense receipts for those petty expenses which could not possibly be supported with Official Receipts.

10.8. In Region IV-A, cash advances granted to officers and employees for various purposes and for mitigation of Coconut Scale Insect Infestation amounted to P16.911 million. Audit disclosed documentary deficiencies on the grant of cash advances prescribed under existing rules, to wit:

- a. As payrolls were prepared in advance, cash advances for salaries of projects' employees did not specifically reflect the correct net pays of the claimants. Said amounts included wages for Saturdays and Sundays which resulted in refunds in cases when no overtime services were rendered during said days. Likewise, upon liquidation, payrolls were neither duly signed by payees nor attached with daily time records and individual accomplishment reports of the claimants;
- b. Travel cash advances were not supported with itineraries of travel; and
- c. No approved budget, activity designs and accomplishment reports were attached to cash advances for Scale Insect operations, KANIB briefing and trainings, food and transportation during FEAST and distribution of PCPP checks to farmers.

10.9. As a result, cash advances granted for the above-mentioned purpose exceeded the actual expenses incurred resulting in refunds amounting to P2.530 million or 15.0 per cent of the total cash advances granted during the year. While refunds were aptly made, the possibility of fund misuse may not be avoided.

10.10. We recommended that Management require the Accounting Division of CO and Region IV-A to:

- a. Process disbursement vouchers for the payment of cash advances if duly supported with necessary supporting documents like e-copy of plane ticket, detailed, realistic, and reasonable estimate of cost of expenses;**
- b. Approve only liquidation of cash advances that are completely supported with the required documentation; and**

c. Monitor liquidation of cash advances and immediately demand for refund, if there is any.

10.11. Management of Region IV-A commented that they are now implementing strict policy, rules and procedures regarding approval of cash advances and submission of liquidation reports in accordance with COA regulations. Likewise, a Memorandum was already issued to the personnel concerned requiring them to immediately comply with the recommendation and submit the required documents to the Audit Team. Also, Management of CO disclosed that they will ensure that cash advance for plane fare will be equal to the actual cost by requiring the employees to submit flight itineraries, and utilization of cash advance for seat selector fees and travel insurances will no longer be allowed. On the other hand, Management averred that the Accounting Division had strictly complied with the supporting liquidation documents.

10.12. As a rejoinder, we stand by our observations that at times there were lacking liquidation documents. **We further recommend that Management formulate policy guidelines to ensure compliance with existing rules and regulations on the grant, utilization, and liquidation of cash advances.**

11. Fire insurance of the PCA Central Office (CO) building for CY 2013 was covered by Philippine Crop Insurance Corporation (PCIC) instead of by Government Service Insurance System (GSIS), pursuant to RA No. 656, as amended by PD No. 245.

11.1. RA No. 656, as amended by PD No. 245, provides the mandatory insurance coverage with the GSIS of all government properties, assets, structures, contracts, rights of action and other insurance risks of the government, including those in which the government has an insurable interest.

11.2. Records showed that the PCA did not renew the fire insurance coverage of its CO building and contents with the GSIS which expired on January 2, 2013. The fire insurance coverage from January 2, 2013 to January 2, 2014 in the amount of P235.338 million for a total premium of P0.680 million was obtained from the PCIC, which mandate is to provide insurance protection to the farmers against losses arising from natural disasters as well as plant diseases and pest infestation, initially to palay crops and later on to other crops. As such, the fire insurance coverage from PCIC was contrary to RA No. 656.

11.3. We recommended that Management obtain fire insurance coverage of its CO building and its contents with GSIS.

11.4. Management averred that PCIC is equally authorized to insure non-crop agricultural assets whether privately or government owned as there was no distinction provided under RA No. 8175 which authorizes them to insure agricultural properties, including, but not limited to, machineries, equipment, transport facilities and other related infrastructures. Moreover, they cited an Opinion No. 108, Series of 2012, issued by Office of the Government Corporate Counsel (OGCC), which refers to the application of law whether such assets should be private or government-owned for purposes of making them eligible for insurance coverage.

11.5. As a rejoinder, while RA No. 8175 provides for PCIC the authority to insure agricultural assets, it did not refer whether an office building not intended for agricultural purposes is also eligible for said insurance coverage. Hence, we maintain our stand that insurance of PCA office building be covered by GSIS.

PERFORMANCE

12. Allocation of funds for three locally-funded projects in the aggregate amount of P1.506 billion was not prioritized to regions with the highest poverty incidence of farmers contrary to Item 7 of the Special Provisions of the FY 2013 General Appropriations Act.

12.1. Item 7 of the Special Provisions, under Section XXXV, otherwise known as Budgetary Support to Government Corporations under Fiscal Year (FY) 2013 General Appropriations Act (GAA), provides:

Subsidy to the Philippine Coconut Authority. Of the amounts appropriated as subsidy for the Philippine Coconut Authority (PCA), One Billion Five Hundred Five Million Seven Hundred Fifty Thousand Pesos (P1,505,750,000) shall be used exclusively for the following: (i) Coconut Planting/Replanting Project; (ii) Coconut Fertilization Project; and (iii) Kasaganaan Sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project: Provided, Further, That the PCA shall ensure that implementation thereof shall directly benefit small farmers registered under the Registry System for Basic Sectors in Agriculture (RSBSA): Provided, Further, That the PCA shall prioritize the provinces or regions where the absolute number of poor farmers and the incidence of poverty are high as identified in the latest official poverty statistics of the National Statistical Coordination Board (NSCB)."(full form of acronym and underscoring supplied)

12.2. One of the functions of PCA is to enhance the capacities and ensure the socio-economic welfare of coconut and palm farmers and farm workers. Likewise, its Organizational Performance Indicator Framework (OPIF) provides that one of the intermediate effects of eradicating poverty is the ultimate goal of rapid, inclusive, and sustained economic growth.

12.3. The budget for locally-funded projects of P1.506 billion was appropriated for the Coconut Productivity Enhancement Program, namely: Salt Fertilization Project (SFP), Accelerated Coconut Planting and Replanting Project (ACPRP), and KAANIB Enterprise Development Project (KEDP). Said projects were being implemented by the regional offices of PCA, the respective budget of which is provided under item A.4(B), Section XXXV of FY 2013 GAA.

12.4. Review, however, disclosed that there were regions that were appropriated with bigger chunks of the total budget, among which were Regions V, VIII, IV-A and XI. Further, comparison made on the said budget with the data on FY 2009 Poverty Incidence Among Families produced and compiled by NSCB revealed that provinces or regions with high incidence of poverty were not prioritized in the allocation of budgeted project cost, as shown under Table 12.

**Table 12. Comparison between FY2013 Budgeted Project Cost
and FY 2009 Poverty Incidence Among Families**

FY 2013 BUDGET*							FY 2009 Poverty Incidence		
Region	Amount (in million pesos)				%**	Rank No.***	%	Rank No.****	
	SFP	ACPRP	KEDP	Total					
NCR	P	-	P 26.250	P 37.560	P 63.810	4.2	12	2.4	17
CAR		-	0.660	0.734	1.394	0.1	17	19.2	13
I		1.126	11.055	-	12.181	0.8	16	16.8	14
II		1.509	8.415	5.625	15.549	1.0	14	20.2	12
III		3.213	6.600	4.779	14.592	1.0	15	10.7	15
IV-A		29.663	66.000	59.377	155.040	10.3	3	8.8	16
IV-B		15.850	44.550	66.707	127.107	8.4	5	27.2	8
V		21.361	66.000	86.671	174.032	11.6	1	35.3	4
VI		44.324	24.420	9.255	77.999	5.2	10	23.6	11
VII		39.598	16.500	11.870	67.968	4.5	11	26.0	9
VIII		27.857	99.000	41.690	168.547	11.2	2	34.5	5
IX		33.041	49.500	39.863	122.404	8.1	6	39.5	3
X		14.879	16.500	18.495	49.874	3.3	13	33.3	6
XI		53.756	49.500	50.370	153.626	10.2	4	25.5	10
XII		20.019	39.600	47.004	106.623	7.1	8	30.8	7
XIII		19.060	39.600	26.783	85.443	5.7	9	46.0	1
ARMM		10.744	39.600	59.217	109.561	7.3	7	39.9	2
		P336.000	P603.750	P566.000	P1,505.750	100.0			

* source: item A.4(B), Section XXXV of FY 2013 GAA

** respective regional budget to total budget of P1.506 billion

*** from highest to lowest percentage of budget allocation

**** from highest to lowest percentage of FY 2009 poverty incidence

ARMM-Autonomous Region in Muslim Mindanao

12.5. Since the latest data on Poverty Incidence Among Families for FY 2012 was updated only by the Philippine Statistics Authority in December 2013 or about a year after FY 2013 budget was approved and published in the FY 2013 GAA and that no information was available for FYs 2010 and 2011, the Audit Team decided instead to use the FY 2009 data as a reference point.

12.6. As shown in Table 12, Region IV-A ranked third while Region XI ranked fourth among those which were appropriated with bigger slices of the budget. However, said regions ranked only 16th and 10th, respectively, as among those with poverty incidence for FY 2009. In other words, Regions IV-A and XI were provided with higher amount of budget in spite of the fact that their poverty incidence was rated low. Said appropriation, on the other hand, holds contrary to the budget allocation for Regions X, XIII, and ARMM, wherein they ranked 13th, 9th, and 7th, but their respective poverty incidence were rated 6th, 1st, and 2nd, thus, considered high.

12.7. On the other hand, review of the documents disclosed that about 21 million trees were fertilized in the implementation of the SFP during the year. Statistical data gathered from the Philippine Statistics Authority disclosed, however, that there were 344 million coconut trees in the country in the year 2012. Thus, the 21 million trees that benefited under the SFP represented only about six per cent of the total number of coconut trees in the country, as illustrated under Table 13. Also, it is noted that Regions VI and VII were ranked 2nd and 3rd among those regions with bigger budget allocation but were however ranked as 12th and 11th, respectively, in terms of the most number of trees.

Table 13. Comparison of Quantity of Coconut Trees Benefited by SFP vis-à-vis Total Quantity of Coconut Trees in the Country

Region	Quantity of Coconut Trees (in thousands)		FY 2013 Budget (in million pesos)**	Rank (from highest to lowest)	
	Nationwide in FY 2012*	Covered by FY 2013 SFP		Quantity of Coconut Trees in FY 2012	Budget
NCR	-	-	P -	17	17
CAR	34.172	-	-	16	16
I	905.107	105.250	1.126	15	15
II	1,365.734	118.425	1.509	14	14
III	3,005.705	209.800	3.213	13	13
IV-A	46,922.240	2,386.425	29.663	1	5
IV-B	17,621.198	903.550	15.850	9	10
V	35,651.678	1,530.175	21.361	4	7
VI	9,693.100	1,231.600	44.324	12	2
VII	12,802.274	1,672.375	39.598	11	3
VIII	46,263.621	2,194.475	27.857	2	6
IX	30,758.752	2,054.800	33.041	7	4
X	31,888.702	2,577.625	14.879	6	11
XI	39,810.009	2,350.000	53.756	3	1
XII	15,400.699	1,242.625	20.019	10	8
XIII	18,675.575	1,476.050	19.060	8	9
ARMM	33,578.555	1,250.000	10.744	5	12
	344,377.121	21,303.175	P 336.000		

* source: Philippine Statistics Authority

** source: item A.4(B), Section XXXV of FY 2013 GAA

12.8. Inquiry with Management disclosed that budget allocation was based mainly on the agreed upon with, and commitments of the Regional Managers for the targets set for their respective ROs. Thus, it appeared that statistical data on poverty incidence, as well as the distribution of coconut trees in the country, were not the main factors that were considered in the budgeting process.

12.9. Further, there was no report on actual utilization of budget per region. Hence, it could not be readily assessed whether actual utilization of the funds allotted to regions was in accordance with the approved regional budget provided under Item A.4(B), Section XXXV of FY 2013 GAA.

12.10. A report on Uses of Funds for CY 2013 was instead obtained by the Audit Team, however, the same only disclosed total actual utilization per expense class/per fund source/per project, as shown under Table 14.

Table 14. FY 2013 Actual Project Cost Utilization per Expense Class and per Fund Source (in million pesos)

Project	Subsidy & Loan Outlay			Corporate Fund	
	MOOE (a)	CO (b)	Total (c)=(a)+(b)	MOOE (d)	Total (e)=(c)+(d)
SFP	P 336.000	P -	P 336.000	P -	P 336.000
ACPRP	288.749	0.065	288.814	19.709	308.523
KAANIB	203.145	5.553	208.698	17.98	226.678
	P 827.894	P 5.618	P 833.512	P 37.689	P 871.201

12.11. Nonetheless, provinces or regions with high incidence of poverty were not prioritized in the implementation of the projects, which does not only pose the risk of disbursing government funds to farmers who have the financial capacity and resources but is also inconsistent with the societal goal of uplifting the economic welfare, especially of the poorest of the poor.

12.12. We recommended that Management comply with Item 7 of the Special Provisions of FY 2013 GAA and other applicable laws, rules, and regulations, particularly on budget formulation and allocation of projects of PCA and submit the actual utilization of FY 2013 budget per expenditure and per region to properly assess whether the same was in accordance with Item A.4(B), Section XXXV of FY 2013 GAA.

12.13. Management commented that allocation formulas of government spending to alleviate rural poverty has always been a contentious issue in the delivery of basic services to the poor, particularly in the case of the coconut industry. While data on Poverty Incidence Among Families showed the general poverty situation among regions, it overlooked the fact that poverty is prevalent in many coconut municipalities and provinces throughout the country.

12.14. Further, Management wishes to assure that the emphasis on identifying or targeting poor people is one important characteristic of the annual planning, which was conducted with the participation of coconut farming sector representatives. However, experience had shown that aggregate economic growth does not necessarily benefit all the poor people especially those living in areas still burdened with the consequence of conflict and geographical isolation. Initiatives to address these pockets of severe poverty and directly reach out to the socially excluded remains a continuing challenge in the operationalization of poverty reduction development programs of PCA.

12.15. While Management agreed that ARMM and CARAGA have high rates of poverty incidence and have not received the bulk of assistance efforts to poor coconut farmers, it does not imply, however, that said regions are not priority areas in terms of program distribution as reasonable allocations had been made thereon. However, the aforementioned regions are also geographically challenged areas where armed conflicts thrive that affects delivery of basic coconut related services in provinces like Sulu, Tawi-Tawi, Agusan, etc. Likewise, these are also areas where the basic infrastructures of the coconut industry are lacking, i.e., the road networks are lacking and there are few processing plants that need the raw material base for processing. Moreover, these areas are also beset by lack of manpower resources that was a result of an earlier re-organization of the PCA. The regular staff complement is simply lacking and the efforts to provide adequate staffing has been seen only in the last few years. Thus, the desired focus on resource allocation was not facilitated.

12.16. On the other hand, Regions IV-A, IV-B, V, and XI have existing coconut processing facilities that are the main marketing end of the much needed raw material produce and invariably would need the support of a good production base to encourage economies of scale.

12.17. In the pursuit of objectives to reach out to more coconut farmers and would-be coconut farmers to increase productivity, it is inevitable to reach out to willing individuals or groups who have the keen business interests in raising coconut as a form of livelihood and who also has the resource base to sustain the enterprise. Again, it becomes inevitable to provide targets in the more “affluent” regions.

12.18. In this context, one of the challenges of poverty reduction is how to target effectively. Targeting has both advantages and disadvantages in terms of the economic cost of a program, its acceptability to the intended clientele, political acceptability even and social inclusion. Sometimes, attempts to target the poor can be undermined by considerations of political interference.

12.19. As such, program strategy has shifted to include direct support targeted at the geographical areas, particular groups, or at sectors where the poor can benefit the most. One notable undertaking is the Indigenous People Outreach Program wherein the Authority targets the most marginalized sector of the agricultural industry, the indigenous group. With the program, it is envisioned to get the group to join the mainstream of the coconut industry by helping them with both technical and entrepreneurial assistance. The program has enjoyed considerable success in creating awareness and interest among the group.

12.20. As at rejoinder, to be fair in the budget allocation, **we recommend for Management to define guidelines in consultation with the ROs regarding the basis for allocating the budget considering that each has its own peculiarities.**

13. Attainment of the objectives of the Salt Fertilization Project (SFP) for FY 2013 costing P336 million could not be ascertained due to inadequate monitoring and evaluation in the implementation of the said project.

13.1. One of the functions of the PCA is to implement and sustain nationwide coconut fertilization and other farm productivity programs.

13.2. Salient provisions of Memorandum Circular (MC) No. 4, series of 2013, otherwise known as the Amended Guidelines on the Implementation of the SFP, issued by the PCA Administrator on February 8, 2013, include the following:

1.2 The Coconut Development Officer (CDO) shall identify the project beneficiaries giving consideration on the farmer's interest to participate, as well as the suitability of the farm. Xxxx

1.3 The CDO shall prepare the Masterlist of Farmer-Participants within his area of coverage. The masterlist must reach the PCA Central Office before the start of the salt fertilizers distribution and application at the field. Two sets of masterlist should be prepared, one for new participants and the other one for farmer-recipients of the second dosage of fertilizer application. The physical targets with area, names of farmers, number of trees and volume of salt fertilizer shall be indicated in the masterlist, disaggregated by province, by district, by municipality and by barangay. Xxxx

1.6 At least two (2) weeks before the application of fertilizer, the PCDM in consultation with the CDO, shall designate sample farms in identified sample municipalities covered by the project that would serve as areas for collection of yield benchmarking and periodic evaluation of coconut yield response to salt fertilization. Xxx

Absence of detailed report on the regional budget and utilization thereof -

13.3. A Work and Financial Plan was prepared for the SFP budget of P336 million allocated to various expense items. There was no allocation to ROs.

13.4. Further, as discussed under observation no. 12, there was no readily available report on the actual utilization of total project cost to compare with the budget other than the FY 2013 Uses of Funds which, however, did not provide details of cost per region and per expense item. Said report only disclosed that a total of P336 million or 100 per cent of the SFP budget was utilized for Maintenance and Other Operating Expenses (MOOE).

13.5. Furthermore, the total cost of P240.427 million was recognized under Agricultural and Marine Supplies Expenses-Salt Fertilizers account for FY 2013, while there was no information whether the difference of P12.296 million from its allocation of P252.723 million was actually utilized through either realignment or deferred recognition.

13.6. Thus, the non-disclosure of the details of project utilization, considering that its total actual cost was exactly equal to the total budget, casts doubt on whether the budget was fully and properly utilized for expenses that were intended for the efficient and effective implementation of the SFP.

Incomplete Masterlist of Farmer-Participants and Periodic Yield Assessment Monitoring and Evaluation Form -

13.7. Inquiry with Management disclosed that of the 12 regional offices of PCA, only five were able to submit their respective Masterlists of Farmer-Participants to the CO. The seven other regional offices, which were not able to submit the said documents, were the following: IV-A, V, IX, XI, XII, XIII, and XIV.

13.8. Accordingly, there was a presumption by the Management that said Masterlists were already prepared and maintained at the respective ROs, hence, the policy of requiring submission of the same to the CO was no longer enforced.

13.9. Prompt and complete submission of Masterlist of Farmer-Participants would have provided information on the extent of preparation of the RO to undertake the said project. Further, the data therein would have served as inputs for the development of the Coconut Farmer's Database, as required under Item 7 of the Special Provisions of the FY 2013 GAA. It was also noted that the structure for the said database was already established in the website of PCA, however, the same was left unutilized due to the unavailability of the required data.

13.10. Further, of the 12 ROs, only Region X was able to submit a complete periodic yield assessment of the SFP for five consecutive years. A five-year assessment should have been conducted to evaluate whether the SFP is effective.

13.11. Thus, inadequate enforcement of the provisions of the MC only indicated that PCA was not fully efficient in the implementation, monitoring, and evaluation of SFP.

13.12. We recommended that Management monitor strictly and evaluate the implementation of the projects and ensure that ROs submit the Masterlist of Farmer-Participants, as well as, the duly-accomplished Periodic Yield Assessment Monitoring and Evaluation Form.

13.13. Management committed to comply with the audit recommendations.

Non-submission of the Masterlists of Farmer-Participants (MLFP) and Acknowledgement Receipts and Certificates of Distribution of Agricultural Fertilizers (ARCDAs) by Regions IV-A and XIII -

13.14. Section 8 of PCA MC No. 4 dated February 8, 2013 provides that:

All fertilizer purchases by PCA shall be recorded and accounted for in the PCA books 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 [RTS] shall furnish the CO through FSB, regional accounting and auditing units of the properly accomplished forms mentioned in 1.3 and 4.5 of the guidelines.

13.15. The MLFP and ARCDAs facilitate the conduct of validation/confirmation to ascertain that the salt fertilizers purchased and distributed were received by the intended farmer-beneficiaries. However, these documents have not yet been submitted as at year-end by the RTS as shown in Table 15.

Table 15. Cost of fertilizers with unsubmitted MLFP and ARCDAs

Region	No. of beneficiaries	No. of bags	Cost
IV-A	11,447	95,457	P 23,986,922
XIII	11,765	59,042	17,852,877
	23,212	154,499	P 41,839,799

13.16. The non-submission of the MLFP and ARCDAs was not only inconsistent with Section 8 of PCA MC No. 4 dated February 8, 2013 but also prevented the conduct of validation/confirmation to ensure that the salt fertilizers were duly received by the intended beneficiaries.

13.17. We recommended that the RTS of the concerned ROs submit immediately the MLFP and ARCDAs to facilitate the conduct of validation/confirmation. Henceforth, adhere strictly to the provisions of PCA MC No. 4.

13.18. Management of Region IV-A explained that they have already received the MLFP and ARCDAs from their POs. They are currently in the process of checking all the documents for verification of the validity of the documents which will be submitted to the Audit Team immediately upon completion. Management of Region XIII, on the other hand, commented that the Masterlists of farmer-participants were prepared by the RTS while the ARCDAs will be submitted as part of the liquidation. The RTS is currently in the process of reviewing the documents and assured to submit the same the soonest.

Inconsistency/discrepancy in the names of beneficiaries and allocations of salt fertilizers between Masterlists Summary, Accomplishment Reports, MLFP and ARCDAs submitted by Regions I-IV-B cast doubt whether all recipients were legitimate beneficiaries -

13.19. During CY 2013, salt fertilizers procured by Regions I-IV-B consisted of 56,481 bags at a standard weight of 50kgs. per bag with a total cost of P16.096 million. However, the total number of bags delivered by supplier totaled 56,607 bags or over by 126 bags, particularly in Oriental Mindoro where the 626 bags delivered exceeded by 126 bags from its allocation of 500 bags since the 626 bags weighed at 40kgs. per bag.

13.20. Of the 56,607 bags, 3,000 were delivered to Mapun, Tawi-Tawi which were included in the allocation of Palawan. The delivery to Mapun, Tawi-Tawi of the allocation for Palawan was due to the nearness of its location to the latter and lower cost of transporting the salt fertilizers to the drop-off-points (DOPs) located at the former. The 53,607 bags were distributed to the farmers-beneficiaries of the 15 provinces in Regions I-IV-B.

13.21. The recipients of the 53,607 bags of salt fertilizers were 9,286 farmer-beneficiaries, per Accomplishment Report, although the Masterlists Summary only had 8,793, or a discrepancy of 493. Details are shown in Table 16.

13.22. Moreover, comparison between the MLFP and ARCDAs submitted by the Provincial Coconut Development Managers (PCDMs) of the provinces of La Union, Pangasinan, Romblon and Occidental Mindoro also showed discrepancies in the names and number of farmer beneficiaries, as well as, number of bags of fertilizers. Further, the number of farmer-beneficiaries and bags of salt fertilizers per MLFP submitted by PCDMs of the four provinces differed from that in the Masterlist Summary and ARCDAs. The inconsistencies/discrepancies are shown in Table 17.

13.23. Of the 1,940 names of farmer-beneficiaries listed in the ARCDAs, 511 were not included in the MLFP but they, nonetheless, received 2,366 bags of fertilizers with total cost of P0.655 million, accounted for under Table 18.

13.24. The discrepancies in the number of farmer-beneficiaries and fertilizer allocations in the MLFP, Masterlists Summary, Accomplishment Reports, and ARCDAs showed that the agency did not strictly follow the provisions of MC No. 4 dated February 8, 2013, particularly Section 4.3 which states that, *salt fertilizers received at the designated Drop-off-Points and those delivered at the project sites shall be distributed to the identified participants based on their approved allocation.*

Table 16. Discrepancy of the number of beneficiaries between Masterlists Summary and Accomplishment Report

Province	Masterlists Summary		Accomplishment Report		Discrepancy	
	No. of beneficiaries (a)	No. of bags (b)	No. of beneficiaries (c)	No. of bags (d)	No. of beneficiaries (e)=(c)-(a)	No. of bags (f)=(d)-(b)
Ilocos Norte	320	1,070	321	1,070	1	-
Ilocos Sur	354	1,070	323	1,070	(31)	-
La Union	211	995	276	995	65	-
Pangasinan	168	1,075	216	1,075	48	-
Cagayan	527	3,587	713	3,587	186	-
Isabela	37	500	36	500	(1)	-
Quirino	8	150	8	150	-	-
Nueva Vizcaya	25	500	25	500	-	-
Aurora	1,556	7,438	1,620	7,438	64	-
Bataan	297	954	268	954	(29)	-
Marinduque	408	4,404	516	4,404	108	-
Oriental Mindoro	969	6,500	958	6,500	(11)	-
Occidental Mindoro*	119	500	100	626	(19)	(126)
Romblon	1,255	6,000	1,348	6,000	93	-
Palawan	2,539	18,738	2,558	18,738	19	-
Total	8,793	53,481	9,286	53,607	493	(126)

* delivered were 626 bags at 40kgs. per bag instead of 500 bags at 50kgs. per bag

Table 17. Inconsistencies between Masterlists Summary, MLFP and ARCD A

Province	Masterlists Summary		MLFP		ARCD A	
	Farmers	Bags	Farmers	Bags	Farmers	Bags
La Union	211	995	296	995	276	995
Pangasinan	168	1,075	219	1,075	216	1,075
Romblon	1,225	6,000	1,243	6,000	1,348	6,000
Occidental Mindoro	119	6,500	118	500	100	626
Total	1,723	14,570	1,876	8,570	1,940	8,696

Table 18. Schedule of farmer-beneficiaries who have received salt fertilizer but were not listed in the MLFP

Province	Quantity		Cost	
	Farmers (a)	Bags (b)	Unit (c)	Total (d)=(b)x(c)
La Union	59	219	P 256.42	P 56,156
Pangasinan	46	172	256.42	44,104
Romblon	373	1,782	290.00	516,780
Occidental Mindoro	33	193	196.00	37,828
Total	511	2,366		P 654,868

13.25. The PCDM of Romblon, Occidental and Oriental Mindoro explained that changes as to beneficiaries were unavoidable considering that during distribution, some farmers were not available or others have lost interest from receiving the fertilizers due to high cost of transportation from DOPs to the farmers' farms, as well as, intervention made by local government officials.

13.26. Result of validation of distribution of fertilizers showed that there were Coconut Development Officers (CDOs) that usually depend on the list of farmers provided by Municipal Agricultural Officers and barangay officials. Likewise, changes in the

beneficiaries were not approved by the Regional Manager and concerned officials of the CO.

13.27. We recommended that Management direct the Regional Manager of Regions I-IV-B to require the:

- a. Concerned CDO to distribute strictly the salt fertilizers to the farmers listed in the MLFP and request approval from the Regional Manager and concerned Central Office official for any change in the MLFP as to beneficiaries and allocations of fertilizers; and**
- b. Project Coconut Development Officer (PCDO) assigned in the RO to review and reconcile the Masterlists Summary, MLFP and ARCDA submitted by the POs to ensure completeness and accuracy of reports.**

13.28. Management commented that, due to vulnerability of salt fertilizers especially when exposed to elements, farmers who were not available or who have lost interest in the project were immediately replaced without seeking first the approval of the Regional Manager or Field Services Branch (FSB). However, for CY 2014, Management had instructed the CDOs to strictly enlist only those who are dedicated to participate in the project and to seek prior approval should there be changes made. Also, Management had required the PCDOs to review and reconcile the MLFP before submitting the same to the RO.

Test weighing of 4,559 salt fertilizers delivered in different DOPs of three regions disclosed these were underweight or below the required weight per bag -

13.29. Item Nos. 3.7 and 3.11 of PCA MC No. 4 dated February 8, 2013 provide the guidelines on the acceptance of salt fertilizers at the provincial DOPs:

- 3.7 Once the salt fertilizer allocation per DOP have been completely delivered and received, the Provincial Technical Inspectors (PTIs) shall subject the same for immediate inspection with the presence of the supplier's representative/s. The PTIs shall inspect the supplies goods according to the physical and technical specifications (xxx net weight of 50 kilograms) xxx.*
- 3.11 Any discrepancies from the set of standard specification of the goods shall be grounds for replacement. Once the delivery of replacement of bags of salt fertilizers reach the DOP, the same shall be subject again for immediate inspection of PTIs and same procedure shall be followed including sampling and laboratory test. Accordingly, after inspection, accounting and receiving the result of the laboratory test per DOP, the designated PTIs shall sign the IAR and the CA, and release the said supporting documents to the supplier.*

13.30. Inspection conducted on the deliveries of salt fertilizers under SFP included test weighing. Results of test weighing made at different DOPs located at the provinces of Regions IV-B, VII, and X disclosed that there were 4,559 bags which were below the required weight of 50 kgs. per bag, details of which are summarized in Table 19.

Table 19. Salt fertilizer test weighing results

Region	Province	No. of underweight bags	Average Unit	
			Cost	Total Cost
IV-B	Ilocos Norte	53	P 284.38	P 15,072
	Ilocos Sur	70		19,907
	La Union	2		569
	Pangasinan	51		14,503
	Palawan	635		180,581
	Cagayan	221		62,848
	Sub-total	1,032		293,480
VII	Cebu and Bohol	2,363	295.07	697,250
X	Bukidnon	243	234.00	56,862
	Lanao del Norte	921	236.00	217,356
	Sub-total	1,164		274,218
		4,559		P 1,264,948

13.31. Further, the salt fertilizers delivered in all other provinces of the regions mentioned in Table 19 were neither test-weighed nor inspected. Thus, there is likelihood that there were deliveries in said provinces that were also below 50 kgs. per bag.

13.32. Interview with the concerned PCDMs disclosed that, in order to minimize warehousing and other operational costs, the allocations of salt fertilizers were directly delivered to the LGUs being more accessible than the intended warehouses. During inspection, the salt fertilizers were stored at the premises of the LGUs such as sports complex or in the municipal and barangay hall, hence, free of charge. The distribution of salt fertilizers to the farmer-beneficiaries was made even though no inspection was conducted by the PTIs because the LGUs already demanded for the use of the areas where the salt fertilizers have been stored. Nonetheless, this instance could have been avoided if the PTIs prioritized the inspection of the delivered salt fertilizers in those areas.

13.33. While the underweight bags in Bukidnon were acknowledged and replaced by the supplier, the replacement was not, however, made within five days upon receipt of the Notice of Defects. The replacement was delivered and received by the provincial officers almost three months after the notification was made with the supplier. Moreover, the replacement was not subjected to test weighing and laboratory testing anymore, hence, the required specification of 50 kgs. per bag was not also assured.

13.34. On the other hand, the total underweight bags in Lanao del Norte were not replaced by the supplier due to absence of its representative during the test weighing. The supplier, in its letter dated December 3, 2013, stated that they were informed of the defects only after the weight sampling of the salt fertilizers and that the salt fertilizers were packed at 50 kgs. per bag before it was dispatched to the different DOPs. However, the supplier agreed to deliver 200 of the 921 bags to PCA Lanao del Norte.

13.35. **We recommended that Management direct the Regional Managers to:**

- a. **Demand for the replacements of underweight delivery of salt grade fertilizers or deduct the corresponding peso value from the outstanding amount due the supplier. In case of replacements, submit to the Audit Team actions taken by the provincial offices, including list of recipients. Also, ensure that timelines are observed in the issuance and reporting of the Notice of Defects as provided for in the contract;**
- b. **Initiate appropriate courses of action to demand from the supplier the replacement at Lanao del Norte consisting of 921 bags costing P217,356;**
- c. **Observe strictly the implementing guidelines on the salt fertilizer acceptance at the provincial DOPs, particularly on the conduct of weighing of deliveries and attach the weighing documents to the disbursement vouchers as evidence that test weighing was made; and**
- d. **Require the PTIs and the PCDOs to observe the guidelines in the conduct of inspection of deliveries, which requires the presence of the supplier's representative during test weighing.**

13.36. Management of Region VII assured that inspections will be made prior to distribution of salt fertilizers to the intended beneficiaries and informed that replacement of 767 bags of salt fertilizers was made by the supplier which were fully distributed to farmer-beneficiaries of the provinces of Bohol, Cebu, Negros and Siquijor. Likewise, Management of Region X explained that the deliveries of salt fertilizers were directly made to the DOPs to eliminate the cost of maintaining a regional bodega. However, this procedure created a "system flaw" in the deliveries of fertilizers at the provincial and municipal level because of the absence of an organization structural supply management point. This situation forced the PCA to utilize its technical agriculturist to undertake supply management functions with difficulties, coordinate deliveries with the fertilizer suppliers and undertake general administrative functions normally handled by the Regional Supply Officer which resulted in supply mismanagement by field technical personnel. All these observations could have been eliminated and procedural errors could have been avoided had the responsible officials required strict observance of the guidelines defined in the PCA Memorandum Circular.

Non-availability of storage facilities for the agricultural salt fertilizers at the barangays/municipalities designated as DOPs of the regions -

13.37. Section 3.2 of PCA MC No. 4 states that:

If there are no available warehouse which are free of charge, the PCDM shall canvass for a warehouse facility that can be used for the safe storage of salt fertilizer for One (1) month only. The contract or agreement entered and the cost of one (1) month rental should be forwarded to the R.O. copy furnished the FSB for funding purposes. Any extension of the warehousing rental shall be subject to the approval of the

Administrator upon recommendation of the RM and the Deputy Administrator (DA) for FSB.

13.38. Audit disclosed that storage or warehouse facilities for the salt fertilizers were not available at the barangays/municipalities designated as DOPs points of the three regions shown in Table 20.

Table 20. Regions without storage/warehousing facilities for salt fertilizers

Region	No. of bags	Cost
VI	49,264	P 12,472,218
IX	12,453	3,619,933
XIII	59,042	17,852,877
	120,759	P 33,945,028

13.39. Inspection made in some barangays/municipalities which were designated as DOPs revealed that the agricultural fertilizers, pending distribution to the coconut farmer-beneficiaries, were just piled either in waiting sheds, beside the houses of the farmer-beneficiaries/residents, or in covered courts without fences. Other than exposure to theft, the unpredictable weather conditions would cause the salt fertilizers, albeit packed in thick bags, to melt when exposed or soaked in the rain.

13.40. In Region IX, the fertilizers were stored at the residences or warehouses of private individuals. As such, the goods were not protected considering that there was no assurance that the private facilities were safe and free from possible theft, in view of the absence of valid contract between the owners of the private facilities and PCA. Moreover, some CDOs of Zamboanga del Norte delegated their authority to the residence/warehouse owners to distribute the salt fertilizers. Thus, the impartiality of the distribution to the rightful farmer-beneficiaries in the roster could not be ascertained.

13.41. Such conditions may not only result in wastage of government funds due to possible loss or damage/pilferage of agricultural salt fertilizers but also in non-attainment of the objective of SFP of increasing the nut and copra yields of coconut trees.

13.42. We recommended that Management direct the Regional Managers concerned to:

- a. Make representations with the LGUs for the provision of safe temporary shelters or a warehouse/storage at the designated DOPs to ensure that the agricultural salt fertilizers are protected from damage and prevent wastage of government funds; and**
- b. Facilitate immediate distribution of the agricultural grade fertilizers to the intended farmer-beneficiaries after inspection and instruct them to apply immediately the fertilizers to the coconut trees.**

13.43. Management of Region IX explained that they would coordinate with the Audit Team for the complete listing of number of bags of salt fertilizers stored in private bodegas and require the concerned CDO to submit explanation. On the other hand, Management of Region XIII explained that the agency could not provide storage facilities for safekeeping of the agricultural salt fertilizers but they are trying their best to tie up

with local cooperative-recipients and farmer-beneficiaries or even LGUs that are willing to answer for the storage of salt fertilizers while awaiting distribution.

Non-notifications to the Audit Team for the deliveries of 38,585 of the 82,192 bags salt fertilizer procured by Region IX contrary to COA Circular No. 96-010 dated August 15, 1996 -

13.44. Region IX procured 82,192 bags of salt fertilizer with total cost of P23.892 million. However, the Audit Team was not notified for the deliveries of 38,585 bags or 46.9 per cent of the total bags procured, contrary to Item A.2 of COA Circular No. 96-010 dated August 15, 1996 which provides that:

The agency official responsible for accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, notify the Auditor of the time and date of the scheduled deliveries. In case of partial delivery of any item in the P.O. (Contract), the copy to be submitted shall indicate which items have been delivered, and which have not.

13.45. Likewise, Section 3.6 of aforementioned PCA MC No. 4 dated February 8, 2013, the amended guidelines on the implementation of the SFP provides that:

The Resident Auditor of the Commission on Audit (COA) in the Region or Office of the Provincial Auditor of the Province concerned shall be notified immediately once the schedule of delivery of fertilizers has been confirmed from the supplier. The PTI's can proceed with the inspection of the delivered salt fertilizer even without the presence of a COA representative. The inspectors must ensure that the written notice has been received and acknowledged by the regional or provincial COA before the conduct of inspection.

13.46. Management explained that notices of deliveries were not made considering they had pressing needs in preparing for their office transfer from Zamboanga City to Pagadian City.

13.47. Absence of delivery notices precluded the Audit Team from conducting inspections to determine whether the deliveries conformed to the required specifications and conditions.

13.48. We recommended that Management require the Regional Manager of Region IX to:

- a. Submit the complete list of names with addresses of Farmer-participants/beneficiaries who benefited from the distribution of 82,192 bags of salt fertilizer together with the Certification of PCDO on the distribution made; and**
- b. Remind the officials and employees of their duties and responsibilities defined in Item A.2 of COA Circular No. 96-010 and Section 3.6 of PCA MC No. 4 dated February 8, 2013.**

13.49. Management of Region IX commented that they instructed their Technical Chief to comply with the submission of the duly-certified, complete list of names and addresses of Farmer-participants/beneficiaries who received the salt fertilizers.

14. There was no assurance that the total incentives of P54.543 million were paid to bonafide farmer-participants of the Participatory Coconut Planting Project (PCPP)-Phase II considering that there was no proof that they were required to present during registration any of the documents as proof of their identity or land ownership prescribed under PCA MC No. 4, series of 2012, dated January 9, 2012.

14.1. Under the Accelerated Coconut Planting and Replanting Project for CY 2013 Implementing Guidelines, PCPP is a mode of distribution of seednuts/seedlings by which cash incentives are given to qualified farmer-participants who have successfully produced, transplanted and stabilized good seedlings on the ground of P40 per tree or P18 and P22 in Phases I and II, respectively.

14.2. Section 4(6) of PD No. 1445 states that, *claims against government funds shall be supported with complete documentation.*

14.3. Also, Item No. 4.1 of PCA MC No. 4, series of 2012, dated January 9, 2012, series of 2012, otherwise known as, "Guidelines on the Implementation of the PCPP," provides that:

The PCA Agriculturist/CDOs shall conduct a registration of prospective participants in the barangay or municipality on the first month of the year in coordination with the Barangay Officials, Municipal Officials, or CFOs/Cooperative. The farmers may opt to register at the nearest PCA Municipal or provincial office. They must present any of the following documents as proof of identity or land ownership, among others:

- *Original Certificate of Title*
- *Transfer Certificate of Title*
- *Certificate of Land Transfer*
- *Tax Declaration*
- *Torrens Title*
- *Homestead Patent*
- *Letter of Consent from the Landowner for the Tenant/Administrator*
- *Certificate of Land Ownership Award (CLOA) for Agrarian Reform Beneficiaries*
- *Certificate of Stewardship Contract Integrated Social Forestry Area Beneficiaries*
- *Certificate of Registration from the Cooperative Development Authority for Cooperatives*
- *Certificate of Registration Accreditation from the PCA, BRW/DOLE for CFOs*

14.4. During CY 2013, payment of incentives made by three regional offices to farmers-participants under the PCPP-Phase II amounted to P54.543 million, as shown in Table 21.

Table 21. Payment of incentives to farmer-participants under PCPP-Phase II

Region	Amount
I-IV-B	P 10,673,694
IV-A	34,468,012
XI	9,401,504
	P 54,543,210

14.5. Payments of Regions I-IV-B were supported only with Certificates of Payment, Payroll and Acknowledgement Receipts, Masterlists of Farmer-Participants, Nursery Inspection and Evaluation Report stating that the farmers have satisfactorily sown good quality seedlings, and Coconut Planting Inspection and Evaluation Report stating that the coconut farmers are land owners. It was noted, however, that there was no proof that farmers were required to present any documents prescribed in the aforesaid PCA MC. On the other hand, payments in Regions IV-A and XI were supported only with Coconut Planting Inspection and Evaluation Report which was signed by the PCDM, CDO, and President of Coconut Farmers Organization (CFO).

14.6. Moreover, in Region IV-A, there were no duly approved masterlists of farmer-participants and proofs that the farmer-participants have undergone training as required under Item Nos. 2.4 and 4.3 of aforementioned PCA MC, quoted hereunder:

2.4 The participants must undergo the required crash training to be conducted by the PCA Agriculturists/CDOs on seednuts selection, nursery establishment and operations, transplanting and care and maintenance of young palms, among others, at the barangay or municipality where he/she resides.

4.3 A Masterlist of Prospective Farmer-Participants of the project shall be prepared and submitted to the Provincial Office and then to the Regional Office for the approval of the concerned Provincial Coconut Development Managers (PCDMs) and Regional Managers (RMs).

14.7. The absence of any proof of identity or land ownership, as well as, duly approved masterlists and proofs that the farmer-participants attended trainings raised doubt on whether those that were paid were bonafide farmers and real participants of the PCPP which may have resulted in possible loss, wastage or improper disposition of government funds.

14.8. In a meeting conducted by Region XI sometime in August 2013, issues regarding land ownership were discussed with the CDOs. However, CDOs did not ask for a copy of land title or other form of ownership from the farmer-participants of the PCPP. Instead, they obtained certifications from barangays that the farmers were either coconut farmers or members of farmers' organization who are willing to participate in the program. They explained that the farmers were hesitant to present the original copy of their land titles for unknown reasons or allegedly for fear that their lands will be confiscated by the government. The farmers might be discouraged from participating in

the program if a copy of proof of identity or land ownership would be requested from them.

14.9. It appeared that the farmers were not properly informed regarding the program that the purpose of presenting a copy of the land titles was to ascertain ownership of the land so that the incentives would be received by the rightful land owners.

14.10. We recommended that Management direct the concerned Regional Managers to immediately submit:

a. Proof that land ownership/identity prescribed under Item 4.1 of the PCA MC No. 4 dated January 9, 2012 had been presented by the farmer-participants to ensure that they are legitimate beneficiaries of the PCPP; and

b. Masterlists of farmer-participants duly approved by the Regional Manager and PCDMs.

14.11. Management of Region IV-A claimed that prior to project undertaking, the CDO conducted information dissemination campaign from the municipal to barangay level through meetings with the LGUs, Farmers' Organizations (FOs) and other private entities. They committed to include in the PCPP claims, the farmer's certificate of attendance for crash training. As regards the proof of identity or land ownership of the farmer-participants, the agency promised to include said requirement in the ensuing year. The masterlists of prospective farmer-participants for the project shall likewise be prepared and submitted to the PO and then to the RO for approval. Likewise, the OIC Regional Manager III also commented that they have implemented corrective measures, particularly in the evaluation of farms/farmer-participants wherein there is an interprovince validation. A team from one province will be in-charge in the validation of another province and vice-versa to allow check and balance. There is also a plan to issue identification cards to every PCPP recipient in CY 2014 for check encashment purposes.

14.12. On the other hand, Management of Regions I-IV-B commented that the farmers were requested to present copies of land titles or any proof of identity/ownership to the Agriculturist upon registration and masterlisting of PCPP farmer-beneficiaries. Also, proper and constant coordination with the barangays and cooperatives were undertaken by PCA fieldmen to ascertain the legitimacy of coconut farmers and would-be coconut farmers.

14.13. As a rejoinder, we further recommend that **Management submit proof that identities or ownerships of land of PCPP farmer-beneficiaries for CY 2013 were presented during registration.**

15. The intent of the Coconut Seedlings Dispersal Project (CSDP) to make good quality of seedlings readily available for coconut farmers is not assured to have been effectively attained since the 1.702 million coconut seedlings worth P41.452 million were procured from ineligible/incapable suppliers and whose sources of seedlings were from nurseries not pre-inspected during post-qualification of bids. As an upshot of the obvious laxity during bidding process, there is probable loss of almost P4 million, short delivery of 65,000 seedlings worth P1.633 million, and one supplier completing the deliveries of another supplier.

15.1. CSDP is implemented to make good quality of seedlings readily available to coconut farmers and would-be coconut farmers. This requires the procurement of good quality coco seednuts and the establishment of communal nurseries for the propagation of coconut seedlings for distribution to identified beneficiaries.

15.2. In CY 2013, there were 1.702 million coco seedlings procured by Regions I-IV-B and Region XII under CSDP with a total cost of P41.452 million, as shown in Table 22.

Table 22. Procured seedlings under CSDP

	Suppliers			Total no. of coco seedlings	Contract Amount
	From Oriental Mindoro	Cooperative from Pangasinan	Cooperative from Isabela		
16 provinces in Regions I-IV-B	590,000	471,500	40,000	1,101,500	P 26,381,904
4 provinces in Region XII	600,000	-		600,000	15,069,750
	1,190,000	471,500	40,000	1,701,500	P 41,451,654

15.3. Section 23 of revised IRR of RA No. 9184 provides the eligibility requirements for the procurement of goods and infrastructure projects. Further, Section 39.3 of the same IRR states that the performance security shall be forfeited in the event it is established that the winning bidder is in default in any of its obligations under the contract.

15.4. PCA Memorandum Circular (MC) No. 2, series of 2013, dated January 30, 2013, otherwise known as, Implementing Guidelines on the Accelerated Coconut Planting and Replanting Project, provides, among others, the procedures in the procurement of coconut seedlings, as follows:

3.7.5 The coconut seedlings xxx must be procured only from reliable producers/suppliers duly registered with PCA.

3.7.6 The bidder shall be allowed to outsource the supply of seedlings xxx provided that xxx the said outsources are duly registered with PCA.

3.7.7 The prospective bidders must pass the eligibility criteria stipulated under Section 23, Rule VIII of the Revised IRR.

3.7.8 In addition to the eligibility requirements prescribed under Section 23, Rule VIII of the Revised IRR, the prospective bidders must:

a. Submit the list of sources of xxx seedlings and nurseries duly registered with PCA and original copy of a duly notarized Affidavit of Commitment explicitly stating that the owner of the

coconut farms or nurseries are committed to supply adequate number of xxx seedlings in the event that the prospective bidder wins the bidding and is awarded the contract.

b. Source xxx seedlings and/or establish nurseries near or within the target areas for coconut planting/replanting to facilitate proper handling and delivery of seedlings to the farmer participants of the project. (underscoring supplied)

3.7.13 The scope of services includes production, supply, handling, transport and delivery of good quality seedlings which is equivalent to 100 seedlings per hectare plus 10% allowance for replacement xxx.

15.5. For the supply in Regions I-IV-B, 590,000 coconut seedlings covering 10 provinces were awarded to the same supplier in Region XII, whose plantation is in Oriental Mindoro with a total cost of P13.979 million, 471,500 were awarded to one Cooperative from Pangasinan covering 10 provinces in the amount of P11.593 million and 40,000 were awarded to another Cooperative from Isabela covering 2 provinces in the amount of P0.810 million. Details are shown under Table 23.

Table 23. Procurement of coco seedlings under CSDP of Regions I-IV-B

Province	Same Supplier in Region XII			Two Cooperatives			Total	
	Quantity (a)	Unit Price (b)	Amount (c=a*b)	Quantity (d)	Unit Price (e)	Amount (f)=(d)*(e)	Quantity (g)=(a)+(d)	Amount (h)=(c)+(f)
1 Ilocos Norte	-	P -	P -	40,000	P 26.50	P 1,060,000	40,000	P 1,060,000
2 Ilocos Sur	-	-	-	40,000	26.68	1,067,200	40,000	1,067,200
3 La Union	-	-	-	30,000	26.68	800,400	30,000	800,400
4 Pangasinan	-	-	-	30,000	26.68	800,400	30,000	800,400
5 Bataan	23,400	24.30	568,620	30,000	24.36	730,800	53,400	1,299,420
6 Zambales	75,600	24.34	1,840,104	-	-	-	75,600	1,840,104
7 Nueva Ecija	5,000	24.90	124,500	-	-	-	5,000	124,500
8 Bulacan	10,000	24.90	249,000	-	-	-	10,000	249,000
9 Occidental Mindoro	27,500	24.26	667,150	20,000	24.36	487,200	47,500	1,154,350
10 Oriental Mindoro	100,000	23.10	2,310,000	79,000	23.20	1,832,800	179,000	4,142,800
11 Marinduque	25,000	23.10	577,500	25,000	23.20	580,000	50,000	1,157,500
12 Romblon	77,500	23.10	1,790,250	77,500	23.20	1,798,000	155,000	3,588,250
13 Palawan	132,000	24.34	3,212,880	100,000	24.36	2,436,000	232,000	5,648,880
14 Aurora	114,000	23.15	2,639,100	-	-	-	114,000	2,639,100
15 Isabela*	-	-	-	20,000*	20.25	405,000	20,000	405,000
16 Quirino*	-	-	-	20,000*	20.25	405,000	20,000	405,000
	590,000		P 13,979,104	511,500		P 12,402,800	1,101,500	P 26,381,904

* 40,000 units for Isabela and Quirino Provinces were awarded to one Cooperative, the rest totalling 471,500 seedlings to the other Cooperative

15.6. Review of the bid documents revealed that there were two biddings conducted by Regions I-IV-B for the supply, handling, transport and delivery of 1.102 million coco seedlings. Minutes of bids opening and evaluation dated March 11, 2013 showed that the Bids and Awards Committee (BAC) received only the bids of the two Cooperatives which consequently were declared as the winning bidders for the delivery of 511,500 coco seedlings. The minutes dated May 27, 2013 showed that there was a lone bid which the BAC subsequently declared as winning bid for the delivery of 590,000 coco seedlings.

15.7. The two Cooperatives were not registered with PCA as coco seedling producers as required under Item 3.7.5 of PCA Memorandum Circular (MC) No. 2 dated January 30, 2013 and do not have coconut plantation, a requirement for accreditation as coco seedling producer under Section 4(d) of PCA MC No. 01 dated January 9, 2012. They submitted Affidavit of Commitments issued by various coco seedling producers to supply the seedling requirements in case the contract is awarded to them. Inquiry, however, revealed that there was no inspection conducted by the National/Regional Inspection Team.

15.8. Despite the absence of coco plantation and non-accreditation as coco seedling producers, the BAC did not disqualify the bids of the two Cooperatives. Thus, there was no assurance that the coco seedlings procured as planting materials were of good quality which may result in possible wastage of funds.

15.9. The supplier of 590,000 coco seedlings was accredited on December 7, 2012 as coco seedling producer. Review of the legal requirements such as the mayor's permit, certificate of business name issued by Department of Trade and Industry and audited financial statements showed that the supplier was a sole proprietor. A certification dated June 5, 2014 issued by Securities and Exchange Commission showed that the supplier is not registered with the Commission as a corporation or partnership. The contract between the supplier and Regions I-IV-B, however, indicates that the supplier is a private corporation. Likewise, the said contract was notarized on November 20, 2013, while the Notice of Award and Notice to Proceed were issued on October 29, 2013 and November 20, 2013, respectively, after almost six months from the opening of the bids on May 27, 2013 contrary to Section 38.1 of the revised IRR of RA No. 9184 which states that:

The procurement process from the opening of bids up to the award of contract shall not exceed three (3) months, or a shorter period to be determined by the procuring entity concerned. Xxx.

15.10. Due to the delay, the 2,000 seedlings inspected by the Audit Team on March 19, 2014 at the nursery located at Nasucob, Bulalacao, Oriental Mindoro which was maintained by the local government and supervised by the Municipal Agriculturist Officer were already dried and no longer suitable as planting materials considering that the seedlings had been delivered during the month of January 2014 at the onset of dry season as explained by the Senior Agriculturist of PCA Oriental Mindoro Provincial Office. The delivery period provided under the contract shall be within six months upon receipt of the Notice to Proceed which was received by the supplier on November 21, 2013.

15.11. Further, ocular inspections conducted by the Audit Team in the nurseries of the Cooperative located at Pangasinan awarded to supply 471,500 coco seedlings and the supplier located at Oriental Mindoro awarded to supply 590,000 coco seedlings showed that both suppliers have no coco seedling nurseries. As such, suppliers' capability to supply the seedling requirements was questionable. Inquiry also revealed that both suppliers have the same Marketing Manager who was also their authorized representative. Likewise, the coco seedlings allocation for Oriental Mindoro of 79,000 pieces which is part of that awarded to the Cooperative, were delivered by the same supplier of 590,000 coco seedlings, per delivery receipts (DR) found in supplier's possession, as shown under Table 24.

Table 24. DRs for seedlings requirements of Oriental Mindoro

Date	DR No.	Quantity	Amount	Drop-off-point
02/01/13	2920	10,000	P 232,000	Calsapa, Bigaan, Tacligan
08/17/13	2918	15,000	348,000	Waygan, Panaytayan, Mansalay
10/04/13	2917	15,000	348,000	Benli, San Isidro
12/09/13	2919	20,000	464,000	Bagong Buhay, Victoria
12/23/13	2921	4,000	92,800	Calapan, Oriental Mindoro
01/14/14	2922	15,000	348,000	San Ignacio, Mayabig
		79,000	P 1,832,800	

15.12. It is apparent from the preceding table that the DRs were not issued chronologically, raising doubt on the regularity of the deliveries and payments thereof.

15.13. For the supplier in Region XII, the winning bidder for the supply, handling, transport and delivery of 600,000 good quality coconut seedlings for the provinces in Region XII at a unit price of P25.11625 or in the total amount of P15.070 million, was the same supplier from Oriental Mindoro that supplied the 590,000 seedlings in Regions I-IV-B. The provinces covered are presented in Table 25.

Table 25. Procurement of seedlings under CSDP in Region XII

Province	No. of seedlings	Contract Amount
South Cotabato	145,000	P 3,641,856
North Cotabato	160,000	4,018,600
Sarangani	115,000	2,888,369
Sultan Kudarat	180,000	4,520,925
600,000		P 15,069,750

15.14. Review of the legal requirements revealed that the Affidavit of Commitment submitted by the supplier showed that the seedlings were to be sourced from its own farm in Barangay Little Tanauan, Roxas, Oriental Mindoro, which is neither near or within the target areas for planting, and from two subcontractors: one is located in Barangay Bongoy, Dolores, Quezon, which is also outside the planting areas and another is in Barangay Topland, Koronadal City.

15.15. The National and Regional Inspection Team (NRIT) conducted an inspection of the aforementioned coconut farms submitted by the supplier as sources of coconut seedlings. Results of the inspections embodied under a Memorandum dated April 10, 2013 of the Deputy Administrator, then Field Services Branch, were as follows:

- a. The farm located in Barangay Bongoy, Dolores, Quezon, has a total area of 25 hectares. The farm is planted with open pollinated variety (OPV) tall coco seedlings which is relatively young and healthy and of good stands. The palms are capable of producing 60-80 nuts per tree per year. Good farm management is very evident as the coconut farm has been the source of coconut planting materials in the region in recent years.
- b. The farm located in Barangay Little Tanauan, Roxas, Oriental Mindoro, has an aggregate area of 35 hectares. The farm is planted with OPV tall coco seedlings although not relatively young but still capable of producing 50-60 nuts

per tree per year. The farm is properly maintained with palms devoid of any attack of pests and diseases.

c. Both owners of the aforesaid farms have been registered with the PCA as accredited seedling suppliers, are committed to supply the seedlings, and are capable of adequately supplying the PCA requirements for CY 2013 coconut planting and replanting project. The NRIT further stressed that the two areas were visited by the members of the PCA Governing Board.

15.16. There was no mention, however, in the said NRIT inspection report that the farm located in Barangay Topland, Koronadal City, with land area of 12 hectares was inspected. Also, despite that the coco seedlings would be sourced from Quezon and Oriental Mindoro, which are not near or within the planting areas, the Affidavit of Commitments were still accepted by Region XII which consequently led to the award of the contract to the said supplier.

15.17. Gleaned from the three farms, there are 72 hectares as would be sources of planting materials.

15.18. Moreover, inspection conducted by Audit Team in the coconut seedling nurseries and designated drop-off points (DOPs) located throughout the region showed that the supplier did not meet its commitment to source the coconut seedlings from the farms located in Barangay Little Tanauan, Roxas, Oriental Mindoro and in Barangay Bongoy, Dolores, Quezon. Of the 600,000 coconut seedlings requirement, 535,000 were sourced from the farm located in Barangay Topland, Koronadal City, from various local coconut seedling producers in Region XII, and from unknown suppliers which, as earlier mentioned, were not included in the NRIT inspection report and no proof that they were post-qualified. Hence, no assurance that the purchased coconut seedlings were of good quality.

15.19. Due to the urgent need to supply the 600,000 coconut seedlings and to meet the target for CY 2013 CSDP, the coconut seedling producers in the locality were tapped by Region XII to supply for the supplier notwithstanding the fact that these local producers had neither undergone the required eligibility screening nor complied with the execution of Affidavit of Commitment, as required under paragraph 3.7.8.a of PCA MC No. 2, series of 2013.

15.20. On the required eligibility screening, paragraph 8.2, Section II of the Bid Documents covering Instruction to Bidders states that:

Subcontractors must comply with the eligibility criteria and documentary requirements specified in the BDS. In the event that any subcontractor is found by the Procuring Entity to be ineligible, the subcontracting of such portion of Goods shall be disallowed.

15.21. Further validation and confirmation from various coconut seedling producers in Region XII revealed that the actual purchase price of 480,000 coconut seedlings was only P17.00 per seedling for a total of P8.160 million as compared with the unit contract price of P25.11625 for a total of P12.056 million, or a difference of P8.11625 per unit or totaling P3.896 million, as shown in Table 26. Part of the difference could be the delivery cost that should have been incurred by the supplier if the seedlings were to be

sourced from Oriental Mindoro, Quezon and Koronadal City as contained in the Affidavit of Commitment. The seedlings were only sourced in the locality and no handling costs were incurred by the supplier considering that the seedlings were not delivered to the DOPs, instead, were picked-up by farmer-beneficiaries from the local producers. If only the concerned members of the BAC and other officials who took part in the awarding of the contract have conscientiously followed the set rules under PCA MC No. 2, series of 2013, that seedlings be sourced from a reliable supplier duly registered with PCA, and whose nursery is near or within the target areas for coconut planting, the government would have saved around P4 million.

Table 26. Price comparison between per contract and per canvass for the procurement of 480,000 coconut seedlings

	Unit Price	Total Price
Per contract	P 25.11625	P 12,055,800
Per confirmation	17.00000	8,160,000
Variance	P 8.11625	P 3,895,800

15.22. On the other hand, paragraph 13.3 of PCA MC No. 2, series of 2012, dated January 9, 2012, also states:

Seednuts and/or seedlings procurement shall always conform to the quality specifications set by the PCA. In particular, the seednuts should be selected from a block or area or highly homogenous bearing palms producing an average of at least 1,000 nuts per hectare (10 nuts per tree) every 45 days (or at least 2 tons of copra per hectare annually). xxxx

15.23. As mentioned earlier, the coco seedlings would be sourced from 72 hectares of coconut farms and for purposes of evaluation, the Audit Team computed, as shown in Table 27, the expected yields from 72 hectares using the aforementioned standards and statistics from PCA website and 2012 Coconut Statistics from the four provinces of Region XII.

15.24. Of the three comparative data, the standard prescribed under PCA MC No. 2, series of 2012, showing the highest and the maximum number of around 207,360 coconut seedlings that could be produced for a six-month period covering 72 hectares, was used by the Audit Team. Hence, it could not be possible for the winning supplier to deliver 600,000 seedlings for the same period covering same number of hectares. This is precisely the reason why they resorted to subcontract the supply of the seedlings. Had the bid of the supplier been properly evaluated, the procurement of seedlings would not have been awarded to said supplier considering that it did not have the capacity to supply the required number of seedlings, thus, the bid should have been declared ineligible.

15.25. Though the supplier resorted to subcontracting, only 535,000 of the 600,000 coco seedlings were delivered. The 65,000 worth P1.633 million remained undelivered as of December 31, 2013 contrary to the contract that deliveries of seedlings shall be within six months that shall start on May 17, 2013.

Table 27. Computation of average expected yields per hectare of coconut farms

	PCA MC No. 2, series 2012	PCA Website	2012 Region's Statistics
No. of hectares in consideration	72	72	72
Multiplied by number of coconut trees per hectare	x 100	x 100	x 100
Total number of coconut trees planted in 72 hectares	7,200	7,200	7,200
Number of average nuts produced per coconut tree, per year or eight planting seasons	x 80	x 43	x 68
Total number of nuts produced per coconut tree, per year or eight planting seasons	576,000	309,600	489,600
Number of planting seasons considered	4	4	4
Total number of coco seednuts production for 72 hectares in four planting seasons or 180 days	288,000	154,800	244,800
Multiplied by percentage of good seednuts selected for seedling purposes	x .90	x .90	x .90
Number of seednuts expected for seedling purposes	259,200	139,320	220,320
Multiplied by percentage of seednuts expected for germination	x .80	x .80	x .80
Total number of coconut seedlings produced for 72 hectares in four planting seasons	207,360	111,456	176,256

Eight planting seasons in one year

***One planting season is equivalent to 45 days*

****Production period is four planting seasons or six months period from
January to June considering the second semester is for rearing the nuts
in the nursery.*

15.26. We recommended that Management direct the concerned Regional Manager to:

- a. Inform the supplier of the various defects noted in the contract and demand refund of P3.896 million representing the difference between the cost of seedlings sourced out from within and outside the region;**
- b. Forfeit the performance security posted by the supplier due to default in the delivery of 65,000 seedlings;**
- c. Disqualify/ban the suppliers from future biddings; and**
- d. Comply strictly with the provision of Section 38.1 of the revised IRR of RA No. 9184 in awarding the contract to the winning bidder within three months from the opening of the bids.**

15.27. During the exit conference, Management of Region XII commented that the entire bidding procedures pertaining to the subject contract was conducted exclusively by the CO and that the participation of the RO was limited only to the request for bidding of the related project. Management of CO responded by committing to implement the audit recommendation. On the other hand, Management of Regions I-IV-B commented that the post qualification was conducted as required under Section 34.1 of the revised IRR of RA No. 9184; however, they were not able to submit a report. The three-month procurement process was not observed due to late releases of funds from Department of Budget and Management, thus, awarding of the contract was also late.

15.28. As a rejoinder, we further recommend that **Management:**

- a. **Require the Regional Manager in Region IV-B to submit the post-qualification report conducted by them, as required under Section 34.1 of the revised IRR of RA 9184;**
- b. **Account all the delivery receipts and corresponding sale invoices of the three suppliers; and**
- c. **Determine the extent of losses incurred and hold liable the person/s responsible in awarding the contracts to the suppliers despite the latter's failure to meet the pre-requisites prescribed under PCA MC No. 2 dated January 30, 2013.**

15.29. Additional audit actions will be performed to assess the possible accountability of those personnel involved in the said procurement.

16. High percentage of ungerminated coco seednuts and culled coco seedlings procured by Regions IX and X for CSDP which resulted in loss of government funds of approximately P3.627 million is attributed to, among others, poor management of nurseries and deliveries of seeds from unregistered cultivars that were not pre-inspected and evaluated. Likewise, liability for the ungerminated/culled coco seednuts/seedlings could not be pinpointed due to absence of Memorandum of Agreement (MOA) with the supplier in Region IX.

16.1. PCA MC No. 2, series of 2012, dated January 9, 2012, otherwise known as the Guidelines on the Implementation of the CSDP, provides that PCA shall implement the CSDP which aims to make good quality of seedlings for planting readily available to the coconut farmers and would-be coconut farmers. The CSDP requires the procurement of good quality seednuts and the establishment of communal nurseries for the propagation of seedlings for distribution to previously-identified beneficiaries.

16.2. Procurement of coco seednuts and coco seedlings under CSDP made by Regions IX and X amounted to P13.571 million in CY 2012, as shown in Table 28.

Table 28. Procurement of coco seednuts and seedlings under CSDP

Region	Quantity		Total	
	Seednuts	Seedlings	Quantity	Cost
	(a)	(b)	(c)=(a)+(b)	(d)
IX	525,740	52,611	578,351	P 7,552,392
X	495,646	1,900	497,546	6,018,855
	1,021,386	54,511	1,075,897	P 13,571,247

16.3. In Region X, the coco seednuts and coco seedlings were procured from accredited PCA coconut producers/suppliers and were sown for a period of four to six months in various provinces for propagation. In Region IX, the procurement of coco seednuts and coco seedlings from Zamboanga Research Center (ZRC), one of the three PCA research centers, was not covered by a contract.

16.4. Reports showed that coco seednuts procured were not totally of good quality considering there were ungerminated and culled coco seednuts/seedlings in Regions IX and X of 168,899 pieces and 131,308 pieces with average percentages of waste materials of 32.2 per cent and 26.5 per cent, respectively, for a total cost of P3.627 million. Details are shown in Table 29.

Table 29. Ungerminated coco seednuts and culled coco seedlings

Location of nurseries	Quantity (in pieces)			*Total ungerminated and culled		% of waste
	Delivered / sown	Ungerminated seedlings	Culled Seedlings	Quantity	Cost	
	(a)	(b)	(c)	(d)=(b)+(c)	(e)	
Region IX						
Zamboanga Sibugay	81,080	20,198	5,677	25,875	P 310,500	31.9
Zamboanga del Norte	155,529	31,510	19,219	50,729	608,748	32.6
Zamboanga del Sur	287,535	68,900	23,395	92,295	1,107,540	32.1
	524,144	120,608	48,291	168,899	2,026,788	32.2
Region X						
Bukidnon	72,396	17,230	4,637	21,867	283,125	30.2
Camiguin	52,500	2,946	7,984	10,930	119,053	20.8
Lanao del Norte	193,250	39,962	6,511	46,473	571,545	24.0
Misamis Occidental	71,250	17,548	11,983	29,531	362,041	41.4
Misamis Oriental	106,250	16,635	5,872	22,507	264,397	21.2
	495,646	94,321	36,987	131,308	1,600,161	26.5
	1,019,790	214,929	85,278	300,207	P 3,626,949	29.4

*Total waste materials

16.5. As gathered from Region X, the low germination rate of seednuts and consequent culling of seedlings were caused, among others, by the following factors:

- a. Nurseries maintained/supervised by PCA were not properly maintained, had no fence, thus exposing the seednuts to the animals and intense heat of the sun;
- b. The unloading of seednuts in the nursery sites were not done properly. The seednuts were thrown instead of putting them slowly to the ground causing damage to the nuts not to mention the manner on how the seednuts were harvested from the source farms and in loading the same to the transportation equipment;
- c. Delivery of seednuts were made during the onset of dry season causing the shoots to die especially that the nurseries were not properly maintained;
- d. Non-establishment of the nursery in time of delivery. The seednuts were not sown immediately but instead placed in a holding area exposed to extreme heat of the sun waiting for the nursery to be established; and
- e. There were no trainings/seminars conducted prior to the implementation of the project to the Coconut Development Officers (CDOs) who were responsible for the implementation of the project.

16.6. Also, one supplier in Region X delivered Tacunan Dwarfs and Tagnanan Tall when his registered cultivar was Laguna Tall. Thus, the quality of seednuts cannot be

assured considering that it did not conform with the quality specified by PCA and its source was not known considering there was no inspection conducted by Regional Inspection Team, which is not in compliance with Item 3.7.14 of PCA MC No. 2, dated January 30, 2013 which provides that:

Inspection/evaluation of seednuts/seedlings sources and/or nurseries by a core of National or Regional Inspection Team formed is a prerequisite for the winning bidder to qualify as PCA authorized supplier and enter into a contract with PCA for the supply of coconut seedlings or seednuts.

16.7. Management explained that the unregistered cultivars were not really of doubtful quality considering that these were among the highly recommended cultivars of the PCA because of their superior genetic characteristics such as the high copra per nut ratio of one kilo copra to 3-4 nuts for the Tagnanan Tall versus the Laguna Tall which is at 1:5 ratio and the early bearing and dwarf characteristic of the Tacunan variety. Both cultivars are high yielding and have higher lauric oil (C12) content. The Laguna Tall is the common coconut population generally planted throughout the Philippine Archipelago.

16.8. Records also showed that total payments of P4.437 million made by Region IX to ZRC for the coco seednuts and seedlings were not supported with a Memorandum of Agreement (MOA), which had put the government in disadvantageous situation considering that the responsibilities and obligations of the parties in the implementation of the project were not defined. Thus, the difficulty in pinpointing the party/ies who would be liable or accountable for the ungerminated and culled coco seednuts/seedlings, as well as, for the payment thereof.

16.9. We recommended that Management direct the Regional Managers of Regions IX and X to:

- a. Conduct seminars/trainings to field personnel on the implementation of CSDP;**
- b. Require the Provincial Agriculturists and the CDOs to supervise strictly the harvesting, delivery and unloading of seednuts in the nursery sites and monitor closely the nurseries established and maintained by PCA and proponents;**
- c. Instruct the Provincial Coconut Development Managers (PCDMs) to prepare the nurseries prior to delivery of seednuts;**
- d. Conduct procurement of seednuts during the onset of rainy season to attain the desired objectives of seednuts germination; and**
- e. Create a composite team to assess the project implementation, submit a report thereon and recommend necessary improvement for effective and efficient implementation of the project.**

16.10. Management of Region X explained that the general rule in establishing a one-hectare coconut farm with a square planting pattern and 10-meter planting distance would require 150 seednuts allocation for pure lines cultivars. The culling pressure during seednuts germination stage is 20 per cent while 10 per cent at seedling nursery

stage. This will give an output of 120 selected germinated seednuts and 100 good quality plantable seedlings with extra seedlings reserve for planting mortalities respectively. The culling pressure for seednuts and seedlings would minimize, if not remove the bad planting materials, thus, farmers would be assured of high quality coconut seedlings. The 26.5 per cent culled or undesirable seednuts/seedlings were still within the culling pressure to produce high coconut seedlings for planting.

16.11. Likewise, the quantity of seednuts procured was based on the seednut requirement of each of the provinces covered by PCA Region X. Accordingly, the quantity requirement of seednuts per province was based on the number of hectares to be planted computed based on the standard number of coconut seedlings per hectare plus 10 per cent allowance for replacement, pursuant to Section 3.5.2 of PCA MC No. 2, series of 2013.

16.12. On the other hand, Management of Region IX assured that trainings/seminars for concerned personnel of Region IX and ZRC will be seriously considered and its field personnel and Regional Technical Staff (RTS) Chief will maintain periodic monitoring/assessment of the project. Also, Management emphasized that the CSDP made debut in CY 2012 and one of its basic objectives is the proliferation of coconut in massive accord, hence, appreciated the role of the COA thru its Audit Observations Memorandum. Engagements with ZRC now will be duly covered with MOA, stipulating each party's responsibilities.

16.13. As a rejoinder, the issues in Region X were: (a) the supplier of the seednuts delivered Tacunan Dwarfs and Tagnanan Tall varieties but his registered cultivar was Laguna Tall; and (b) the farm sources of Tacunan Dwarfs and Tagnanan Tall seednuts were not inspected and evaluated by the Regional Inspection Team as a prerequisite provided for in Item 3.7.14 of PCA MC No. 2, dated January 30, 2013. The procurement of subject seednuts from an unregistered supplier raised doubt on the quality of the seednuts delivered.

GENDER AND DEVELOPMENT

17. Accuracy and validity of the Gender and Development (GAD) reports were not established due to inconsistencies and incomplete documents supporting the FY 2013 GAD budget and actual expenses of P120.714 million and P88.048 million, respectively.

17.1. This includes reiteration of observation no. 16 contained in the CY 2012 Annual Audit Report (AAR).

17.2. Section 2.4 of Joint Circular No. 2004-1, dated April 5, 2004, issued by Department of Budget and Management, National Economic and Development Authority, and National Commission on the Role of Filipino Women (now the Philippine Commission on Women), provides that, pursuant to the annual General Appropriations Act, agencies are tasked to formulate a GAD plan and to implement the same by utilizing at least five per cent of their total budget appropriations.

17.3. Further, Annex A of the aforementioned Joint Circular provides for the Instructions in formulating the GAD Plan and Budget (GPB), which includes, among

others, the identification of GAD activities which can either be client-focused or organization-focused.

17.4. On the other hand, Annexes A and B of the same Joint Circular provide for the instructions in formulating the GPB and GAD Accomplishment Report (AR), respectively, which includes, among others, the following:

- a. The GAD objective must describe the intended outcome rather than merely state the intended activities of the agency. It must be specific, measurable, attainable, realistic and time-bound;
- b. Targets must define not only the expected outputs and target groups but also the measurable desirable outcomes of gender mainstreaming within the agency and in relation to the agency's clients. These will be the bases for monitoring and evaluating the agency's accomplishments and achievements on GAD;
- c. The objective of setting of performance indicators is to identify the quantitative and qualitative measures of progress vis-à-vis the achievement of the targets set by the agency; and
- d. 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.

17.5. Moreover, undated Joint Circular No. 2012-01, issued by the same agencies, provides, among others, the following:

- a. Agency GAD Focal Point Systems (GFPS) shall coordinate the preparation of the agency GPB and the GAD AR, monitor its implementation and report on its results; and
- b. Expenses that may not be charged to the GAD budget unless justified as clearly addressing a specific gender issue includes the following: (a) physical, mental and health fitness; and (b) social, rest and recreation activities.

17.6. Examination of the FY 2013 GPB of PCA disclosed that the budget of P120.714 million for the implementation of its planned GAD activities represents 4.8 per cent of the agency's then-proposed total corporate operating budget of P2.496 billion. Composition of aforementioned GAD budget is summarized under Table 30.

17.7. Further review of the FY 2013 GPB disclosed that women were the identified target beneficiaries of PCA in the implementation of its GAD client-focused activities, particularly in its three major projects, namely: KANIB, ACPRP, and SFP. Also, it was estimated that 35.0 per cent of total number of project participants would be composed of women. Table 31 shows comparison of projected and actual percentage of women participants over total projected and actual participants.

Table 30. Composition of FY 2013 PCA GAD Budget (in million pesos)

GAD Activities	Amount
Organization-focused	P 3.024
Client-focused:	
Major projects:	
Kasaganaan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project	12.500
Accelerated Coconut Planting/Replanting Project (ACPRP)	60.375
Salt Fertilization Project (SFP)	33.600
Others:	
Farmers Education and Skills Training Program (FEAST)	10.875
Search for Outstanding Gawad Saka Coconut Farmers	0.340
	117.690
Total	P 120.714

Table 31. Projected and actual percentage of women participants compared with projected and actual total number of participants

Project	Total no. of women participants			% of women participants to total no. of participants					
	Projected (a)	Actual (b)	Difference (c)=(a)-(b)	Projected (d)	Actual (e)	Difference (f)=(d)-(e)	Projected (g)=(a)/(d)	Actual (h)=(b)/(e)	Difference (i)=(g)-(h)
KAANIB	7,000	10,420	-3,420	20,000	35,988	-15,988	35.0	29.0	6.0
ACPRP	30,600	17,209	13,391	87,500	57,959	29,541	35.0	29.7	5.3
SFP	70,000	14,164	55,836	200,000	141,646	58,354	35.0	10.0	25.0

17.8. As provided for in the FY 2013 GPB, the budget for KAANIB project of P12.500 million would be allotted for the cost of 100 trainings that aimed to benefit 20,000 farmers, of which 7,000 or 35.0 per cent would be composed of women. However, review of the Work and Financial Plan for the said project disclosed that, of the P566 million total budget, its allocation for trainings represents only 2.7 per cent or an amount of P15.150 million, which is more by P2.650 million when compared with the GPB of P12.500 million. Further, records showed that the activities under the KAANIB project included not only trainings but also coconut intercrop seedlings and livestock distribution, among others, funded by the remaining amount of P550.850 million or 97.3 per cent of the budget. Since GAD budget was computed based on cost that will be incurred for women participants, the non-inclusion in the GAD budget of the prorated cost for coconut intercrop seedlings and livestock distribution apparently resulted in the exclusion of women from participating in said activities.

17.9. The allocated budget, as well as, actual expenses for client-focused GAD activities was computed based on the projected and actual percentage of women participants over total number of participants multiplied by total budget and total expenses, respectively. Premised on that computation, projected 35.0 per cent of total projected participants should have generated a total GAD budget of P5.303 million (35% x P15.150 million) instead of the approved budget of P12.500 million. The total GAD budget of P120.714 million, thus, appeared to be overstated by P7.197 million, as shown in Table 32. The noted inconsistency, consequently, rendered the said budget of doubtful validity.

17.10. Similarly situated were GAD budget under two other major projects of PCA, the ACPRP and SFP of P60.375 million and P33.600 million, which were accounted for as 10 per cent of the P603.750 million and P336 million respective projects' total budgeted amounts, per Work and Financial Plan. Had the 35.0 per cent allocation been consistently applied with, the GAD budget under ACPRP and SFP would have been

increased by P150.937 million and P84 million, respectively. Hence, there is a total understatement of GAD budget, as well as, unutilized budget of P227.740 million, net of overstatement of P7.197 million for KANIB project, as shown in Table 32.

Table 32. Comparison between computed and reported FY 2013 GAD Budget (in million pesos)

Project	Projected % of women-participants to total participants (a)	Total Project Budget, per Work & Financial Plan (b)	GAD Budget		
			As computed (c)=(a)x(b)	As approved (d)	(Overstatement) Understatement (e)=(c)-(d)
KANIB (trainings)	35.0	P 15.150	P 5.303	P 12.500	P (7.197)
ACPRP	35.0	603.750	211.312	60.375	150.937
SFP	35.0	336.000	117.600	33.600	84.000
		P 954.900	P 334.215	P 106.475	P 227.740

17.11. On the other hand, total actual GAD-related expenses incurred, as reported in FY 2013 GAD Accomplishment Report amounted to P88.048 million, 98.6 per cent of which or P86.816 million pertained to the implementation of the three major projects of PCA. The unutilized budget, thus, amounted to P19.659 million, as shown in Table 33.

Table 33. Actual GAD expenses and unutilized budget

Project	Budget	Actual expenses	Unutilized budget/(deficit)
KANIB	P 12,500,000	P 1,549,451	P 10,950,549
ACPRP	60,375,000	68,836,000	(8,461,000)
SFP	33,600,000	16,430,240	17,169,760
	P 106,475,000	P 86,815,691	P 19,659,309

17.12. No document was, however, provided to the Audit Team to validate the aforementioned data. Further, as previously-presented in Table 31, the actual number or percentage of women-participants for the SFP was short of its projected figures by 55,836 or 25 per cent, which could be an explanation for the unutilized budget of P17.170 million. A report on the Uses of Funds by Expense Class for FY 2013, attached to the proposed FY 2014 Corporate Operating Budget, however, disclosed that 100 per cent of the budget for the implementation of SFP of P336 million was utilized. Thus, it appeared that the reported actual GAD expense under SFP of P16.430 million was understated by P17.170 million, as computed in Table 34.

17.13. The same is true with the actual GAD expenses under ACPRP, which represents the cost of project availed by women participants. A report on the Uses of Funds by Expense Class for FY 2013 showed that MOOE of P308.458 million was incurred for ACPRP. Considering that the actual percentage of women participants to total actual number of participants was computed at 29.7 per cent, as shown in Table 31, the prorated cost of the project availed by women participants should have been P91.612 million, as presented in Table 34. However, actual GAD expenses amounted only to P68.836 million, thus, it appeared that the same was understated by P22.776 million or a total understatement of P39.946 million for SFP and ACPRP.

Table 34. Comparison of Expenses Per Uses of Funds By Expense Class and Per GAD Accomplishment Report

Project	Uses of Funds By Expense Class Report		Actual % of women participants to total no. of participants**	Should-be expenses		Actual expenses	Understatement
	(a)	-*	(b)	(c)=(a)x(b)	-*	(d)	(e)=(c)-(d)
KAANIB	P	-*	29.0	P	-*	P 1,549,451	P -*
ACPRP		308,458,280	29.7		91,612,109	68,836,000	22,776,109
SFP		336,000,000	10.0		33,600,000	16,430,240	17,169,760
		P 644,458,280			P 125,212,109	P 86,815,691	P 39,945,869

* no data available for actual cost of training

** from Table 31

17.14. With respect to the organization-focused activities, the following observations were noted:

- a. No details of the GAD budget for organization-focused activities was provided in the GPB, hence, it could not be ascertained whether the amount allocated was adequate or otherwise;
- b. Only Regions IV-A, V, VI, VII, X, and XI conducted GAD-related training/seminars, while unutilized budget amounted to P2.506 million, representing 82.9 per cent of total budget for organization-focused activities of P3.024 million. These are indications that the activities planned in the GPB were barely implemented;
- c. The conduct of sports fest and team-building activities, as among the GAD activities reported in the GAD Accomplishment Report, were not justified as clearly addressing a specific gender issue; and
- d. Records of expenditures obtained from Budget Division showed that a total amount of P1.044 million was accounted for as GAD-related expenses while that reported in the GAD AR amounted only to P0.517 million, hence, a difference of P0.527 million. It was noted, however, that the data from the Budget Division included payment for the following expenses, which activities were not justified as clearly addressing a specific gender issue: physical and mental health fitness program, mid-year assessment workshop and 2nd quarter meeting, attendance to the COA seminar on appraisal and disposal of government property, conduct of livelihood trainings on coconut food, sports fest, and t-shirts for the 2013 World Food Day Candle Lighting Ceremony.

17.15. In view of the foregoing observations, the FY 2013 GAD budget and actual expenses of P120.714 million and P88.048 million, respectively, were considered of doubtful accuracy and validity.

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

- a. **Accounting Division to provide details supporting report of actual budget utilizations of PCA;**

b. Budget Division and GAD Focal Point Systems to report only those expenditures for GAD-related activities and/or those justified as clearly addressing a specific gender issue; and

c. GAD Focal Point Systems to:

c.1 Submit a profile summary and masterlists of project participants to support the number of project participants reported in the GAD Accomplishment Report; and

c.2 Henceforth, formulate a detailed, realistic, and duly supported GPB, to include specific, measurable, attainable, and time-bounded objectives, targets, and performance indicators for the identified GAD programs and activities.

17.17. Management committed to comply with the recommendations.

COMPLIANCE WITH TAX LAWS

18. 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 Bureau of Internal Revenue, except the tax arrearages discussed in observation no. 15 of CY 2012 AAR, wherein the recommendation was partially complied with, as mentioned in Part III - Status of Implementation of Prior Year's Audit Recommendations of this report.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

19. Table 35 shows the summary of unsettled audit suspensions, disallowances, and charges as at December 31, 2013. Details of unsettled audit suspensions, disallowances, and charges are shown in Annex 1.

**Table 35. Unsettled Suspensions, Disallowances, and Charges
as at December 31, 2013**

Office	Suspensions	Disallowances	Charges
CO	P 12,119	P443,659	P -
Regions I – IV-B	246,475	-	-
Region VI	-	3,421	-
Region VII	1,303,543	-	-
Region VIII	36,152	-	-
Region XI	-	-	20,500
Region XIII	-	16,979	-
NCSPC	747,063	-	-
DRC	3,014	1,500	-
	P2,348,366	P465,559	P20,500

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 36 audit recommendations embodied in the previous year's Annual Audit Report, 10 were fully implemented, 16 were partially implemented and 10 were not implemented.

Observations and Recommendations	Actions Taken / Comments
<p>1. Recoverability of long outstanding Accounts Receivable – PCA fees aggregating P30.963 million was uncertain because these pertained to the accounts of oil millers with cases pending in court, ordered archived by court or referred to PCA Legal Department for filing of cases.</p> <p>We reiterated our recommendations that Management:</p> <p>a. Exert more efforts to recover/collect long outstanding accounts receivables, to include:</p> <p style="padding-left: 40px;">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 export;</p> <p style="padding-left: 40px;">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;</p> <p>b. Revert back the account written off in the amount of P1,301,818; and</p> <p>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,</p>	<p>Partially implemented.</p> <p>Management has issued a memorandum to its Regional Managers for the non-registration of those companies with outstanding PCA fee receivables.</p> <p>Not implemented.</p> <p>Management maintained its stand that the compromise agreement that caused the write off of the account is valid.</p> <p>Not implemented.</p> <p>It is the view of Management that the judicially-approved compromise agreement need not be approved by COA based on Section 36(2) of PD No.</p>

Observations and Recommendations	Actions Taken / Comments
<p>Subtitle B, Title I, Book V of the Administrative Code of 1987.</p>	<p>1445 which states that, "xxx agencies of the government shall have the exclusive power to compromise or release any similar claim or liability."</p>
<p>2. Non-recognition of billed and unbilled PCA fees and interest for late payment in the amount of P0.719 million resulted in the understatement of AR – PCA fees and the corresponding income by the same amount at year-end.</p>	
<p>We reiterated our recommendations that Management require the:</p>	
<p>a. CISF Assessment and Collection Office and the Accounting Division to adopt the accrual basis of recording PCA fee receivables and perform periodic reconciliation between two records;</p>	<p>Fully implemented.</p> <p>Management has already adopted accrual basis of recording and performed periodic reconciliation of records.</p>
<p>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</p>	<p>Fully implemented.</p> <p>The Accounting Division has already been furnished with copies of bills/statement of accounts.</p>
<p>c. Accounting Division to effect the proposed adjustment on the understated account balances in the amount of P719,051 by debiting Accounts Receivable-PCA fees and crediting Income from PCA fees.</p>	<p>Fully implemented.</p> <p>Adjustment was already made per Journal Entry Voucher No. 503-1311-543 dated November 2013.</p>
<p>3. Overstatement of P31.842 million, absence of complete depreciation schedules, and incomplete inventory count rendered the year-end balance of PPE accounts of P341.628 million inaccurate.</p>	
<p>We recommended that Management require the:</p>	
<p>a. Central Office Accounting and</p>	<p>Partially implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>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 those PPEs already disposed of; (iii) prepare complete 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;</p>	<p>Implementation of audit recommendations is ongoing.</p>
<p>b. PCA Region XII and NCSPC to effect the necessary adjustment in the depreciation expense and accumulated depreciation accounts;</p>	<p>Fully implemented.</p>
<p>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;</p>	<p>Partially implemented.</p>
<p>d. Supply/Property Section of PCA Region V to maintain properly the property cards; and</p>	<p>Fully implemented.</p>
<p>e. PCA Region VII to conduct investigation on the circumstances 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.</p>	<p>Partially implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>4. Various accounts/funds with accumulated amount of P30.548 million had been outstanding for more than two to 32 years, thus, validity of the accounts was doubtful and could not be further ascertained.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 4 of this report.</p>
<p>a. Unreconciled variances of Intra-fund accounts of P24.901 million</p>	
<p>We recommended that Management direct the:</p>	
<p>a.1 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 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</p>	<p>Partially implemented.</p>
<p>a.2 ZRC to exert 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.</p>	<p>Partially implemented.</p>
<p>b. Unexpended balances of fund transfers for special projects amounting to P3.339 million not returned to the source agencies.</p>	
<p>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/</p>	<p>Partially implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>justification why there was only partial compliance with the Notice of Suspension, otherwise the transactions would be disallowed in audit.</p>	
<p>5. Non-submission to the Accounting Section of documents which serve as basis in recording in the books of accounts the issuance/distribution of salt fertilizers amounting P13.522 million and the non-recognition/booking of undistributed agricultural supplies amounting to P1.543 million resulted in the net overstatement of the Agricultural and Marine Supplies Inventory account by P11.979 million at year-end.</p>	
<p>We recommended that the:</p>	
<p>a. Regional Technical Staff of PCA Region XIII submit immediately the Masterlist of Farmer-participants and Acknowledgement Receipt and Certificate of Distribution of Agricultural Fertilizers to the Accounting Section; and Regional Accountant to record adjusting entries pertaining to the Agricultural and Marine Supplies Inventory-Fertilizer account upon receipt of the said documents; and</p>	<p>Fully implemented.</p>
<p>b. Accounting Section of PCA Region XII record the procurement of agricultural supplies under the appropriate Inventory accounts instead of taking up the same as an outright expense.</p>	<p>Fully implemented.</p>
<p>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 balance of Cash in Bank account of P721.320 million.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 1 of this report.</p>

Observations and Recommendations	Actions Taken / Comments
a. We reiterated our recommendation that the Accounting Section of the concerned Regional Offices:	
a.1 Prepare and submit monthly BRS within the prescribed period to ensure the correct and accurate year-end balance of Cash in Bank account; and	Partially implemented.
a.2 Request the depository bank to provide the agency with a 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 facilitate the preparation of the monthly BRS.	Partially implemented.
b. 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.	Not implemented.
7. Collections were remitted late by three regional offices and six provincial offices to Central Office and regional office, respectively, while collections of two regional offices were not deposited intact and daily, contrary to PCA and COA existing rules and regulations.	
We recommended that Management:	
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	Fully implemented.
b. Require the concerned provincial offices to deposit their collections intact and daily to depository bank(s) and	Partially implemented. In particular, collections in Ubay seed

Observations and Recommendations	Actions Taken / Comments
<p>remit the same to regional office pursuant to Section 69 of PD No. 1445 and IRR of RA No. 8048.</p>	<p>garden are deposited at least once a week due to its geographical distance from the bank.</p>
<p>8. Shares of the municipalities/barangays in the permit fees amounting to P1.506 million remained unremitted by Region V, contrary to RA No. 8048 and deprived the concerned LGUs from using the funds for the intended purpose.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 9 of this report.</p>
<p>We recommended that the:</p>	
<p>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</p>	<p>Not implemented.</p>
<p>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 RA No. 8048.</p>	<p>Not implemented.</p>
<p>9. Procurement of coco seed nuts totaling P32.125 million was made through 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 RA No. 9184 and COA Circular No. 76-41, respectively.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 5 of this report.</p>
<p>We recommended that Management require regional/provincial offices to:</p>	
<p>a. Conduct public bidding in the procurement of coconut seed nuts/seedlings by region/province pursuant to Section 10 of RA No. 9184;</p>	<p>Partially implemented.</p>

Observations and Recommendations	Actions Taken / Comments
b. Avoid splitting of payments pursuant to Section 54.1 of RA No. 9184 and COA Circular No. 76-41; and	Not implemented.
c. 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.	Not implemented
10. Nurseries of seed nuts/seedlings under the Coconut Seedlings Dispersal Project (CSDP) were neither well maintained nor established.	Reiterated in Part II - Observation and Recommendation No. 16 of this report.
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. 2, series of 2012, on the proper establishment and management of nurseries.	Partially implemented.
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.	Reiterated in Part II - Observation and Recommendation No. 13 of this report.
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 underweight deliveries.	Partially implemented.
12. Payment of incentives was made to the farmers of Nueva Ecija and Romblon in the amount of P308,000 and P31,360, respectively, despite not meeting the requirements prescribed under PCPP Guidelines.	

Observations and Recommendations	Actions Taken / Comments
<p>We recommended that Management see to it that the necessary 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.</p>	Fully implemented.
<p>13. Procurement of security services was not awarded to the lowest bidder which resulted in excessive payment of P0.963 million.</p>	<p>Appeal Memorandum and Manifestation to the Appeal Memorandum dated May 8, 2014 and June 27, 2014, respectively, were filed by Management relative to the issuance of Notice of Disallowance No. 2014-002-503 dated February 24, 2014.</p>
<p>We recommended that Management observe strictly the following:</p>	
<p>a. DOLE Department Order No. 18-A, series of 2011 on the procurement of security services; and</p>	Not implemented.
<p>b. Procurement process not to exceed three months, in accordance with Section 38.1 of the IRR of RA No. 9184.</p>	Not implemented.
<p>14. Prior years' cash advances of P251,476 remained unliquidated as of year-end 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 accounts.</p>	<p>A Status of Unliquidated Cash Advances as of June 15, 2014 was already submitted by the Audit Team to the Cluster 5, Corporate Government Sector, pursuant to the Memorandum of COA Commissioner Heidi L. Mendoza dated July 1, 2014.</p>
<p>We reiterated our prior years' recommendations that Management:</p>	
<p>a. Submit proof that efforts were exerted to locate the whereabouts of the aforementioned accountable officers to require them to settle immediately their unliquidated cash advances; and</p>	Partially implemented.
<p>b. Observe the provisions of Section 9 of COA Circular No. 2012-004 dated November 28, 2012 and submit report</p>	Partially implemented.

Observations and Recommendations	Actions Taken / Comments
<p>on the status of referral of the subject accounts to the OGCC.</p>	
<p>15. Non-settlement of tax arrearages may subject the PCA to fines and penalties imposed by BIR to delinquent taxpayers.</p>	
<p>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.</p>	<p>Partially implemented.</p> <p>Implementation of audit recommendation is ongoing.</p>
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No.17 of this report.</p>
<p>We recommended that Management require PCA GAD Focal Point:</p>	
<p>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</p>	<p>Not implemented.</p>
<p>b. Coordinate with concerned agencies on the formulation of GAD AR to facilitate yet accurate report and quantification of actual cost of GAD client-focused activities as disintegrated from the total cost of regular programs/projects of PCA.</p>	<p>Fully implemented.</p>

Details of Audit Suspensions, Disallowances and Charges

The unsettled audit suspensions, disallowances, and charges of Philippine Coconut Authority as at December 31, 2013 are composed of the following:

I. Summary of Audit Suspensions

Notice of Suspension No./Date	Positions/ Designations of Persons Responsible	Nature of Suspension	Amount	Status
Central Office				
2013-001-503 Oct. 24, 2013	Division Chief III, Accounting Division Department Manager (DM) II, Financial Management & Services Division (FMSSD) Deputy Administrator, Corporate Services Branch (CSB)	Lack of documents supporting reimbursement of expenses for the educational tour/ financial consultative meeting of PCA accountants in Tagaytay due to lack of supporting documents	P 12,119.15	Settled per Notice of Settlement of Suspension/ Disallowance/ Charge (NSSDC) No. 2014-002 dated Jan. 10, 2014
Region I-IVB				
11-004-503 Sept. 5, 2011	Accountant III Property Officer	Unserviceable properties which are not classified to Other Assets and were not accounted for when the properties were still serviceable	246,474.73	Unsettled as at Dec. 31, 2013
Region VII				
11-003-101(11)	Regional Manager Accountant III Administrative Officer III	Lack of documents supporting payment of Staple Food Allowance for the first quarter of 2011	65,000.00	Unsettled as at Dec. 31, 2013
13-001-101(13) July 22, 2013	Regional Accountant Project Manager, Central Visayas Coconut Seed Production Center	Incomplete documents supporting payment of seminar/forum registration fee	500.00	Net of partial settlement of P236,733.31, per NSSDC No. 13-006 dated Nov. 12, 2013

Notice of Suspension No./Date	Positions/ Designations of Persons Responsible	Nature of Suspension	Amount	Status
	Provincial Coconut Development Managers for Bohol and Cebu Provincial Offices Coconut Development Officers			
13-002-101-(13) Nov. 7, 2013	Regional Manager Regional Accountant Cashier	Incomplete documents supporting various disbursements for the period April to August 2013	1,238,042.92	Settled per NSSDC No. 14-001 dated June 30, 2014
			1,303,542.92	
Region VIII				
12-001-503(11) March 14, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	1,307.00	Settled per NSSDC No. 14-001 dated June 21, 2014
12-002-503(11) March 14, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	612.00	Settled per NSSDC No. 14-002 dated June 21, 2014
12-003-503(11) March 14, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	2,000.00	Settled per NSSDC No. 14-003 dated June 21, 2014
12-004-503(11) March 14, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	2,000.00	Settled per NSSDC No. 14-004 dated June 21, 2014
12-005-503(11) March 14, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	2,000.00	Settled per NSSDC No. 14-005 dated June 21, 2014

Notice of Suspension No./Date	Positions/ Designations of Persons Responsible	Nature of Suspension	Amount	Status
12-006-503(11) March 14, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	2,000.00	Settled per NSSDC No. 14-006 dated June 21, 2014
12-007-503(11) March 15, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	4,196.00	Settled per NSSDC No. 14-007 dated June 21, 2014
12-008-503(12) March 15, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	8,037.00	Unsettled as at Dec. 31, 2013
12-009-503(12) March 15, 2012	Regional Manager Accountant III	Payment of representation and entertainment expenses charged to extraordinary expenses	14,000.00	Unsettled as at Dec. 31, 2013
			36,152.00	
New Coconut Seed Production Center				
13-001-503-(13) June 28, 2013	OIC-Regional Manager Accountant III	Non-submission of duly signed and received distribution / release sheet of the 200 bags agricultural salt fertilizers	136,000.00	Settled per NSSDC No. 2014-001 dated July 1, 2014
13-002-503-(13) June 28, 2013	OIC-Regional Manager Accountant III	Non-submission of duly signed and received distribution / release sheet of the 200 bags agricultural salt fertilizers	138,000.00	Settled per NSSDC No. 2014-002 dated July 1, 2014
13-003-503-(13) June 28, 2013	OIC-Regional Manager Accountant III	Non-submission of project design and duly signed and received distribution/release sheet	473,062.86	Settled per NSSDC No. 2014-003 dated July 1, 2014
			747,062.86	

Notice of Suspension No./Date	Positions/ Designations of Persons Responsible	Nature of Suspension	Amount	Status
Davao Research Center				
2013-001-503(12) April 30, 2013	Accountant III OIC-DM	Unavailed discount due to failure to pay water bill on time	3,014.00	Unsettled as at Dec. 31, 2013
Total suspensions			P2,348,365.66	

II. Summary of Audit Disallowances

a. Summary of audit disallowances with appeal and decision rendered by the Cluster Director, then Cluster C, Corporate Government Sector (CGS)

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
Central Office				
09-01-503 (95) Aug. 18, 2009	President, Peace Foundation Project Manager- NFDP Manager, FMSD Former Administrator	NFDP fund was utilized for the transportation and food expenses of the Bondoc Peninsula farmers who were camping out of the Department of Agrarian Reform Office	P 289,300.00	ND affirmed under CGS-C Decision No. 2011-009 dated Sept. 15, 2011. Filed money claim with COA.
10-28-503 Sept. 9, 2010	Members of the PCA Governing Board	Payment of productivity enhancement incentive for CY 2009	50,000.00	With partial settlement of P2,124.29 per NSSDC No. 2014-017 dated July 1, 2014. With COA Order of Execution (COE) dated March 26, 2014.
2012-005-503 Oct. 9, 2012	Various PCA employees	Payment of traveling expenses for the PCAEA officers and members	75,648.00	ND affirmed under CGS-5 Decision No. 2013-005 dated May 9, 2013. Filed a Motion for Reconsideration with COA Commission Proper.
Total			P 414,948.00	

b. Summary of audit disallowances with Notice of Finality Decision

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
Central Office				
2012-003-503 May 15, 2012	Division Chief III DM, FMDS DA, CSB	Travelling expenses which were considered personal in nature	P 4,902.00	With partial settlement of P2,800, per NSSDC No. 2014-016 dated June 4, 2014. With COE dated June 6, 2014.
10-25-503 July 9, 2010	Manager, Corporate Planning Office	Excessive payment of plane fare and boarding pass	5,418.56	With COE dated April 4, 2014.
Total			P 10,320.56	

c. Summary of audit disallowances without appeal

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
Central Office				
10-02-503 (09) February 16, 2010	Members of PCA Governing Board	Excessive payment of food expenses	P 1,949.25	With COE dated March 7, 2014.
10-07-503 (99) June 3, 2010	Members of PCA Governing Board Various PCA Employees Executive Assistant IV Board Secretary III	Excessive payment of food expenses	1,993.00	Settled per NSSDC No. 2014-014 dated April 10, 2014.
10-09-503 (99) June 3, 2010	Members of PCA Governing Board Corporate Secretary Staff	Excessive payment of food expenses	8,244.00	With COE dated April 4, 2014.
2011-008-503 Nov. 3, 2011	Science Research Specialist I, DM II, FMDS DA, Research, Dev't. & Extension Branch (RDEB)	Travelling expenses which were considered personal in nature	240.00	Settled per NSSDC No. 2014-001 dated Jan. 2, 2014
2013-005-503(2012) July 22, 2013	Agriculturist I, Operations Planning Department	Double payment of per diem	800.00	Settled per NSSDC No. 2014-003 dated Jan. 14, 2014

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
	(OPD) DM II, FMSD DA, Field Services Branch (FSB)			
2013-006-503(2012) July 12, 2013	Contractual Employee, FSB DM, FMSD DA, FSB	Payment of travel insurance premium	511.00	Unsettled as at Dec. 31, 2013.
2013-022-503(2012) Nov. 4, 2013	Management and Audit Analyst II, Management Service Office (MSO) DM II, FMSD DA, CSB OIC, MSO	Payment of unticketed bus fare and travel insurance premium	290.00	Settled per NSSDC No. 2014-004 dated Jan. 14, 2014.
2013-028-503 Oct. 14, 2013	Senior Research Specialist I, Monitoring, Evaluation and Documentation Division DM II, FMSD DA, FSB DA, RDEB	Payment of travel insurance premium	325.00	Settled per NSSDC No. 2014-005 dated Jan. 14, 2014.
2013-029-503 Oct. 14, 2013	OIC, Field Operations Division (FOD) DM II, FMSD DA, FSB	Payment of travel insurance premium	325.00	Settled per NSSDC No. 2014-006 dated Jan. 14, 2014.
2013-031-503 Oct. 14, 2013	Product Development Officer II, OPD DM II, FMSD DA, FSB	Payment of travel insurance premium	250.00	Settled per NSSDC No. 2014-007 dated Jan. 14, 2014.
2013-032-503 Oct. 14, 2013	Contractual Employee, Logistics Services Division (LSD) DM II, MSD, FMSD DA, FSB	Payment of travel insurance premium	250.00	Settled per NSSDC No. 2014-008 dated Jan. 14, 2014.
2013-038-503 Oct. 17, 2013	DA, RDEB DM II, FMSD DA, CSB	Payment of travel insurance premium	500.00	Settled per NSSDC No. 2014-015 dated April 25, 2014.

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
	Administrator			
2013-039-503 Oct. 17, 2013	OIC, Senior Science Research Specialist, Product Quality Control & Research Division DM II, FMSD DA, RDEB	Excess payment of Daily Subsistence Allowance (DSA)	343.49	Settled per NSSDC No. 2014-009 dated Jan. 14, 2014.
2013-043-503 Oct. 23, 2013	Manager, Product Development Department Project Employee, OPD DM II, FMSD DA, FSB	Payment of travel insurance premium	740.00	Settled per NSSDC No. 2014-010 dated Jan. 14, 2014.
2013-044-503 Oct. 23, 2013	OIC, OPD DM II, FMSD DA, FSB	Payment of seat reservation fee and travel insurance premium	380.00	Settled per NSSDC No. 2014-011 dated Jan. 14, 2014.
2013-045-503 Oct. 8, 2013	Technical Staff, LSD DM II, FMSD DA, FSB	Payment of travel insurance premium	200.00	Settled per NSSDC No. 2014-012 dated Jan. 14, 2014.
			17,340.74	
Region VI				
2013-001-101 Sept. 20, 2013	Regional Manager Regional Accountant Administrative Officer III	Travel was personal in nature	3,421.00	Settled per NSSDC No. 14-001(2013) dated June 30, 2014.
Region XIII				
2013-001(12) Jan. 11, 2013	Accountant	Tax penalty on late remittance of withholding tax	16,979.17	Net of partial settlement of P10,000 per NSSDC No. 2013-001 dated Sept. 17, 2013
Davao Research Center				
2013-02-503(13) Sept. 9, 2013	Laborer Accountant III Officer-in-Charge	Overpayment of taxi claim	500.00	Settled per NSSDC No. 2014-003-503(13) dated June 25, 2014.
2013-03-503(13) Sept. 9, 2013	Laborer Accountant III Officer-in-Charge	Overpayment of taxi claim	500.00	Settled per NSSDC No. 2014-002-503(13) dated

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
				June 25, 2014.
2013-04-503(13) Sept. 9, 2013	Laborer Accountant III Officer-in-Charge	Overpayment of taxi claim	500.00	Settled per NSSDC No. 2014-001-503(13) dated June 25, 2014.
			1,500.00	
Total			P 39,240.91	

d. Summary of audit disallowances with appeal

Notice of Disallowance No./Date	Positions/ Designations of Persons Liable	Nature of Disallowance	Amount	Status
Central Office				
2013-030-503 Oct. 17, 2013	Project Development Officer III, FOD DM II, FMSD DA, FSB	Payment of travel insurance premium and seat selector fee	P 1,050.00	Unsettled as at December 31, 2013. Filed an Appeal – Memorandum with COA Cluster 5 – CGS
Total			P 1,050.00	
Overall total disallowances			P 465,559.47	

III. Summary of Audit Charges

Notice of Charge No./Date	Positions/ Designations of Persons Liable	Nature of Charge	Amount	Status
Region XI				
2013-001-503(2013) April 17, 2013	OIC-PCDO Collecting Officer Payor	Non-collection of replacement fee for cutting 20 trees at P50/tree	P 1,000.00	Unsettled as at Dec. 31, 2013
2013-002-503(2013) April 22, 2013	OIC-PCDO Collecting Officer Payor	Non-collection of replacement fee for cutting 6 coconut trees at P50/tree	300.00	Settled per NSSDC No. 2014-001-503(13) dated June 11, 2014
2013-003-503(2013) April 22, 2013	OIC-PCDO Collecting Officer Payor	Non-collection of replacement fee for cutting 24 coconut trees at P50/tree	1,200.00	Settled per NSSDC No. 2014-001-503(13) dated June 11, 2014
2013-004-503(2013) April 25, 2013	OIC-PCDO Collecting Officer Payor	Non-collection of replacement fee for cutting 160 coconut trees at	8,000.00	Unsettled as at Dec. 31, 2013

Notice of Charge No./Date	Positions/ Designations of Persons Liable	Nature of Charge	Amount	Status
		P50/tree		
2013-005-503(2013) June 25, 2013	OIC-PCDO Collecting Officer Payor	Non-collection of replacement fee for cutting 200 coconut trees at P50/tree	10,000.00	Unsettled as at Dec. 31, 2013
Total charges			P 20,500.00	