

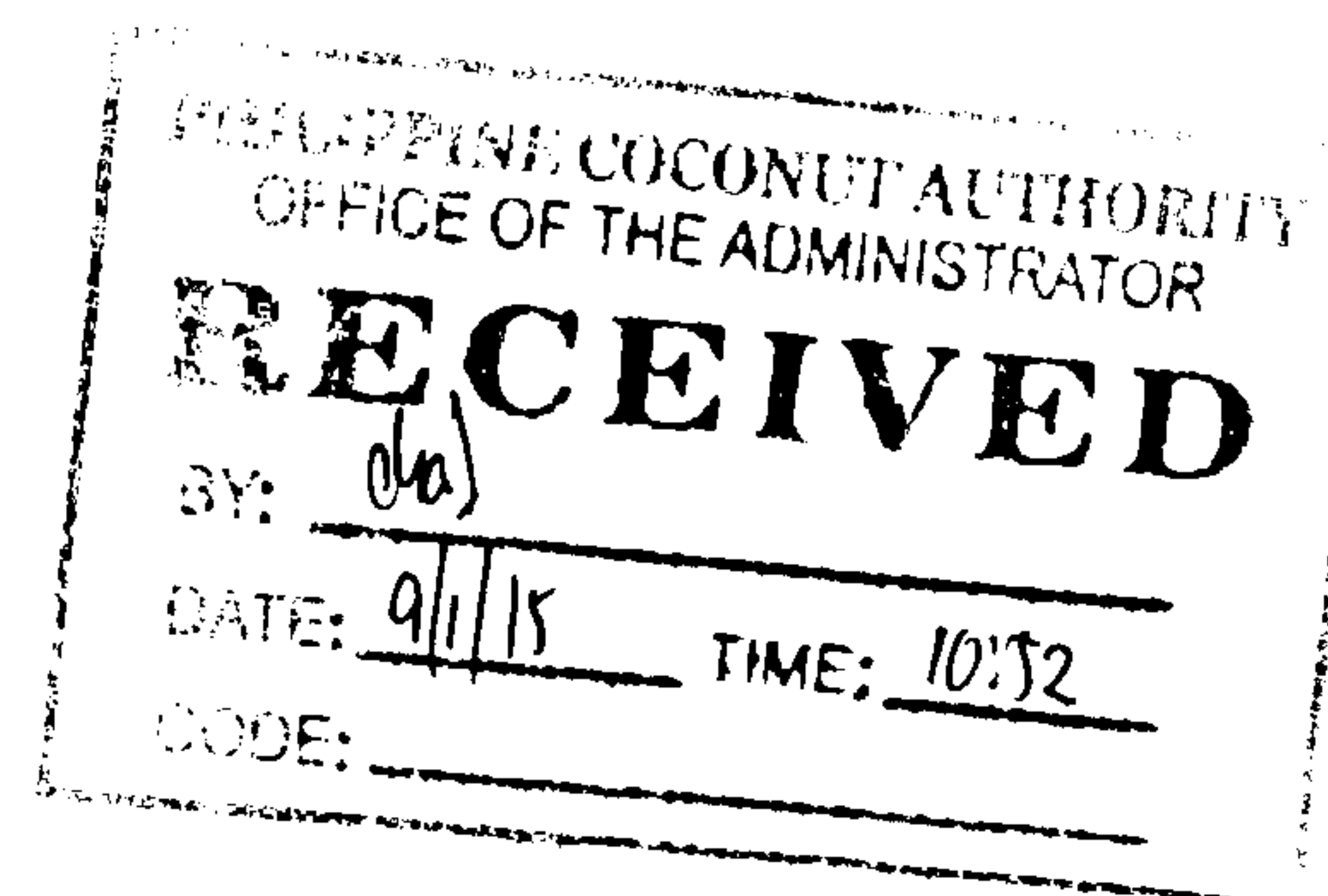
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
Cluster 5 – Agricultural and Natural Resources
Received by: [Signature]
9/1/15

August 28, 2015

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



Dear Mr. Arancon:

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, 2014.

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

The Auditor expressed an adverse opinion on the fairness of the presentation of the financial statements of PCA as of December 31, 2014 for the following reasons:

1. The fairness of presentation of the cash account balance of P4.498 billion in the Statement of Cash Flows (SCF) is doubtful due to absence of supporting details for cash transactions such as payment of expenses of P2.735 billion and misleading presentation of Property, Plant, and Equipment (PPE) procured and paid in the Central Office (CO) of only P9.883 million and Regional Offices (ROs)/Centers of P205.082 million, cash inflow of P24.081 million from the increase in contractor's retention money account and collection of other payables of P16.736 million, which could mislead the users of the financial information;

2. Accuracy, reliability, and existence of PPE account with a year-end balance of P574.516 million could not be established due to discrepancy of P374.660 million or 65.21 per cent between that presented in the Statement of Financial Position and in the Notes to Financial Statements (NFS); non-conduct of reconciliation between accounting and property records caused by absence of subsidiary ledgers and inventory reports; inclusion of unserviceable and disposed property; and non-capitalization of building renovation of P1.498 million; and

3. Accuracy and reliability of the year-end balance of Due from ROs/Centers account amounting to P151.243 million was doubtful due to allotments of P137.250 million not included in the consolidated financial statements; unreconciled difference of the total expenses of P30.663 million, among others, between the General Ledger (GL), Trial Balance (TB), and the supporting Journal Entry Voucher (JEV); and the incomplete/unsigned documents supporting various transactions of P11.715 million.

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

1. Require the Accounting Division of CO to analyze all cash transactions and carefully identify those pertaining to cash inflows and outflows from operating, investing and financing activities to ensure accuracy and reliability of the SCF as this will assist the users in their decision making in generating future cash requirements of the Agency;
2. Require the Accounting Division to determine the correctness of the PPE balance in the general ledger and in the NFS, maintain the PPE Ledger Card for each class of PPE, prepare the corresponding schedules on a monthly basis and compare it with the general ledger balance, reclassify unserviceable properties from PPE to Other Assets account duly supported with Inventory and Inspection Report for Unserviceable Property and derecognize from the books cost of unserviceable properties already disposed;
3. Create a Disposal Committee to expedite the disposal of unserviceable property to avoid exposing the same to further deterioration;
4. Direct the Property Division to maintain property cards, submit a complete 2014 inventory report and, henceforth, comply with the timely submission of Report on Physical Count of PPE;
5. Require the Accounting and Property Divisions to provide updated and accurate reconciliation between the physical count and book balances of PPE account;
6. Formulate guidelines to set up cut off periods in recording and closing of inter-office transactions and to require the Accounting Division of CO to regularly coordinate with the ROs/Centers in performing the following:
 - a. Regular preparation of Quarterly Reconciliation Statements, intensified monitoring of the reconciling items and intra-agency transactions, and immediate take up of the necessary adjustments;
 - b. Timely recording of intra-agency transactions prior to the preparation of the year-end reports;
 - c. Reconciliation of the consolidated TB with the GL and JEV, particularly for the Agricultural and Marine Supplies Expense-Earwigs and Coconut Seedling accounts; and
 - d. Submission of complete and valid documents supporting intra-office transactions, e.g., duly verified Report of Disbursements and signed Debit/Credit Advices, among others.

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

7. Receivables, Investments, and Due to other National Government Agencies (NGAs) accounts accumulating to P13.274 million have been dormant and non-moving for at least 2 to 30 years in view of lack of supporting records which cast doubt on the reliability and validity thereof, while affecting the credibility of PCA for the funds received due to non-refund of unutilized balance of P0.436 million.

7.1 We recommended that Management:

- a. Require the concerned personnel to exert efforts in collecting the long-outstanding receivables from farmers and PCA employees, return the unexpended balances of fund transfers to source agencies and revalue the investment in stocks at its fair value and effect the necessary adjusting entries, if any;
- b. Consider imposing administrative disciplinary action against officials/employees who failed to comply with the requirements of COA Circular No. 97-001 dated February 5, 1997, as provided in Section IV thereof; and
- c. Provide information as to the status of latest actions taken on the dormant/non-moving accounts of PCA.

7.2 We further recommend that Management require the concerned Regional/Center Managers to re-examine the strategy being employed to maximize effort on the possible recovery of the receivables; but if thereafter it will still prove futile, comply with the documentary requirements for writing-off of dormant accounts pursuant to existing COA Circular.

8. Unutilized balance of Disbursement Acceleration Program (DAP) fund of P274.455 million was only returned to the Bureau of the Treasury (BTr) after almost a year, while related expenses accumulating to P54.418 million were obligated and paid, notwithstanding the decision of the Supreme Court on July 1, 2014 that acts and practices under the DAP are unconstitutional for being contrary to Section 25(5), Article VI of the 1987 Constitution and the doctrine of separation of powers.

8.1 We recommended that Management hold liable the officers and employees who caused the continued utilization of DAP funds and deferred return of the unexpended balance.

9. Significant requirements under Republic Act (RA) No. 9184 were not fully observed in the procurement of goods and services in the total amount of P688.718 million under the Yolanda Recovery and Rehabilitation Program (YRRP) and Coconut Scale Insect Emergency Action Program (CSIEAP) which were made through emergency mode of procurement, thus no assurance that the availed prices were most advantageous to the government.

9.1 We recommended that Management:

- a. Require all the BAC members and all officers concerned to undergo training/re-training on RA No. 9184 and its Implementing Rules and Regulations (IRR) to safeguard the resources of the government; and
- b. Consider imposing sanctions to those concerned personnel who deviated from relevant provisions of the IRR of RA No. 9184.

10. Sense of urgency in the procurement of farm tractors and mung bean seeds under the YRRP and chemical pesticides under the CSIEAP totaling P98.600 million could not be established since the delivery periods as stipulated in the contracts ranged from 30 days to 60 days and in fact actual deliveries of the tractors were held in abeyance up to 87 days, thus defeating the purpose of emergency procurement.

10.1 We recommended that Management meticulously and judiciously plan its procurement activities, taking into consideration the emergency nature of the procurement, and ensuring the immediate/expeditious delivery of the items to be procured as well.

11. Splitting of contracts for the procurements of 24,667 bags of mung bean seeds costing P37 million under the YRRP as well as livestock and various seeds/seednuts/coffee seedlings costing P29.065 million under the Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP), or for a total amount of P66.065 million, which resulted in circumventing control measures and forgone discounts on volume purchases, is contrary to Section 54.1 of the IRR of RA No. 9184 and COA Circular No. 76-41.

11.1 We recommended that Management hold the concerned officials and employees of CO and Region IV-A accountable and responsible for splitting the procurements; and, henceforth, all procurements should be conducted through public bidding unless the use of alternative mode of procurement is duly justified, as provided under Sections 10 and 48 of IRR of RA No. 9184.

12. Two Certificates of Availability of Funds in the total amount of P102.630 million charged to the YRRP fund bearing the names of the winning suppliers were issued ahead of the invitation to bid and submission of bid proposals, an indication that there was pre-negotiation with favoured suppliers, thus restricting equal and competitive opportunity to other suppliers who may also be eligible to participate in the bidding, and no assurance that the contract prices are the most advantageous to the government.

12.1 We recommended that Management:

- a. Instruct concerned officials involved in the procurement activities to refrain from conducting pre-negotiations with the suppliers; and
- b. Hold concerned officials and employees accountable and responsible for awarding the procurement to the said favored suppliers.

13. Expenditures exceeded the YRRP budget allocation by P71.982 million while at least P3.911 million were disbursed for non-YRRP related purposes.

13.1 We recommended that Management:

- a. Request from the Department of Budget and Management (DBM) for the re-alignment of the purchased generator sets, chainsaws and logsol sawmills; and, henceforth, refrain from procuring goods without budget allocation;
- b. Require the Accounting Division of the CO and Region VII to identify all disbursements for CY 2014 that were improperly charged to YRRP fund and effect the necessary adjustments thereon; and
- c. Require the CO Accounting Division to submit accomplishment reports of the 10 project personnel to support the payment of their salaries and wages, for appropriate evaluation.

14. The efficient and effective field treatment of about 1.3 million coconut trees infested by scale insects is at stake which could result in the wastage of funds amounting to P13 million considering that only 134 of the 207 agreed number of supervisors were provided by the sub-contractor, and only 16 of them had undergone project-related trainings.

14.1 We recommended that Management submit a justification as to why such inadequacy of evaluation on the technical documents submitted by the supplier was permitted in the procurement process.

14.2 We further recommended that Management impose administrative sanctions to those personnel who are remiss in the discharge of their duties.

15. Providing sustainable livelihood to coconut farmers to increase their income under the Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP) is affected since there is no assurance that the farmers are well-informed of the viability of the livelihood projects, their baseline income have not been established at the onset, and due to absence of business plan and unsuitability of the coco farm lands, among others.

15.1 We recommended that Management require the concerned Regional Managers to:

- a. Conduct investigation to determine what caused the non-conduct of market survey and non-preparation/submission of duly signed Baseline Information Survey Schedules, Rapid Marketing Appraisal Tool, Business Plan, and Expression of Interest and hold the concerned personnel responsible as the case maybe;
- b. Re-evaluate the qualifications of the CBOs including their members based on the criteria set forth under existing regulations to assure that they are qualified KEDP beneficiaries and the livelihood projects granted to them are appropriate and viable; otherwise, drop unqualified CBOs from the list of recognized KAANIB sites/CBOs; and

c. Henceforth, comply strictly with the relevant provisions of PCA Memorandum Circular Nos. 01 and 03, series of 2011 and 2013, respectively, on the selection of qualified beneficiaries/participants of the KEDP to ensure that only qualified CBOs/farmer-participants are given livelihood projects.

16. Problems encountered by the 32 CBOs in Region IV-A in the implementation of KEDP, i.e., livestock integration, intercropping and operation of briquetting and decorticating machines, as well as stability of CBOs were not addressed due to lack of regular monitoring and evaluation which may result in wastage of government funds and non-attainment of the main objective of KEDP of increasing the income of coco farmers.

16.1 We recommended that Management require the Regional Manager of Region IV-A to:

- a. Hold the concerned PCA employees accountable for being remiss of their duties in the conduct of monitoring and evaluation of the livelihood projects; and
- b. Comply strictly with the provisions of PCA Memorandum Circular No. 03, on the monitoring of KANIB projects granted to CBOs to facilitate determination of their status and undertake remedial actions to promptly address issues and problems, taking into consideration the objectives of the project in order to ensure that funds are expended for the purpose these are granted.

17. Attainment of the objectives of KEDP is hindered and government funds is exposed to possible wastage due to delayed deliveries of robusta coffee seedlings and installation of equipment worth P10.773 million; delayed distribution of these seedlings and organic fertilizers worth P0.872 million due to unavailability of transportation; absence of certification that supplier is accredited seedling producer, thus good quality of the seedlings are not assured; and distribution of seedlings to farmers not in the masterlist.

17.1 We recommended that Management direct the concerned Regional Managers to:

- a. Require the ZRC to immediately complete the installation of the equipment to prevent from further exposing the same to various unfavorable conditions;
- b. Impose liquidated damages against the supplier on the late deliveries of coffee seedlings;
- c. Require the Coconut Development Officers to find means to immediately distribute the agri-inputs to the farmer-beneficiaries to avoid further delay in the project implementation;
- d. Require the personnel in charge to explain in writing, indicating the reasons/causes why there were farmers given with the agri-inputs not included in the masterlist;
- e. Submit for audit purposes the certificates that the supplier is an accredited seed grower and that the seedlings delivered have passed the required quality standards;

- f. Require the concerned PCA Region IX officials/employees to accept only delivery of coffee seedlings with tags and labels;
- g. Hold responsible the personnel in charge for delayed distribution of coffee seedlings and organic fertilizer; and
- h. Require concerned officials and employees involved in the implementation of the COCOBED to adhere strictly to the provisions of PCA Memorandum Circular No. 10 dated December 12, 2013.

18. The incapability of the supplier to deliver the remaining 89,345 pieces of coconut seedlings worth P2.093 million which was to be dispersed to estimated 525 hectares in Regions I-IV-B deprived quite a number of farmer-beneficiaries of benefitting from the provision of good quality seedlings under the Coconut Seedlings Dispersal Project (CSDP). Likewise, liquidated damages of P0.469 million have not been imposed against the supplier.

18.1 We recommended that Management direct the concerned Regional Manager to:

- a. Terminate the contract with the supplier for inability to deliver 89,345 coco seedlings amounting to P2.093 million, pursuant to Item III.A.1(a) of the Guidelines of Termination of Contract of RA No. 9184 and impose the corresponding liquidated damages against the supplier; and
- b. Disqualify the supplier of coco seedlings from future biddings.

19. Salt fertilizers may have been distributed to farmers who are not qualified as they are not in the masterlist, and if listed therein, their first names or the respective barangays were not indicated, there were unauthorized changes in Drop off Points (DOPs) and recipients, the number of beneficiaries was based on target and not on the masterlist, unclaimed fertilizers were given to other interested farmers, among others, thus may affect the efficient and effective implementation of the Salt Fertilization Project.

19.1 We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the:

- a. Concerned Coconut Development Officers (CDOs) to:
 - a.1 Distribute strictly the salt fertilizers to the farmers listed in the Master List of Farmer-Participants (MLFP) and request approval from the Regional Office and concerned Central Office officials for any changes in the MLFP as to beneficiaries and allocation of salt fertilizers;
 - a.2 Enroll in the Salt Fertilization Project only farmers who have coconut lands of not less than 0.5 hectare and not more than 10 hectares; and
- b. OIC-Provincial Coconut Development Manager of Oriental Mindoro and Palawan to strictly observe acceptance of fertilizers at the DOPs and designate another agriculturist to receive the salt fertilizers in case the authorized receiver is not available.

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 August 17, 2015 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.

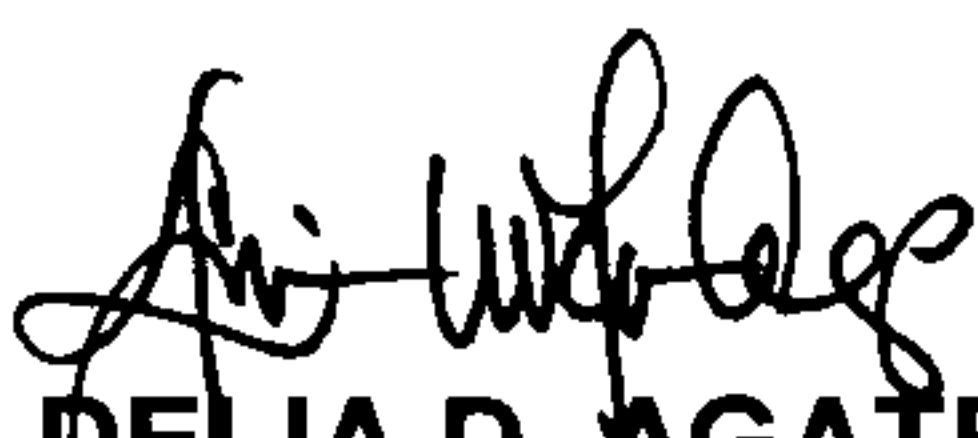
We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from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

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
The UP Law Center
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CORPORATE GOVERNMENT SECTOR
CLUSTER 5

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Commonwealth Avenue, Quezon City, Philippines

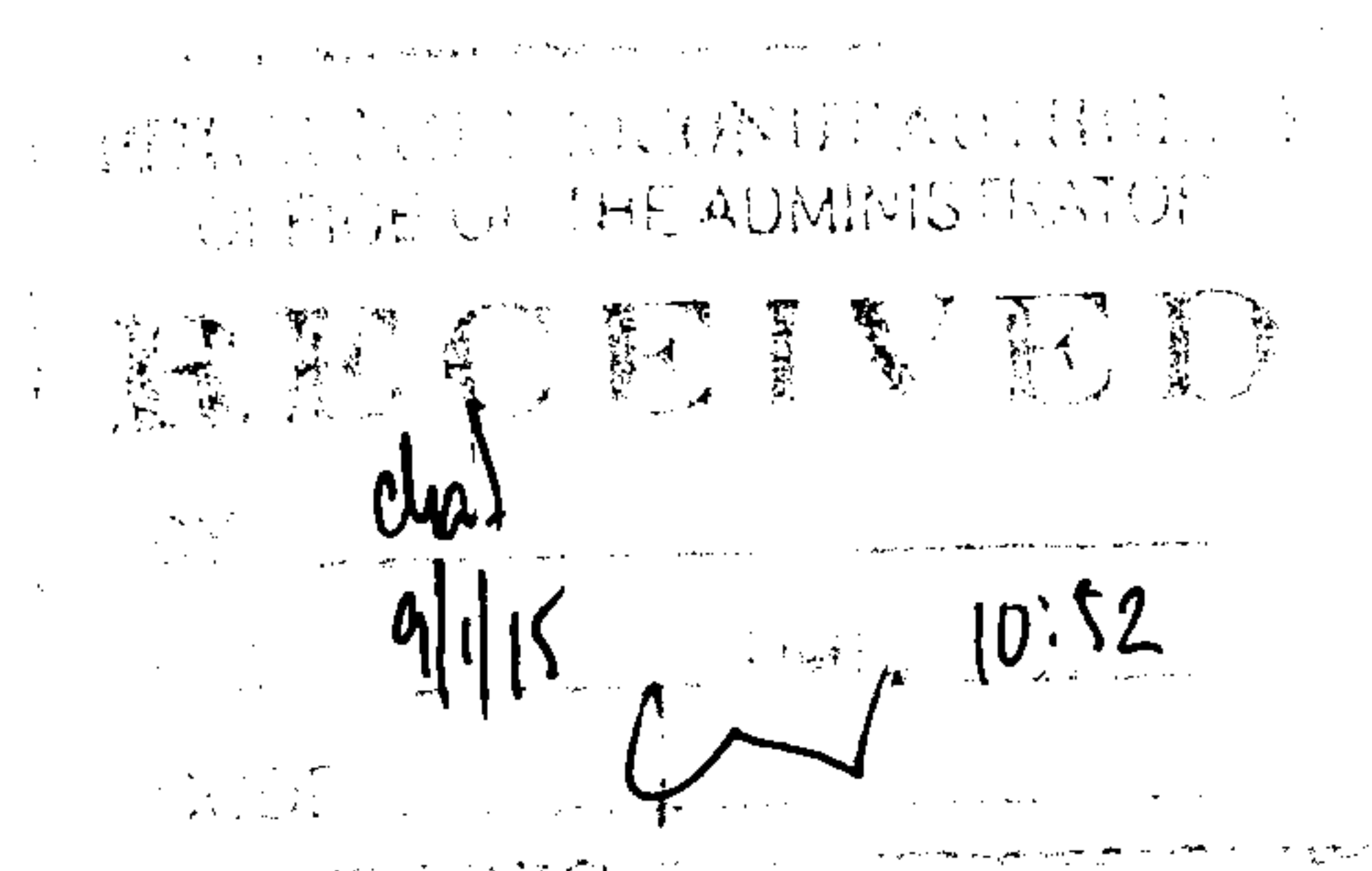
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CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

August 28, 2015

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



Gentlemen:

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3. Accuracy and reliability of the year-end balance of Due from ROs/Centers account amounting to P151.243 million was doubtful due to allotments of P137.250 million not included in the consolidated financial statements; unreconciled difference of the total expenses of P30.663 million, among others, between the General Ledger (GL), Trial Balance (TB), and the supporting Journal Entry Voucher (JEV); and the incomplete/unsigned documents supporting various transactions of P11.715 million.

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

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c. Henceforth, comply strictly with the relevant provisions of PCA Memorandum Circular Nos. 01 and 03, series of 2011 and 2013, respectively, on the selection of qualified beneficiaries/participants of the KEDP to ensure that only qualified CBOs/farmer-participants are given livelihood projects.

16. Problems encountered by the 32 CBOs in Region IV-A in the implementation of KEDP, i.e., livestock integration, intercropping and operation of briquetting and decorticating machines, as well as stability of CBOs were not addressed due to lack of regular monitoring and evaluation which may result in wastage of government funds and non-attainment of the main objective of KEDP of increasing the income of coco farmers.

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a. Require the ZRC to immediately complete the installation of the equipment to prevent from further exposing the same to various unfavorable conditions;

b. Impose liquidated damages against the supplier on the late deliveries of coffee seedlings;

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e. Submit for audit purposes the certificates that the supplier is an accredited seed grower and that the seedlings delivered have passed the required quality standards;

f. Require the concerned PCA Region IX officials/employees to accept only delivery of coffee seedlings with tags and labels;

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18. The incapability of the supplier to deliver the remaining 89,345 pieces of coconut seedlings worth P2.093 million which was to be dispersed to estimated 525 hectares in Regions I-IV-B deprived quite a number of farmer-beneficiaries of benefitting from the provision of good quality seedlings under the Coconut Seedlings Dispersal Project (CSDP). Likewise, liquidated damages of P0.469 million have not been imposed against the supplier.

18.1 We recommended that Management direct the concerned Regional Manager to:

a. Terminate the contract with the supplier for inability to deliver 89,345 coco seedlings amounting to P2.093 million, pursuant to Item III.A.1(a) of the Guidelines of Termination of Contract of RA No. 9184 and impose the corresponding liquidated damages against the supplier; and

b. Disqualify the supplier of coco seedlings from future biddings.

19. Salt fertilizers may have been distributed to farmers who are not qualified as they are not in the masterlist, and if listed therein, their first names or the respective barangays were not indicated, there were unauthorized changes in Drop off Points (DOPs) and recipients, the number of beneficiaries was based on target and not on the masterlist, unclaimed fertilizers were given to other interested farmers, among others, thus may affect the efficient and effective implementation of the Salt Fertilization Project.

19.1 We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the:

a. Concerned Coconut Development Officers (CDOs) to:

a.1 Distribute strictly the salt fertilizers to the farmers listed in the Master List of Farmer-Participants (MLFP) and request approval from the Regional Office and concerned Central Office officials for any changes in the MLFP as to beneficiaries and allocation of salt fertilizers;

a.2 Enroll in the Salt Fertilization Project only farmers who have coconut lands of not less than 0.5 hectare and not more than 10 hectares; and

b. OIC-Provincial Coconut Development Manager of Oriental Mindoro and Palawan to strictly observe acceptance of fertilizers at the DOPs and designate another agriculturist to receive the salt fertilizers in case the authorized receiver is not available.

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 August 17, 2015 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.

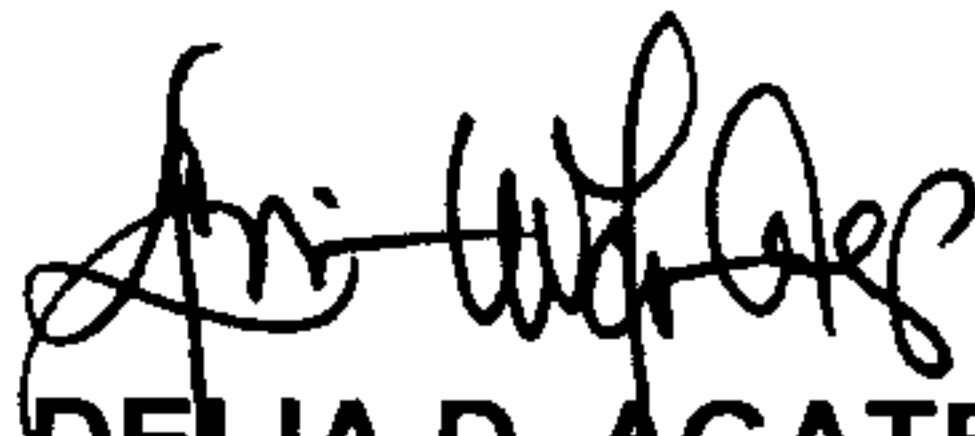
In our transmittal letter of even date, we request the Administrator of PCA to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt hereof.

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
Director IV

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

ANNUAL AUDIT REPORT

on the

**PHILIPPINE COCONUT AUTHORITY
(PCA)**

For the Year Ended December 31, 2014

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, otherwise known as 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 ensure that the coconut farmers become direct participants in, and beneficiaries thereof.

By virtue of Executive Order (EO) No. 165 issued on May 15, 2014, President Benigno S. Aquino III reassigned the PCA and two other government-owned and/or controlled corporations (GOCCs) under the Department of Agriculture (DA) back to the Office of the President. The former head of the Senate's Committee on Agriculture, Francis N. Pangilinan, was appointed by President Aquino as the first Secretary of the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) and was given the oversight responsibilities over the three GOCCs.

The corporate powers and functions of the Authority are vested in and exercised by the Board of Directors chaired by the Secretary of the OPAFSAM 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 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, three research centers as well as training and seed production centers headed by a Regional Manager, Provincial Coconut Development Manager and Center Manager, respectively.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Statement of Financial Performance

	2014	2013 (As restated)	Increase/ (Decrease)
Total assets	7,579.360	6,704.908	874.452
Total liabilities	702.840	613.224	89.616
Equity	6,876.520	6,091.684	784.836

II. Statement of Financial Position

	2014	2013 (As restated)	Increase/ (Decrease)
Total income	429.340	421.922	7.418
Expenses	2,531.555	1,584.088	947.467
Loss from operations	2,102.215	1,162.166	940.049
Subsidy from national government	2,884.190	5,107.440	(2,223.250)
Income after subsidy from national government	781.975	3,945.274	(3,163.299)

III. Comparison of 2014 Budget and Actual Expenses

	Corporate Operating Budget	Actual Expenses	Savings
Personal services	778.599	611.386	167.213
Maintenance and other operating expenses	5,732.812	1,885.965	3,846.847
Financial expenses	0.400	0.388	0.012
	6,511.811	2,497.739	4,014.072

SCOPE OF AUDIT

Our audit covered the operations of PCA for Calendar Year (CY) 2014. 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.

AUDITOR'S OPINION

We rendered an adverse opinion on the fairness of the presentation of the financial statements in view of the following:

1. The fairness of presentation of the cash account balance of P4.498 billion in the Statement of Cash Flows (SCF) is doubtful due to absence of supporting details for cash transactions such as payment of expenses of P2.735 billion and misleading presentation of Property, Plant, and Equipment (PPE) procured and paid in the Central Office (CO) of only P9.883 million and Regional Offices (ROs)/Centers of P205.082 million, cash inflow of P24.081 million from the increase in contractor's retention money account and collection of other payables of P16.736 million, which could mislead the users of the financial information;
2. Accuracy, reliability, and existence of PPE account with a year-end balance of P574.516 million could not be established due to discrepancy of P374.660 million or 65.21 per cent between that presented in the Statement of Financial Position and in the Notes to Financial Statements (NFS); non-conduct of reconciliation between accounting and property records caused by absence of subsidiary ledgers and inventory reports; inclusion of unserviceable and disposed property; and non-capitalization of building renovation of P1.498 million; and
3. Accuracy and reliability of the year-end balance of Due from ROs/Centers account amounting to P151.243 million was doubtful due to allotments of P137.250 million not included in the consolidated financial statements; unreconciled difference of the total expenses of P30.663 million, among others, between the General Ledger (GL), Trial Balance (TB), and the supporting Journal Entry Voucher (JEV); and the incomplete/unsigned documents supporting various transactions of P11.715 million.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1. Require the Accounting Division of CO to analyze all cash transactions and carefully identify those pertaining to cash inflows and outflows from operating, investing and financing activities to ensure accuracy and reliability of the SCF as this will assist the users in their decision making in generating future cash requirements of the Agency;
2. Require the Accounting Division to determine the correctness of the PPE balance in the general ledger and in the NFS, maintain the PPE Ledger Card for each class of PPE, prepare the corresponding schedules on a monthly basis and compare it with the general ledger balance, reclassify unserviceable properties from PPE to Other Assets account duly supported with Inventory and Inspection Report for Unserviceable Property and derecognize from the books cost of unserviceable properties already disposed;
3. Create a Disposal Committee to expedite the disposal of unserviceable property to avoid exposing the same to further deterioration;
4. Direct the Property Division to maintain property cards, submit a complete 2014 inventory report and, henceforth, comply with the timely submission of Report on Physical Count of PPE;
5. Require the Accounting and Property Divisions to provide updated and accurate reconciliation between the physical count and book balances of PPE account;
6. Formulate guidelines to set up cut off periods in recording and closing of inter-office transactions and to require the Accounting Division of CO to regularly coordinate with the ROs/Centers in performing the following:
 - a. Regular preparation of Quarterly Reconciliation Statements, intensified monitoring of the reconciling items and intra-agency transactions, and immediate take up of the necessary adjustments;
 - b. Timely recording of intra-agency transactions prior to the preparation of the year-end reports;
 - c. Reconciliation of the consolidated TB with the GL and JEV, particularly for the Agricultural and Marine Supplies Expense-Earwigs and Coconut Seedling accounts; and
 - d. Submission of complete and valid documents supporting intra-office transactions, e.g., duly verified Report of Disbursements and signed Debit/Credit Advices, among others.

The other significant audit observations and recommendations are as follows:

7. Receivables, Investments, and Due to other National Government Agencies (NGAs) accounts accumulating to P13.274 million have been dormant and non-moving for at least 2 to 30 years in view of lack of supporting records which cast doubt on the

reliability and validity thereof, while affecting the credibility of PCA for the funds received due to non-refund of unutilized balance of P0.436 million.

7.1 We recommended that Management:

- a. Require the concerned personnel to exert efforts in collecting the long-outstanding receivables from farmers and PCA employees, return the unexpended balances of fund transfers to source agencies and revalue the investment in stocks at its fair value and effect the necessary adjusting entries, if any;
- b. Consider imposing administrative disciplinary action against officials/employees who failed to comply with the requirements of COA Circular No. 97-001 dated February 5, 1997, as provided in Section IV thereof; and
- c. Provide information as to the status of latest actions taken on the dormant/non-moving accounts of PCA.

7.2 We further recommend that Management require the concerned Regional/Center Managers to re-examine the strategy being employed to maximize effort on the possible recovery of the receivables; but if thereafter it will still prove futile, comply with the documentary requirements for writing-off of dormant accounts pursuant to existing COA Circular.

8. Unutilized balance of Disbursement Acceleration Program (DAP) fund of P274.455 million was only returned to the Bureau of the Treasury (BTr) after almost a year, while related expenses accumulating to P54.418 million were obligated and paid, notwithstanding the decision of the Supreme Court on July 1, 2014 that acts and practices under the DAP are unconstitutional for being contrary to Section 25(5), Article VI of the 1987 Constitution and the doctrine of separation of powers.

8.1 We recommended that Management hold liable the officers and employees who caused the continued utilization of DAP funds and deferred return of the unexpended balance.

9. Significant requirements under Republic Act (RA) No. 9184 were not fully observed in the procurement of goods and services in the total amount of P688.718 million under the Yolanda Recovery and Rehabilitation Program (YRRP) and Coconut Scale Insect Emergency Action Program (CSIEAP) which were made through emergency mode of procurement, thus no assurance that the availed prices were most advantageous to the government.

9.1 We recommended that Management:

- a. Require all the BAC members and all officers concerned to undergo training/re-training on RA No. 9184 and its Implementing Rules and Regulations (IRR) to safeguard the resources of the government; and
- b. Consider imposing sanctions to those concerned personnel who deviated from relevant provisions of the IRR of RA No. 9184.

10. Sense of urgency in the procurement of farm tractors and mung bean seeds under the YRRP and chemical pesticides under the CSIEAP totaling P98.600 million could not be established since the delivery periods as stipulated in the contracts ranged from 30 days to 60 days and in fact actual deliveries of the tractors were held in abeyance up to 87 days, thus defeating the purpose of emergency procurement.

10.1 We recommended that Management meticulously and judiciously plan its procurement activities, taking into consideration the emergency nature of the procurement, and ensuring the immediate/expeditious delivery of the items to be procured as well.

11. Splitting of contracts for the procurements of 24,667 bags of mung bean seeds costing P37 million under the YRRP as well as livestock and various seeds/seednuts/coffee seedlings costing P29.065 million under the Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP), or for a total amount of P66.065 million, which resulted in circumventing control measures and forgone discounts on volume purchases, is contrary to Section 54.1 of the IRR of RA No. 9184 and COA Circular No. 76-41.

11.1 We recommended that Management hold the concerned officials and employees of CO and Region IV-A accountable and responsible for splitting the procurements; and, henceforth, all procurements should be conducted through public bidding unless the use of alternative mode of procurement is duly justified, as provided under Sections 10 and 48 of IRR of RA No. 9184.

12. Two Certificates of Availability of Funds in the total amount of P102.630 million charged to the YRRP fund bearing the names of the winning suppliers were issued ahead of the invitation to bid and submission of bid proposals, an indication that there was pre-negotiation with favoured suppliers, thus restricting equal and competitive opportunity to other suppliers who may also be eligible to participate in the bidding, and no assurance that the contract prices are the most advantageous to the government.

12.1 We recommended that Management:

- a. Instruct concerned officials involved in the procurement activities to refrain from conducting pre-negotiations with the suppliers; and
- b. Hold concerned officials and employees accountable and responsible for awarding the procurement to the said favored suppliers.

13. Expenditures exceeded the YRRP budget allocation by P71.982 million while at least P3.911 million were disbursed for non-YRRP related purposes.

13.1 We recommended that Management:

- a. Request from the Department of Budget and Management (DBM) for the re-alignment of the purchased generator sets, chainsaws and logolos sawmills; and, henceforth, refrain from procuring goods without budget allocation;

b. Require the Accounting Division of the CO and Region VII to identify all disbursements for CY 2014 that were improperly charged to YRRP fund and effect the necessary adjustments thereon; and

c. Require the CO Accounting Division to submit accomplishment reports of the 10 project personnel to support the payment of their salaries and wages, for appropriate evaluation.

14. The efficient and effective field treatment of about 1.3 million coconut trees infested by scale insects is at stake which could result in the wastage of funds amounting to P13 million considering that only 134 of the 207 agreed number of supervisors were provided by the sub-contractor, and only 16 of them had undergone project-related trainings.

14.1 We recommended that Management submit a justification as to why such inadequacy of evaluation on the technical documents submitted by the supplier was permitted in the procurement process.

14.2 We further recommended that Management impose administrative sanctions to those personnel who are remiss in the discharge of their duties.

15. Providing sustainable livelihood to coconut farmers to increase their income under the Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP) is affected since there is no assurance that the farmers are well-informed of the viability of the livelihood projects, their baseline income have not been established at the onset, and due to absence of business plan and unsuitability of the coco farm lands, among others.

15.1 We recommended that Management require the concerned Regional Managers to:

a. Conduct investigation to determine what caused the non-conduct of market survey and non-preparation/submission of duly signed Baseline Information Survey Schedules, Rapid Marketing Appraisal Tool, Business Plan, and Expression of Interest and hold the concerned personnel responsible as the case maybe;

b. Re-evaluate the qualifications of the CBOs including their members based on the criteria set forth under existing regulations to assure that they are qualified KEDP beneficiaries and the livelihood projects granted to them are appropriate and viable; otherwise, drop unqualified CBOs from the list of recognized KAANIB sites/CBOs; and

c. Henceforth, comply strictly with the relevant provisions of PCA Memorandum Circular Nos. 01 and 03, series of 2011 and 2013, respectively, on the selection of qualified beneficiaries/participants of the KEDP to ensure that only qualified CBOs/farmer-participants are given livelihood projects.

16. Problems encountered by the 32 CBOs in Region IV-A in the implementation of KEDP, i.e., livestock integration, intercropping and operation of briquetting and decorticating machines, as well as stability of CBOs were not addressed due to lack of regular monitoring and evaluation which may result in wastage of government funds and non-attainment of the main objective of KEDP of increasing the income of coco farmers.

16.1 We recommended that Management require the Regional Manager of Region IV-A to:

- a. Hold the concerned PCA employees accountable for being remiss of their duties in the conduct of monitoring and evaluation of the livelihood projects; and
- b. Comply strictly with the provisions of PCA Memorandum Circular No. 03, on the monitoring of KANIB projects granted to CBOs to facilitate determination of their status and undertake remedial actions to promptly address issues and problems, taking into consideration the objectives of the project in order to ensure that funds are expended for the purpose these are granted.

17. Attainment of the objectives of KEDP is hindered and government funds is exposed to possible wastage due to delayed deliveries of robusta coffee seedlings and installation of equipment worth P10.773 million; delayed distribution of these seedlings and organic fertilizers worth P0.872 million due to unavailability of transportation; absence of certification that supplier is accredited seedling producer, thus good quality of the seedlings are not assured; and distribution of seedlings to farmers not in the masterlist.

17.1 We recommended that Management direct the concerned Regional Managers to:

- a. Require the ZRC to immediately complete the installation of the equipment to prevent from further exposing the same to various unfavorable conditions;
- b. Impose liquidated damages against the supplier on the late deliveries of coffee seedlings;
- c. Require the Coconut Development Officers to find means to immediately distribute the agri-inputs to the farmer-beneficiaries to avoid further delay in the project implementation;
- d. Require the personnel in charge to explain in writing, indicating the reasons/causes why there were farmers given with the agri-inputs not included in the masterlist;
- e. Submit for audit purposes the certificates that the supplier is an accredited seed grower and that the seedlings delivered have passed the required quality standards;
- f. Require the concerned PCA Region IX officials/employees to accept only delivery of coffee seedlings with tags and labels;
- g. Hold responsible the personnel in charge for delayed distribution of coffee seedlings and organic fertilizer; and
- h. Require concerned officials and employees involved in the implementation of the COCOBED to adhere strictly to the provisions of PCA Memorandum Circular No. 10 dated December 12, 2013.

18. The incapability of the supplier to deliver the remaining 89,345 pieces of coconut seedlings worth P2.093 million which was to be dispersed to estimated 525 hectares in Regions I-IV-B deprived quite a number of farmer-beneficiaries of benefitting from the provision of good quality seedlings under the Coconut Seedlings Dispersal Project (CSDP). Likewise, liquidated damages of P0.469 million have not been imposed against the supplier.

18.1 We recommended that Management direct the concerned Regional Manager to:

- a. Terminate the contract with the supplier for inability to deliver 89,345 coco seedlings amounting to P2.093 million, pursuant to Item III.A.1(a) of the Guidelines of Termination of Contract of RA No. 9184 and impose the corresponding liquidated damages against the supplier; and
- b. Disqualify the supplier of coco seedlings from future biddings.

19. Salt fertilizers may have been distributed to farmers who are not qualified as they are not in the masterlist, and if listed therein, their first names or the respective barangays were not indicated, there were unauthorized changes in Drop off Points (DOPs) and recipients, the number of beneficiaries was based on target and not on the masterlist, unclaimed fertilizers were given to other interested farmers, among others, thus may affect the efficient and effective implementation of the Salt Fertilization Project.

19.1 We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the:

- a. Concerned Coconut Development Officers (CDOs) to:
 - a.1 Distribute strictly the salt fertilizers to the farmers listed in the Master List of Farmer-Participants (MLFP) and request approval from the Regional Office and concerned Central Office officials for any changes in the MLFP as to beneficiaries and allocation of salt fertilizers;
 - a.2 Enroll in the Salt Fertilization Project only farmers who have coconut lands of not less than 0.5 hectare and not more than 10 hectares; and
- b. OIC-Provincial Coconut Development Manager of Oriental Mindoro and Palawan to strictly observe acceptance of fertilizers at the DOPs and designate another agriculturist to receive the salt fertilizers in case the authorized receiver is not available.

20. The Gender and Development Plan and Budget (GPB) for CY 2014 with approved budget amounting to P264.890 million was not reviewed by the Department of Agriculture (DA) and endorsed by Philippine Commission on Women (PCW); hence, it could not be ascertained whether the gender issues were addressed in the planned activities.

20.1 We recommended that Management direct the Chairperson of PCA-GAD Focal Point System to, henceforth, comply with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01, COA Circular No. 2014-01, and other rules and regulations on

GAD to ensure that the budget is utilized on activities addressing gender issues and distributed equitably to the ROs/Centers.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES AS AT DECEMBER 31, 2014

The unsettled audit suspensions, disallowances, and charges as at December 31, 2014 amounted to P6.429 million, P0.638 million, and P189,350, respectively. Details are shown in Annex 2 of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 70 audit recommendations embodied in the previous years' Annual Audit Reports (AARs), 35 were fully implemented, 17 were partially implemented and 18 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, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Coconut Authority
PCA Building, Elliptical Road
Quezon City

We have audited the accompanying financial statements of the **Philippine Coconut Authority (PCA)** which comprise the statement of financial position as at December 31, 2014, and the statement of financial performance, statement of changes in equity, statement of cash flows, and statement of comparison of budget and actual expenses 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 Adverse Opinion

We rendered an adverse opinion on the fairness of the presentation of the financial statements of PCA in view of the following:

1. The fairness of presentation of the cash account balance of P4.498 billion in the Statement of Cash Flows is doubtful due to absence of supporting details for cash transactions such as payment of expenses of P2.735 billion and misleading presentation of Property, Plant, and Equipment (PPE) procured and paid in the Central Office of only P9.883 million and Regional Offices/Centers of P205.082 million, cash inflow of P24.081 million from the increase in contractor's retention money account and collection of other payables of P16.736 million, which could mislead the users of the financial information;
2. Accuracy, reliability, and existence of PPE account with a year-end balance of P574.516 million could not be established due to discrepancy of P374.660 million or 65.21 per cent between that presented in the Statement of Financial Position and in the Notes to Financial Statements; non-conduct of reconciliation between accounting and property records caused by absence of subsidiary ledgers and inventory reports; inclusion of unserviceable and disposed property; and non-capitalization of building renovation of P1.498 million; and
3. Accuracy and reliability of the year-end balance of Due from Regional Offices/Centers account amounting to P151.243 million was doubtful due to allotments of P137.250 million not included in the consolidated financial statements; unreconciled difference of the total expenses of P30.663 million, among others, between the General Ledger, Trial Balance, and the supporting Journal Entry Voucher; and the incomplete/unsigned documents supporting various transactions of P11.715 million.

Adverse Opinion

In our opinion, because of the effects of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of **PCA** as at December 31, 2014 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

August 17, 2015



REPUBLIC OF THE PHILIPPINES
**OFFICE OF THE PRESIDENTIAL ASSISTANT
FOR FOOD SECURITY AND AGRICULTURAL MODERNIZATION
PHILIPPINE COCONUT AUTHORITY**

Elliptical Road, Diliman, Quezon City Tel. Nos. 928-4501 to 09
P.O. Box 3386, Manila TIN: 000724616
www.pca.da.gov.ph



March 4, 2015

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, 2014, 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 as 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.



ROMULO N. ARANCON, Jr.
Administrator



SHIRLEY S. PASCUAL
Manager II
Finance Department

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2014
(In Philippine Peso)

			2013
	Note	2014	As restated
A S S E T S			
Current assets			
Cash and cash equivalents	3	4,498,029,353	1,517,919,359
Receivables - net	4	1,630,554,979	3,869,247,479
Inventories	5	129,050,874	179,413,899
Prepayments	6	22,263,927	14,190,152
Other current assets	7	5,056,852	16,395,759
		6,284,955,985	5,597,166,648
Non-current assets			
Investments	8	88,515	88,515
Property, plant and equipment - net	9	574,516,326	388,412,038
Other assets	10	719,799,138	719,240,956
		1,294,403,979	1,107,741,509
TOTAL ASSETS		7,579,359,964	6,704,908,157
LIABILITIES AND EQUITY			
Current liabilities			
Payable accounts	11	444,781,463	416,373,428
Inter-agency payables	12	82,318,822	70,473,339
Intra-agency payables	13	8,461,205	8,180,136
Other payables	14	68,284,768	27,467,229
		603,846,258	522,494,132
Non-current liabilities			
Mortgage payable	15	838,080	1,955,520
Deferred credits	16	98,155,442	88,774,191
		98,993,522	90,729,711
TOTAL LIABILITIES		702,839,780	613,223,843
EQUITY	17, 18, 19	6,876,520,184	6,091,684,314
TOTAL LIABILITIES AND EQUITY		7,579,359,964	6,704,908,157

The Notes on pages 10 to 26 form part of these financial statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended December 31, 2014

(In Philippine Peso)

			2013
	Note	2014	As restated
INCOME	20		
Fees, permits and licenses		317,870,120	341,654,888
Service income		29,383,266	45,824,202
Business income		28,154,499	26,605,370
Other income		53,932,610	7,837,256
		429,340,495	421,921,716
EXPENSES	21		
Personal services		611,386,495	416,624,947
Maintenance and other operating expenses		1,919,781,461	1,167,233,526
Financial expenses		387,878	229,397
		2,531,555,834	1,584,087,870
LOSS FROM OPERATIONS		2,102,215,339	1,162,166,154
Subsidy income from national government	22	2,884,189,882	5,107,440,000
INCOME AFTER SUBSIDY FROM NATIONAL GOVERNMENT		781,974,543	3,945,273,846

The Notes on pages 10 to 26 form part of these financial statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013 As restated
Government equity	17	1,171,159,943	1,168,298,616
Appraisal capital	18	19,855,000	19,855,000
Retained earnings	19		
Balance, beginning of year		4,903,530,698	958,256,852
Net income		781,974,543	3,945,273,846
Balance, end of year		5,685,505,241	4,903,530,698
EQUITY		6,876,520,184	6,091,684,314

The Notes on pages 10 to 26 form part of these financial statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt of subsidy from the national government		5,335,207,332	1,738,750,000
Collection of income		501,777,232	550,562,836
Collections from NCIPs, SCFOs, etc.		43,954,484	727,856
Collection of PCA fee receivables		17,662,032	5,959,094
Collection of other payables		16,736,333	650,200
Refunds from disallowances/charges		29,714	15,768
Collection from officers and employees		15,339	1,080,093
Payment of operating expenses		(2,734,645,683)	(1,683,915,224)
Payment of prior year's payables		(30,257,540)	(69,036,928)
		3,150,479,243	544,793,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Contractor's retention money		24,081,206	-
Proceeds from bank interests		12,536,049	9,502,375
Invested capital/appraisal capital		2,861,328	2,693,287
Proceeds from sale of property, plant and equipment		1,600,387	41,325
Purchase/construction of fixed assets-Regions/Centers		(205,081,983)	10,830,233
Purchase/construction of fixed assets-Central Office		(9,882,590)	(75,701,819)
Purchase of other assets		(3,085,978)	-
		(176,971,581)	(52,634,599)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from trust funds/special projects		39,130,288	37,619,523
Cash payment of interest on loans and other financial charges		(387,878)	(229,397)
Release of funds from special projects		(31,022,638)	(23,777,493)
Payment of domestic loans		(1,117,440)	(904,351)
		6,602,332	12,708,282
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,980,109,994	504,867,378
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,517,919,359	1,013,051,981
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	4,498,029,353	1,517,919,359

The Notes on pages 10 to 26 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, 2014

(In Philippine Peso)

	Budget	Actual	Savings/ (overdraft)
Personal services			
Salaries and wages	250,038,000	192,218,316	57,819,684
Allowances and other compensation	173,926,000	218,734,882	(44,808,882)
Incentives - EO No. 366 (Note 21.1)	354,635,402	200,433,297	154,202,105
	778,599,402	611,386,495	167,212,907
Maintenance and other operating expenses (MOOE)			
Traveling expenses	131,216,250	48,689,772	82,526,478
Training and scholarship	87,353,780	19,303,985	68,049,795
Supplies expense	3,215,762,040	1,020,043,232	2,195,718,808
Utility expense	27,941,580	23,250,841	4,690,739
Communication expense	23,384,090	11,245,688	12,138,402
Awards, prizes and other claims	1,015,000	863,310	151,690
Advertising, promotional and marketing expenses	6,882,540	735,338	6,147,202
Printing expense	7,805,690	764,551	7,041,139
Rent/lease expense	40,048,850	10,095,514	29,953,336
Representation expense	880,000	290,958	589,042
Transportation expense	74,062,450	26,148,835	47,913,615
Subscription expense	439,000	272,950	166,050
Other professional services	372,781,240	263,950,325	108,830,915
Legal services	200,000	3,062	196,938
Auditing services	24,401,520	22,911,215	1,490,305
Consultancy services	11,808,240	982,633	10,825,607
General services (Note 21.2)	1,469,491,150	337,055,252	1,132,435,898
Janitorial services (Note 21.2)	1,000,000	665,854	334,146
Security services	35,556,750	33,440,554	2,116,196
Repairs and maintenance	63,647,270	17,227,824	46,419,446
Extraordinary and miscellaneous expense	2,206,000	1,411,046	794,954
Donation	61,295,550	14,277,532	47,018,018
Taxes, duties and premiums	43,317,360	23,670,852	19,646,508
Other MOOE	30,315,840	8,663,526	21,652,314
	5,732,812,190	1,885,964,649	3,846,847,541
Financial expenses	400,000	387,878	12,122
Total	6,511,811,592	2,497,739,022	4,014,072,570

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, otherwise known as 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 ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth.

By virtue of Executive Order (EO) No. 165 issued on May 15, 2014, President Benigno S. Aquino III reassigned the PCA and two other government-owned and/or controlled corporations (GOCCs) attached under the Department of Agriculture (DA) back to the Office of the President. The former head of the Senate's Committee on Agriculture, Francis N. Pangilinan, was appointed by President Aquino as the first Secretary of Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) and was given the oversight responsibilities over the three GOCCs.

The corporate powers and functions of the Authority are vested in and exercised by the Board of Directors chaired by the Secretary of the OPAFSAM 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 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, three research centers as well as training and seed production centers headed by a Regional Manager, Provincial Coconut Development Manager and Center Manager, respectively.

The Authority had total actual manpower complement as at December 31, 2014 of 437, consisting of 66 in the Central Office, 26 in Centers and 345 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, three research centers, one training center, one 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 the Commission on Audit (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:

	2014	2013 (As restated)
General fund 151 (regulatory fees)		
Cash – national treasury	25,680,220	8,313,735
Cash for corporate fund 503 (one fund)		
Cash on hand		
Cash – collecting officers	1,749,484	2,897,947
Cash – disbursing officers	7,790	2,598
Petty cash fund	90,921	186,526
Cash – national treasury	3,667,236	5,332,884
Cash in bank		
Local currency, current account	4,166,284,457	1,224,616,922
Local currency, savings account	295,360,965	273,894,806
Foreign currency	5,188,280	2,673,941
	4,472,349,133	1,509,605,624
	4,498,029,353	1,517,919,359

The Cash in Bank account represents PCA's funds deposited at the Land Bank of the Philippines (LBP). It also 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 (GSIS), Bureau of Internal Revenue (BIR), Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth). 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.

Cash - National Treasury account of General Fund 151 amounting P25.680 million is composed of PCA's remittance to the Bureau of the Treasury (BTr) for collection from analysis fees of copra (oil content, moisture content, free fatty acid, and color), copra cake/meal, chemical analysis, microbiological analysis and many others.

Cash - National Treasury account of Corporate Fund 503 of P3.667 million represents the balance of remittances to the BTr for PCA fee of P0.12 imposed for every kilogram of copra or copra equivalent of husked/dehusked nuts, fresh young nuts ("buko") and copra equivalent in other coconut products delivered to and/or purchased by the coconut product exporters, oil millers, desiccators, exporters and other payor contemplated in Section 3 of Administrative Order (AO) No. 01, series of 2011 for the amended rules and regulations implementing PD No. 1854.

4. RECEIVABLES

This account consists of the following:

	2014	2013 (As restated)
Accounts receivable – PCA fees	423,034,959	314,507,963
Due from national treasury	917,805,759	3,368,823,209
Due from regional offices	151,242,758	50,377,017
Due from national government agencies	11,995,699	6,499,546
Due from non-governmental organizations (NGOs) / people's organizations (POs)	1,310,993	528,236
Interest receivable	703,678	835,419
Due from officers and employees	544,338	594,840
Due from operating/field units	2,240	150,000
Due from other funds	2,562,538	2,631,166
Receivables – disallowances/charges	133,860,886	134,696,933
Advances to officers and employees	513,335	403,374
Other receivables	27,855,478	26,048,341
	1,671,432,661	3,906,096,044
Less: Allowance for doubtful accounts	40,877,682	36,848,565
	1,630,554,979	3,869,247,479

Accounts Receivable – PCA Fees account and Other Receivables account 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 AO No. 01, series of 2011, effective April 1, 2011, PCA fee remittance/collection was increased to P0.12 per kilogram from P0.06 per kilogram, 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.

5. INVENTORIES

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

	2014	2013
Fertilizers (salt)	55,498,553	67,717,198
Coconut seed nuts	34,619,417	43,295,185
Coconut seedlings	18,772,506	38,170,957
Planting materials (intercrops, e.g. corn)	9,333,918	7,237,875
Earwigs	3,766,059	17,285,858
Crops and fruits inventory	2,913,552	2,804,754
Agricultural chemicals	292,816	365,551
Makapuno seedlings	-	14,000
Other agricultural supplies (includes polybags)	3,854,053	2,522,521
	129,050,874	179,413,899

For the year 2014, 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, 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 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, these 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, 2014, 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:

	2014	2013 (As restated)
Advances to contractors	4,605,000	-
Deferred charges	544,483	543,083
Prepaid insurance	74,442	452,894
Prepaid rent	50,503	26,503
Prepaid interest	995	2,388
Other prepaid expenses	112,249	20,550
Office supplies inventory	1,528,455	1,547,046
Medical, dental and laboratory supplies inventory	1,452,430	909,718
Fuel, oil and lubricants inventory	274,107	296,646
Accountable forms inventory	49,983	60,143
Other supplies inventory	13,571,280	10,331,181
	22,263,927	14,190,152

Except for Agricultural and Marine Supplies account, all other inventory accounts were reclassified to Prepayments account for financial statement presentation purposes.

7. OTHER CURRENT ASSETS

This account comprises the following:

	2014	2013
Guaranty deposits	1,106,367	989,839
Deposits on containers	96,500	96,500
Marginal deposits	58,224	58,224
Other deferred charges	3,795,761	15,251,196
	5,056,852	16,395,759

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						
01-01-2014, as restated	137,883,825	120,501,810	22,191,767	35,756,551	2,746,596	319,080,549
Additions	-	3,571,000	1,452,647	4,858,943	-	9,882,590
Disposal/sale	-	-	(4,999)	-	-	(4,999)
Reclassification	242,000	(3,571,000)	(485,299)	(2,582,084)	-	(6,396,383)
Cost, 12-31-2014	138,125,825	120,501,810	23,154,116	38,033,410	2,746,596	322,561,757
Accumulated depreciation						
01-01-2014, as restated	-	86,660,926	15,603,000	13,822,352	495,972	116,582,250
Additions	-	3,243,273	1,044,047	1,820,192	15,810	6,123,322
Accumulated depreciation 12-31-2014	-	89,904,199	16,647,047	15,642,544	511,782	122,705,572
Net book value, 12-31-2014	138,125,825	30,597,611	6,507,069	22,390,866	2,234,814	199,856,185
Net book value, 12-31-2013 as restated	137,883,825	33,840,884	6,588,767	21,934,199	2,250,624	202,498,299

10. OTHER ASSETS

This account comprises the following:

	2014	2013
Work/breeding/other animals	248,204	248,204
Other assets	719,550,934	718,992,752
	719,799,138	719,240,956

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

a. The high-yield cash account of CISF in the amount of P489,284 has already been transferred to Corporate Fund 503 per Journal Entry Voucher 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. PAYABLE ACCOUNTS

This account is composed of the following:

	2014	2013 (As restated)
Accounts payable	435,917,323	413,406,453
Due to officers and employees	8,750,402	2,949,005
Tax refunds payable	113,738	17,970
	444,781,463	416,373,428

12. INTER-AGENCY PAYABLES

This account is composed of the following:

	2014	2013 (As restated)
Due to national government agencies (NGAs)		
Due to BIR	6,926,533	6,644,081
Due to GSIS	1,201,112	1,259,352
Due to Pag-IBIG	246,215	272,310
Due to PhilHealth	129,742	249,808
Due to other NGAs	52,671,918	27,261,065
Due to GOCCs	1,123,383	18,361,517
Due to LGUs	20,019,919	16,425,206
	82,318,822	70,473,339

Inter-agency Payables account includes liability for mandatory contributions of employees to the GSIS, Pag-IBIG and 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 DA-National Agricultural and Fishery Council and DA-BAR programs, and the DOST-PCAARRD's

Integrated Coconut Research Development Enhancement Program (ICREDEP), Genomics and Coconut Somatic Embryogenesis Technology (CSET) projects.

Due to Local Government Units (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:

	2014	2013
General fund 151	6,489,770	6,270,660
General fund 101	1,609,512	1,609,512
General fund 501	3,863	3,863
SCFDP fund 401	186,900	186,900
CISF	109,201	109,201
CFSNP fund	61,959	-
	8,461,205	8,180,136

CISF represents levies collected from the copra desiccators, 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.

National Coconut Productivity Program/Energy Self-reliance Program Fund – fund 501 and Coconut Farms Safety Net Program (CFSNP) fund form part of the Corporate Fund-fund 503. Programs for said fund 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:

	2014	2013 (As restated)
Contractors' retention money	28,241,918	6,553,657
Guaranty deposits/performance payable	5,676,233	5,251,316
Other payables	34,366,617	15,662,256
	68,284,768	27,467,229

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 at 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.

	2014	2013
Central Office	177,960	177,960
Region IV-A	108,088	412,018
Regions I- IV-B	23,308	14,477
Region V	20,083,666	20,043,840
Region VI	272,387	272,387
Region VII	-	2,757,942
Region VIII	44,777,118	41,587,673
Region IX	776,529	776,529
Region X	5,451,880	5,068,227
Region XI	357,014	357,014
Region XII	77,415	77,415
Region XIII	709,354	709,354
Albay Research Center	1,952,725	1,952,725
Coconut Extension Training Center	171,398	184,206
Davao Research Center	1,350,165	1,350,165
Coconut Seed Production Center	71,991	71,991
Zamboanga Research Center	21,794,444	12,960,268
	98,155,442	88,774,191

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 Transfer Certificate of Title (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, 2013	959,923,956
Less: Adjustments on prior years' transactions	1,667,104
Retained earnings as at January 1, 2013, as restated	958,256,852
Add: Net income for CY 2013 after subsidy, as reported	3,909,273,321
Add/deduct: Adjustments of CY 2013 net income:	
Unrecorded/(erroneously recorded) income:	
Fees, permits and licenses	(475,955)
Service income	319,631
Business income	(81,877)
Other income	90,906
Erroneously recorded expenses:	
Personal services	2,810,918
MOOE	33,336,902
	36,147,820
Net income for CY 2013 after subsidy, as restated	3,945,273,846
Retained earnings as at December 31, 2013, as restated	4,903,530,698
Add: CY 2014 net income after subsidy, as reported	781,974,543
Retained earnings, December 31, 2014	5,685,505,241

For the year 2014, the Income after Subsidy from the National Government totaled P781.974 million. This includes Subsidy for the following which, Special Allotment Release Order was received in November 2014:

- Subsidy for the Coconut Planting/Replanting Project amounting to P406.713 million;
- Subsidy for Coconut Fertilization Project amounting to P42.817 million;
- Subsidy for KANIB Enterprise Development Project amounting to P166 million;
- Subsidy for the Smallholders Oil Palm Plantation Project amounting to P40 million; and
- Subsidy for the Agro Industrial Hubs amounting to P255 million.

20. INCOME

This account comprises the following:

	2014	2013 (As restated)
General and service income		
Fees, permits and licenses		
Permit (PCA) fee	207,902,534	246,321,642
Interest and surcharges on PCA fee	42,444,497	29,027,408
Transport permit fee	23,678,083	26,943,645
Registration fees	11,223,055	10,745,178
Cutting permit fees	11,602,484	8,949,032
Inspection fees – RA 8048	8,756,818	4,050,148
Chainsaw registration fee	3,954,820	3,556,670
Filing processing fee	2,286,536	3,125,955
Laboratory analysis fees	1,096,407	1,461,058
Fines and penalties	365,256	919,206
Surcharges on chainsaw registration fee	250,934	686,435
Moisture meter fees	150,092	269,511
Certificate, licenses and processing fees	11,200	55,856
Export processing fees	29,126	46,080
Seedling supplier registration fees	24,850	18,350
Other fees	4,093,428	5,478,714
	317,870,120	341,654,888
Service income		
Other service income		
Seed nuts replacement	11,828,000	25,195,760
Sale of copra	8,495,982	4,145,737
Other fines and penalties	2,824,956	1,245,828
Sale of coco seed nuts	2,008,199	5,134,158
Sale of coco-by-products	1,698,603	2,004,202
Filing/certification fees	1,045,595	295,580
Analysis fee - plant tissue analysis laboratory	746,590	1,968,041
Sale of coco seedlings	260,104	2,920,423
Sale of intercrops	251,828	413,601
Sale from confiscated/seized goods	3,322	280,903
Others	220,087	2,219,969
	29,383,266	45,824,202
Business income		
Rent/lease income	28,087,335	26,510,787
Income from dormitory operations	67,164	94,583
	28,154,499	26,605,370
Other income		
Income from grants and donations	40,591,654	-
Interest income	13,226,287	7,558,741
Gain on sale of assets	80,856	132,213
Income from photocopying services	33,811	31,690
Gain on foreign exchange	2	100,319
Other gains	-	14,293
	53,932,610	7,837,256
	429,340,495	421,921,716

21. EXPENSES

The breakdown of this account consists of the following:

	2014	2013 (As restated)
Personal services		
Salaries and wages	192,218,316	245,787,599
Other compensation		
Personnel economic relief allowance (PERA)	11,207,298	19,705,411
Representation allowance (RA)	6,047,919	8,467,177
Transportation allowance (TA)	3,389,894	5,434,296
Clothing/uniform allowance	2,285,000	4,126,790
Subsistence allowance	-	19,537
Productivity incentive allowance	916,000	1,530,500
Anniversary bonus	-	2,490,000
Productivity enhancement incentive (PEI)	2,766,000	3,972,500
Performance bonus	8,927,500	-
Hazard pay	3,302	-
Longevity pay	263,383	882,945
Overtime and night pay	2,853,613	1,909,497
Cash gift	2,279,375	4,125,375
Year-end bonus	12,299,327	20,701,754
	53,238,611	73,365,782
Personnel benefit contributions		
Life and retirement insurance contributions	18,142,157	29,516,569
PhilHealth contributions	1,448,700	2,470,741
ECC contributions	562,865	992,640
Pag-IBIG contributions	552,553	987,313
	20,706,275	33,967,263
Other personnel benefits		
Vacation and sick leave benefits (Note 21.1)	172,506,624	42,567,662
Incentives EO 366 (Note 21.1)	172,099,319	-
Loyalty allowance	330,000	875,000
Per diem of directors	261,100	375,200
Counsel allowance	13,750	7,500
Others	12,500	19,678,941
	345,223,293	63,504,303
	611,386,495	416,624,947
Maintenance and other operating expenses (MOOE)		
Traveling expenses		
Local	48,467,579	42,165,441
Foreign	222,193	507,595
	48,689,772	42,673,036
Training and scholarship	19,303,985	26,368,532
Supplies expense		
Agricultural and marine supplies	890,971,952	677,591,935
Gasoline, oil and lubricants	90,815,535	16,497,377
Office supplies	14,621,523	8,361,426
Medical, dental and laboratory expense	2,950,162	2,751,173
Textbooks and instructional materials	-	5,573
Other supplies	20,684,060	5,380,467
	1,020,043,232	710,587,951

	2014	2013 (As restated)
Utility Expenses		
Electricity	19,674,776	16,943,618
Water	3,575,380	2,117,900
Fuel	685	5,141
	23,250,841	19,066,659
Communication expense		
Postage and deliveries	2,022,250	1,203,208
Telephone/mobile	8,120,866	7,812,123
Internet	1,097,782	1,000,760
Cable, satellite, telegraph and radio	4,790	9,863
	11,245,688	10,025,954
Awards, prizes, and other claims	863,310	730,000
Advertising, promotional and marketing expense	735,338	836,790
Printing expense	764,551	1,209,770
Rent/lease expense	10,095,514	8,373,392
Representation expense	290,958	465,005
Transportation expense	26,148,835	13,585,233
Subscription expense	272,950	312,090
Professional services		
General/janitorial services (Note 21.2)	337,721,106	66,643,295
Security service	33,440,554	30,462,895
Auditing services	22,911,215	23,817,878
Consultancy services	982,633	1,542,500
Legal services	3,062	54,950
Other professional services (Note 21.3)	263,950,325	92,083,533
	659,008,895	214,605,051
Repairs and maintenance		
Buildings and other structures	7,303,347	6,179,992
Land, transport equipment	5,935,744	6,400,094
Furniture and fixtures	1,462,641	785,013
Other structures	670,213	1,031,458
Office equipment	661,271	547,178
IT equipment	296,802	164,473
Agricultural and marine equipment	282,985	435,141
Medical, dental and laboratory equipment	189,231	731,377
Machinery	15,285	183,538
Communication equipment	-	2,686
Technical and scientific machinery equipment	-	272,519
Other machinery and equipment	142,300	173,900
Other property, plant and equipment	268,005	1,647,313
	17,227,824	18,554,682
Extraordinary and miscellaneous expense		
Extraordinary expense	1,375,577	1,491,326
Miscellaneous expense	35,469	21,254
	1,411,046	1,512,580
Donation	14,277,532	42,799,196
Taxes, duties and premiums (Note 21.4)		
Taxes, duties and licenses	19,992,208	6,898,248
Vehicle insurance	1,512,655	300,829
Building insurance	1,095,049	972,421
Fidelity bond premium	1,040,617	615,215
Equipment insurance	30,323	943,367
	23,670,852	9,730,080

	2014	2013 (As restated)
Non-cash expense		
Depreciation expense	29,787,695	10,022,624
Bad debts expense	4,029,117	2,966,172
	33,816,812	12,988,796
Other MOOE		
Meetings and conferences	2,240,038	2,098,034
Athletic and social events	1,661,951	2,929,498
Duplication costs	487,329	343,434
Survey and research expenses	425,929	21,744,046
Others	3,848,279	5,693,717
	8,663,526	32,808,729
	1,919,781,461	1,167,233,526
Financial expenses		
Documentary stamp expense	206,955	-
Interest expense	180,527	167,330
Bank charges	150	7,594
Other financial charges	246	54,473
	387,878	229,397
	2,531,555,834	1,584,087,870

21.1. Personal services

For the year 2014, total Personal Services (PS) amounted to P611.386 million as compared to 2013 PS of P416.625 million or an increase of 46.75 per cent equivalent to P194.761 million. The increase was due to the payments made for the terminal leave benefits and incentives of affected employees under the PCA's Rationalization Plan duly approved by the Governance Commission for GOCCs (GCG) on October 31, 2013 and received only on November 7, 2013.

The approved rationalization plan was only implemented on July 30, 2014 after receipt of Special Allotment Release Order (SARO) and the Notice of Cash Allocation (NCA) on July 21, 2014 in the amount of P354.600 million. Total incentives paid to the 314 affected employees amounted to P172.099 million and vacation sick leave benefits of P172.507 million. The payments of leave benefits to officers and employees included those that retired under RA No. 8291, the compulsory retirement.

21.2. General/Janitorial services

This account drastically increased to P337.721 million from previous year's expenses of P66.643 million. This is due to rehabilitation of Typhoon Yolanda affected areas in Regions VI, VII and VIII. The local residents that were affected by the typhoon were hired as laborers under the cash for work program for clearing and cutting of coconut timbers and debris management. Total expenditures for this account for Yolanda Projects amounted to P243.534 million.

21.3. Other professional services

This account likewise increased to P263.950 million from previous year's expenses of P92.084 million due to the hiring of additional contractual Coconut Development Officers and Chainsaw Operators to fast track the implementation of Yolanda Rehabilitation program in Regions VI, VII and VIII. Also included in this account is the amount of P116.480 million for contract of service provider for the treatment and containment of 1.3 million coconut trees infested by the coconut scale insects in the Provinces of Cavite, Laguna, Batangas, Quezon and Basilan.

21.4. Taxes, duties and premiums

The total amount of P19.992 million for the account Taxes, Duties and Premiums had increased to 189.82 per cent or equivalent to P13.094 million from previous year's expenditures of P6.898 million. The increase was due to the Bureau of Internal Revenue's (BIR) assessment of PCA's revenue from rent/lease of office and other areas which is subject to 12 per cent value added tax (VAT) pursuant to Sections 109 and 108 of the National Internal Revenue Code of 1997, as amended, for the following periods:

	Amount
2008	2,412,017
2009	2,613,849
2010	2,825,637
2011	3,059,979
2012	3,217,140
	14,128,622

After several representations made with the BIR, the surcharges/interests were waived as evidenced by the duly BIR approved payment assessment forms forwarded to PCA by the BIR Regional Office handling PCA accounts, with the basic tax of P14.129 million as the final assessment.

22. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

This represents subsidy from the National Government as follows:

	2014	2013 (As restated)
Regular subsidy	333,000,000	233,000,000
Agricultural Fisheries Modernization program		
Locally funded projects	2,040,750,000	1,505,750,000
Calamity-related rehabilitation/restoration projects and other priority projects	-	500,000,000
Coconut rehabilitation program of Yolanda Recovery and rehabilitation plan	-	2,868,690,000
Rehabilitation of damaged coconut trees in the provinces of Compostela Valley and Davao Oriental	155,804,480	-
Terminal leave and incentive benefits under EO No. 366	354,635,402	-
	2,884,189,882	5,107,440,000

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 the 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. Total taxes withheld and remitted for CY 2014 to BIR were as follows:

	Withheld	Remitted
On compensation	5,332,150	7,169,455
Expanded creditable income tax	5,915,418	5,874,025
VAT from suppliers/contractors	16,709,208	16,318,107
Other fees and taxes	485,943	1,393,644
	28,442,719	30,755,231

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

PCA had been regularly deducting premiums from its employees and remitting the total amount withheld to GSIS. For CY 2014, the employees' premiums and employer's contributions of P14.671 million and P17.367 million, respectively, were remitted to GSIS.

PART II – OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL OPERATIONS

1. The fairness of presentation of the cash account balance of P4.498 billion in the Statement of Cash Flows (SCF) is doubtful due to absence of supporting details for cash transactions such as payment of expenses of P2.735 billion and misleading presentation of Property, Plant, and Equipment (PPE) procured and paid in the Central Office (CO) of only P9.883 million and Regional Offices (ROs)/Centers of P205.082 million, cash inflow of P24.081 million from the increase in contractor's retention money account and collection of other payables of P16.736 million, which could mislead the users of the financial information.

1.1 Section 1 of the Philippine Public Sector Accounting Standards (PPSAS) No. 2 states that:

An entity that prepares and presents financial statements under the accrual basis of accounting shall prepare a statement of cash flows in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented. (Underscoring supplied)

1.2 Further, Section 5 of the same PPSAS provides that:

Information about the cash flows of an entity is useful in assisting users to predict (a) the future cash requirements of the entity, (b) its ability to generate cash flows in the future, and (c) its ability to fund changes in the scope and nature of its activities. A cash flow statement also provides a means by which an entity can discharge its accountability for cash inflows and cash outflows during the reporting period. Xxx.

Unsupported paid expenses of P2.735 billion under operating activities of the SCF –

1.3 As at December 31, 2014, PCA reported total expenses of P2.532 billion under the modified accrual basis of accounting in its Statement of Financial Performance. On the other hand, the SCF, specifically presented under operating activities thereof, showed that payment of expenses and prior years' payables amounted to P2.735 billion and P30.258 million, respectively. Analysis, however, disclosed that payment of expenses of P2.735 billion should not have exceeded total reported current year expenses of P2.532 billion, as the latter comprises not only the cash payments but the accruals as well. Further, details supporting most of the entries in the SCF, including the aforesaid cash payments, per office/center, were not provided to the Audit Team. Hence, the accuracy, reliability, and validity of the entries, particularly paid expenses of P2.735 billion, as presented in the SCF could not be established.

Misleading presentation under investing activities of the PPE procured and paid in the CO of only P9.883 million instead of P182.502 million, or a net variance of P172.619 million -

1.4 The SCF showed that the CO disbursed a total amount of P9.883 million for the purchase/construction of various PPE. Said disbursement also tallied with the cost of additions reported in the schedule supporting the Notes to Financial Statements (NFS). Review, however, disclosed that the cash outflow for procurement of PPE in the CO totaled P182.502 million, or a variance of P172.619 million in the SCF, in view of the following:

Variance of P8.177 million for PPE procured and paid in the CO between that in the SCF and in the General Ledger (GL) -

1.5 Examination of the GL showed that additions to PPE in the CO included those items amounting only to P5.708 million compared with that reported in the SCF of P9.883 million, or a discrepancy of P4.175 million. Detailed examination of Report of Checks Issued and Cancelled (RCIC) disclosed that only P1.706 million was actually paid out of the additions costing P5.708 million and the discrepancy of P4.002 million pertained to unpaid accruals. Thus, cash disbursements for acquisition of PPE in the CO presented in the SCF was overstated for a total amount of P8.177 million. Result of the comparison of sub-accounts is shown in Table 1.

Table 1 - Comparison of cost of additions reported in the SCF vis-a-vis the RCIC

	Disbursement		Difference/Variance		
	Per SCF	Per RCIC	Non-cash Adjustments	Accruals	Total
Building	P 3,571,000	P -	P 3,571,000	P -	P 3,571,000
Office equipment	271,567	225,195	12,932	33,440	46,372
Fixtures & furniture	1,125,160	437,622	470,358	217,180	687,538
IT & software	55,920	55,920	-	-	-
Communication equipment	28,415	28,197	218	-	218
Medical & dental laboratory equipment	4,808,028	936,071	120,535	3,751,422	3,871,957
Office machinery & equipment	22,500	22,500	-	-	-
	P 9,882,590	P 1,705,505	P 4,175,043	P 4,002,042	P 8,177,085

Table 2 - Accounting for the overstatement due to non-cash adjustments

	Amount
Building	
Reclassified the cost of elevator unit from Construction-In-Progress to Buildings account.	P 3,492,000
Reclassified cost of two air conditioning units to Equipment account.	79,000
	3,571,000
Office equipment - Reclassified the cost of one printer unit to IT & Software account.	12,932
Fixtures & furniture – Adjusted the double take up of the cost of modular partition.	470,358
Communication equipment – Adjusted the erroneous capitalization of the cost of sim cards.	218
Medical & dental laboratory equipment – Adjusted the double take up of the cost of ribbon mixer.	120,535
	P 4,175,043

1.6 Further analysis of documents disclosed that the overstatement of P4.175 million was accounted for, as presented in Table 2, as non-cash adjustments or reclassifications of items erroneously booked up under the respective PPE accounts but still presented in the schedule as an addition to the same.

Variance of P180.796 million as disbursement out of the Yolanda Recovery and Rehabilitation Program (YRRP) Fund for payment of PPE by the CO not disclosed in the SCF –

1.7 Subsidy in the amount of P2.869 billion was received by PCA in January 2014 to fund the implementation of YRRP. Review of documents revealed that the CO made an actual disbursement for PPE items of P180.796 million, financed from the YRRP Fund, for the use of either the CO or ROs. However, total disbursement of CO, as per SCF, for the purchase/construction of PPE amounted only to P9.883 million, which was already accounted for in Table 1 hereof for purposes of ascertaining the overstated cash outlay in Corporate Fund (CF)-503. On the other hand, total PPE purchases of ROs amounted to P205.082 million, which review thereof could not be facilitated as no supporting details were provided by Management. It should be noted that allotment provided to ROs for the purchase of PPE out of YRRP Fund amounted only to P6.354 million. Nonetheless, non-disclosure of YRRP disbursements as a YRRP cash outflow in the SCF deprived users of information that is considered significant as the YRRP Fund is too material not to be specifically accounted for in the SCF.

Other erroneous entries presented in the SCF relative to PPE –

1.8 Review of the first SCF submitted by Management on March 24, 2015 disclosed erroneous entries such as the following:

- a. Proceeds from the sale of PPE in 2014 amounting to P0.927 million was presented as a cash outflow rather than as a cash inflow; and
- b. Purchase of PPE in ROs/Research Centers (RCs) in 2013 amounting to P10.830 million was presented as a cash inflow rather than as a cash outflow.

1.9 In view of the erroneous entries, Management submitted on July 23, 2015 a revised SCF, result of the review of which are summarized as follows:

- a. There were no supporting details per responsibility center (i.e., per CO and per respective RO/RC) on entries presented in the SCF, particularly on adjustment made to correct the erroneous presentation of the proceeds from sale of PPE; and
- b. Purchase of PPE in ROs/RCs in 2013 amounting to P10.830 million was still presented as a cash inflow rather than as a cash outflow.

1.10 The presence of said erroneous entries casts doubt on the accuracy, reliability, and validity of the SCF.

Net increase in Contractor's Retention Money account of P24.081 million presented as cash inflow under investing activities of SCF –

1.11 Section 25 of PPSAS No. 2 provides that cash flows arising from investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the entity's future service delivery. Examples of which are cash payments to acquire property, plant, and equipment, intangibles, and other long-term assets.

1.12 The Contractor's Retention Money, which is a sub-account of Other Payables account, is credited to take up the portion of the contract price retained by PCA in the procurement of goods and services, to cover the warranty obligations of the contractor. Said retention money shall only be released upon certification that the contractor has fulfilled its obligations in accordance with the contract.

1.13 The reported cash inflow under investing activities of SCF in the amount of P24.081 million out of the contractor's retention money is incorrect considering that said money does not result in the actual inflow of cash of PCA but, rather, simply reduce the cash paid to the contractor in view of the withheld portion of the contract price of the procured goods and services.

1.14 Without prejudice to the effect of the aforementioned observation, examination of the working paper supporting the SCF disclosed that, of the P24.081 million, P19.098 million pertains to contractor's retention money of P6.593 million and P12.505 million funded from CF-503 of CO and from YRRP Fund, respectively, while the remaining amount of P4.983 million was accordingly accounted to be from the CF-503 of ROs/RCs, as shown in Table 3.

Table 3- Composition of Contractor's Retention Money as Inflow in the SCF

	Amount
CF – 503 (CO books)	P 6,593,217
YRRP fund (CO and ROs/RCs books)	12,505,368
	19,098,585
Add: CF – 503 (ROs/RCs books)	4,982,821
	P 24,081,406

1.15 Audit revealed that the aforecited P19.098 million of the P24.081 million was computed by basically deducting the 2013 balance from the 2014 balance of the Contractor's Retention Money account, as shown in Table 4.

Table 4 - Net increase in Contractor's Retention Money account in the CF-503 of CO and in consolidated YRRP fund

	Balances as at December 31		
	2014	2013	Increase
CF – 503 (CO books)	P 6,999,557	P 406,340	P 6,593,217
YRRP fund (CO books)	8,763,000	-	8,763,000
YRRP fund (ROs books)	3,742,368	-	3,742,368
	P 19,504,925	P 406,340	P 19,098,585

1.16 Such computation was incorrectly patterned after the indirect method of presenting the increase in payable as a positive adjustment to the net income under the operating activities of the SCF. It should be emphasized, however, that cash inflows and outflows under the investing activities, as well as financing activities are reported in the SCF using only the direct method of presentation and not otherwise. Hence, presenting the increase in Contractor's Retention Money account as an inflow under the investing activities of SCF is incorrect.

1.17 Further, records showed that the Contractor's Retention Money account in the CO books for CF-503 had increased and decreased by P6.967 million and P0.374 million, respectively, or a net increase of P6.593 million. Test of details on the total increase of P6.967 million, however, revealed that contractor's retention money of P6.843 million represents the total amount withheld from various suppliers for the procurement of the chemical pesticides and skilled labor.

1.18 The Contractor's Retention Money account in the CO books for YRRP fund also disclosed that the increase of P8.763 million represents the retention money withheld by PCA from its procurement of fertilizers. However, the increase of P3.742 million could not be accounted for due to inadequacy of information of YRRP fund in the books of ROs. But, to present the procurement of supplies and services out of the CF-503 and YRRP fund of CO in the total amount of P15.606 million in the SCF, specifically, under the investing activities thereof, is not correct and contrary to Section 25 of PPSAS No. 2.

1.19 Notwithstanding the above-cited observation, it could not be ascertained as to how the P4.983 million cash inflow from Contractor's Retention Money in the CF-503 of ROs/RCs was arrived at (see Table 3). Comparison of the calendar years (CYs) 2013 and 2014 account balances, consistent with the computation made on the CF-503 of CO and YRRP fund, disclosed a net increase of P2.590 million, or a difference of P2.393 million, as shown in Table 5.

**Table 5- Net increase in Contractor's Retention Money account
on the CF-503 of ROs/RCs vis-à-vis cash inflow in SCF**

	Amount
CY 2014	P 8,736,993
CY 2013	6,147,317
Net increase in the account balance	2,589,676
Cash inflow in SCF (from Table 3)	4,982,821
Difference	P (2,393,145)

1.20 Nonetheless, to present the contractor's retention money as an inflow in the SCF is incorrect; thus, the SCF is overstated by P24.081 million in the cash inflow from retention money.

*Collection of other payables of P16.736 million under
operating activities of SCF –*

1.21 The cash inflow under operating activities of SCF included collection of other payables in the amount of P16.736 million. It should be noted that the contractor's retention money, which is a sub-account of Other Payables account, was also presented as a cash inflow but under the investing activities of SCF. Nonetheless, it could not be

ascertained whether collection of accounts payables is a valid description of a cash inflow in the SCF as payables are supposed to be paid or settled, and not to be collected, hence a cash outflow.

1.22 Review also disclosed that the said collection of other payables of P16.736 million was arrived at by computing the increase between the 2014 and 2013 balances, excluding the net increase in contractors' retention money, as shown in Table 6.

**Table 6- Net increase in Other Payables Account
(excluding Contractors' Retention Money)**

	Amount
CY 2014	P 68,284,768
CY 2013	27,467,229
Net increase in the account balance	40,817,539
Less: Net increase in Contractors' Retention Money (from Table 3)	24,081,406
Net increase in the account balance (excluding Contractors' Retention Money)	P 16,736,333

1.23 The direct method of presenting the SCF should have disclosed the gross cash receipts and gross cash payments of financial transactions instead of simply computing the net increase or decrease of account balances. As such, presenting the collection of other payables of P16.736 million misleads users of the SCF.

1.24 Apparently, there was no proper review on the SCF, which is an indication that rendering reliable accounting reports is not given an utmost priority. Hence, the accuracy, reliability, and validity of the cash account balance of P4.498 billion in the SCF could not be established, thereby affecting the fairness of its presentation in the SCF and in the overall financial statements.

1.25 We recommended that Management require the Accounting Division of CO to analyze all cash transactions and carefully identify those pertaining to cash inflows and outflows from operating, investing and financing activities to ensure accuracy and reliability of the SCF as this will assist the users in their decision making in generating future cash requirements of the Agency.

1.26 No Management comment has been received as at the preparation of this 2014 Annual Audit Report (AAR).

2. Accuracy, reliability, and existence of PPE account with a year-end balance of P574.516 million could not be established due to discrepancy of P374.660 million or 65.21 per cent between that presented in the Statement of Financial Position and in the Notes to Financial Statements (NFS); non-conduct of reconciliation between accounting and property records caused by absence of subsidiary ledgers and inventory reports; inclusion of unserviceable and disposed property; and non-capitalization of building renovation of P1.498 million.

2.1. Pertinent provisions of the PPSAS No. 1 on presentation of financial statements state that:

Paragraph 15 - Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. Xxx.

Paragraph 17.b - Xxx A fair presentation xxx requires an entity to present information xxx in a manner that provides relevant, reliable, comparable and understandable information.

Discrepancy of P374.660 million in net book values (NBV) of PPE account between that in the Statement of Financial Position (SFP) and in the schedule supporting NFS –

2.2. As at year-end, the PPE account has a NBV of P574.516 million in the SFP. Review of the schedule supporting Note 9 of the NFS for the year ended December 31, 2014, however, disclosed that NBV of PPE account accumulated only to P199.856 million, a discrepancy of P374.660 million or 65.21 per cent of the total NBV of the year-end balance of PPE. Further examination of the schedule revealed that said net book balances pertained only to charges made to Corporate Fund (CF) of CO. Shown in Table 7 is the comparison between the SFP and the schedule supporting NFS on the NBV of PPE account of PCA-CO and ROs/RCs.

Table 7- Discrepancy in the net book values of PPE account between that in the SFP and in the schedule supporting NFS

	Per SFP			Per schedule supporting	Discrepancy
	CO	ROs/RCs	Total	Note 9 of the NFS	
CF – 503	P 198,194,206	P 162,626,495	P 360,820,701	P 199,856,185	P 160,964,516
YRRP* Fund	1,039,983	196,382,654	197,422,637	-	197,422,637
401 Fund	16,272,988	-	16,272,988	-	16,272,988
	P 215,507,177	P 359,009,149	P 574,516,326	P 199,856,185	P 374,660,141

*Yolanda Recovery and Rehabilitation Program

2.3. In addition, the aforementioned schedule included Other Assets account of P1.662 million, thus, resulting in an overstatement by the same amount.

Absence of subsidiary ledgers (SLs) and incomplete entries in the schedules supporting the NBV of PPE account of P241.942 million in the books of CO, three ROs, and one Center –

2.4. Section 12 of the Manual on the New Government Accounting System (MNGAS), Volume II, requires maintenance of SLs containing details or breakdown of the controlling account appearing in the General Ledger (GL). An example of an SL is PPE Ledger Card (PPELC), which shall be kept by the Accounting Unit for each class of asset and record thereon the acquisition, description, depreciation,

transfers/adjustments/disposals and maintenance expenses and other information about the asset. Schedules shall be likewise prepared periodically to support the corresponding controlling GL accounts.

2.5. It was observed that no PPELCs had been maintained for the respective PPE accounts of CO, Regions VI, XII, XIV, and New Coconut Seed Production Center (NCSPC), with aggregate NBV of P241.942 million, representing 42.11 per cent of the total NBV of P574.516 million as at December 31, 2014.

2.6. Schedules of the PPE account maintained by the Accounting Division of CO were obtained instead. Review thereof, revealed that entries pertain only to forwarded 2012 ending balances and 2013-2014 transactions. It is worth mentioning that incomplete entries in the schedules were already observed in 2012 and that the electronic copy of depreciation schedule that was made available then to the Audit Team had a total unreconciled discrepancy of P119.852 million with that of the GL balance.

Incomplete information or absence of inventory reports and non-preparation of reconciliation reports in the CO, NCSPC, and Regions IV-A, VI, XII, and XIV -

2.7. Appendix 63(D) of MNGAS, Volume II, requires timely preparation and submission of Report on the Physical Count of PPE (RPCPPE) to the Auditor not later than January 31 of the succeeding year. Likewise, reconciliation thereof should be made with the accounting and inventory records.

2.8. A physical count of PPE and other property of PCA-CO was conducted during the second semester of 2014. However, a report thereon, as well as the corresponding reconciliation between the property and accounting records had not been submitted to the Audit Team. The latest inventory and reconciliation reports submitted were as at December 31, 2013 and December 31, 2012, respectively. For instance, 2012 inventory and reconciliation reports of CO were submitted late while the 2013 reconciliation report was not submitted at all. It is emphasized that review of the 2012 reconciliation report disclosed reconciling items of P34.509 million, which contained invalid entries. As such, absence of an updated reconciliation report precluded the Audit Team to validate whether said invalid entries had already been corrected. Further, the absence of inventory report raised doubt on whether all the recorded PPE items actually existed.

2.9. On the other hand, the inventory reports of Regions IV-A, VI, XII, XIV and NCSPC were either not completed, completed but contained insufficient information as there were no types and unit values of PPE, or not prepared at all due to unfinished physical count. Thus, the reconciliation of report on physical count with property and accounting records was not made.

2.10. Management averred that the delayed or non-submission of reports were among the consequences of personnel movement in view of the implementation of the rationalization plan. However, the rationalization plan had long been anticipated and as such, contingency measures should have been carried out to minimize disruption in operations during the transition/implementation period. Even prior to the approval of the implementation of the rationalization plan, delayed or non-submission of inventory reports had already been observed.

Unserviceable and disposed properties costing P8.284 million still recorded under PPE account -

2.11. COA Circular No. 89-296 dated January 27, 1989 specifically emphasized that:

Xxx, the full and sole authority and responsibility for the divestment or disposal of property and other assets owned by xxx government- owned and/or controlled corporation and their subsidiaries shall be lodged in the heads of the xxx governing bodies or managing heads of government-owned and or controlled corporations and their subsidiaries conformably to their respective corporate charters or articles of incorporation, who shall constitute the appropriate committee or body to undertake the same.

2.12. Moreover, Section 143 of the MNGAS, Volume III, states that:

Other Assets (251). This account is used to record the value of obsolete and unserviceable assets awaiting final disposition as well as those assets still serviceable but is no longer being used. These items are not subject to depreciation.

2.13. Verification revealed that year-end balances of PPE account of Regions VII and XIV included unserviceable property costing P7.012 million and P1.272 million, respectively, or totaling P8.284 million.

2.14. The unserviceable properties of Region VII were located in the regional office and its provincial offices, but the same were not reclassified to Other Asset account and could not be disposed in view of the absence of an Inventory and Inspection Report for Unserviceable Property (IIRUP). Likewise, of the P1.272 million unserviceable property of Region XIV, P1.072 million of which were already disposed in 2015.

2.15. The inclusion of these unserviceable properties in the PPE account did not only overstate the year-end balance of PPE account but also resulted in the continuous provision of depreciation charges, thus, overstating depreciation expense and accumulated depreciation accounts while understating the net income and asset accounts.

Understatement of P1.498 million on the NBV of Buildings and Other Structures account of P30.598 million at the CO due to non-capitalization of cost incurred to renovate the Product Development Department (PDD) Food Processing Laboratory –

2.16. As at December 31, 2014, the Buildings and Other Structures account of the CO has a NBV of P30.598 million. One of the significant accounting policies disclosed in the NFS requires capitalization of various expenditures such as building improvements and the like.

2.17. Records showed a disbursement amounting to P1.498 million in 2014 for the renovation of PDD Food Processing Laboratory. The specific scope of work for the contract includes: earthworks, backfilling and grading, and reinforced concrete works. Said renovation was completed on March 27, 2014.

2.18. Review, however, of documents disclosed that the cost of said renovation was already accrued in 2013 as Repairs and Maintenance Expense of Other PPE instead of treating the same as an asset. As such, the Buildings and Other Structures account was understated by P1.498 million.

2.19. **We recommended that Management:**

- a. **Require the Accounting Division to determine the correctness of the PPE balance in the general ledger and in the NFS, maintain the PPELC for each class of PPE, prepare the corresponding schedules on a monthly basis and compare it with the general ledger balance, reclassify unserviceable properties from PPE to Other Assets account duly supported with IIRUP, and derecognize from the books cost of unserviceable properties already disposed;**
- b. **Create a Disposal Committee to expedite the disposal of unserviceable property to avoid exposing the same to further deterioration;**
- c. **Direct the Property Division to maintain property cards, submit a complete 2014 inventory report and, henceforth, comply with the timely submission of RPCPPE; and**
- d. **Require the Accounting and Property Divisions to provide updated and accurate reconciliation between the physical count and book balances of PPE account.**

2.20. No Management comment has been received as at the preparation of this AAR.

3. Accuracy and reliability of the year-end balance of Due from Regional Offices (ROs)/Centers account amounting to P151.243 million was doubtful due to allotments of P137.250 million not included in the consolidated financial statements; unreconciled difference of the total expenses of P30.663 million, among others, between the General Ledger (GL), Trial Balance (TB), and the supporting Journal Entry Voucher (JEV); and the incomplete/unsigned documents supporting various transactions of P11.715 million.

3.1 The intra-agency accounts in recording intra-office transactions are the Due from ROs/Centers 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 balances. As such, these accounts should have equal balances, as a result of the elimination/offsetting process, hence, the same should have zero balances in the consolidated financial statements at the end of the accounting period.

3.2 As at December 31, 2014, the Due from ROs/Centers and Due to CO accounts prior to the elimination process had balances of P3.430 billion and P3.279 billion, respectively, thereby showing a difference of P151.243 million. Comparison of said difference with that of prior year amounting to P27.225 million disclosed a significant increase by P124.018 million or equivalent to 455.53 per cent.

3.3 As already noted in prior years, the difference was mainly attributed to the time lag or error in recording intra-office transactions in the CO and ROs/Centers books of accounts. As such, the Audit Team recommended for Management to formulate guidelines to set up cut-off periods and coordinate with ROs/Centers in recording and closing of inter-office transactions to ensure that books are reconciled at year-end. Said recommendations were not, however, complied with.

3.4 For instance, the Receivables-Payables Reconciliation Statements of the Intra-Agency Accounts prepared by the CO as at December 31, 2014 were provided to the respective ROs/Centers only in May 2015, about two months after the 2014 books of accounts were closed. Further, there was no proof that the ROs/Centers concurred with said reconciliation statements. Hence, the validity and accuracy of the reconciling items presented therein could not be ascertained.

3.5 In addition, review disclosed that reconciling items of P139.327 million or 92.12 per cent of total difference of P151.243 million pertained to funds deposited in 2014 and one in 2012 by the CO to the respective depository bank accounts of concerned ROs/Center, as shown in Table 8. Said reconciling items were added to the respective Due to CO accounts of the ROs/Center in the reconciliation statement.

Table 8 - Reconciling items for Due to CO account

Date Deposited by CO	Check		ROs/ Center	Purpose
	Date	Amount		
06/28/12	06/27/12 P	13,793	IX	Salt fertilization
03/13/14	03/11/14	293,400	XI	National Coconut Farmers Registry Survey
08/07/14	08/06/14	117,025	CETC	Personal Services for July 16-31, 2014
09/26/14	09/25/14	634,190	IV-A	Personal Services for September 16-30, 2014
11/11/14	11/07/14	137,249,500	XI	Rehabilitation of typhoon Pablo affected farms
11/14/14	11/13/14	539,559	IX	50 per cent Year End Bonus and Cash Gift
12/16/14	12/15/14	480,000	XIV	16,000 seedlings from DA BAPC Seed garden
		P 139,327,467		

3.6 As shown also in Table 8, the amount of P137.250 million received by Region XI accounts for 98.50 per cent of the total allotments taken up as reconciling items in the reconciliation statement. Verification disclosed that the said allotment, which would be used to finance the rehabilitation of farms affected by typhoon Pablo in Davao region, had already been recorded by Region XI in its books (Due to CO account) as at November 30, 2014. However, the TB pertaining thereto was not included in the consolidated financial statements, thus, understating the Cash in Bank, Expenses, and Accounts Payable accounts by P137.019 million, P0.321 million, and P0.043 million, respectively, while overstating the Due from ROs/Centers account by P137.298 million.

3.7 On the other hand, reconciling items for prior years' transactions amounting to P5.678 million at the beginning of the year were reduced only by P0.194 million or equivalent to 3.42 per cent thereof, thereby, still having unreconciled amount of P5.484 million as at year-end. Said transactions covered the period 1996-2012, wherein the present accountants have been encountering difficulties in locating the required supporting documents.

3.8 Also, existing policy requires ROs/Centers to remit their collections to CO at least once a month. Review of unremitted collections of Region IV-A in the amount of P3.009 million, however, disclosed that said funds were already collected in November 2014 but were remitted to CO only after two months or in January 2015. As such, the amount of P3.009 million was taken up as one of the reconciling items in the reconciliation statement. Had monitoring of collections and remittance been intensified especially towards the end of the year, there would have been zero or less reconciling items for unremitted collections at cut-off date.

3.9 Moreover, it was observed that the total expenses of the ROs/Centers reflected in the consolidated TB as at December 31, 2014 in the amount of P1.332 billion was not reconciled with the JEV drawn to take up elimination/relief of expenses incurred by the ROs/Centers for the year 2014 in the total amount of P1.362 billion, thus, having a discrepancy of P30.663 million. Further verification revealed that the account Agricultural and Marine Supplies Expense - earwigs and coconut seedlings, per consolidated TB, in the amounts of P44.738 million and P324.278 million were not respectively reconciled with the GL amounts of P75.401 million (for the earwigs) and P279.541 million (for the coconut seedlings) or showing variances of P30.663 million and P44.737 million.

3.10 Likewise, transactions totaling P11.715 million were with incomplete/unsigned supporting documents. The JEVs to record utilization/adjustments by the ROs/Centers of the funds for the implementation of the special projects amounting to P8.949 million, while covered with Debit/Credit Advices (DCAs), were not supported with duly verified Report of Disbursements (RDs), contrary to COA Circular No. 94-013 dated December 13, 1994. Also, DCAs amounting to P2.766 million, representing payments of accounts payables and other prior year's adjustments 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.

3.11 In view of the foregoing, there is an indication of lack of coordination, monitoring and effort to reconcile the identified reconciling items of intra-agency accounts for CY 2014; thus, the accuracy and reliability of the Due from ROs/Centers account amounting to P151.243 million were doubtful.

3.12 We reiterated our recommendations that Management formulate guidelines to set up cut off periods in recording and closing of inter-office transactions and to require the Accounting Division of CO to regularly coordinate with the ROs/Centers in performing the following:

- a. Regular preparation of Quarterly Reconciliation Statements, intensified monitoring of the reconciling items and intra-agency transactions, and immediate take up of the necessary adjustments;**
- b. Timely recording of intra-agency transactions prior to the preparation of the year-end reports;**
- c. Reconciliation of the consolidated TB with the GL and JEV, particularly for the Agricultural and Marine Supplies Expense-Earwigs and Coconut Seedling accounts; and**

d. Submission of complete and valid documents supporting intra-office transactions, e.g., duly verified RDs and signed DCAs, among others.

3.13 No Management comment has been received as at the preparation of this AAR.

4. Receivables, Investments, and Due to other NGAs accounts accumulating to P13.274 million have been dormant and non-moving for at least 2 to 30 years in view of lack of supporting records which cast doubt on the reliability and validity thereof, while affecting the credibility of PCA for the funds received due to non-refund of unutilized balance of P0.436 million.

4.1 COA Circular No. 97-001 dated February 5, 1997 prescribes the guidelines on the proper disposition/closure of dormant funds/accounts. It also provides for the definition of dormant accounts as individual or group of accounts which balances remained non-moving for more than five years. Dormant funds, on the other hand, refer to funds with their own assets, liabilities and residual equity created for specific projects/programs; the implementation of which have been completed and the account balances remained non-moving for more than five years.

4.2 Section III.B of the same COA Circular further requires that dormant accounts in an active fund shall be reviewed, analyzed and reconciled together with the other related accounts in the trial balance. Thereafter, in the same manner as with the dormant funds, adjusting journal entries shall be effected, collection of receivables shall be enforced, and liabilities shall be settled on the affected accounts.

4.3 A comparison of year-end balances covering the CYs 2006 to 2014 was conducted for 56 selected accounts of CO with total balances amounting to P10.330 million as at December 31, 2014. Result of said procedure, disclosed that half of said accounts or 28 accounts accumulating to P4.643 million or 44.95 per cent of the total balances of P10.330 million have been dormant for at least six to 15 years while the remaining amount of P5.687 million or 55.05 per cent have been non-moving for two to five years.

4.4 As already noted in prior years, there were 59 accounts accumulating to P10.452 million as at December 31, 2012 which were non-moving or dormant for two to six years. It is worthy to mention that 18 receivables and payables accounts aggregating P1.328 million were already fully settled while 4 payables accounts with balances accumulating to P2.528 million have movements as at December 31, 2014.

4.5 However, there were also four non-moving accounts in 2012 in the aggregate value of P0.906 million that have become dormant for six to eight years as at year-end. As such, the aforementioned 28 non-moving accounts with balances totalling P5.687 million as at December 31, 2014 may likewise become dormant. The accumulation of non-moving and dormant accounts totaling P10.330 million cast doubt on the reliability, and validity of affected accounts.

Unused balance of fund transfers -

4.6 Section 6.7 of COA Circular No. 94-013 dated December 13, 1994 requires an implementing agency to return to its source agency any unused balance of fund transfer.

4.7 Among the non-moving and dormant accounts of CO as at December 31, 2014 were the unutilized balances of P0.348 million for fund transfers received from various government agencies for the implementation of identified projects. Likewise, the three projects of Albay Research Center, which were completed in 2012, still had unexpended fund transfer balance of P0.088 million. However, the unutilized funds were still used in CY 2014 to purchase various items such as office supplies, laboratory supplies, gasoline, oil and lubricants and to pay for the repair and maintenance of various pieces of equipment, hence, disallowable in audit.

4.8 Failure of the PCA to return the unused balance of fund transfers received is not only contrary to the aforementioned COA Circular but also affecting the credibility of PCA for the funds entrusted therewith in the implementation of programs and projects funded by various source agencies.

Uncertainty in the recovery of Other Receivables of P2.855 million of New Coconut Seed Production Center (NCSPC) and Regions IV-A and XIII -

4.9 The balance of Other Receivables account of NCSPC and Regions IV-A and XIII in the amount of P0.787 million, P1.587 million, and P0.481 million, respectively, or totaling P2.855 million have already been dormant from 5 years to 30 years.

4.10 The other receivables of NCSPC consisted of sales of coconut seedlings, seed nuts, coco toddy and fertilizers on account to various private coconut planters and to Local Government Units (LGUs) in North Cotabato and the neighbouring provinces. However, there are no sufficient records regarding the historical details which are the constraints in the enforcement of the collection.

4.11 Likewise, P1.361 million of the P1.587 million other receivables of Region IV-A represents the cost of vegetable seeds and livelihood projects provided to and payable by 837 farmers in Cavite, Laguna, Batangas, and Quezon (CALABAZON) provinces which remained uncollected and dormant for 30 years. The remaining amount of P0.226 million consists of receivables from CO and Region IV-A employees which remained uncollected for a period of one to 10 years due to absence of details/records on the nature of the receivables, as well as, identity of the aforesaid employees.

4.12 In Region XIII, the Other Receivables account refers to the receivables of Region X which were transferred to the books of accounts of Region XIII when the provinces of Region XIII were still under Region X. These receivables were loans in-kind extended to Small Coconut Farmers' Organizations (SCFO). Also, enforcement of collections could not be made in view of unavailability of records/documents.

Non-recognition of fair value of investment in stocks -

4.13 Pertinent provisions of PPSAS No. 39 on available-for-sale financial assets state:

Paragraph 10 -Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Paragraph 48 - After initial recognition, an entity shall measure financial assets xxx at fair value, without any deduction for transaction costs it may incur on sale or other disposal xxx.

4.14 As at December 31, 2014, the Investment in Stocks account of CO showed a balance of P0.089 million which had been dormant for at least 15 years. The Notes to Financial Statements provides, among others, that the account consists of 88,515 shares of stocks acquired from United Coconut Planters Bank (UCPB) through purchase at a par value of P1 or as stock dividends at various dates.

4.15 Inquiry disclosed that Management neither intend to hold such investment for trading nor designate it as financial asset through profit or loss. As such, the investment qualifies as an available-for-sale financial asset; however, the same was not subsequently measured at its fair value which makes the account misstated, thus, misleading the users of the financial statements.

4.16 As a consequence of the absence of sufficient documents/records, the probability to recover from the aforementioned accounts is very uncertain, to the detriment of the government.

4.17 **We recommended that Management:**

a. **Require the concerned personnel to exert efforts in collecting the long-outstanding receivables from farmers and PCA employees, return the unexpended balances of fund transfers to source agencies and revalue the investment in stocks at its fair value and effect the necessary adjusting entries, if any;**

b. **Consider imposing administrative disciplinary action against officials/employees who failed to comply with the requirements of COA Circular No. 97-001 dated February 5, 1997, as provided in Section IV thereof; and**

c. **Provide information as to the status of latest actions taken on the dormant/non-moving accounts of PCA.**

4.18 **We further recommend that Management require the concerned Regional/Center Managers to re-examine the strategy being employed to maximize effort on the possible recovery of the receivables; but if thereafter it will still prove futile, comply with the documentary requirements for writing-off of dormant accounts pursuant to existing COA Circular.**

4.19 No Management comment has been received as at the preparation this AAR.

COMPLIANCE

5. Unutilized balance of Disbursement Acceleration Program (DAP) fund of P274.455 million was only returned to the Bureau of the Treasury (BTr) after almost a year, while related expenses accumulating to P54.418 million were obligated and paid, notwithstanding the decision of the Supreme Court on July 1, 2014 that acts and practices under the DAP are unconstitutional for being contrary to Section 25(5), Article VI of the 1987 Constitution and the doctrine of separation of powers.

5.1 In General Register (G.R.) No. 209287 dated February 3, 2015, the Supreme Court in its decision held that:

***ACCORDINGLY**, the dispositive portion of the Decision promulgated on July 1, 2014 is hereby **MODIFIED** as follows:*

***WHEREFORE**, the Court **PARTIALLY GRANTS** the petitions for certiorari and prohibition; and **DECLARES** the following acts and practices under the Disbursement Acceleration Program, National Budget Circular No. 541 and related executive issuances **UNCONSTITUTIONAL** for being in violation of Section 25(5), Article VI of the 1987 Constitution and the doctrine of separation of powers, xxxx*

Xxxx

*The Court further **DECLARES VOID** the use of unprogrammed funds despite the absence of a certification by the National Treasurer that the revenue collections exceeded the revenue targets for non-compliance with the conditions provided in the relevant General Appropriations Acts.*

5.2 The amount of P492.857 million of the P500 million fund allotment was received by PCA from the Department of Budget and Management (DBM) through BTr on June 16, 2014 for the implementation of calamity-related rehabilitation/restoration projects and other priority projects, per Special Allotment Release Order (SARO) No. F-13-01318 dated December 27, 2013. Said SARO provides, among others, that the allotment was pursuant to the approval of the President per Memorandum dated June 14, 2013 of the Executive Secretary to the DBM, on the recommendation of the Secretary of DBM to the President dated May 20, 2013 for the omnibus authority to consolidate savings/unutilized balances and their realignment to fund the quarterly DAP.

5.3 Management, however, averred that they were never advised of the nature of the fund and “*did not have any inkling that the source was DAP funds*” despite the fact that they were provided with a copy of the SARO, which explicitly mentioned the intention of such release was for DAP. As such, of the amount received, P92.097 million was released to the Regional Offices (ROs)/Research Centers (RCs) while the remaining amount of P400.760 million was retained at the Central Office (CO) for the implementation of three DBM-approved projects, as shown in Table 9.

Table 9- DAP Fund Retained in CO and Released to ROs/RCs

Program/Project	Received	Distributed to	
		CO	ROs/RCs
Scale Insect Infestation Control Program (or Coconut Scale Insect Emergency Action Program – CSIEAP)	P 400,000,000	P 379,268,200	P 20,731,800
Pablo Recovery and Rehabilitation Program (or Pablo Rehabilitation and Restoration Project – PRRP)	80,000,000	21,492,167	58,507,833
Coconut Hybridization Program (or National Coconut Hybridization Project - NCHP)	12,857,600	-	12,857,600
	P 492,857,450	P 400,760,367	P 92,097,233

5.4 In addition, the Work and Financial Plan for P17.369 million of the total allotment released to Region IX of P20.297 million for the implementation of CSIEAP was approved by the PCA Administrator only in August 2014 while the respective letters of ROs/RCs, particularly those dated after July 1, 2014, requesting for the release of funds made no mention that expenses were already incurred/obligated to justify the same. Management, however, averred that all of the fund releases to the ROs/RCs amounting to P92.097 million were supported with expenditures that were obligated or disbursed on or prior to July 1, 2014. Conversely, confirmation made with the respective Audit Teams of the said ROs/RCs revealed that obligations made prior to the promulgation of Supreme Court Decision amounted only to P9.188 million. After July 1, 2014, said ROs/RCs still obligated and paid expenses out of the DAP fund in the amount of P52.998 million.

5.5 On the other hand, total disbursements made by the CO amounting to P156.216 million, which were solely for the implementation of CSIEAP, included various expenditures of P1.420 million, which were, however, incurred after July 1, 2014. Cash advances were also thereafter granted, such as that dated July 2, 2014 and July 31, 2014 amounting to P0.316 million and P 0.500 million, respectively.

5.6 Hence, of the total utilizations of P218.402 million, P163.984 million of which were obligated and paid prior to July 1, 2014 while the remaining amount of P54.418 million was obligated or paid after July 1, 2014, as summarized in Table 10. The P54.418 million are, however, considered disallowable expenditures as such were obligated and paid from the DAP fund after the promulgation by the Supreme Court of the unconstitutionality of said practice, as per G.R. No. 209287 dated July 1, 2014.

Table 10 - Utilizations of DAP Fund

Program/ Project	Amount Received	Obligated			Unutilized balance
		on or prior to July 1, 2014	after July 1, 2014	Total	
CSIEAP	P 400,000,000	P 155,895,689	P 11,664,907	P 167,560,596	P 232,439,404
PRRP	80,000,000	-	39,248,307	39,248,307	40,751,693
NCHP	12,857,600	8,088,755	3,504,657	11,593,412	1,264,188
	P 492,857,600	P 163,984,444	P 54,417,871	P 218,402,315	P 274,455,285

5.7 It was also observed that said unutilized balance of P274.455 million is lower than that reported as at December 31, 2014 of P277.755 million, or a reduction of almost P3.300 million, as shown in Table 11, which only showed that disbursements have been continuously incurred in 2015, hence also considered disallowable expenditures. RO XI commented that they received only on March 31, 2015 the memorandum of CO directing them to stop the disbursement of said funds.

Table 11 - Unutilized Balances of Programs/Projects funded out of DAP

	Unutilized balances as at		Difference
	December 31, 2014	June 25, 2015	
CSIEAP	P 232,573,636	P 232,439,404	P 134,232
PRRP	43,572,908	40,751,693	2,821,215
NCHP	1,608,179	1,264,188	343,991
	P 277,754,723	P 274,455,285	P 3,299,438

5.8 The unutilized balance of P274.455 million was returned to BTr only on June 25, 2015, almost one year after the promulgation of the Supreme Court on the unconstitutionality thereof. Thus, the State was deprived of immediately utilizing the much needed funds for other priority programs of the National Government.

5.9 We recommended that Management hold liable the officers and employees who caused the continued utilization of DAP funds and deferred return of the unexpended balance.

5.10 No Management comment has been received as at the preparation of this AAR.

6. Significant requirements under Republic Act (RA) No. 9184 were not fully observed in the procurement of goods and services in the total amount of P688.718 million under the Yolanda Recovery and Rehabilitation Program (YRRP) and Coconut Scale Insect Emergency Action Program (CSIEAP) which were made through emergency mode of procurement, thus no assurance that the availed prices were most advantageous to the government.

6.1 Section 2 of the Implementing Rules and Regulations (IRR) of RA No. 9184 states that:

The provisions of this IRR are in line with the commitment of the [Government of the Philippines] GOP to promote good governance and its effort to adhere to the principle of transparency, accountability, equity, efficiency, and economy in its procurement process. It is the policy of the GOP that procurement of xxx, goods xxx services shall be competitive and transparent, xxx.

6.2 During CY 2014, the PCA procured goods and services through emergency mode of procurement from various suppliers in the total amount of P688.718 million under YRRP and CSIEAP. Details are summarized in Table 12.

Table 12 - Procurement of goods and services under YRRP and CSIEAP

	Contract Date	Types of Goods/Services	Quantity	Cost (In Million Pesos)
YRRP				
Ford Tractor Philippines				
1 st contract	03/07/14	Farm Tractors	5 units	P 11.950
2 nd contract	03/21/14	-do-	5 units	11.950
				23.900
Atlas Fertilizer Corporation	02/24/14	Coco Gro Fertilizers	87,630 bags	87.630
University of the Philippines Los Baños Foundation, Inc.	02/14/14	Assorted Vegetable Seed Packs (Pinakbet Seed Packs)	50,000 packs	2.100
Ramgo International Corporation				
1 st contract	02/21/14	Assorted Vegetable Seed Packs (Pinakbet Seed Packs)	70,000 packs	3.343
2 nd contract	-	-do-	99,533 packs	5.383
				8.726
LM Arenas Agri-products Corporation				
1 st contract	02/18/14	Mung bean seeds	100 metric tons	15.000
2 nd contract	-	-do-	146.67 metric tons	22.000
				37.000
Deutsche Motorgerate, Inc.				
1 st contract	02/13/14	Chainsaws and accessories	600 units	38.880
2 nd contract	-do-	Logosol saw mills and accessories	5 sets	1.425
Purchase Order	03/24/14	Chainsaws and accessories	300 units	19.440
3 rd contract	03/24/14	Various chainsaws and accessories	Various	8.019
4 th contract	10/21/14	Chainsaws and accessories	1,500 units	93.000
				160.764
GMG Agri Farm Products	02/14/14	Coconut seedlings	88,312 pieces	28.687
Corrines Garden		Coconut seedlings		32.550
Agro-K Philippines Corporation	03/28/14	Nirmaject Spiker slow Release Solid Coconut Fertilizers	45,000 boxes	70.875
One Cypress Agri Solution, Inc.	-	Complete fertilizers	95,000 bags	28.500
	-	-do-	99,533 bags	29.860
				58.360
Suki Trading Corporation		Forage chopper	20 units	2.815
N.T.D.C.Y 888 Global Enterprise		Forage Chopper	21 units	2.956
Greenworld Agri-Farm Center		White corn seeds	13,463 bags	18.175
CSIEAP				
Philippine Association of Certified Pesticide Applicators, Inc. (PACPA)	06/26/14	Services		116.480
Leads Agricultural Products Corporation (LAPC)	06/26/14	Chemical pesticides		37.700
				154.180
				P 688.718

6.3 Review of documents supporting the awarding of the contracts to suppliers, as shown in Table 12, disclosed documentary and procedural deficiencies, which is an indication that the Bids and Awards Committee (BAC) and other officials concerned

lacked sufficient awareness or knowledge in the procurement processes prescribed under RA No. 9184. Additional information on the following observations is presented under Annex 1:

- a. There were no Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) prior to or at the onset of procurement of goods and services;
- b. No minutes of pre-procurement conference. In the absence of minutes of conferences, there is no evidence as to what have transpired during the pre-procurement conferences especially on significant matters that are necessary in the next phase of the procurement process;
- c. Absence of BAC resolution. The necessity of opting for emergency procurements could not be established due to the absence of BAC recommendation and approval thereof of the Head of the Procuring Entity (HOPE);
- d. Absence of proof of invitation letters to at least three prospective suppliers cast doubt whether there were really invitation letters and that the offer of the awarded supplier is the most advantageous to the government;
- e. Absence of Abstract of Bids in all the procurements;
- f. The audited Financial Statements of Philippine Association of Certified Pesticide Applicators, Inc. (PACPA), Diversified Pest Solutions, Inc. (DPS), and J.B. Guevarra & Sons, Inc. (JBGS) showed errors and inconsistencies, thus cannot be relied upon;
- g. Non-submission of PACPA or any of its joint venture partners of the Statement of ongoing government and private contracts, including contracts awarded but not yet started.
- h. Non-inclusion of the Mayor's Permit and tax clearance as among the eligibility requirements for submission of the bidders. Notwithstanding, however, one of the joint venture partners of PACPA submitted its Mayor's Permit that showed it is a registered wholesaler for agricultural equipment/spare parts/supplies and pesticides and not a contractor for pest control services;
- i. No computation of Net Financial Contracting Capacity (NFCC) was submitted to the Audit Team, hence, no information to evaluate the financial capability of the supplier to execute the contract;
- j. Non-submission of Statement identifying the bidder's single largest completed contract similar to the contract to be bid by PACPA and DPS. Only one of the joint ventures of PACPA had submitted but pertaining to sale of pesticides and agricultural equipment/spare parts/supplies; thus, absence of this document means that the suppliers have not done any contract similar to pest control;

k. Notices of Awards were issued to the suppliers without BAC recommendations on the awards and approval by the HOPE thus, no information to show the things taken into consideration that led to the awarding of the contract to the supplier;

l. No approval from the PCA Governing Board prior to the signing and execution of contract;

m. Seven Notices of Awards were never posted while 11 were posted late ranging from 26 to 178 days in PhilGEPS and PCA websites, as well as non-posting at any conspicuous places in the Agency's premises, thereby depriving the public of the timely information on the award made; and

n. No observers were invited in any of the procurement stages, thus transparency could not be assured to have been attained.

6.4 The aforementioned observations were contrary to the provisions of RA No. 9184, thus no assurance that the availed prices were most advantageous to the government.

6.5 We recommended that Management:

a. Require all the BAC members and all officers concerned to undergo training/re-training on RA No. 9184 and its IRR to safeguard the resources of the government; and

b. Consider imposing sanctions to those concerned personnel who deviated from relevant provisions of the IRR of RA No. 9184.

6.6 Except as otherwise provided in Annex 1, no other Management comment has been received as at the preparation this AAR.

7. Sense of urgency in the procurement of farm tractors and mung bean seeds under the YRRP and chemical pesticides under the CSIEAP totaling P98.600 million could not be established since the delivery periods as stipulated in the contracts ranged from 30 days to 60 days and in fact actual deliveries of the tractors were held in abeyance up to 87 days, thus defeating the purpose of emergency procurement.

7.1 Section 53.2 of IRR of RA No. 9184 states that:

Emergency Cases. In case of imminent danger to life or property during a state of calamity, or when time is of the essence arising from natural or man-made calamities or other causes where immediate action is necessary to prevent damage to or loss of life or property xxx.

7.2 Likewise, Annex "C" of the same IRR and RA provides, among others, that the earliest possible time for action on specific procurement activities could be made for a total of 28 calendar days.

7.3 Review of the deliveries of the procurement shown in Table 12 indicated that the number of days of delivery periods as stipulated in the contract ranged from 30 days to 60 days, notwithstanding that the procurements were considered emergency in nature.

Procurement of farm tractors and mung bean seeds under YRRP amounting to P60.900 million -

7.4 As can be gleaned from Table 13, the supplier delivered the first five sets of farm tractor from March 14, 2014 to March 28, 2014 or 13 days ahead of the 30th day or April 10, 2014. For the second five sets of farm tractor, the delivery should have commenced on March 31, 2014 and completed on April 26, 2014, but the former Administrator requested the supplier that the delivery period should be held in abeyance effective April 8, 2014 to May 8, 2014 since the clearing operation in the areas affected by typhoon “Yolanda” have not been completed. Subsequently, the actual deliveries were made from June 18, 2014 to June 25, 2014 or 87 days after receipt of Notice to Proceed (NTP).

Table 13 – Delivery period per contract and actual delivery period

Supplier	Type of goods	Quantity	Date NTP received by supplier	Delivery date		No. of days of deliveries		Remarks
				Contract	Actual	Contract	Actual	
YRRP								
Ford Tractor Philippines	Tractor (1 st set)	5 units	03-11-14	03-16-14 to 04-10-14	03-14-14 to 03-28-14	30	15	Deliveries were 13 days ahead of the completion date.
	Tractor (2 nd set)	5 units	03-26-14	03-31-14 to 04-26-14	06-18-14 to 06-25-14	30	87	Deliveries held in abeyance.
L.M. Arenas Agri-products Corporation	Mung bean seeds	100 metric ton	02-24-14	03-01-14 to 04-30-14	03-01-14 to 04-15-14	60	45	Deliveries were 15 days ahead of the completion date.
CSIEAP								
Leads Agricultural Products Corporation (LAPC)	Chemical pesticides	260,000 sachets	06-26-14	June 30, 2014 (1 st tranch) July 21, 2014 (2 nd tranch)	June 30, 2014 (1 st tranch) July 21, 2014 (2 nd tranch)	60	60	Deliveries made in two tranches on June 30, 2014 for 150,000 sachets and July 21, 2014 for 110,000 sachets.

7.5 Likewise, the delivery period of mung bean seeds was scheduled within 60 days upon receipt of the NTP. The NTP provides that the delivery of said goods would commence five days upon receipt of the NTP which was on February 24, 2014. While the supplier was able to complete the delivery on April 15, 2014 or 15 days ahead of the 60th day or April 30, 2014, it appeared, however, that the supplier was given more than enough time within which to deliver the seeds notwithstanding that the procurement was considered emergency in nature.

7.6 Management commented that consideration on the possible pacing of the implementation was taken into account in the delivery period of mung bean seeds in

view of the following: poor transport system, insufficient warehouses, dwindling agricultural input supply, and unavailability of farmer victims to plant the seeds.

7.7 As such, specific timeframe of staggered deliveries should have been explicitly stipulated in the contract. Further, had public bidding been conducted and had the earliest possible time for action on procurement activities been strictly observed, PCA would have been, at least, assured of obtaining a competitive cost within the same period as that given to aforesaid suppliers.

*Procurement of chemical pesticides under CSIEAP
P37.700 million -*

7.8 The Accomplishment Report of the CSIEAP Task Force showed that around 1.1 million trees were already infested in May 2014 and a month thereafter, the number doubled and reached to 2.1 million, spreading to the Cavite, Laguna, Batangas, and Quezon (CALABAZON) areas. In June 2014, procurement was made for 260,000 sachets of chemical pesticides for the treatment of 1.3 million Coconut Scale Insect (CSI)-infested trees.

7.9 Items 2 and 3 of the General Protocol for the Emergency, Area-wide Control of CSI disclosed that the infested tree could disperse CSI up to 0.40 km per month and can have an approximate number of 1 million CSI, depending on the degree of infestation. Based on modelling from literature search, a thousand CSI can multiply to about 200,000 in 45 days (less about 13 per cent of natural death). The same Protocol also provides that it takes two to five days for the insecticide to reach the crown of the coconut tree, based from the laboratory experiments and field-testing. Further, CSI population is expected to be reduced within two to 45 days after trunk injection.

7.10 The signed contract and Annex B, which were attached to the invitation letter of PCA to the suppliers for the procurement of chemical pesticides, showed that 110,000 sachets or 42.31 per cent of the total quantities of 260,000 sachets, for the treatment of 1.3 million CSI-infested trees, were not required to be delivered not until about a month after the 1st delivery was made, which also appeared to be consistent with the work plan of the service providers who were tasked to apply the treatment to the infested trees. Pending the application of chemical pesticides, however, the remaining 546,000 infested trees or 42 per cent of the 1.3 million CSI-infested trees had already dispersed CSI and consequently, the CSI had already multiplied to almost 200 per cent of its original quantity, which would have brought further damage to the coconut industry had it not for a natural intervention brought about by typhoon Glenda.

7.11 We recommended that Management meticulously and judiciously plan its procurement activities, taking into consideration the emergency nature of the procurement, and ensuring the immediate/expeditious delivery of the items to be procured as well.

7.12 Except on the procurement of mung bean seeds, no other Management comment has been received as at the preparation of this AAR.

8. Splitting of contracts for the procurements of 24,667 bags of mung bean seeds costing P37 million under the YRRP as well as livestock and various seeds/seednuts/coffee seedlings costing P29.065 million under the Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP), or for a total amount of P66.065 million, which resulted in circumventing control measures and forgone discounts on volume purchases, is contrary to Section 54.1 of the IRR of RA No. 9184 and COA Circular No. 76-41.

8.1 Section 54.1 of the IRR of RA No. 9184 provides that splitting of contract is not allowed in any mode of procurement under the alternative methods of procurement, to wit:

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 xxx for the purpose of evading or circumventing the requirements of law and this IRR, xxx.

8.2 Further, COA Circular No. 76-41 dated July 30, 1976 states that:

But in whatever form splitting has been resorted to, the idea is to do away with and circumvent control measures promulgated by the government. It is immaterial whether or not loss or damage has been sustained by, or caused to, the government.

8.3 On the other hand, Section 51 of the IRR of RA No. 9184 states that repeat order, as an alternative mode of procurement, should only be made with a previous winning bidder for a contract awarded through competitive bidding. Also, the repeat order must only be resorted to under several circumstances such that, among others, it will not resort in splitting of contracts and that it will not exceed 25 per cent of the quantity of each item in the original contract.

8.4 The procurement for the 24.667 metric tons (MT) or 24,667 bags of mung bean seeds through emergency mode of procurement was composed of two contracts executed by and between PCA and LM Arenas Agri-products Corporation, details of which are summarized in Table 14. Both contracts were intended for the same purpose which was for rehabilitation project, particularly the intercropping component, of areas affected by typhoon Yolanda.

Table 14 - Schedule of procurement of mung bean seeds

Contract	Date of Notice		Board Resolution		Cost / Bag / .01 MT*	Quantity		Cost (in Thousand Pesos)
	of Award	to Proceed	Date	No.		In bags	In MT	
1 st	02/19/14	02/21/14	03/03/14	030-2014	P1,500	10,000	100.00	P 15,000.0
2 nd	03/14/14	03/27/14	03/18/14	039-2014	P1,500	14,667	146.67	22,000.5
						24,667	246.67	P 37,000.5

* 1 bag = 10 kgs. = .01 MT

8.5 Procurement made under the second contract cannot be considered as a repeat order. It should be noted that:

- a. The first contract was not awarded through a competitive bidding. Instead, alternative mode of procurement – emergency cases was resorted to; and
- b. The quantity of 146.67 MT mung bean seeds procured under the second contract is 46.67 per cent of the first contract of 100 MT, thus exceeding the allowable limit of 25 per cent of the first contract by 21.67 per cent.

8.6 Based on Section 23.5.1.4 of the IRR of RA No. 9184, the eligibility criteria for the procurement of goods provided, among others, that the Net Financial Contracting Capacity (NFCC) of the prospective bidder must be at least equal to the Approved Budget of the Contract (ABC) to be bid. Comparison, however, of the NFCC calculated by the supplier in the amount of P17.832 million and the ABC of individual procurement and the aggregate thereof, as illustrated under Table 15, revealed that LM Arenas Agri-products Corporation did not qualify as an eligible supplier for the second procurement and more so if there was only one single procurement for the total quantity requirement. To circumvent the requirement of NFCC, it appeared that contracts were split into two such that the NFCC of the supplier would approximate each ABC to be bid.

Table 15 - NFCC vis-à-vis ABC

Procurement	NFCC	ABC	Excess/(Shortage)	Remarks
1 st	P 17,832,200	P 15,000,000	P 2,832,200	Eligible
2 nd	17,832,200	22,000,500	(4,168,300)	Ineligible
1 st and 2 nd (total)	17,832,200	37,000,500	(19,168,300)	Ineligible

8.7 Had procurements been aptly consolidated, PCA would have had no reason to qualify LM Arenas Agri-products Corporation as an eligible supplier.

Table 16 - Splitting of requisitions in Region IV-A

Name of Supplier	Items Purchased	No. of DVs	Date of PRs	Date of POs	Amount
Gaudencio Kasilag Cattle Trading	Livestock e.g.,	5	08/27-10/18/12	10/25-10/31/12	P 1,371,981
	Carabaos	2	10/05-10/10/12	12/12-12/19/12	472,150
	Cattles,	9	11/15-12/12/12	12/19-12/26/12	1,582,833
	Piglets,	12	02/21-02/27/13	04/15/13	2,190,790
	Horses, Goats	25	02/27-02/28/13	04/22-04/26/13	5,133,717
		14	03/12-04/27/13	04/15-04/26/13	5,120,266
		16	10/16-12/16/13	12/05-12/27/13	2,890,000
		83			18,761,737
Ms Enterprises by: Romeo B. Macatangay (RBM's Enterprises)	Livestock e.g.,	20	02/ 27-04/ 11/13	04/ 25-27/13	5,154,000
	Carabaos	2	03/06/13	03/27/13	940,970
	Cattles,	8	10/16-10/23/13	12/02-12/05/13	1,700,000
	Piglets,	5	07/01/14	08/07/14	839,972
	Horses, Goats				
		35			8,634,942
Liwayway Amat Agri Trading	Various seeds /	6	08/13-10/0 5/12	11/13-11/15/12	634,653
	Seed nuts and coffee seedlings	3	02/27-04/04/13	04/11-04/25/13	1,033,500
		9			1,668,153
					P 29,064,832

8.8 Further, public bidding in Region IV-A was not conducted in the procurement of goods under KEDP from CYs 2012 to 2013. As shown in Table 16, splitting of purchase requests (PRs) and purchase orders (POs) was observed in the purchase of livestock from Gaudencio Kasilag Cattle Trading and RBM's Enterprises with an aggregate amount of P18.762 million and P8.635 million, respectively, and planting materials from Liwayway Amat Agri Trading totaling P1.668 million since the dates of the PRs and the POs were made at about same time or at few days interval. This is an indication that the Agency evaded the requirements of RA No. 9184 on the necessity of public bidding since the aggregate amount of the subject purchases exceeded the threshold for adopting alternative mode of procurement.

8.9 On the other hand, while COA Circular No. 76-41 dated July 30, 1976 provides that it is immaterial whether or not loss or damage has been sustained by, or caused to, the government, it should be pointed out that splitting the procurement had consequently resulted in foregone discounts on volume purchases.

8.10 We recommended that Management hold the concerned officials and employees of CO and Region IV-A accountable and responsible for splitting the procurements; and, henceforth, all procurements should be conducted through public bidding unless the use of alternative mode of procurement is duly justified, as provided under Sections 10 and 48 of IRR of RA No. 9184.

8.11 Management of CO commented that there was no splitting of contracts with LM Arenas Agri-products Corporation for the purchase of mung bean seeds. The initial purchase was decided on due to the projected limited areas affected by typhoon Yolanda that can readily absorb and implement a quick turnaround livelihood project of planting short gestation crops for food availability. The logistical and manpower challenges were also taken into consideration since PCA was still implementing debris management and a limited rehabilitation and livelihood program being undertaken by the regional personnel who themselves are typhoon victims. The unavailability of warehouses/storage facilities also precluded the procurement of the entire requirements for mung bean seeds.

8.12 As a rejoinder on the comment of Management that there was no splitting of contracts with LM Arenas Agri-products Corporation in view of the prevailing conditions that were taken into consideration, it is very clear however that notwithstanding those two contracts was made for the delivery of the mung bean seeds, the required NFCC of the supplier was short by P4.168 million in the second contract, in violation of Section 23.5.1.4 of IRR of RA No. 9184. More so if there was only one contract because the NFCC of the supplier would have been short by P19.168 million. Undermining the requirement on NFCC would endanger the efficient implementation of a project if the contractor does not have the financial capacity to execute the contract.

8.13 To validate, however, the comment of Management on the prevailing circumstances, **we further recommend that Management initiate the conduct of thorough investigation to unearth the real situation(s) that have led to the awarding of the contract to a supplier without regard to the requirement on NFCC under Section 23.5.1.4 of IRR of RA No. 9184, so that appropriate action can be undertaken and repeated violation can be avoided.**

9. Two Certificates of Availability of Funds (CAF) in the total amount of P102.630 million charged to the YRRP fund bearing the names of the winning suppliers were issued ahead of the invitation to bid and submission of bid proposals, an indication that there was pre-negotiation with favoured suppliers, thus restricting equal and competitive opportunity to other suppliers who may also be eligible to participate in the bidding, and no assurance that the contract prices are the most advantageous to the government.

9.1 Section 2.2 of COA Circular No. 82-122-B dated January 18, 1982 defines CAF as a certification made by the proper accounting official of the agency concerned that funds have been duly appropriated/allotted for the purpose of entering into a contract involving expenditure of public funds.

9.2 The mentioned provision shows that the CAF is prepared to ensure that there are funds available for the contract that will be entered into. Review of CAFs charged against the YRRP fund showed that one CAF was issued for Atlas Fertilizer Corporation to supply 60,690 sacks (50 kgs./sack) of “cocogro” for Region VI and 26,940 sacks for Region VII in the total amount of P87.630 million. Another CAF was issued for LM Arenas Agri-Products Corporation to supply and deliver 100 metric tons of mung bean seeds amounting to P15 million. Chronology of events from the time the two CAFs were issued up to the time of submission of proposals is shown in Table 17.

Table 17 - Summary of Events Relative to the Issuance of CAF

Events	Dates	
	LM Arenas Agri-Products Corporation	Atlas Fertilizer Corporation
Issuance of CAF with pre-determined winning supplier	02/05/14	01/28/14
Invitation to supplier to submit proposal	02/07/14	02/07/14
Submission of proposal by the supplier	02/12/14	02/12/14

9.3 As can be gleaned from the Table 17, the CAFs were issued 2 days and 10 days ahead of the invitation letters, both dated February 7, 2014, to the suppliers, and 7 days and 15 days prior to their submission of the proposals on February 12, 2014.

9.4 The timing of the issuance of the CAFs is an indication that there were pre-negotiations with favored suppliers, thus, restricting equal and competitive opportunity to other suppliers who may also be eligible and qualified to participate in the bidding. Likewise, there is no assurance that the contract costs are the most advantageous to the government.

9.5 **We recommended that Management:**

- a. **Instruct concerned officials involved in the procurement activities to refrain from conducting pre-negotiations with the suppliers; and**
- b. **Hold concerned officials and employees accountable and responsible for awarding the procurement to the said favored suppliers.**

9.6 Management commented that it would not have been possible and therefore an honest mistake that the CAFs were issued on January 28, 2014 and February 5, 2014 as the signatory thereof was designated as Officer-In-Charge (OIC) of the Finance Department only on February 8, 2014. The mistake can be attributed to the initial organization confusion brought about by the rationalization plan.

9.7 As a rejoinder, in view of the aforementioned comment, **we further recommend that Management initiate the conduct of investigation to determine what have led to the preparation of CAF already bearing the names of the suppliers even prior to the invitation to bid and the submission of bid proposals, and file appropriate charges against those found remiss in the discharge of their duties.**

10. Expenditures exceeded the Yolanda Recovery and Rehabilitation Program (YRRP) budget allocation by P71.982 million while at least P3.911 million were disbursed for non-YRRP related purposes.

10.1 Section 18 of RA No 10633, otherwise known as the General Appropriations Act for Fiscal Year (FY) 2014 provides that:

Government funds shall be utilized in accordance with the appropriations authorized for the purpose.

10.2 The onslaught of typhoon Yolanda left enormous damage to Eastern and Central Visayas, which affected the coconut industry in the area, as well as the coconut farming household. As such, the PCA, as the sole government arm mandated in the furtherance of the coconut industry, has established the YRRP to be implemented in the affected areas.

10.3 On January 14, 2014, Management received Notice of Cash Allocation (NCA) No. BMB-F-13-0024884 in the amount of P2.869 billion from the Bureau of the Treasury (BTr) pursuant to the Department of Budget and Management (DBM) Special Allotment Release Order (SARO) No. F-13-01327 dated December 27, 2013. The said release was in line with the request for funding submitted by the PCA to the DBM on December 20, 2013 for the implementation of the YRRP.

Table 18 - Revised WFP per YRRP Project Component

YRRP Project Component	WFP January 27, 2014	Board Approved Realignment	WFP after Realignment
CTDU	P 186,521,000	P 444,208,000	P 630,729,000
Coconut Fertilization	1,682,169,000	(568,094,000)	1,114,075,000
Replanting	500,000,000	83,596,000	583,596,000
Intercropping	500,000,000	40,290,000	540,290,000
	P 2,868,690,000	P -	P 2,868,690,000

10.4 On January 27, 2014, the Work and Financial Plan (WFP) for the implementation of the YRRP was approved by the former Administrator. On March 18, 2014, the Governing Board per Board Resolution No. 045-2014, approved the realignment of P568.094 million YRRP fund from Coconut Fertilization to Coconut Timber Disposal and

Utilization (CTDU), Coconut Replanting and Intercropping Projects to cater the needs for the debris management especially in Region VIII, thus the revision of the WFP, as shown in Table 18.

10.5 Comparison of actual expenditures with the WFP disclosed that some expense items exceeded the budget allocation, thus, resulted in a variance of P71.982 million, as shown in Table 19.

Table 19 - Comparison of Actual Expenditures of YRRP against Budget per Object of Expenditures

Object of Expenditures	Actual Expenditures		WFP		Variance
Personal Services:					
Overtime Services	P	410,286	P	-	P (410,286)
		410,286		-	(410,286)
Capital Outlay:					
Agricultural, Fishery and Forestry Equipment		171,251,539		100,000,000	(71,251,539)
Other Machinery and Equipment		320,000		-	(320,000)
		171,571,539		100,000,000	(71,571,539)
		P 171,981,825	P	100,000,000	P (71,981,825)

10.6 The variance is attributed to overtime services of 11 personnel in the Operations Branch and the procurement of two units of generator set and 2,740 units of chainsaw and logsol sawmills under the CTDU project component totaling P171.572 million.

10.7 Further, test audit of disbursements disclosed that a total of P3.911 million was spent in Region VII and in CO for activities or items that are not related to the implementation of YRRP and yet were charged against the fund. Of the amount, the disbursements of P2.213 million at the CO are the following:

- a. Salaries of P1.106 million for 10 out of 13 project employees whose job descriptions, as defined in their service contracts, are inherent to the offices where they are assigned at. Further, salaries paid to said employees were not supported with their respective accomplishment reports;
- b. Purchase of 20 units of mobile devices (tablets) with a total cost of P230,200 used in the geo tagging of the proposed farm-to-market roads (FMR), which is not one of the project components of YRRP and not included in the Annual Procurement Plan (APP) approved in November 2014. Said devices were distributed to all Regional Managers, including those ROs which were not affected by typhoon Yolanda, except Region VIII that was badly damaged by the calamity; and
- c. Purchase of other IT equipment and furniture and fixtures costing P0.877 million, some of which had been assigned to employees who are not directly involved in the YRRP implementation, accounting, and monitoring. Said PPE items were also not included in the APP.

10.8 The said expenses were not related with the planned activities as embodied in the Memorandum Circular No. 01 dated January 1, 2014 of PCA or the Implementing

Guidelines of the Rehabilitation Program for Typhoon Yolanda-Affected Areas. The use and application of the YRRP fund for other purposes, unnecessarily reduces the available resources for its vital program relating to recovery and rehabilitation. As a result, the identified typhoon victims and YRRP beneficiaries were unjustly deprived of the much needed service and benefits due them. Such consequences are detrimental to the success of the Program, as well as to the efforts of the National Government as a whole.

10.9 We recommended that Management:

- a. Request from the DBM for the re-alignment of the purchased generator sets, chainsaws and logsol sawmills; and, henceforth, refrain from procuring goods without budget allocation;**
- b. Require the Accounting Division of the CO and Region VII to identify all disbursements for CY 2014 that were improperly charged to YRRP fund and effect the necessary adjustments thereon; and**
- c. Require the CO Accounting Division to submit accomplishment reports of the 10 project personnel to support the payment of their salaries and wages, for appropriate evaluation.**

10.10 Management of Region VII commented that the recommendation of reverting back to YRRP fund the disbursements that are not related to the implementation of YRRP is beyond their level, although they are amendable of doing the same. They are still awaiting further comment of the CO on the matter.

10.11 On the other hand, Management of CO commented that, in order to promptly respond to the needs of the affected ROs, project personnel were hired and assigned to the CO, being the command center where communications and action emanates from local and national government agencies, international organizations, and from non-governmental organizations. As such, PPE items have to be used by hired personnel/staff in discharging their duties and for the safeguarding of the important documents, as well as, progress reports generated in the day-to-day operations. Management also submitted APP which was approved by the former Administrator. On the other hand, the 20 units of tablets were procured for monitoring and evaluation of YRRP. However, the plan of action did not proceed as intended as sometime during the 2nd semester of YRRP undertaking, the shift of focus was on field activities on debris management. Hence, the use of tablets for YRRP was side-stepped during the period and was instead lent to the geo-tagging of FMR to fast track the geo-tagging activities throughout the country. It may be stressed that under the FMR project, there were no technical or administrative fund allocation for PCA to facilitate the project implementation. At present, the geo-tagging for the FMR project has since been accomplished and Management has acted with dispatch in recovering the equipment from the non-YRRP areas.

10.12 As a rejoinder, we maintain our stand that the salaries of 10 project personnel should not be charged to YRRP fund in view of the absence of provision of YRRP duties and responsibilities in their service contracts. Also, the cost of PPE items was improperly charged to YRRP fund because these were not included in the revised APP. Further, the quantity of PPE, such as computer units and executive chairs, exceeded the

number of CO project personnel who are directly involved in the implementation, accounting, and monitoring of YRRP. As regards the use of tablets for FMR project, these were not immediately used for YRRP after the geo-tagging for FMR project was accomplished. Moreover, said tablets were also not included in the APP.

11. The efficient and effective field treatment of about 1.3 million coconut trees infested by scale insects is at stake which could result in the wastage of funds amounting to P13 million considering that only 134 of the 207 agreed number of supervisors were provided by the sub-contractor, and only 16 of them had undergone project-related trainings.

11.1 A contract amounting to P116.480 million was awarded to the Philippine Association of Certified Pesticide Applicators, Inc. (PACPA) for the supply of necessary skilled labors, technicians, tools, auxiliary equipment and trainings to undertake field treatment of about 1.3 million coconut trees infested by scale insects. As such, 15 pest control operators (PCOs) were sub-contracted by PACPA to supervise the workers hired for the treatment of CSI-infested trees. The proposal of PACPA, which forms part of the contract, provides the breakdown of the contract price, among which is the share of PCOs of P10 per tree or a total of P13 million, representing cost of salaries and other incidental expenses of supervisors.

Table 20 - Profile Summary of Supervisors

Educational Attainment/Profession	No. of Supervisors	Trainings Attended			Total
		Project-related	Not project-related	Not Indicated	
BS Basic/Chemical/Civil Engineering	3	-	-	3	3
Associate in Marine Engineering	1	-	-	1	1
Bachelor of Science in Fisheries	1	-	1	-	1
BS Business Management	3	-	1	2	3
BSC Management Graduate	1	-	-	1	1
College Graduate/Level/Undergraduate	20	3	9	8	20
BSN	1	1	-	-	1
Computer Science	1	-	-	1	1
Computer Technician	2	-	-	2	2
Electrical Engineer	1	-	-	1	1
Electronics	1	-	-	1	1
Health Care Assistant	1	-	1	-	1
High School Graduate/Level/Undergraduate	33	9	1	23	33
Industrial Tech.	2	-	-	2	2
Nautical Marine Transportation	1	-	-	1	1
Pipe Fitter	1	-	-	1	1
Radio Communication Operator	1	-	-	1	1
Tech. Automotive	1	-	-	1	1
Vocational Graduate	5	1	-	4	5
Not indicated	54	2	1	51	54
	134	16	14	104	134
Per cent to total		11.94	10.45	77.61	100

11.2 Among the documents submitted by PACPA is the list of supervisors totaling 207 who are to supervise the treatment of the 1.3 million coconut trees. But based on the information sheets of the supervisors supplied by the PCOs, there are only 134 supervisors assigned to man the project, a discrepancy of 73. Further, of the listed 207

supervisors, only 103 were in the information sheets supplied by the PCOs. The discrepancies cast doubt on what documents are to be relied upon. But assuming the report of the PCO is correct, the efficiency of the services rendered is at stake considering the reduced number of supervisors.

11.3 Further review of the information sheets revealed that only 16, representing 11.94 per cent of the 134 supervisors had undergone project-related trainings while majority had not provided any information at all, as shown in Table 20. In fact, none of the educational attainment or profession of any of said supervisors is directly related to the implementation of the project. This deficiency had further put at stake the efficient and effective field treatment of about 1.3 million coconut trees infested by scale insects.

11.4 In view of the foregoing, the P13 million allocated for the supervisors may just be put to waste if the scale insects infesting 1.3 million coconut trees are not contained.

11.5 We recommended that Management submit a justification as to why such inadequacy of evaluation on the technical documents submitted by the supplier was permitted in the procurement process.

11.6 We further recommended that Management impose administrative sanctions to those personnel who are remiss in the discharge of their duties.

11.7 No Management comment has been received as at the preparation of this AAR.

12. Providing sustainable livelihood to coconut farmers to increase their income under the Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP) is affected since there is no assurance that the farmers are well-informed of the viability of the livelihood projects, their baseline income have not been established at the onset, and due to absence of business plan and unsuitability of the coco farm lands, among others.

12.1 Section 2 of PCA Memorandum Circular No. 01, series of 2011 dated February 14, 2011 states:

The goal of the KANIB Project is to provide sustainable livelihood in selected coconut growing communities and to develop good practices in increasing incomes and generate employment at the community level and enhancing support system for sustainability; xxx.

12.2 Item IX of PCA Memorandum Circular No. 3, series of 2013 dated January 30, 2013, provides the following KEDP processes in the identification and selection of Community-Based Organizations (CBOs) and corresponding livelihood projects which will be undertaken jointly by CBO and PCA:

- a. Community Profiling;
- b. CBO/Micro, Small and Medium Enterprise (MSME) Identification;
- c. Briefing/Orientation;
- d. Selection of Participants and Baseline Survey;
- e. Identification and Planning of KANIB Enterprise;
- f. Preparation of Business Plan;

- g. Signing of the Deed of Undertaking by the CBO and/or MSME; and
- h. Organizational Enhancement.

12.3 Review and evaluation of documents pertaining to the selection and identification of CBOs and their farmer-participants revealed the following:

No assurance that surveys were conducted at KANIB sites prior to the implementation of the project to determine farmer-participants baseline data since the Baseline Information Survey Schedules (BISS) were unsigned by interviewers –

12.4 A total of 79 CBOs were selected: 32 in Region IV-A and 47 CBOs in Regions I-IV-B, which were granted with livelihood projects costing P19.301 million and P29.582 million during CYs 2010 to 2014 and 2012 to 2014, respectively, or totaling P48.883 million, details are shown in Table 21.

Table 21 - Livelihood Projects granted to CBOs in Regions I - IV-B and IV-A

	Cost		Total
	CYs 2010-2014 Region IV-A	CYs 2012-2014 Regions I- IV-B	
Livestock Integration	P 8,862,147	P -	P 8,862,147
Community/Farm Level Processing and Marketing of High Value Products		1,625,500	1,625,500
Intercropping and Livestock Integration	8,670,530	13,128,657	21,799,187
Livestock Integration and Farm Level Processing and Marketing of High Value Products	628,995	-	628,995
Intercropping, Livestock Integration and Farm Level Processing and Marketing of High Value Products	1,139,410	-	1,139,410
Coconut-Coffee Based Enterprise Development Project (COCOBED)	-	14,827,500	14,827,500
	P 19,301,082	P 29,581,657	P 48,882,739

12.5 The baseline survey shall be conducted at the beginning of the project to determine, among others, the current income levels of the farmers and the community as a whole on the resources available for possible socio-economic interventions. The BISS is used to gather data/information such as farmer-participants' personal data, total farm area, crops produced, number of planted coconut trees in the farm, average annual nut yield per coconut tree planted, sources of income, level of living indicators, available appliances in the house, sources of financial capital, skills/training attended, perception of the project, among others.

12.6 Review showed that BISS of the 25 CBOs out of the 32 CBOs granted with livelihood projects in Region IV-A were not signed by the preparer/reviewer and approving officer of the PCA and one CBO has no BISS. It was explained that the BISS were sent to the Regional Office thru electronic mails (e-mails) by the concerned Coconut Development Officers of the provincial offices of Region IV-A where the KANIB sites are located; thus, the same were unsigned. In the absence of BISS, there is no baseline as to the income of the farmers prior to the intervention under KEDP.

Non-preparation/submission of the Rapid Marketing Appraisal Tool (RMAT) casts doubt as to the viability of the projects and appropriateness of livelihood assistance granted to the CBOs/farmer-participants –

12.7 Section 6.7 of PCA Memorandum Circular No. 01, series of 2011 dated February 14, 2011 states:

To help farmers make an informed decision in identifying viable agri-business enterprises, market research is required to ensure that such activities will be carried out efficiently and, hence profitably. The farmers need to have information about markets and prices i.e., who and where buyers are, and immediate or current prices and supply. To provide the farmers with such information, necessary marketing survey using rapid marketing appraisal or RMA shall be employed.

12.8 In Regions IV-A and I-IV-B, review of the permanent files showed that the RMAT of the 79 CBOs were not prepared indicating that there were no planning, analysis and appraisal undertaken to aid the CBOs in identifying viable livelihood projects. Management could not provide reasons for the non-preparation of the RMAT.

12.9 In Region X, the information from the RMAT for the projects granted to SANJURO ARC MPC did not in any way capture the information vital in making informed decision on the viability of the prospective project. Further, the RMAT of the SALIMPONO SCFO and the ZAMBACUPS ARC ASSOCIATION showed no information at all.

12.10 It was explained by the Agriculturist/Community Coordinator that selection of participants was through meetings called by the CBOs for the said purpose and not through the information gathered from survey. Likewise, the Senior Agriculturist/Officer-In-Charge commented that processing of documents for CY 2013 KAANIB projects was performed prior to his watch. There were no files relative to the projects at the provincial office such that his office had to reconstitute the documents at the time the Audit Team inquired about it, which explained the blank forms and absence of other documents. He likewise admitted that the RMAT was short of information and that they were not provided with procedures in gathering the data/information and in assessing the capability of the CBO in managing its business operation. After all, the activities given them are not their field of expertise.

12.11 Thus, the CBOs may not be qualified to implement the livelihood projects since there was no assessment on project's viability.

Absence of Business Plan and proof that the Expression of Interests were duly acknowledged by Region IV-A cast doubt whether the CBOs were legitimate and interested to participate in the KEDP -

12.12 The CBOs represented by their President/Chairman are required to submit Expression of Interest and Business Plan to avail livelihood projects. This would manifest CBO willingness to participate in the KEDP and the Business Plan provides, among others, information on the market, production and management aspects of the

livelihood projects and the expected financial performance. The plan should indicate the counterpart contributions to be provided by the CBOs and beneficiaries in financing enterprise and their commitment to its long term success.

12.13 Verification of the permanent records showed that there was no proof that the Expressions of Interest of 32 CBOs were duly received by Region IV-A. The reason cited by Management that they were unable to affix proof of receipt of the Expressions of Interest is doubtful, thus, there is a risk that the CBOs are not legitimate organizations. The Expressions of Interest also of the three CBOs granted by Region X with livelihood projects were not supported with Business Plans.

12.14 Likewise, Business Plans were not attached to the permanent files of the 32 CBOs. Management of Region IV-A explained that the Business Plan is only required for the alternative projects to be availed by the CBOs in case the priority projects may not be approved. However, they could not submit list of the alternative projects.

12.15 In view of the absence of Business Plans, the CBOs have no marketing and production or management strategies in implementing the projects as well as counterpart contributions of the CBOs could be ascertained.

Grant of livelihood projects to CBOs not yet registered with authorized government agencies, with members less than 50, whose coco lands have poor water supply/drainage, and tenants with no authority from land owners -

12.16 Relevant provisions of PCA Memorandum Circular No. 01, series of 2011 dated February 14, 2011 and Memorandum Circular No. 03, series of 2013 dated January 30, 2013 provide:

The prospective coconut farmer-participant/s should preferably be an active member of existing farmer's organization, cooperative or association and an owner-cultivator or a non-owner cultivator who opts to participate in the project with a written consent of the owner. Xxx.

Has a good source of water from either ground or river and nearly level to rolling with fairly good internal drainage. Xxx.

Technical considerations in selecting Community Based-Organization (CBO) must be a registered coconut farmers' organization or cooperative, with at least 50 active members and at least 80% of the members are small coconut farmers.

12.17 Of the 47 CBOs in Regions I – IV-B, eight of which are still in the process of registering with either the Securities and Exchange Commission (SEC) or the Department of Labor and Employment (DOLE), but nonetheless were granted livelihood projects in the total amount of P6.141 million. Details are shown in Table 22.

**Table 22 - List of CBOs which registrations are still in process
(either with SEC or DOLE)**

Name of CBO	Site	Registration In-Process	Livelihood Project	Amount
Calasaguen Shore CBO	Calasaguen, Brooke's Point, Palawan	SEC	Intercropping, Livestock Integration, Processing and Marketing of High Value Products	P 489,900
Balete CFO	Puntabaja, Rizal, Palawan	DOLE	Intercropping	654,000
Maasin CFO	Quezon, Palawan	DOLE	Intercropping	654,000
Langogan CBO	Puerto Princesa City, Palawan	DOLE	Intercropping, Livestock Integration, Processing and Marketing of High Value Products	1,054,118
San Agustin HVCC FA	San Agustin, Isabela	SEC	Intercropping	1,240,000
Narra CBO	Gloria, Oriental Mindoro	DOLE	Livestock integration	649,689
Saligan Tadjawan sa Pilan	Pola, Oriental Mindoro	DOLE	Intercropping	699,500
Luna CFA	Bongabong, Oriental Mindoro	DOLE	Intercropping	699,500
				P 6,140,707

12.18 In Region X, the SANJURO ARC MPC was no longer registered with the Cooperative Development Authority (CDA) at the time of CBO profiling on July 23, 2013. The SALIMPONO SCFO and ZAMBACUPS ARC ASSOCIATION were registered in 2005 and 2008, respectively, with the DOLE, but their latest status insofar as the record of the DOLE is concerned was not ascertained at the time of granting of livelihood projects.

12.19 The granting of livelihood projects to farmer-participants of unqualified CBOs deprived farmers who are active members of a registered CBO the opportunity to avail livelihood projects under the KEDP.

12.20 Further, the Audit Teams conducted validation on the 79 CBOs of Regions IV-A and I-IV-B thru survey questionnaires to the farmer-members. In Region IV-A, of the 3,269 farmer-members of the 32 CBOs, 411 or 12.57 per cent were respondents to the surveys. Results of the validation showed the following:

- a. Two (2) of the CBOs, the Samahan ng Anak Bukid ng Palsabangon, Pagbilao, Quezon and Samahan ng Magsasakana may Kumikitang Kabuhayan of Brgy. Olong-Tao, Macalelon, Quezon have 47 and 42 members, respectively, which is less than the minimum requirement that a CBO should have 50 member-participants;

- b. The non-coco farmer members of the Alyansa ng Pangkaunlarang Lucena City (APLC) of Brgy. Ibabang Iyam, Lucena and Alyansa ng Pangkabuhayan Silangang Lucena (APLS) of Brgy. Ilayang Dupay, Lucena City are more than the coco farmer members that contradict the requirement that 80 percent of the CBO members should be coco farmers;
- c. Ninety three (93) of the 169 coco farmer-members or 55.02 per cent are tenants but they have no documents to prove that the land owners allowed them to utilize the coco farms for the project;
- d. Two hundred forty six (246) or 59.85 per cent informed that their coco farms have no water and 194 or 47.20 per cent replied that their coco farms have no proper drainage;
- e. Nine (9) of the CBOs were not yet registered with CDA and/or DOLE but have already received livelihood projects under KEDP in contravention of the above cited ruling which requires that the CBOs must have legal personality; and
- f. Two (2) CBO recipients (Samahan ng mga Magsasakana na may Kumikitang Kabuhayan and SIMAKADA Coconut Farmers Organization of Brgy. Kanlurang Maligaya, Agdangan, Quezon) alleged that they did not submit any Expression of Interest to the PCA but were granted projects because it was election time.

12.21 In Region I-IV-B, there were 211 respondents from 17 CBOs in the provinces of Oriental Mindoro and Palawan and results of validation showed that:

- a. Eighty seven (87) or 41.23 per cent informed they have no water source/drainage in their coconut farms;
- b. Twenty eight (28) or 13.72 per cent are not owners of the coconut lands and have no documents to prove that they were allowed by the land owners to utilize the coconut lands for livelihood projects.

12.22 In view of the foregoing, successful implementation of the KEDP is affected.

12.23 We recommended that Management require the concerned Regional Managers to:

- a. **Conduct investigation to determine what caused the non-conduct of market survey and non-preparation/submission of duly signed Baseline Information Survey Schedules, Rapid Marketing Appraisal Tool, Business Plan, and Expression of Interest and hold the concerned personnel responsible as the case maybe;**
- b. **Re-evaluate the qualifications of the CBOs including their members based on the criteria set forth under existing regulations to assure that they are qualified KEDP beneficiaries and the livelihood projects granted to them are appropriate and viable; otherwise, drop unqualified CBOs from the list of recognized KAANIB sites/CBOs; and**

c. Henceforth, comply strictly with the relevant provisions of PCA Memorandum Circular Nos. 01 and 03, series of 2011 and 2013, respectively, on the selection of qualified beneficiaries/participants of the KEDP to ensure that only qualified CBOs/farmer-participants are given livelihood projects.

12.24 Management admitted that lapses or non-compliance with the provisions of the provisions of PCA Memorandum Circular Nos. 01 and 03, series of 2011 and 2013, respectively, on the selection of qualified beneficiaries/participants of KEDP were committed by the project coordinators. It was assured that they shall facilitate the review of the qualifications of the presently organized CBOs with all their members and install necessary measures to assure the sustainability of the livelihood projects and strictly comply with the relevant provisions of the Memorandum Circulars. Also, Management assured to comply with the: a) Notarization of the Deed of Undertaking; b) Completion of the Expression of Interest for record purposes; c) Enforcement of submission of written authorization of land owners to tenant-participants; and d) Registration of CBOs.

13. Problems encountered by the 32 CBOs in Region IV-A in the implementation of KEDP, i.e., livestock integration, intercropping and operation of briquetting and decorticating machines, as well as stability of CBOs were not addressed due to lack of regular monitoring and evaluation which may result in wastage of government funds and non-attainment of the main objective of KEDP of increasing the income of coco farmers.

13.1 The monitoring and evaluation of the impact of KEDP is provided under Paragraph XIV of Memorandum Circular No. 3, series of 2013 dated January 30, 2013 which states:

Monitoring and Evaluation

a. *The Community Coordinator in coordination with the Senior Agriculturist and the PCDM [Provincial Coconut Development Manager] shall monitor and report on a monthly basis the status of the project to the Regional Office using the PCA prescribed monitoring form xxx.*

b. *At the regional level, the regular monitoring of the actual implementation of the project is the responsibility of the Regional Technical Coordinator (RTC). He or she shall be tasked to coordinate the conduct of activities in the field, collect M & E data which shall be consolidated and submitted to the Central Office through the Field Services Branch (FSB) using the prescribed forms.*

c. *Impact Evaluation*

For impact evaluation purposes, baseline surveys at the farm level to establish benchmark information have to be undertaken prior to the conduct of the project activities. The Community Coordinator has to ascertain the average income of the participants before the

project and after to determine the degree of improvement on the financial status of the community. Other impact indicators have to be considered in the collection of the baseline data,

Using the same parameters, a second survey will be conducted at the end of the 3-year project development cycle to determine its impact.

13.2 Of the 32 CBOs in Region IV-A, 18 of which or 56.25 per cent were granted livestock integration projects consisting of cattle, horses, carabao, goats, piglets, buffalos or organic chicken; 11 or 34.37 per cent were granted livestock and intercropping seeds such as ampalaya, sitaw, squash, peanuts, cans of chili-pepper, arrowroots, eggplant, tomatoes, hot bell peppers seeds, rambutan, lanzones, mangosteen, papaya and citrus seedlings; and three or 9.38 per cent were given machineries for Farm Level Processing and Marketing of High Value products such as the decorticating and briquetting machines.

13.3 Evaluation revealed that PCA Region IV-A has not regularly received accomplishment reports from its Provincial Offices relative to the monitoring of the status of the projects granted to the 32 CBOs. This is an indication that the required monitoring was not regularly undertaken by the Office of the PCDM in coordination with the Community Coordinators, thereby precluding determination of the status of the projects at any given period.

13.4 The progress of the implementation of the livelihood projects with a three-year development cycle granted to Sama-sama sa Kaunlaran Multi Purpose Cooperative, Brgy. San Francisco, Tagkawayan, Quezon, summarized in Table 23, could not be ascertained since the required 2nd survey was not undertaken.

**Table 23 - Livelihood Projects granted
to Sama-sama sa Kaunlaran Multi Purpose Cooperative**

Date Granted	Livelihood Project	Quantity	Amount	2nd survey not undertaken
November 2011	Intercropping - Lanzones Seedlings Rambutan Seedlings Black Chili Pepper Seedlings	1,512 pieces 2,876 pieces 162 pieces	P 133,500 162,000 6,250	November 2014 onwards
June 14, 2012	Farm Level Processing Decorticating Machine	1 unit	230,910	June 2015 onward

13.5 The following were also observed during survey conducted on the 32 CBOs:

a. The seven heads of cattle totaling P140,000 granted on February 10, 2014 to Samahang Kaanib ng Majayjay of Brgy. Suba, Majayjay, Laguna have not produced offspring to date allegedly because they have no male cattle. Had monitoring been made, the PCA Community Development Officer could have refer the CBO to other government agency which can address the problem.

b. Two briquetting and one decorticating machines with a total cost of P0.525 million were not used as intended and transferred to another CBO without authority from PCA.

i. The first briquetting machine in the amount of P189,000 granted in 2013 to Paliparan Coconut Producers' Association, Brgy. Paliparan, Calauan, Laguna was already returned to PCA Laguna Provincial Office and is not being utilized to date. Said machine was requested by the CBO for charcoal manufacturing using coconut shells as raw material. The CBO officers claimed that they were not able to foresee the dust and smoke coming from the machine which allegedly is very hazardous to the health of the CBO members, thus they returned said machine to PCA. Interview with concerned Regional Technical personnel further revealed that the Regional Office was not advised of the return of the machine by the CBO to the PCA Laguna Provincial Office and was only informed during the time of our survey;

ii. The second briquetting machine costing P105,000 was granted to Malabanan Multi Purpose Cooperative of Brgy. Malabanan, Balete, Batangas and was utilized by the CBO for charcoal making and organic fertilizer production only for several months due to lack of raw materials from their coconut trees. Said machine was borrowed from the CBO by Pugad Farms, a non-governmental organization in Brgy. Makina, Balete, Batangas, which to date is still using the machine. Said development was made known to the PCA Provincial Office of Batangas and to the PCA Region IV-A only during the time of our survey; and

iii. The decorticating machine with shredder and organic fertilizer maker with a total cost of P230,910 was granted to Sama-sama sa Kaunlaran Multi Purpose Cooperative on June 14, 2012 and returned to PCA Quezon II Provincial Office allegedly because the CBO was unable to find a market to sell their products. Also, their product, organic fertilizers, have no proper packaging, thus they could not sell the same to possible consumers. The return of said equipment was not made known to PCA Region IV-A by the Provincial Office of Quezon II as revealed in our interview with regional technical personnel.

c. Three CBOs that have received livelihood projects in the total amount of P3.074 million, shown in Table 24, have unstable status to date since their officers and members have been either inactive or have resigned, hence the CBOs need reorganization. With this situation, there is no assurance that the livelihood projects have been effectively implemented.

Table 24 - CBOs with unstable status

CBOs	Amount	Status
Alyansang Pangkaunlaran Lucena City	P 1,041,385	Members are inactive
Alyansang Pangkabuhayang Silangang Lucena	1,037,868	Members are inactive
Samahan ng mga Magsasakana may Kumikitang Kabuhasan of Macalelon, Quezon	995,231	Officers have resigned or are inactive
P 3,074,484		

d. Interviews with the respondents revealed that there was no indication that intercropping and livestock integration were effective in providing sustainable

livelihood in selected coconut growing communities and have developed good practices in increasing income, generating employment at the community level and enhancing support system for sustainability. The farmer-beneficiaries claimed to have sowed the seeds and seed nuts and took care of the livestock but could not provide data/information on how said projects have helped increased their income or generated employment.

13.6 The foregoing observations indicate that the concerned PCA personnel are remiss in the regular monitoring of the KEDP which may lead to wastage of the funds. Seemingly, the monitoring scheme of the PCA is concerned mainly with the distribution of the projects to the CBOs but unable to address the main objective of the KEDP which is to augment the income of farmer-recipients.

13.7 We recommended that Management require the Regional Manager of Region IV-A to:

a. Hold the concerned PCA employees accountable for being remiss of their duties in the conduct of monitoring and evaluation of the livelihood projects; and

b. Comply strictly with the provisions of PCA Memorandum Circular No. 03, on the monitoring of KAADIB projects granted to CBOs to facilitate determination of their status and undertake remedial actions to promptly address issues and problems, taking into consideration the objectives of the project in order to ensure that funds are expended for the purpose these are granted.

13.8 No Management comment has been received as at the preparation of this AAR.

13.9 In view of the problems noted, **we further recommend that Management initiate investigation to determine the causes and remedies on why no male cattle was provided to the concerned CBOs as well as the return of briquetting machine, decorticating machine with shredder and organic fertilizer maker to concerned PCA Provincial Offices, as well as transfer of one briquetting machine to another CBOs without the knowledge of the PCA Region IV-A.**

14. Attainment of the objectives of KEDP is hindered and government funds is exposed to possible wastage due to delayed deliveries of robusta coffee seedlings and installation of equipment worth P10.773 million; delayed distribution of these seedlings and organic fertilizers worth P0.872 million due to unavailability of transportation; absence of certification that supplier is accredited seedling producer, thus good quality of the seedlings are not assured; and distribution of seedlings to farmers not in the masterlist.

Delayed deliveries of agri-inputs with a total cost of P10.773 million and non-imposition of liquidated damages against the supplier -

14.1 In Region IX, Nestle Phils., Inc. was contracted on November 14, 2013, for the supply and delivery of 650,000 robusta coffee seedlings under KEDP for a contract cost

of P13.520 million. The Notice to Proceed (NTP) was issued on November 25, 2013 and delivery was within 45 days upon supplier's receipt of the NTP on November 28, 2013. Delivery must be completed by January 12, 2014. However, Nestle Phils., Inc., in its letter dated February 6, 2014, requested for extension of delivery period of the seedlings up to April 21, 2014 which was approved by PCA.

14.2 Analysis of the delivery of the coffee seedlings showed that as of April 21, 2014, only 165,000 of the 650,000 coffee seedlings have been delivered while deliveries of the remaining 485,000 coffee seedlings costing P10.088 million were not delivered on time. However, liquidated damages in the total amount of P0.532 million were not imposed against the supplier.

14.3 Further, PCA Region XII and Zamboanga Research Center (ZRC) entered into a Memorandum of Agreement on July 16, 2014 for the latter to fabricate, deliver, install and commission equipment under KEDP in the total amount of P0.685, details are shown in Table 25. The delivery date of the said fabricated equipment was on September 17, 2014.

Table 25 - Equipment procured by Region XII from ZRC

Type of equipment	No. of units	Cost
Decorticating Machine-stationary, 1.5 ton capacity/day (coir and fiber) with rotary sieve, with Isuzu C240 or Mitsubishi 4DR5 engine and single pass operation	1	P 600,000
Weaving Loom-1.4 x 6 sq. meter, 2 shifters (1" eye and 2" eye) and metal frame	1	35,000
Twinning Machine (Steel)-16.5 rim diameter, double spinner, and iron stand with tripod	5	50,000
		P 685,000

14.4 An ocular inspection at the site was conducted with the presence of the concerned Provincial Coconut Development Manager (PCDM) and representative from the cooperative (beneficiary). It was noted that the equipment, except for the weaving loom, have not yet been properly housed and only covered by plastic sheets to protect the equipment from various weather conditions. Likewise, the equipment were only delivered on December 20, 2014, or 94 days delayed.

14.5 The late deliveries of coffee seedlings deprived the beneficiaries of timely benefitting from the income that may be derived from the project while the incomplete installation of the equipment exposed the same to unfavorable condition and eventually may result wastage of government funds.

Delay in the distribution of agri-inputs in Region VII that ranged from 105 to 124 days for coffee seedlings and from 49 to 77 days for organic fertilizers -

14.6 Coconut-Coffee-Based Enterprise Development (COCOBED) project under KEDP is designed to achieve the following:

- a. Support smallholder coconut farmers and their families to gain sustainable employment and income;
- b. Maximize utilization of coconut lands for increased productivity;
- c. Achieve food sufficiency; and
- d. Conserve and protect the natural resources that support livelihoods.

14.7 In order to attain the objectives of the project, participants will be provided with quality planting materials, fertilizer and other materials and supplies as well as technical and marketing assistance.

14.8 Item 14.8.a of PCA Memorandum Circular No. 10, series of 2013 dated December 12, 2013, on COCOBED Project CY 2013 implementing guidelines, states that in the distribution of agri-inputs to the farmer- participants:

The seedlings and/or fertilizer delivered by the supplier at the designated [Drop off Points] DOPs must be distributed to the farmers within five (5) days from date of delivery.

14.9 For CY 2014, Region VII procured a total of 135,000 pieces of asexually propagated robusta coffee seedlings and 540 bags of organic fertilizer in the total amount of P3.273 million and P0.186 million, respectively, which were delivered at various designated DOPs and distributed by the regional office to the different farmer-participants.

14.10 Review of the Status of Distribution of the coffee seedlings and organic fertilizers as of December 31, 2014 showed that a total of 32,108 coffee seedlings and 271 bags of organic fertilizers costing P0.779 million and P0.093 million, respectively, or a total of P0.872 million remained undistributed to farmer-participants. The delay in the distribution of agri-inputs ranged from 105 to 124 days for coffee seedlings while 49 to 77 days for the organic fertilizers.

14.11 Moreover, the undistributed asexually propagated robusta coffee seedlings of 4,520 pieces amounting to P0.108 million in Argao, Cebu, were all washed out/damaged due to typhoon “Seniang” that hit the southern part of Cebu on December 29, 2014. The situation could have been avoided had the seedlings were distributed on time to the farmer-beneficiaries.

14.12 Interviews conducted with Regional Office personnel revealed that most of the project participants failed to get their agri-inputs from DOP due to the unavailability of service vehicle of the project participants to transport the seedlings and fertilizers.

14.13 Management further stressed that it would be impossible on their part to distribute the coffee seedlings and fertilizers within five days from the date of delivery as required in the guidelines.

14.14 Since the agri-inputs were not immediately distributed to the farmer-participants, implementation of the projects have been delayed and the agri-inputs have been exposed to possible loss or damage due to force majeure or circumstances beyond reasonable control.

14.15 Notwithstanding the delay in the distribution of the agri-inputs totaling P0.872 million to the farmer-participants, the responsible persons were not subjected to sanctions as mentioned in Item 17.b of PCA Memorandum Circular No. 10, series of 2013 dated December 12, 2013 which provides:

Any dereliction of functions and duties on the part of the PCA officers and employees in implementing this project shall be subject to sanctions provided for by the Civil Service laws, rules and regulations.

Recipients of 75,870 coffee seedlings and 2,731 fertilizers in Region VII were not included in the masterlist (ML) -

14.16 Item 4 of the Farm Suitability Survey and Masterlisting of Participants of PCA Memorandum Circular No. 10, series of 2013, on COCOBED Project CY 2013 implementing guidelines states that:

4.1 The PCA Agriculturists/CDOs shall conduct suitability assessment of coconut lands based on approved target and in accordance with the agro-climatic requirements of growing coffee and the degree of interest (commitment) of would-be beneficiaries of the project. The result of the evaluation must be made known to the proponents for their consideration.

4.3 A Masterlist of Approved Participants (MAP) shall be prepared in consultation with the partner CBO and farmers. Xxx.

The MAP shall be properly reviewed and endorsed by the PCDM to the Regional Office for approval by the Regional Managers (RMs) and shall be submitted to the Central Office through the Field Services Branch (FSB).

14.17 Item 6.6.1 of the same PCA Memorandum Circular regarding the Conduct of Training and Provision of Technical Assistance provides that:

Prior to the start of the implementation of the project, the Agriculturists/CDOs shall invite all qualified participants for a 1-2 days training on coconut-coffee production system. The objective of the training is to provide the participants with the knowledge and skills on coconut-coffee intercropping and also to familiarize them with the guidelines of the project implementation.

14.18 Review and evaluation of the Acknowledgement Receipts of agri-inputs as against the ML of Project Participants revealed that of the 183 farmer-recipients in Region VII who were granted/distributed the agri-inputs, 125 or 68.31 per cent were not included in the ML of farmer-participants.

14.19 Considering that the 125 farmer-recipients were not included in the ML, there is no assurance that they were qualified. Further, since they did not undergo the required trainings on coconut-coffee production system and have not familiarized with the guidelines of the project implementation, these conditions could adversely affect the achievement of the project objectives. This also deprived the qualified farmers of the opportunity to avail of the benefits of the project.

Deliveries of robusta coffee seedlings in Region IX not properly labeled/tagged and no certification from the Bureau of Plant Industry (BPI) and National Seed Quality Control Services (NSQCS) that the supplier is an accredited seedlings producer -

14.20 Section D of Administrative Order (AO) No. 20, series of 2009 issued by the Department of Agriculture (DA) states:

All planting materials which meet the standards for plant material certification shall be officially tagged, identifying the variety, NSIC [National Seed Industry Council] registered code, year registered, and NSQCS [National Seed Quality Control Services] code number.

Each label is properly attached with the following code/information using a tin plate for trees and waxed paper sticker for nursery seedlings.

For nursery seedlings: White background with black letters in a wavy paper measuring 15.3 x 2.8 waxed paper with the following information:

- *Nursery Owner*
- *Crop Variety*
- *Address*
- *PMC No.*
- *PM Inspector*
- *Date Certified*

14.21 Items 2, 3 and 6 of DA AO No. 21, series of 2012 provide:

The Department of Agriculture Field Office and BPI shall be guided by the following policies/guidelines.

Only accredited individual or seed growers/producers shall be given the first priority to supply the seeds to be procured.

Seeds to be produced shall be subjected to laboratory testing and shall meet the quality standards prescribed by the Seed Certification and Seed Standards implemented by NSQCS.

14.22 Sections 1.5 and 3.2 of AO No.10, Series of 1994, stipulate that:

1.5 Certified seed requirements of any government program shall be produced only by accredited individual farmers, members of cooperatives/associations, cooperatives or private seed companies.

3.2 Only certified and tagged seeds shall be distributed.

14.23 During ocular inspection on the partial delivery of 165,000 robusta coffee seedlings totaling P3.432 million delivered by Nestle Phils., Inc. in Region IX showed that the tags did not contain the name of the plant material (PM) Inspector, plant material certificate (PMC) No., and the date when the seedlings were certified by NSQCS.

14.24 In addition, there was no certification from NSQCS as well as from BPI that Nestle Phils., Inc. is an accredited seed grower and that the seeds/seedlings delivered passed the required quality standards.

14.25 We recommended that Management direct the concerned Regional Managers to:

- a. Require the ZRC to immediately complete the installation of the equipment to prevent from further exposing the same to various unfavorable conditions;**
- b. Impose liquidated damages against the supplier on the late deliveries of coffee seedlings;**
- c. Require the Coconut Development Officers to find means to immediately distribute the agri-inputs to the farmer-beneficiaries to avoid further delay in the project implementation;**
- d. Require the personnel in charge to explain in writing, indicating the reasons/causes why there were farmers given with the agri-inputs not included in the masterlist;**
- e. Submit for audit purposes the certificates that the supplier is an accredited seed grower and that the seedlings delivered have passed the required quality standards;**
- f. Require the concerned PCA Region IX officials/employees to accept only delivery of coffee seedlings with tags and labels;**
- g. Hold responsible the personnel in charge for delayed distribution of coffee seedlings and organic fertilizer; and**
- h. Require concerned officials and employees involved in the implementation of the COCOBED to adhere strictly to the provisions of PCA Memorandum Circular No. 10 dated December 12, 2013.**

14.26 Management of Region VII assured to comply with all the recommendations to improve the implementation of the project. Management of Region IX commented that they have already requested the supplier to submit Certificate of Accreditation as coffee seedling grower issued by BPI and Certificate that the seedlings passed the quality standards and official receipt issued by NSQCS.

15. The incapability of the supplier to deliver the remaining 89,345 pieces of coconut seedlings worth P2.093 million which was to be dispersed to estimated 525 hectares in Regions I-IV-B deprived quite a number of farmer-beneficiaries of benefitting from the provision of good quality seedlings under the Coconut Seedlings Dispersal Project (CSDP). Likewise, liquidated damages of P0.469 million have not been imposed against the supplier.

15.1 The PCA Memorandum Circular No. 2 dated January 9, 2012 provides that the purpose of CSDP is to make available good quality seedlings to coconut farmers and would be coconut farmers.

15.2 Item III.A.1(a) of the Guidelines of Termination of Contract (Appendix 4) of the IRR of RA No. 9184 provides that a procuring entity shall terminate a contract for default when any of the three conditions attend its implementation, among which is:

Outside of force majeure, the Supplier fails to deliver or perform any or all of the Goods within the period/s specified in the contract, or within any extension thereof granted by the Procuring Entity pursuant to a request made by the Supplier prior to the delay, and such failure amounts to at least ten per cent (10%) of the contract price.

15.3 On May 27, 2013, Regions I-IV-B procured thru public bidding 590,000 coco seedlings with a total contract cost of P13.979 million for distribution in 10 provinces. The contract was awarded to a supplier whose coconut plantation is located in Little Tanauan, Roxas Oriental. The period of delivery as provided in the contract was six months upon receipt of Notice to Proceed (NTP) by the supplier on November 21, 2013. Thus, the delivery of the seedlings would have been completed by May 21, 2014.

15.4 Further, Item 19, Section IV of the General Condition of the Contract provides:

Xxx if the Supplier fails to satisfactorily deliver any or all of the Goods xxx within the period(s) specified in this Contract inclusive of duly granted time extensions if any, the Procuring Entity shall, without prejudice to its other remedies under this Contract and under the applicable law, deduct from the Contract Price, as liquidated damages, the applicable rate of one tenth (1/10) of one (1) per cent of the cost of the unperformed portion for everyday of delay until actual delivery or performance. The maximum deduction shall be ten per cent of the amount of contract.

Table 26 - Undelivered coco seedlings as at December 31, 2014

Province	No. of hectares	Allocation		Actual Deliveries		Undelivered as at December 31, 2014	
		Quantity	Amount	Quantity	Amount	Quantity	Amount
Aurora	640	114,000	P 2,639,100	45,495	P 1,053,209	68,505	P 1,585,891
Zambales	476	75,600	1,840,104	54,760	1,332,858	20,840	507,246
	1,116	189,600	P 4,479,204	100,255	P 2,386,067	89,345	P 2,093,137
		100%		52.88%		47.12%	

15.5 Verification showed that as at December 31, 2014, total deliveries of the coconut seedlings were only 500,655 pieces amounting to P11.886 million or 85.03 per cent of the contract price. The undelivered coco seedlings of 89,345 worth P2.093 million pertained to the allocation of the provinces of Aurora and Zambales. Details are shown in Table 26.

15.6 Based on the data in Table 26, and assuming all things are equal, one farmer-beneficiary owns 1.68 hectares (1,116 has. / 663 farmers), and one hectare is allocated 170 coconut seedlings (189,600 seedlings / 1,116 has.). Using this assumption on the undelivered coconut seedlings of 89,345, there are 525.55 hectares (89,345 seedlings / 170 seedlings per ha.) owned by 312 beneficiaries (525.55 has. / 1.68 has. per farmer) that were affected by the undelivered seedlings.

15.7 Shown in Table 27 is the chronological account of the events that transpired few days before and few months after the end of delivery period of May 21, 2014.

**Table 27 - Chronological account of events
few days before and months after the end of delivery period of May 21, 2014**

Date	Summary of Events
05/14/14	Supplier requested for coco seedling unit price adjustment from P23.30 to P30.50 and delivery period extension of three months in view of, among others, increasing copra price and scarcity of coconut seeds as their main nursery in Oriental Mindoro was affected by typhoon "Yolanda."
05/20/14	OIC-Regional Manager of Regions I-IV-B sought opinion from the Legal Affairs Office of Central Office relative to the request.
06/02/14	Legal Affairs Office opined that the request was without merit, thus, was disapproved.
06/10/14	Supplier was informed of the decision and of liquidated damages to be imposed.
10/15/14	Deliveries as of this date were only 377,962 pieces or 64.06 per cent of the 590,000 seedlings after almost five months from due date on May 21, 2014.
10/21/14	Supplier was: (a) informed that liquidated damages shall be imposed in accordance with Item 19, Section IV of the General Condition of the Contract; and (b) advised to complete the delivery on November 15, 2014; otherwise, PCA will be constrained to impose appropriate sanction/s prescribed under RA No. 9184.
10/27/14	Supplier stated that about 80,000 and 40,000 coco seedlings were already sown in Aurora and Zambales provinces, respectively, for delivery by November 15, 2014.
10/28/14	Supplier was given until November 30, 2014 to complete the delivery; otherwise, imposition of appropriate sanction/s under RA No. 9184 will be strictly imposed.

15.8 The contract was not terminated despite the non-delivery of the remaining 89,345 coco seedlings worth P2.093 million or equivalent to 14.97 per cent of the total contract price. As a consequence of non-delivery of the coco seedlings, the attainment of the objective of CSDP of giving coco seedlings to the identified coconut farmer-beneficiaries was affected since quite a number of them had not receive anything at all.

15.9 Further, liquidated damages on the undelivered seedlings amounting to P468,863 as at December 31, 2014 were not imposed against the supplier.

15.10 We recommended that Management direct the concerned Regional Manager to:

- a. Terminate the contract with the supplier for inability to deliver 89,345 coco seedlings amounting to P2.093 million, pursuant to Item III.A.1(a) of the Guidelines of Termination of Contract of RA No. 9184 and impose the corresponding liquidated damages against the supplier; and**
- b. Disqualify the supplier of coco seedlings from future biddings.**

15.11 Management of PCA Regions I-IV-B commented that they have already sent a letter on April 20, 2015 to the supplier for the termination of the contract and will follow up the process in terminating the contract provided under Section 42 of the IRR of RA No. 9184, specifically Appendix 4 thereof, on the Guidelines on Termination of Contracts. Also, liquidated damages have already been imposed against the supplier. As to the disqualification of the supplier, Management informed that they could only impose the required administrative penalty and disqualification when a suspension or blacklisting has been served and effected. But in this case, there has not been a concrete evidence to serve such penalty to the supplier as at December 31, 2014.

15.12 As a rejoinder on the comment of Management on the supplier's disqualification, **we further recommend that Management immediately issue Blacklisting Order to disqualify the supplier from participating in the bidding of all government projects upon termination of the contract and submit the same to the Government Procurement Policy Board (GPPB) within 7 calendar days from the issuance thereof, as provided under Sections 6 and 9.1(a) of Appendix 11 of the IRR of RA No. 9184.**

16. Salt fertilizers may have been distributed to farmers who are not qualified as they are not in the masterlist, and if listed therein, their first names or the respective barangays were not indicated, there were unauthorized changes in Drop off Points (DOPs) and recipients, the number of beneficiaries was based on target and not on the masterlist, unclaimed fertilizers were given to other interested farmers, among others, thus may affect the efficient and effective implementation of the Salt Fertilization Project.

Discrepancy in the number of farmer-beneficiaries and allocations of salt fertilizers between the Master List of Farmer-Participants (MLFP) and Acknowledgment Receipt and Certificate of Distribution of Agricultural Salt Fertilizers (ARCDASF), and non-indication of first name and barangay of some farmers -

16.1 One of the projects to rehabilitate coconut trees is thru salt fertilization. The Salt Fertilization Project (SFP) is aimed at fertilizing fruit-bearing coconut trees using common salt or sodium chloride (NaCl) to increase coconut productivity and improve coco resistance to pest and diseases.

16.2 Item 4.3 of PCA Memorandum Circular No. 06, series of 2012 dated March 09, 2012 provides:

Salt fertilizers received at the designated DOP and those delivered at the project sites shall be distributed to the identified participants based on their approved allocation.

16.3 PCA Memorandum Circular No. 01, series of 2010 dated April 6, 2010 provides the following:

1.3 The CDO shall prepare the xxx MLFP within his area of coverage. The MLFP must reach the PCA Central Office before the start of the salt fertilizers distribution and application at the field. The physical targets with area, names of farmers, number of trees and volume of salt fertilizer shall be indicated in the master list, disaggregated by province, by district, by municipality and by barangay.

1.4 The Provincial Coconut Development Manager (PCDM), in consultation with the Coconut Development Officer (CDO) shall prepare the list of provincial/municipal drop-off points (DOPs) indicating its allocation, complete location, and contact person. A maximum of five (5) DOPs shall be allowed per province to facilitate delivery of the salt fertilizers.

3.1 The RM in coordination with the PCDM concerned shall designate a PCA Technical Personnel, who will receive, inspect and ensure the safety of the salt fertilizers at the identified provincial/municipal warehouse. The name of the designated receiver and inspector shall be consolidated and submitted to the Central Office.

16.4 Under the SFP, a total of 225,668 bags at 50 kgs./bag of agricultural salt fertilizers in the aggregate amount of P63.142 million were distributed from CYs 2010 to 2014 for the fertilization of 54,592.75 hectares of coconut land and benefiting 46,303 coconut farmers in Regions I-IV-B, covering 14 provinces. As proof of receipt, the farmer-beneficiary is required to sign an acknowledgement receipt, which is the ARCDASF. Details are shown in Table 28.

Table 28 - Agricultural salt fertilizers distributed in Regions I-IV-B for CYs 2010-2014

CY	Quantity (in bags)	Amount	No. of Hectares	No. of Farmer- Participants
2010	32,054	P 10,539,663	8,043.50	8,200
2011	26,240	6,758,112	6,560.00	6,171
2012	51,661	12,218,283	12,711.00	9,774
2013	56,481	16,096,518	13,370.25	8,129
2014	59,232	17,529,050	13,908.00	14,029
	225,668	P 63,141,626	54,592.75	46,303

16.5 Of the 51,661 bags of salt fertilizers procured in 2012, as shown in Table 28, 5,000 and 25,777 of which were allocated to Oriental Mindoro and Palawan, respectively. Verification, however, showed that the number of beneficiaries per MLFP was 4,316 while per ARCDASF was 3,969 or a discrepancy of 347 farmer-beneficiaries, as shown in Table 29.

Table 29 - Discrepancy in the number of farmer-beneficiaries and allocation of salt fertilizers between MLFP and ARCDASF in Oriental Mindoro and Palawan

Municipality/City	MLFP		ARCDASF		Inconsistency/ Discrepancy	
	No. of farmer- beneficiaries	No. of bags @50 kgs./bag	No. of farmer- beneficiaries	No. of bags @50 kgs./bag	No. of farmer- beneficiaries	No. of bags @50 kgs./bag
Oriental Mindoro						
Baco	65	360	36	360	29	-
Bansud	56	218	-	-	56	218
Bongabong	33	600	33	600	-	-
Bulalacao	23	160	14	160	9	-
Calapan City	-	-	19	184	(19)	(184)
Gloria	59	363	42	363	17	-
Mansalay	16	160	10	160	6	-
Naujan	53	359	57	376	(4)	(17)
Pinamalayan	34	250	32	250	2	-
Pola	90	531	30	531	60	-
Puerto Galera	25	280	25	280	-	-
Victoria	21	200	26	238	(5)	(38)
Roxas	10	160	15	160	(5)	-
San Teodoro	43	280	43	280	-	-
Socorro	254	1,079	305	1,058	(51)	21
	782	5,000	687	5,000	95	-
Palawan						
Aborlan	291	1,994	76	1,212	215	782
Araceli / Dumarán	98	750	57	525	41	225
Balabac	40	275	28	100	12	175
Bataraza	291	1,933	224	1,410	67	523
Brooke's Point	1,121	7,979	1,068	8,752	53	(773)
El Nido	143	1,012	128	691	15	321
Espanola	81	583	143	1,014	(62)	(431)
Narra	344	2,538	197	2,236	147	302
Puerto Princesa City	185	1,000	185	776	-	224
Quezon	330	2,406	269	1,780	61	626
Rizal	224	2,165	335	1,796	(111)	369
Roxas	245	1,972	400	2,709	(155)	(737)
San Vicente	54	430	62	610	(8)	(180)
Taytay	87	740	110	666	(23)	74
	3,534	25,777	3,282	24,277	252	1,500
	4,316	30,777	3,969	29,277	347	1,500

16.6 As can be gleaned from Table 29, in the case of Oriental Mindoro, the discrepancy was in the number of farmer-beneficiaries from the 12 municipalities, while there was no discrepancy in the allocation of salt fertilizers. Thus, there were recipients of salt fertilizers who were either not listed in the MLFP or who received salt fertilizers more than their allocation in the MLFP. In Calapan City, Oriental Mindoro, the 19 recipients of salt fertilizers who received 184 bags were not listed in the MLFP. Also, in the Municipality of Pola, there were 90 farmer-beneficiaries per MLFP who were

allocated with 531 bags. However, the 531 bags salt fertilizers were issued only to 30 farmer-beneficiaries.

16.7 In the province of Palawan, the discrepancy showed that 252 farmer-beneficiaries not listed in the MLFP were given allocation while, the difference of 1,500 bags were shipped to Mapun, Tawi-Tawi per instruction of the Field Services Branch. Results of survey showed that 88 beneficiaries in Regions I-IV-B and 131 in Region IV-A, or a total of 219 or 38.22 per cent of the 573 respondents, were indeed not included in the MLFP.

16.8 The technical staff of PCA Region IV-A explained that the granting of salt fertilizers to farmers not included in the MLFP happened when the legitimate beneficiaries were not around during deliveries of salt fertilizers since there are no storage available at the DOPs for unclaimed fertilizers, particularly in far flung areas. In these instances, it could not be ascertained whether the recipients of salt fertilizers who were not listed in the MLFP have coco lands or farms suitable for fertilization.

16.9 Also, the MLFP submitted covering CYs 2010-2011 did not show the complete information of farmer-participants such as first name, specific barangay and period covered of fertilization. Incomplete information of farmer-participants in the MLFP is contrary to the provision of Section 1.3 of PCA Memorandum Circular No. 01 dated April 6, 2010. Also, confirmation cannot be undertaken if indeed the farmers listed therein are real and/or have been recipients of fertilizers.

Farmer-participants with land holding of less than 0.5 hectare and more than 10 hectares were enrolled and allocated salt fertilizers, contrary to the provision of Section 1.2 of PCA Memorandum Circular No. 06, series of 2012 -

16.10 Section 1.2 of PCA Memorandum Circular No. 06, series of 2012 dated March 9, 2012 provides:

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. The allowable landholding area that can be enrolled to the project by an individual farmer-participant shall be from 0.5 to 10 hectares.

**Table 30 - Number of farmers enrolled for CYs 2010-2012
with land holdings of less than 0.5 and more than 10 hectares**

	Number of farmers with landholding of	
	Less than 0.5 ha.	More than 10 has.
Ilocos Norte	12	-
Ilocos Sur	-	1
Cagayan	26	-
Apayao	167	1
Pangasinan	20	-
Marinduque	4	1
Oriental Mindoro	2	1
Palawan	69	11
	300	15

16.11 Based on the MLFP for CYs 2010 to 2012, there were 300 farmer-beneficiaries who were enrolled in the SFP with land holdings of less than 0.5 hectare while 15 have land holdings of more than ten hectares, as shown in Table 30, thus depriving the legitimate beneficiaries of SFP.

Deviations as to the actual deliveries, DOPs and recipients, contrary to the pertinent provisions of PCA Memorandum Circular No. 06 dated March 9, 2012 -

16.12 The allocation for CY 2012 of salt fertilizers for the provinces of Oriental Mindoro and Palawan were 5,000 and 25,777 bags. There were five DOPs for each province. Verification showed that there were deviations in the deliveries of salt fertilizers at the DOPs as shown in Table 31.

Table 31 - Deliveries of salt fertilizers at Oriental Mindoro and Palawan DOPs versus allocation per contract for CY 2012

DOPs	No. of bags			Authorized Receiver	Actual Receiver
	Allocation per contract	Actual deliveries at DOPs	Deviation		
Oriental Mindoro					
Baco	920	1,570	(650)	R. Yabes	R. Yabes
Bongabong	480	600	(120)	R. Diloy	R. Diloy
Mansalay	800	680	120	C. Maliwanag	C. Maliwanag
Naujan	800	800	-	R. Diloy	R. Diloy
Pinamalayan	2,000	1,350	650	I. Fampulme	I. Fampulme
	5,000	5,000	-		
Palawan					
Aborlan	3,377	-	3,377	V. Gonzaga	No delivery
Brooke's Point	11,762	11,762	-	A. Solano	A. Solano
Narra	-	1,238	(1,238)	None	A. Gonzales
Roxas	4,110	5,777	(1,667)	H. Lagan	H. Lagan
Puerto Princesa City	2,952	7,000	(4,048)	R. Aguilar	V. Gonzaga
Quezon	3,576	-	3,576	E. Reblando	No delivery
	25,777	25,777	-		

16.13 As shown in Table 31, although deliveries of salt fertilizers in Oriental Mindoro and Palawan were complete, salt fertilizers of 650 bags and 120 bags allocated to the Municipalities of Pinamalayan and Mansalay, Oriental Mindoro were delivered in Baco and Bongabong DOPs, while the allocation of the Municipalities of Aborlan and Quezon, Palawan of 6,953 bags were delivered in Roxas, Narra and Puerto Princesa City DOPs.

16.14 Also, salt fertilizers delivered at Puerto Princesa City were received by Mr. V. Gonzaga, instead of Mr. R. Aguilar, the authorized recipient, while the delivery at the Municipality of Narra, which was not a DOP, was received by Mr. A. Gonzales who was not included in the list of authorized recipient.

16.15 Since the salt fertilizers were acknowledged by a receiver who was not authorized and the changes in the DOPs were not approved by the Regional Office, the deliveries of salt fertilizers could not be ascertained whether all were accounted for.

16.16 As a consequence of the foregoing, the efficient and effective implementation of the project may be affected and which may result in the wastage of government funds.

16.17 **We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the:**

a. Concerned Coconut Development Officers (CDOs) to:

a.1 Distribute strictly the salt fertilizers to the farmers listed in the MLFP and request approval from the Regional Office and concerned Central Office officials for any changes in the MLFP as to beneficiaries and allocation of salt fertilizers;

a.2 Enroll in the SFP only farmers who have coconut lands of not less than 0.5 hectare and not more than 10 hectares; and

b. OIC-Provincial Coconut Development Manager of Oriental Mindoro and Palawan to strictly observe acceptance of fertilizers at the DOPs and designate another agriculturist to receive the salt fertilizers in case the authorized receiver is not available.

16.18 Management explained, among others, that there was no pre-masterlist and the number of farmer-beneficiaries was based on the target. During delivery, there were supposed recipients who refused to receive the fertilizers and some were unable to withdraw their allocations within the deadline, thus their allocations were given to other coconut farmers. Deadline in the distribution was set since warehousing was only limited to one month. In the barangay DOPs, the salt fertilizers have been exposed to either excessive rain or heat of the sun if it would be stocked for long time. Therefore, to avoid wastage of the salt fertilizers, unclaimed fertilizers were given to other interested farmers who have standing request for additional allocations with greater coconut area and capacity to haul the fertilizers to their coconut farms. Likewise, the inclusion of farmers with less than 0.5 hectare and more than 10 hectares land holding as participants were results of no pre-masterlisting of participants as well as accommodating the request of public officials.

16.19 As a rejoinder, the absence of pre-masterlist prior to the implementation of the project occurred in CYs 2008-2011. The actual list of recipients was used as the masterlist of farmer-beneficiaries, thus there was no assurance as to the actual existence and legitimacy of the farmer-beneficiaries since they were not previously identified in the locality. As to the alleged refusal by the farmers to receive the fertilizers and the stocks not withdrawn within the deadline, **we further recommend that Management provide guidelines with the end in view of ensuring readiness of the farmer-beneficiaries prior to distribution of fertilizers, and require the concerned officials to submit any changes on the actual recipients and DOPs so that distribution can be duly accounted for.**

GENDER AND DEVELOPMENT (GAD)

17. The Gender and Development Plan and Budget (GPB) for CY 2014 with approved budget amounting to P264.890 million was not reviewed by the Department of Agriculture (DA) and endorsed by Philippine Commission on Women (PCW); hence, it could not be ascertained whether the gender issues were addressed in the planned activities.

GPB not reviewed and endorsed -

17.1 Among the pertinent provisions of Joint Circular No. 2012-01, otherwise known as the "Guidelines for the Preparation of Annual GPBs and Accomplishment Reports to Implement the Magna Carta of Women," issued by the PCW, formerly known as the National Commission on the Role of Filipino Women (NCRFW), the National Economic and Development Authority (NEDA), and the Department of Budget and Management (DBM), superseding the DBM-NEDA-NCRFW Joint Circular No. 2004-1 dated April 5, 2004, state that:

- a. Government-owned and controlled corporations (GOCCs) attached to line departments shall prepare their GPBs and shall submit the same to their central office for review; and
- b. PCW shall endorse agency GPBs only under the following conditions if they are reviewed by the mother or central office.

17.2 The PCA was previously classified as an attached agency of the Department of Agriculture (DA) by virtue of Executive Order (EO) No. 116 dated January 30, 1987. On May 5, 2014, EO No. 165 was signed, transferring the PCA from the DA to the Office of the President (OP).

17.3 Review disclosed that the 2014 GPB was neither reviewed by the DA, being then the mother office of PCA nor endorsed by PCW. Management explained that coordination and follow up with the DA and PCW were not made in view of the series of reassignments for the position of chairperson of GAD Focal Point System, which was eventually filled up by the Deputy Administrator who was then tasked with the enormous responsibility of coordinating various programs, projects, and activities of the PCA. Nevertheless, the current Focal Point System had already been tasked to immediately obtain from the DA and PCW the reviewed and endorsed 2014 GPB, which, as at audit date, was not provided to the Audit Team.

17.4 Notwithstanding the aforementioned observation, the following are other deficiencies noted:

Cause of the gender issue not identified in the GPB -

17.5 Section 5.1 of PCW-NEDA-DBM Joint Circular No. 2012-01 provides that one of the steps in formulating a GAD plan is to set the GAD agenda or identify priority gender-issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term. Said gender issues, as well as, the causes thereof are to be presented under Columns 1 and 2, respectively, of the GPB.

17.6 Instead of problems and concerns, the following major projects and programs were listed in Column 1 of the GPB as the identified gender issues of PCA:

- a. Client-focused:
 - a.1 Kasaganaan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project;
 - a.2 Coconut Planting/Replanting Project (or Accelerated Coconut Planting and Replanting Project - ACPRP);
 - a.3 Salt Fertilization Project (SFP);
 - a.4 Farmers Education and Skills Training (FEAST) Program; and
 - a.5 Search for Outstanding Gawad Saka Coco Farmers.
- b. Organization-focused:
 - b.1 Human Resource Development Program.

17.7 Management clarified that gender issues were presented in Column 2 instead of Column 1 of the GPB, thereby, overwriting the required information on the causes thereof. Hence, in the absence of such, it could not be ascertained whether the same were being addressed in GAD program or activity, with the end view of eliminating the gender issues identified by Management.

GAD considered invisible in two of the three major projects of PCA -

Table 32 - HGDG Tool

HGDG Score	Description	Corresponding budget for the year of the program that may be attributed to the GAD budget
Below 4.0	GAD is invisible	0% or no amount of the program budget for the year may be attributed to the GAD budget
4.0-7.9	Promising GAD prospects (conditional pass)	25% of the budget for the year of the program may be attributed to the GAD budget
8.0-14.9	Gender sensitive	50% of the budget for the year of the program may be attributed to the GAD budget

17.8 Section 6.4 of the PCW-NEDA-DBM Joint Circular No. 2012-01 provides that attribution to the GAD budget of a portion or the whole of the budget of an agency's major programs is a means toward gradually increasing the gender responsiveness of government programs and budgets. Further, if an agency intends to attribute a portion or the whole budget of major programs during the GAD planning and budgeting phase, it may subject the program to gender analysis using the Harmonized Gender and Development Guidelines (HGDG) tool. The use of the HGDG will yield a maximum score of 20 points for each program or project. Depending on the score on the HGDG, a

percentage of the budget of the agency's existing and proposed major program may be attributed to the GAD budget as shown in Table 32.

17.9 Likewise, Section 3.6 of the PCW Memorandum Circular No. 2013-01 dated January 15, 2013, reiterating the deadlines and procedures in the preparation of the 2014 GPB, among others, provides that agencies that attribute a portion of the annual budget of their major programs to the GAD budget shall attach to their submitted GPB a copy of the scored Design Checklist of the HGDG and shall indicate the budget of the project for the year which was used as basis in estimating the attributed amount.

17.10 Said procedure must have been anchored on Section 3.4, particularly under general guidelines in GAD planning and budgeting, of PCW-NEDA-DBM Joint Circular No. 2012-01, which states that:

Mainstreaming gender perspectives in agency PAPs [programs, activities, and projects] to attain the desired outcomes for GAD budget for gender mainstreaming is a way for agencies to influence the entire agency program, plan, and budget. To aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the xxx HGDG to ensure that the different concerns of women and men are addressed equally and equitably in their PAPs. Xxx (Emphasis ours)

17.11 The DBM approved the Corporate Operating Budget of PCA for CY 2014 in the amount of P6.929 billion. Among the sources of fund identified thereon was a subsidy from the National Government in the amount of P2.384 billion, composed of the automatic appropriation of P10 million and the total new appropriations of P2.374 billion provided under the CY 2014 General Appropriations Act (GAA).

17.12 Of the total GAA appropriations, the amount of P264.890 million was allocated for GAD budget, as disclosed in the CY 2014 GPB of PCA. Said allocation, which represents 11.16 per cent of the total appropriation, exceeded the minimum allocation requirement, thus, PCA satisfactorily complied with the provision of PCW-NEDA-DBM Joint Circular 2012-01.

17.13 It was observed, however, that the GPB was not attached with a copy of the scored Design Checklist of the HGDG. Hence, comparison was made on the respective GAD budget with the total budget of three major projects of PCA, the result of which is summarized under Table 33.

Table 33 - Comparison of GAD Budget to total budget of three major projects and HGDG Score of PCA for CY 2014

GAD Activities	In million		Per cent of GAD to Total Project Budget (c)=(a)/(b)x100%	HGDG	
	GAD Budget (a)	Total Project Budget (b)		Score	Description
ACPRP	P 67.995	P 703.750	9.66	Below 4.0	GAD is invisible
KAANIB	7.700	566.000	1.36	Below 4.0	GAD is invisible
SFP	181.800	416.000	43.70	8.0-14.9	Gender sensitive
	P 257.495	P 1,685.750			

ACPRP - Accelerated Coconut Planting and Replanting Program; SFP - Salt Fertilization Project; KANIB - Kasaganaan sa Niyugan ay Kaunlaran ng Bayan

17.14 As illustrated in Table 33, only the activity in the implementation of SFP was considered as gender sensitive while GAD was considered invisible in the two other major projects of PCA. It should be noted that in CY 2013, GAD budget allocation accounts for 82.51 per cent of the total budget for KANIB project and 10 per cent of the total budget for both ACPRP and SFP, as shown in Table 34. While the CY 2014 GAD budget allocation to total project budget for SFP had been increased to 43.70 per cent or an increment of 33.70 per cent, that for ACPRP and KANIB project, however, had been reduced to 9.66 and 1.36 per cent or decreased by 0.34 and 81.15 per cent, respectively. Thus, it appeared that the 2014 GAD budget allocation on the two major programs did not address gender sensitivity.

Table 34 - Comparison of GAD Budget to total budget of three major projects of PCA for CYs 2013 and CY 2014

CY 2013 Budget (In Million)			Per cent of GAD to Total Project Budget		
GAD Activities	GAD (a)	Total Project Budget (b)			Difference Increase/ (Decrease) (e)=(d)-(c)
			CY 2013 (c)=(a)/(b)x100%	CY 2014 (d)=(Table 3)	
ACPRP P	60.375	P 603.750	10.00	9.66	(0.34)
KANIB*	12.500	15.150	82.51	1.36	(81.15)
SFP	33.600	336.000	10.00	43.70	33.70
P 106.475		P 954.900			

* GAD and total project budget limited to training activities only

17.15 Management explained that the GAD budget allocation for CY 2014 was based on the projected target made in 2012 compared with the respective budget allocations for ACPRP and KANIB which were increased in CY 2014. As such, a corresponding adjustment should have also been made for the budget allocation on the GAD programs and activities to ensure gender sensitivity of the same.

GAD budget for organization-focused activities was not equitably distributed to the ROs/Centers -

17.16 The Guide in Completing the GPB Template, Annex A of the PCW-NEDA-DBM Joint Circular No. 2012-001, provides, among others, that the cost of implementing each activity should be estimated by object of expenditure, for a more realistic budgeting.

17.17 The GPB provides, among others, that the output performance indicator and target for the organization-focused activities would be for all PCA women employees to have undergone seminars on gender mainstreaming by December 2014.

17.18 The budget for such activities amounted to P3 million, of which, P2.140 million was equally shared by 10 ROs and two Centers at P160,000 each, except for Region VIII which was allotted with a budget of P220,000, while none was provided to RO XIV and Davao Research Center. Notwithstanding the non-provision of budget to the said RO/Center, it should be noted that the actual number of women vary from one RO/Center to another. Hence, to provide an equal allocation, instead of an equitable distribution proportionate to the actual number of women in the ROs/Centers who are expected to undergo seminars on gender mainstreaming, defeats the purpose

of realistic budgeting being required under Annex A of PCW-NEDA-DBM Joint Circular No. 2012-01.

17.19 We recommended that Management direct the Chairperson of PCA-GAD Focal Point System to, henceforth, comply with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01, COA Circular No. 2014-01, and other rules and regulations on GAD to ensure that the budget is utilized on activities addressing gender issues and distributed equitably to the ROs/Centers.

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 (BIR). Value Added Tax (VAT) for the income earned from its lease of PCA building spaces was also paid to BIR in the amount of P16.127 million, of which, P14.129 million represents settlement of arrearages for the CYs 2008 to 2012.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES AS AT DECEMBER 31, 2014

19. Table 35 shows the summary of unsettled audit suspensions, disallowances, and charges as at December 31, 2014. Details of unsettled audit suspensions, disallowances, and charges are shown in Annex 2.

**Table 35 - Unsettled Suspensions, Disallowances, and Charges
as at December 31, 2014**

Office	Suspensions	Disallowances	Charges
CO	P -	P 634,450	P -
Region IV-A	5,856,644	-	-
Regions I – IV-B	246,475	-	-
Region VII	96,930	4,000	-
Region XI	171,139	-	189,350
Region XIV	55,058	-	-
DRC	3,014	-	-
	P 6,429,260	P 638,450	P 189,350

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

Of the 70 audit recommendations embodied in the previous years' Annual Audit Reports (AARs), 35 were fully implemented, 17 were partially implemented and 18 were not implemented.

Observations and Recommendations	Actions Taken / Comments
<u>2013 AAR</u>	
<p>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.</p> <p>We recommended that Management require the:</p> <p>a. Concerned regional accountants to assign qualified personnel to assist in the preparation and prompt submission of BRS; and</p> <p>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.</p> <p>Further we recommended 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.</p>	<p>Fully implemented.</p> <p>Fully implemented.</p> <p>Not implemented.</p> <p>Management is still unable to observe the timely submission of BRS, as well as, formulate and adopt strategies due to voluminous workload.</p>

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 2 of this report.</p>
<p>We recommended that Management direct the concerned ROs/Center to:</p>	
<p>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;</p>	<p>Fully implemented.</p>
<p>b. Ensure that the inventory count is properly scheduled; and</p>	<p>Not implemented.</p> <p>Inventory count is still ongoing notwithstanding the closure of 2014 books of accounts.</p>
<p>c. Conduct reconciliation between inventory report and accounting records and make necessary adjustment for any discrepancy.</p>	<p>Partially implemented.</p> <p>Management is still unable to make reconciliation and necessary adjustment since inventory taking is still on-going.</p>
<p>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</p>	

Observations and Recommendations	Actions Taken / Comments
<p>million, respectively, while overstating the Accounts Payable account by P40.052 million.</p>	
<p>We recommended that Management require the Accountant of Regions I-IV-B to:</p>	
<p>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</p>	<p>Not implemented.</p> <p>The recommendation was not accepted by Management. They insist that no necessary adjustment is needed. Said observation was also noted in Region IX.</p>
<p>b. Ensure that recorded transactions are duly supported with complete documents.</p>	<p>Fully implemented.</p>
<p>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).</p>	<p>Reiterated in Part II - Observation and Recommendation No. 3 of this report.</p>
<p>We recommended that Management require the CO Accounting Division to:</p>	
<p>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;</p>	<p>Partially implemented.</p>
<p>b. Reconcile the GL and SLs balances, as well as the consolidated TB and that of ROs/Centers, and effect the necessary adjustments; and</p>	<p>Partially implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	Partially implemented.
<p>5. Various procurements of Region IV-A of agricultural and laboratory supplies, equipment, coco seed nuts 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.</p>	
<p>We recommended that Management direct Region IV-A to:</p>	
<p>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</p>	<p>Partially implemented.</p> <p>Seed nuts were procured only once in 2014 and sourced from a government school in the area.</p>
<p>b. Observe strict compliance with Section 7 of the revised IRR of RA No. 9184 on the procurement of coco seed nuts and related supplies by preparing and consolidating the requisitions and purchase orders.</p>	<p>Partially implemented.</p> <p>The Regional Bids and Awards Committee will be attending a training/seminar on RA No. 9184, subject to the approval of the Administrator.</p>
<p>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,</p>	

Observations and Recommendations	Actions Taken / Comments
<p>casting doubt as to the regularity of the said procurement.</p>	
<p>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.</p>	<p>Fully implemented.</p>
<p>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.</p>	
<p>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.</p>	<p>Fully implemented.</p>
<p>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.</p>	
<p>We recommended that Management direct the concerned officers to adequately manage, monitor, and evaluate projects through:</p>	<p>Some of the RDs were not prepared on a monthly basis and were not verified by</p>
<p>a. Strict compliance with COA Circular No. 94-013 dated December 13, 1994 on the monthly preparation and submission of duly-approved</p>	<p>Partially implemented.</p>

Observations and Recommendations	Actions Taken / Comments
Report of Disbursements (RDs) and recording only of the RDs and DCAs from the regions that have been verified by the auditor thereat;	the auditors in the respective regions.
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;	Partially implemented. The terminal reports for some completed projects have already been submitted.
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	Partially implemented. Unexpended prior year balance of fund transfer amounting to P3.322 million is still in the books of PCA at year-end.
d. Maintenance of an online database of projects being implemented by PCA to facilitate complete and expeditious reporting, monitoring, and evaluation.	Not implemented. The online database has not been started due to ongoing implementation of other priority projects.
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.	
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;	Not implemented. The POs were not able to comply with the requirement to submit SPCI on a monthly basis due to the retirement of the employee, who was in charge in the preparation of the said report.

Observations and Recommendations	Actions Taken / Comments
<p>b. Use the duly-accomplished SPCI, instead of IRF, as basis for recording liabilities for the LGUs' shares; and</p>	<p>Not implemented</p> <p>The POs were not able to comply with the requirement to submit SPCI on a monthly basis due to the retirement of the personnel in charge in the preparation of the said report.</p>
<p>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.</p>	<p>Partially implemented.</p> <p>Subsidiary ledgers are already prepared and updated on a regular basis. However the reconciliation is still on-going.</p>
<p>We further recommended 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.</p>	<p>Not implemented.</p> <p>Management has not yet re-designed the SPCI format, as well as, obtained the required complete information from ROs and POs due to voluminous workload.</p>
<p>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.</p>	
<p>We recommended that Management require the Accounting Division of CO and Region IV-A to:</p>	
<p>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;</p>	<p>Fully implemented.</p>

Observations and Recommendations	Actions Taken / Comments
b. Approve only liquidation of cash advances that are completely supported with the required documentation; and	Fully implemented.
c. Monitor liquidation of cash advances and immediately demand for refund, if there is any.	Fully implemented.
We further recommended that Management formulate policy guidelines to ensure compliance with existing rules and regulations on the grant, utilization, and liquidation of cash advances.	Partially implemented. Policy guidelines have not yet been formulated due to voluminous workload.
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.	
We recommended that Management obtain fire insurance coverage of its CO building and its contents with GSIS.	Fully implemented.
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.	
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.	Partially implemented. Some regions such as ARMM and Region X, which have high poverty incidence, were not prioritized due to geographical limitations and non-availability of coconut processing facilities in the area.

Observations and Recommendations	Actions Taken / Comments
<p>To be fair in the budget allocation, we recommended for Management to define guidelines in consultation with the ROs regarding the basis for allocating the budget considering that each has its own peculiarities.</p>	<p>Not implemented.</p> <p>Management gave an assurance that the program/project guidelines that will be prepared for 2015 will provide specific provisions that will clearly define project fund allocation based on existing local situation as basis for site selection.</p>
<p>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.</p>	
<p>We recommended that Management:</p>	
<p>a. 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.</p>	<p>Partially implemented.</p> <p>Management has complied with the submission of the 2013 Masterlist of Farmer-Participants except for Region VII which unfortunately suffered infrastructure damage including loss of vital records due to typhoon Yolanda.</p>
<p>b. Require the RTS of the concerned ROs to submit immediately the MLFP and ARCDA to facilitate the conduct of validation/confirmation. Henceforth, adhere strictly to the provisions of PCA MC No. 4.</p>	<p>Fully implemented.</p>
<p>c. Direct the Regional Manager of Regions I-IV-B to require the:</p>	
<p>c.1 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</p>	<p>Partially implemented.</p> <p>Salt fertilizers allocated to enlisted farmers that hesitated to accept the fertilizer was given to willing qualified farmers without seeking approval from RO to avoid damages and losses.</p>

Observations and Recommendations	Actions Taken / Comments
<p>c.2 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.</p>	<p>Partially implemented.</p> <p>The assigned RTS was not able to properly review & reconcile the subject reports due to voluminous workload.</p>
<p>d. Direct the Regional Managers to:</p>	
<p>d.1 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;</p>	<p>Fully implemented.</p>
<p>d.2 Initiate appropriate courses of action to demand from the supplier the replacement at Lanao del Norte consisting of 921 bags costing P217,356;</p>	<p>Fully implemented.</p>
<p>d.3 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</p>	<p>Fully implemented.</p>
<p>d.4 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.</p>	<p>Fully implemented.</p>

Observations and Recommendations	Actions Taken / Comments
e. Direct the Regional Managers concerned to:	
e.1 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	Fully implemented.
e.2 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.	Fully implemented.
f. Require the Regional Manager of Region IX to:	
f.1 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	Fully implemented.
f.2 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.	Fully implemented.
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	

Observations and Recommendations	Actions Taken / Comments
January 9, 2012.	
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	Not implemented. Management committed to implement the recommendation in 2015.
b. Masterlists of farmer-participants duly approved by the Regional Manager and PCDMs.	Fully implemented.
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.	Partially implemented. The Management partially submitted proof of land ownership such as duplicate copy of land titles and tenancy contract.
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.	

Observations and Recommendations	Actions Taken / Comments
<p>We recommended that Management direct the concerned Regional Manager to:</p>	
<p>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;</p>	Fully implemented.
<p>b. Forfeit the performance security posted by the supplier due to default in the delivery of 65,000 seedlings;</p>	Fully implemented.
<p>c. Disqualify/ban the suppliers from future biddings; and</p>	Fully implemented.
<p>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.</p>	<p>Not implemented.</p> <p>The delay in the release of project funds resulted in the delay in the awarding of the contract to the winning bidder.</p>
<p>We further recommended that Management:</p>	
<p>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;</p>	<p>Not implemented.</p> <p>Management submitted only the inspection report for nurseries of those coconut suppliers who complied with the submission of affidavit of commitment.</p>
<p>b. Account all the delivery receipts and corresponding sale invoices of the three suppliers; and</p>	Fully implemented.
<p>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.</p>	<p>Not implemented.</p> <p>Recommendation was not accepted by Management. They maintain their stand that the guidelines on the procurement of the coco seedlings provides that the sources of seed nuts and seedlings, and not the bidders, are required to be registered with PCA.</p>

Observations and Recommendations	Actions Taken / Comments
<p>16. High percentage of ungerminated coco seed nuts 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 seed nuts/seedlings could not be pinpointed due to absence of Memorandum of Agreement (MOA) with the supplier in Region IX.</p>	
<p>We recommended that Management direct the Regional Managers of Regions IX and X to:</p>	
<p>a. Conduct seminars/trainings to field personnel on the implementation of CSDP;</p>	<p>Not implemented.</p> <p>Conduct of seminars/trainings will only be undertaken prior to the delivery of planting materials.</p>
<p>b. Require the Provincial Agriculturists and the CDOs to supervise strictly the harvesting, delivery and unloading of seed nuts in the nursery sites and monitor closely the nurseries established and maintained by PCA and proponents;</p>	<p>Fully implemented.</p>
<p>c. Instruct the Provincial Coconut Development Managers (PCDMs) to prepare the nurseries prior to delivery of seed nuts;</p>	<p>Fully implemented.</p>
<p>d. Conduct procurement of seed nuts during the onset of rainy season to attain the desired objectives of seed nuts germination; and</p>	<p>Fully implemented.</p>
<p>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</p>	<p>Fully implemented.</p>

Observations and Recommendations	Actions Taken / Comments
project.	
<p>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.</p> <p>We recommended that Management require the:</p> <p>a. Accounting Division to provide details supporting report of actual budget utilizations of PCA;</p> <p>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</p> <p>c. GAD Focal Point Systems to:</p> <p>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</p> <p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 17 of this report.</p> <p>Fully implemented.</p> <p>Not implemented.</p> <p>The GAD activities were not justified to address specific gender issue.</p>

2012 AAR

18. 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

Observations and Recommendations	Actions Taken / Comments
<p>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>Not implemented.</p> <p>No policy recommendation has been initiated/formulated to reinstate the commodity or export clearance, however, coordination has been made with the Municipal Mayors, albeit no formal agreement has been made.</p>
<p>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>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>Not implemented.</p> <p>No adjustment has been made in the books of Central Office.</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 under Section 20(1), Chapter IV, Subtitle B, Title I, Book V of the Administrative Code of 1987.</p>	<p>Fully implemented.</p>
<p>19. 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.</p>	
<p>We recommended that Management require the concerned provincial offices to deposit their collections intact and</p>	<p>Partially implemented.</p> <p>Some regional offices are still delayed</p>

Observations and Recommendations	Actions Taken / Comments
daily to depository bank(s) and remit the same to regional office pursuant to Section 69 of PD No. 1445 and IRR of RA No. 8048.	in the remittance of collections to Central Office, which was caused by delayed deposits of collections of provincial offices to the depository banks of regional offices.
20. Procurement of security services was not awarded to the lowest bidder which resulted in excessive payment of P0.963 million.	
We recommended that Management observe strictly the following:	
a. DOLE Department Order No. 18-A, series of 2011 on the procurement of security services; and	Fully implemented.
b. Procurement process not to exceed three months, in accordance with Section 38.1 of the IRR of RA No. 9184.	Fully implemented.
21. 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 account.	
We reiterated our prior years' recommendations that Management:	
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	Fully implemented.
b. Observe the provisions of Section 9 of COA Circular No. 2012-004 dated November 28, 2012 and submit report on the status of referral of the subject accounts to OGCC.	Fully implemented.

Observations and Recommendations	Actions Taken / Comments
<p>22. 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 arrearages payable to BIR and strictly observe the timely settlement of tax obligations.</p>	<p>Fully implemented.</p>

**Audit Observations on the Procurement of Goods/Items and Services through Emergency Mode of Procurement
Under the Yolanda Recovery and Rehabilitation Program (YRRP) and Coconut Scale Insect Emergency Action Program (CSIEAP)
For the Year 2014**

Procurement process	Requirements under IRR of RA No. 9184	Audit Observations
Preparation of Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP)	<p>Sections 7.1 and 7.2 provide that all procurement should be within the approved budget of the procuring entity and should be meticulously and judiciously planned by the procuring entity concerned. Further, no government procurement shall be undertaken unless it is in accordance with an approved Annual Procurement Plan (APP). The APP shall bear the approval of the Head of the Procuring Entity (HOPE) or second-ranking official designated by the HOPE to act on his behalf.</p> <p>Sections 7.3.2 and 7.3.4 state that the end-user units of the procuring entity shall prepare their respective Project Procurement Management Plan (PPMP) for their different programs, activities, and projects and for consolidation into the APP.</p>	<p><i>There were no PPMP and APP prior to or at the onset of procurement of goods and services –</i></p> <p>Review of the APP for CY 2014 disclosed that it was only approved on November 26, 2014, by the new Administrator, when contracts entered into during the year were already awarded and procurements have already been made. Further, the time schedule for each procurement activity was not indicated, thus there is no basis for monitoring and evaluating the procurement activities.</p> <p>No PPMP had been prepared by PCA supporting the 2014 APP prior to or at the onset of the procurement of goods and services requirements under the YRRP and CSIEAP. Although, there was APP for YRRP signed by the former Administrator in May 2014, which was already after procurements had already started in February 2014, said APP was not approved by the PCA Governing Board.</p>
Pre-Procurement Conference	<p>Section 20, among others, that the determination of the readiness of the procurement at hand, particularly for procurement of goods costing P2 million and above, shall be made through holding of pre-procurement conference.</p> <p>Section 48.3 provides xxx the method of procurement to be used shall be indicated in the approved APP. If the original mode of procurement recommended in the APP was public bidding but cannot be ultimately pursued, the BAC through a resolution shall justify and recommend the change</p>	<p><i>No minutes of pre-procurement conference -</i></p> <p>There were no copies of the minutes of pre-procurement conferences provided to the Audit Team, despite repeated requests made. In the absence of minutes of conferences, there is no evidence as to what have transpired during the pre-procurement conferences especially on significant matters that are necessary in the next phase of the procurement process.</p> <p><i>The necessity of opting for negotiated procurement under emergency cases could not be established due to not only absence of approved APP but also the absence of BAC recommendation and approval of the Head of the Procuring Entity (HOPE) on the same -</i></p> <p>Except for contracts with LM Arenas Agri-Products Corporation and Philippine Association of Certified Pesticide Applicators, Inc. (PACPA), the BAC resolutions showing recommendation and justification to the</p>

Procurement process	Requirements under IRR of RA No. 9184	Audit Observations
	in the mode of procurement to be approved by the Head of the procuring entity.	HOPE for the procurement of goods using alternative mode of procurement as well as the approval of the HOPE were not submitted by the BAC to the Audit Team, despite repeated requests. Thus, there is no basis for evaluating whether opting for negotiated procurements thru emergency cases were necessary under the circumstances.
Sending of Invitation Letters	Government Procurement Manual (GPM), Volume 2, relative to the procedures for the procurement of goods and services provides, among others, that invitations to at least three suppliers should be observed for negotiated procurement under emergency case.	<i>Absence of proof of invitation letters to at least three prospective suppliers -</i> Except for the procurement of farm tractors and mung bean seeds, there were no copies of invitation letters sent to prospective suppliers to submit proposal for the supply and delivery of goods/items for YRRP. This cast doubt whether there were really invitation letters and that the offer of the awarded supplier is the most advantageous to the government.
Submission, Receipt of Bids/Proposals	Section 32.3 provides that after all bids have been received, opened, examined, evaluated, and ranked, the BAC shall prepare the corresponding Abstract of Bids.	<i>Absence of Abstract of Bids in all the procurements -</i> Except for the procurement of farm tractors, the BAC was unable to present Abstract of Bids in all the procurements, despite request. Review, however, of the bid documents on the procurement of farm tractors showed the following: <ul style="list-style-type: none"> • Only two responded to Invitation Letters given to three suppliers • There was bid proposal submitted by a supplier who was not given invitation letter but whose bid was evaluated, as shown in the Minutes of Opening of Bids, Bid Proposals
Bid/Proposal Evaluation	Section 23.1.a(v) requires submission of the prospective bidder's audited financial statements (FS), showing, among others, its total and current assets and liabilities, stamped "received" by the BIR or its duly accredited and authorized institutions, for the preceding calendar year which should not be earlier than two years from the date of bid submission.	The audited FS of PACPA, Diversified Pest Solutions, Inc. (DPS), and J.B. Guevarra & Sons, Inc. (JBGS) showed the following errors and inconsistencies, thus cannot be relied upon. <ol style="list-style-type: none"> a. Submitted FS of two partners did not bear proof that these were filed with the BIR; b. The term "Stocks" was used instead of "Members' Contributions" in the FS of PACPA, which is a non-stock corporation; c. Non-disclosure of information that PACPA shares the same President with DPS and shares the same office with JBGS; and d. Significant accounting policies for some accounts in the FS of two partners (e.g. for property and equipment, financial instruments, and financial liabilities) were provided despite zero balances or inapplicability of the same.

Procurement process	Requirements under IRR of RA No. 9184	Audit Observations
	<p>On technical and financial eligibility documents by any of the joint venture partners constitutes compliance, Section 23.1.a(iii) requires submission of statement of the prospective bidder of all its ongoing government and private contracts, including contracts awarded but not yet started, if any, whether similar or not similar in nature and complexity to the contract to be bid, within the relevant period as provided in the Bidding Documents.</p>	<p><i>Non-submission of PACPA or any of its joint venture partners of the Statement of ongoing government and private contracts, including contracts awarded but not yet started</i></p> <p>Statement of ongoing government and private contracts, including contracts awarded but not yet started of PACPA, or any of its joint venture partners, was not, however, presented to the Audit Team. Providing adequate information, particularly on the ongoing contracts would have facilitated the computation of Net Financial Contracting Capacity (NFCC).</p>
	<p>Section 23.1.b requires that each partner of the joint venture shall submit the legal eligibility requirements. As provided for under Section 23.1(a) thereof, as amended by GPPB Resolution No. 21-2013 both dated July 30, 2013, legal documents include mayor's permit and tax clearance.</p>	<p><i>Laxity in identifying documents that should be submitted by prospective bidders and evaluating eligibility documents in awarding the contract to PACPA - one of the joint ventures of PACPA is not a contractor for pest control services but registered wholesaler for agricultural equipment/spare parts/supplies and pesticides</i></p> <p>In undertaking the contract for PCA and PACPA for the supply of skilled labor, technicians, tools, auxiliary equipment, supervision and trainings for the field treatment of 1.3 million scale infested trees in the amount of P116.48 million, a joint venture agreement, which was notarized on June 20, 2014, was entered into by and between PACPA, DPS and JBGS to participate in the program of PCA to effectively control, manage and eventually eradicate the scale insect infestation with PACPA as the representative of the joint venture.</p> <p>For this project, the PCA, in its letter dated June 19, 2014, requested the prospective suppliers to submit proposal, as well as, eligibility and other relevant documents, which, however, did not include mayor's permit and tax clearance.</p> <p>Review of legal eligibility documents of the joint venture partners disclosed that tax clearance was not submitted by PACPA and DPS as well as Mayor's Permit of PACPA. The Mayor's Permit of JBGS showed that it is a registered wholesaler for agricultural equipment/spare parts/supplies and pesticides and not as a contractor for pest control services, thus, casting doubt as to its qualification as an eligible partner of the joint venture agreement. As there was no information as to the actual date of receipt by the BAC of the submitted documents, it could not be established whether the same were evaluated during the eligibility check and post-qualification of the PACPA.</p> <p>In the absence of Mayor's Permit, the supplier has no permit to operate its business during the year; while in the absence of tax clearance, it cannot be said whether the supplier has duly settled its tax obligations.</p>

Procurement process	Requirements under IRR of RA No. 9184	Audit Observations																														
	<p>Section 23.5.1.4 provides that the NFCC of the prospective bidder must be at least equal to the Approved Budget for the Contract (ABC) to be bid. Said Section was amended by GPPB Resolution No. 20-2013 dated July 30, 2013, which states that the values of the bidder’s current assets and current liabilities for the computation of NFCC shall be based on the data submitted to the BIR, through its Electronic Filing and Payment System (EFPS). Said provision referred to annual income tax return and the accompanying audited FS filed through EFPS, as clarified under GPPB Resolution No. 11-2014 dated May 23, 2014.</p>	<p><i>Other Requirements -</i></p> <ul style="list-style-type: none"><i>No computation of NFCC was submitted to the Audit Team – in the absence of NFCC, there is no information as to the financial capability of the supplier to execute the contract.</i> <p>Computation of the NFCC of each of the joint venture partners or their combined NFCC was not submitted by Management. Hence, the Audit Team made its own computation, as illustrated in Table A, and arrived at the computed NFCC of DPS amounting to P210.132 million, which alone is already sufficient to meet the ABC of P116.480 million. However, said computation was based only on the annual income tax return filed through EFPS and on the assumption that there were no ongoing contracts undertaken by DPS.</p> <p style="text-align: center;">Table A. Computation of NFCC for each of the joint venture partners and their combined NFCC</p> <table><tr><th></th><th>PACPA*</th><th>DPS</th><th>JBGS</th><th>Combined</th></tr><tr><td>Current Assets</td><td>P 129,741</td><td>P 30,578,119</td><td>P 8,616,180</td><td>P 39,324,040</td></tr><tr><td>Less: Current Liabilities</td><td>-</td><td>9,564,892</td><td>6,947,566</td><td>16,512,458</td></tr><tr><td></td><td>129,741</td><td>21,013,227</td><td>1,668,614</td><td>22,811,582</td></tr><tr><td>Multiplied by</td><td>10</td><td>10</td><td>10</td><td>10</td></tr><tr><td>NFCC</td><td>P 1,297,410</td><td>P 210,132,270</td><td>P 16,686,140</td><td>P 228,115,820</td></tr></table> <p><i>* could not be ascertained whether data was based on that submitted to BIR through EFPS since such document was not presented to the Audit Team.</i></p> <p>Absence of NFCC will not provide information to the PCA whether the supplier has the financial capability to execute the contract.</p>		PACPA*	DPS	JBGS	Combined	Current Assets	P 129,741	P 30,578,119	P 8,616,180	P 39,324,040	Less: Current Liabilities	-	9,564,892	6,947,566	16,512,458		129,741	21,013,227	1,668,614	22,811,582	Multiplied by	10	10	10	10	NFCC	P 1,297,410	P 210,132,270	P 16,686,140	P 228,115,820
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	<p>GPPB Resolution No. 29-2012 dated November 23, 2012, amending Section 23.1.a(iii) requires submission of statement identifying the bidder’s single largest completed contract similar to the contract to be bid, except under conditions provided for in Section 23.5.1.3 of this IRR, within the relevant period as provided in the Bidding Documents in the case of goods.</p>	<ul style="list-style-type: none"><i>Non-submission of Statement identifying the bidder’s single largest completed contract similar to the contract to be bid by PACPA and DPS – only one of the joint ventures of PACPA had submitted but pertaining to sale of pesticides and agricultural equipment/spare parts/supplies; thus, absence of this document means that the suppliers have not done any contract similar to pest control.</i> <p>Only the statement identifying the JBGS’s completed contract for the years 2011 to 2013 was presented to the Audit Team. However, the contracts identified in the said statement pertained to sale of pesticides and agricultural equipment/spare parts/supplies since JBGS is a registered wholesaler for agricultural equipment/spare parts/supplies and pesticides. As such, JBGS has no proven technical and financial capability to carry out the service being proposed to PCA. On the other hand, it could not be ascertained whether the same thing or otherwise could be said for the two other joint venture partners, in view of the non-submission of the aforementioned statement.</p>																														

Procurement process	Requirements under IRR of RA No. 9184	Audit Observations																																											
Award of Contract	<p>Section 37.1.1 states that the BAC shall recommend to the HOPE the award of contract to the bidder with the Lowest Calculated Responsive Bid. BAC is further required to submit, among others, a BAC resolution recommending the award of contract.</p> <p>Section 37.1.3 that the HOPE shall issue a Notice of Award to the bidder with the Lowest Calculated Responsive Bid in case of approval with the recommendation.</p>	<p><i>Notices of Awards were issued to the suppliers without BAC recommendations on the awards and approval by the HOPE thus, validity of which could not be ascertained -</i></p> <p>Among the documents submitted by BAC, only the contracts awarded to Deutsche Motorgerate, Inc. for supply and delivery of 600 chainsaws, including 5 logosol sawmills, and 1,500 chainsaws costing P40.305 million and P93.000 million, respectively, or totaling P133.305 million, as well as, the contract with LM Arenas Agri-Products Corporation for the procurement of mung bean seeds costing P37 million were supported with BAC resolutions recommending that the contract be awarded to the said suppliers. All other contracts totaling P453.254 million were not supported with BAC resolutions recommending approval of the awarding of contracts to the suppliers by the HOPE. Consequently, validity of the issuance of Notices of Award could not be established.</p>																																											
	<p>Section 37.1.4 provides that the award of contract shall be subject to conditions, among which is the approval by higher authority.</p>	<p><i>The approval from PCA Governing Board was not obtained prior to the signing and execution of contract or no approval at all rendered validity of the contract doubtful -</i></p> <p>The contracts awarded to Ramgo International Corporation, University of the Philippines Los Baños Foundation, Inc., LM Arenas Agri-Products Corporation, and PACPA with a total amount of P158.923 million were approved by the Governing Board after 62, 17, 13 and 135 days, respectively, from the date of the signing of the contracts between PCA and representatives of the said suppliers. Details are shown in Table B.</p> <table><tr><th colspan="6">Table B. Dates of the contract execution and approval of the Governing Board</th></tr><tr><th rowspan="2">Supplier</th><th rowspan="2">Contract Date</th><th colspan="2">Board Approval</th><th rowspan="2">Remarks</th><th rowspan="2">No. of days from contract signing to Board approval</th></tr><tr><th>Resolution No.</th><th>Date</th></tr><tr><td>Ramgo International Corporation</td><td>02/21/14</td><td>052-2012</td><td>04/ 24/14</td><td>Deliveries were completed on March 10, 2014.</td><td>62</td></tr><tr><td>University of the Philippines Los Baños Foundation, Inc.</td><td>02/14/14</td><td>030-2014</td><td>03/03/14</td><td>Deliveries were completed on February 12, 2014.</td><td>17</td></tr><tr><td>LM Arenas Agri-Products Corporation</td><td>02/18/14*</td><td>030-2014</td><td>03/03/14</td><td>As at March 3, 2014, PCA had already received 10 MT of mung bean seeds or 10 per cent of the total quantity requirement.</td><td>13</td></tr><tr><td>PACPA</td><td>02/ 26/14*</td><td>069-2014</td><td>07/11/14</td><td>As at July 11, 2014, PACPA had already treated 71,331 scale infected coconut trees or 5.49 per cent of the total requirement</td><td>135</td></tr><tr><td>Deutsche Motorgerate, Inc.</td><td>3/24/14</td><td>-</td><td>-</td><td>No Governing Board approval.</td><td>-</td></tr></table> <p><i>*date of contract notarization</i></p>	Table B. Dates of the contract execution and approval of the Governing Board						Supplier	Contract Date	Board Approval		Remarks	No. of days from contract signing to Board approval	Resolution No.	Date	Ramgo International Corporation	02/21/14	052-2012	04/ 24/14	Deliveries were completed on March 10, 2014.	62	University of the Philippines Los Baños Foundation, Inc.	02/14/14	030-2014	03/03/14	Deliveries were completed on February 12, 2014.	17	LM Arenas Agri-Products Corporation	02/18/14*	030-2014	03/03/14	As at March 3, 2014, PCA had already received 10 MT of mung bean seeds or 10 per cent of the total quantity requirement.	13	PACPA	02/ 26/14*	069-2014	07/11/14	As at July 11, 2014, PACPA had already treated 71,331 scale infected coconut trees or 5.49 per cent of the total requirement	135	Deutsche Motorgerate, Inc.	3/24/14	-	-	No Governing Board approval.
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Procurement process	Requirements under IRR of RA No. 9184	Audit Observations																																																																																															
		<p>The supplemental contract dated March 24, 2014 for the procurement of 300 chainsaws amounting to P19.440 million and contract for procurement of 11,000 sets chainsaw accessories amounting to P8.019 million, both awarded to Deutche Motorgerate, Inc. have no approval from the Governing Board.</p> <p>Management commented that owing to the emergency nature of the various input procurement, the Notice of Award of several inputs were inadvertently omitted for the approval of the Governing Board. The Governing Board also at the time did not meet as regularly scheduled necessitating immediate actions to address immediate concerns. Needless to say, taking cognizance of the infirmity caused by the emergency measures, the matter was submitted to the Governing Board's action for confirmation. Notwithstanding the action undertaken, validity of the contract is doubtful.</p>																																																																																															
	<p>Section 54.3 states the requirement of posting Notice of Award:</p> <p><i>In all instances of alternative methods of procurement, the BAC, through the Secretariat, shall post, for information purposes, the notice of award in the PhilGEPS website, the website of the procuring entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the procuring entity.</i></p>	<p><i>Notices of Awards were either not posted or posted late ranging from 26 to 178 days in PhilGEPS and PCA websites as well as at any conspicuous places in the Agency's premises, thereby depriving the public of the timely information on the award made -</i></p> <p>Notices of Awards to the suppliers for procurement shown in Table C were either not posted or posted late in the PhilGEPS and PCA websites, as well as, at any conspicuous places in the PCA premises.</p> <table><tr><th colspan="5">Table C. Publication of Notice of Awards</th></tr><tr><th>Supplier</th><th>Date of Notice of Award</th><th>Date should be posted</th><th>Publication Date</th><th>No. of days delay</th></tr><tr><td>Ford Tractor Philippine</td><td>03/06/14</td><td>03/13/14</td><td>As of 12/31/14</td><td>293</td></tr><tr><td>Atlas Fertilizer Corporation</td><td>02/19/14</td><td>02/26/14</td><td>-do-</td><td>308</td></tr><tr><td>University of the Philippines Los Baños Foundation, Inc.</td><td>02/21/14</td><td>03/01/14</td><td>-do-</td><td>305</td></tr><tr><td rowspan="4">Deutche Motorgerate, Inc.</td><td>02/11/14</td><td>02/18/14</td><td>-do-</td><td>295</td></tr><tr><td>02/11/14</td><td>02/18/14</td><td>-do-</td><td>295</td></tr><tr><td>02/11/14</td><td>02/18/14</td><td>-do-</td><td>295</td></tr><tr><td>10/16/14</td><td>10/23/14</td><td>-do-</td><td>69</td></tr><tr><td>GMG Agri Farm Products</td><td>02/14/14</td><td>02/07/14</td><td>05/30/14</td><td>112</td></tr><tr><td>Corrines Garden</td><td>02/14/14</td><td>02/07/14</td><td>05/30/14</td><td>112</td></tr><tr><td>Agro-K Philippines Corporation</td><td>03/03/14</td><td>03/06/14</td><td>08/26/14</td><td>173</td></tr><tr><td rowspan="2">One Cypress Agri Solution, Inc.</td><td>02/20/14</td><td>02-23-14</td><td>05-30-14</td><td>96</td></tr><tr><td>05/05/14</td><td>05-08-14</td><td>05-03-14</td><td>26</td></tr><tr><td>Ramgo International Corporation</td><td>03/14/14</td><td>03/17/14</td><td>09/11/14</td><td>178</td></tr><tr><td>Suki Trading Corporation</td><td>03/14/14</td><td>03/17/14</td><td>05/30/14</td><td>74</td></tr><tr><td>N.T.D.C.Y 888 Global Enterprise</td><td>03/14/14</td><td>03/17/14</td><td>06/11/14</td><td>86</td></tr><tr><td rowspan="2">LM Arenas Agri-products Corporation</td><td>02/19/14</td><td>02/22/14</td><td>06/03/14</td><td>101</td></tr><tr><td>03/24/14</td><td>03/27/14</td><td>06/03/14</td><td>68</td></tr><tr><td>Greenworld Agri-Farm Center</td><td>03/18/14</td><td>03/21/14</td><td>06/11/14</td><td>82</td></tr></table>	Table C. Publication of Notice of Awards					Supplier	Date of Notice of Award	Date should be posted	Publication Date	No. of days delay	Ford Tractor Philippine	03/06/14	03/13/14	As of 12/31/14	293	Atlas Fertilizer Corporation	02/19/14	02/26/14	-do-	308	University of the Philippines Los Baños Foundation, Inc.	02/21/14	03/01/14	-do-	305	Deutche Motorgerate, Inc.	02/11/14	02/18/14	-do-	295	02/11/14	02/18/14	-do-	295	02/11/14	02/18/14	-do-	295	10/16/14	10/23/14	-do-	69	GMG Agri Farm Products	02/14/14	02/07/14	05/30/14	112	Corrines Garden	02/14/14	02/07/14	05/30/14	112	Agro-K Philippines Corporation	03/03/14	03/06/14	08/26/14	173	One Cypress Agri Solution, Inc.	02/20/14	02-23-14	05-30-14	96	05/05/14	05-08-14	05-03-14	26	Ramgo International Corporation	03/14/14	03/17/14	09/11/14	178	Suki Trading Corporation	03/14/14	03/17/14	05/30/14	74	N.T.D.C.Y 888 Global Enterprise	03/14/14	03/17/14	06/11/14	86	LM Arenas Agri-products Corporation	02/19/14	02/22/14	06/03/14	101	03/24/14	03/27/14	06/03/14	68	Greenworld Agri-Farm Center	03/18/14	03/21/14	06/11/14	82
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Procurement process	Requirements under IRR of RA No. 9184	Audit Observations
		<p>Management disclosed that the BAC was not aware that the Notice of Award under negotiated procurement needs to be posted in the PhilGEPS as they thought that posting is only required if the procurement is conducted through public bidding. It is only upon their inquiry with and advice of the Government Procurement Policy Board that they complied the required posting, albeit late.</p> <p>As such, the late posting of awards of contracts which ranged from 26 days to 178 days or none posting of award deprived the public of the timely information on awarded contracts from the stand point of transparency.</p>
Invitation to Observers	<p>Section 13.1 states that, to enhance the transparency of the process, the BAC shall, in all stages of the procurement process, invite, in addition to the representative of the COA, at least two observers to sit in its proceedings.</p> <p>Likewise, Section 53.1.6 of the same IRR states that, in all stages of the negotiations under a negotiated procurement, observers shall be invited.</p>	<p><i>Transparency could not be assured to have been attained since no observers were invited in all stages of the procurement -</i></p> <p>Except for the Minutes of Opening of Bids for the procurement of farm tractors (Ford Tractor Philippines) and chemical pesticides (LEADS), the BAC was unable to submit copies of proof that observers were indeed invited during procurement process in all its procurements; thus, there is no assurance that transparency of the procurement process had been attained.</p>

**Details of Unsettled Audit Suspensions, Disallowances and Charges
As of December 31, 2014**

I. Notices of Suspension (NSs)

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
Region IVA				
2014-001(2012)/ March 4, 2014	Officer-in-Charge (OIC) - Regional Manager (RM); Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	P 91,777.50	Settled. Notice of Settlement of Suspension/ Disallowance/ Charge (NSSDC) under review of the Regional Supervising Auditor (RSA).
2014-002(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	106,341.50	Settled. NSSDC under review of the RSA.
2014-003(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	96,466.50	Settled. NSSDC under review of the RSA.
2014-004(2012)/ March 4, 2014	OIC-RM; Accountant III and Cashier II	Incomplete documents supporting payment of various expenses relative to scale insect infestation	593,880.00	Settled. NSSDC under review of the RSA.
2014-005(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	110,865.50	Settled. NSSDC under review of the RSA.
2014-006(2012)/ March 4, 2014	OIC-RM Accountant III Cashier II	Incomplete documents supporting payment of wages of laborers	101,756.50	Settled. NSSDC under review of the RSA.

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
2014-007(2012)/ March 4, 2014	OIC- RM; and Accountant III	Incomplete documents supporting payment of vehicles hired in the RDC-led tree planting activity	7,000.00	Settled. NSSDC under review of the RSA.
2014-008(2012)/ March 4, 2014	OIC-RM; Accountant III; and Supply Officer II	Incomplete documents supporting payment of expenses for the Coconut Farmers Forum	113,250.00	Settled. NSSDC under review of the RSA.
2014-009(2012)/ March 4, 2014	OIC-RM; Accountant III; and Administrative Officer III	Incomplete documents supporting payment of various expenses relative to scale insect infestation	991,293.60	Settled. NSSDC under review of the RSA.
2014-010(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	132,146.55	Settled. NSSDC under review of the RSA.
2014-011(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	91,859.00	Settled. NSSDC under review of the RSA.
2014-012(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of general service expenses relative to scale insect infestation	585,187.25	Settled. NSSDC under review of the RSA.
2014-013(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	108,834.50	Settled. NSSDC under review of the RSA.

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
2014-014(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	94,128.00	Settled. NSSDC under review of the RSA.
2014-015(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of wages of laborers	224,407.90	Settled. NSSDC under review of the RSA.
2014-016(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of training expenses	510,000.00	Settled. NSSDC under review of the RSA.
2014-017(2012)/ March 4, 2014	OIC-RM; Accountant III; and Cashier II	Incomplete documents supporting payment of expenses for other bonuses and allowances	748,500.00	Settled. NSSDC under review of the RSA.
2014-018(2012)/ March 4, 2014	OIC- RM Accountant III	Incomplete documents supporting payment of expenses for general services relative to Scale Insect Infestation Control Operation	1,148,950.00	Settled. NSSDC under review of the RSA.
			5,856,644.30	
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, 2014.
Region VII				
11-003-101(11)/ July 15, 2011	RM Accountant II 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, 2014

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
13-001-101(13)/ July 22, 2013	RM; Regional Accountant; Project Manager, Central Visayas Coconut Seed Production Center; Provincial Coconut Development Managers - Bohol and Cebu Provincial Offices; Coconut Development Officers	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. Unsettled as at Dec. 31, 2014
13-002-101-(13)/ Nov. 7, 2013	RM; Regional Accountant; and Cashier	Incomplete documents supporting various disbursements for the period April to August 2013	31,430.24	Net of partial settlement of P1,206,612.72 per NSSDC No. 14-001 dated June 30, 2014
			96,930.24	
Region XI				
2014-01-503 (2013)PCA-RXI/ Feb. 18, 2014	Accountant III; RM III; and Provincial Coconut Development Officer (PCDO)	Lack of documents supporting the payment of expenses for chainsaw operations	43,938.00	Settled per NSSDC No. RXI 2014-005- 503(2013) dated Oct. 9, 2014
2014-02-503 (2013)PCA-RXI/ Feb. 18, 2014	Accountant III; RM III; and PCDO	Lack of documents supporting the payment of expenses for chainsaw operations	45,000.00	Settled per NSSDC No. RXI 2014-004- 503(2013) dated Oct. 9, 2014
2014-03-503 (2013)PCA-RXI/ Feb. 18, 2014	Accountant III; RM III; and PCDO	Lack of documents supporting the payment of expenses for chainsaw operations	45,000.00	Settled per NSSDC No. RXI 2014-002- 503(2013) dated Oct. 9, 2014
2014-04-503 (2013)PCA-RXI/ Feb. 18, 2014	Accountant III; RM III; and PCDO	Lack of documents supporting the payment of expenses for chainsaw operations	37,201.00	Settled per NSSDC No. RXI 2014-003- 503(2013) dated Oct. 9, 2014
			171,139.00	

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
Davao Research Center				
2013-001-503(12) April 30, 2013	Accountant III; and OIC-Department Manager (DM)	Unavailed discount due to failure to pay water bill on time	3,014.00	Unsettled as at Dec. 31, 2014.
Region XIV				
14-002-101(13) March 24, 2014	OIC Accountant; and RM	Lack of documents supporting the payment of meals purchased during the meeting and conference with the visitors from the Central Office	10,500.00	Unsettled as at Dec. 31, 2014.
14-003-101(13) March 24, 2014	OIC Accountant; and RM	Lack of documents supporting the payment of meals and snacks	5,000.00	Unsettled as at Dec. 31, 2014.
14-004-101(13) March 24, 2014	OIC Accountant; and RM	Lack of documents supporting the payment of office supplies purchased	10,000.00	Unsettled as at Dec. 31, 2014.
14-005-101(13) March 24, 2014	OIC Accountant; and RM	Lack of documents supporting the payment of office supplies purchased	3,490.00	Unsettled as at Dec. 31, 2014.
14-006-101(13) March 24, 2014	OIC Accountant; RM; and Provincial Coconut Development Manager (PCDM)	Lack of documents supporting the liquidation of cash advance for the establishment of nursery	1,700.00	Unsettled as at Dec. 31, 2014.
14-007-101(13) March 24, 2014	OIC Accountant; and RM	Lack of documents supporting the payment of meals and snacks	10,000.00	Unsettled as at Dec. 31, 2014.
14-008-101(13) March 24, 2014	OIC Accountant; RM; and Cashier	Lack of documents supporting the remittance of employees loan to PCA Cooperative	14,368.00	Unsettled as at Dec. 31, 2014.
			55,058.00	
Total			P 6,429,260.27	

II. Notices of Disallowance (NDs)

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

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
Central Office				
09-01-503 (95)/ Aug. 18, 2009	President, Peace Foundation Project Manager- NFD Manager, Financial Management & Services Division (FMSD) Former Administrator	NFD 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. Filed a Motion for reconsideration with the COA Commission Proper with COA CP Case No. 2013-43 dated Jan. 30, 2015.
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. With petition for review filed with the COA Commission Proper.
Sub-total			414,948.00	

b. Summary of audit disallowances with Notice of Finality Decision

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
Central Office				
2012-003-503/ May 15, 2012	Division Chief III DM, FMDS Deputy Administrator (DA), Corporate Services Branch (CSB)	Travelling expenses which were considered personal in nature	2,102.00	With COE dated June 6, 2014. Settled per NSSDC No. 2015-002 dated June 29, 2015.
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.
Sub-total			7,520.56	

c. Summary of audit disallowances without appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
Central Office				
10-02-503 (09)/ Feb. 16, 2010	Members of PCA Governing Board	Excessive payment of food expenses	1,949.25	With COE dated March 7, 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.
2013-006- 503(2012)/ July 12, 2013	Contractual Employee, Field Services Branch (FSB) DM, FMDS DA, FSB	Payment of travel insurance premium	511.00	Settled. For issuance of NSSDC.
2014-003-503/ Dec. 9, 2014	Agriculturist I DM II, Finance Department (FD) DA, Operations Branch (OB)	Payment of additional cost for a rebooked return trip plane ticket as a result of booking an erroneous return trip date	5,612.80	Payee requested for reconsideration on Jan. 13, 2015, for which the Audit Team per letter dated March 6, 2015 advised to file an Appeal Memorandum with COA Cluster 5 CGS.

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2014-004-503/ Dec. 9, 2014	Project Employee DM II, FD DA,OB	Payment of travelling expenses not according to the actual travel dates per approved travel order and amended itinerary of travel.	241.00	Settled per NSSDC No. 2015-001 dated June 26, 2015.
			16,558.05	
Region VII				
13-002-101(13)/ Nov. 7, 2013	Various Coconut Development Officers (CDOs)	Travelling expenses of various CDOs	4,000.00	Unsettled as at Dec. 31, 2014.
Sub-total			20,558.05	

d. Summary of audit disallowances with appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
Central Office				
2013-030-503/ Oct. 17, 2013	Project Development Officer III, Field Operations Division (FOD) DM II, FMSD DA, FSB	Payment of travel insurance premium and seat selector fee	1,050.00	Unsettled as at Dec. 31, 2014. Filed an Appeal Memorandum with COA Cluster 5 – CGS. Answer to Appeal Memorandum is being drafted by the Audit Team.
2014-002-503/ Feb. 24, 2014	Payee DM II, FMSD DA, CSB/ Chairman, Bids and Awards Committee (BAC) DA, Research, Development and Extension Branch/ Member, BAC OIC- Division Chief (DC) II, Legal Affairs Office/ Member, BAC OIC-DC III, Administrative and General Services	Excessive payment of security services	194,373.50	Filed an Appeal Memorandum with COA Cluster 5 – CGS.

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
	Department/ Member, BAC DA,FSB/ Member, BAC Administrator Members of PCA Governing Board Chairman of PCA Governing Board			
Sub-total			195,423.50	
Total			P 638,450.11	

III. Notices of Charge (NCs)

NC No./Date	Positions/ Designations of Persons Liable	Nature	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, 2014.
2013-004- 503(2013)/ April 25, 2013	OIC-PCDO/ Collecting Officer Payor	Non-collection of replacement fee for cutting 160 coconut trees at P50/tree	8,000.00	Unsettled as at Dec. 31, 2014.
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, 2014.
2014-01-503(2013) Feb. 20, 2014	RM III OIC-PCDM/ Collecting Officer Payor	Non-collection of replacement fee for cutting 12 coconut trees at P50/tree	600.00	Unsettled as at Dec. 31, 2014.
2014-02-503(2013) Feb. 20, 2014	RM III DC I/ 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, 2014.

NC No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2014-03- 503(2013)/ Feb. 20, 2014	RM III DC I/ OIC-PCDO/ Collecting Officer Payor	Non-collection of replacement fee for cutting 1,360 coconut trees at P50/tree	68,000.00	Unsettled as at Dec. 31, 2014.
2014-04- 503(2013)/ Feb. 20, 2014	RM III OIC-PCDO/ Collecting Officer Payor	Non-collection of replacement fee for cutting 250 coconut trees at P50/tree	12,500.00	Unsettled as at Dec. 31, 2014.
2014-05- 503(2013)/ Feb. 20, 2014	RM III OIC-PCDO/ Collecting Officer Payor	Non-collection of replacement fee for cutting 280 coconut trees at P50/tree	14,000.00	Unsettled as at Dec. 31, 2014.
2014-06- 503(2013)/ June 30, 2014	RM III OIC-PCDO/ Collecting Officer Payor	Non-collection of replacement fee for cutting 80 coconut trees at P50/tree	4,000.00	Unsettled as at Dec. 31, 2014.
2014-07- 503(2013)/ June 30, 2014	RM III OIC-PCDO/ Collecting Officer Payor	Non-collection of replacement fee for cutting 150 coconut trees at P50/tree	7,500.00	Unsettled as at Dec. 31, 2014.
2014-08- 503(2013)/ June 30, 2014	RM III Acting PCDO/ Former Collecting Officer Payor	Non-collection of replacement fee for cutting 575 coconut trees at P50/tree	28,750.00	Unsettled as at Dec. 31, 2014.
2014-09- 503(2013)/ June 30, 2014	RM III Acting PCDO/ Former Collecting Officer Payor	Non-collection of replacement fee for cutting 200 coconut trees at P50/tree	10,000.00	Unsettled as at Dec. 31, 2014.
2014-10- 503(2013)/ June 30, 2014	RM III Acting PCDO/ Former Collecting Officer Payor	Non-collection of replacement fee for cutting 60 coconut trees at P50/tree	3,000.00	Unsettled as at Dec. 31, 2014.
2014-11- 503(2013)/ June 30, 2014	RM III Acting PCDO/ Former Collecting Officer Payor	Non-collection of replacement fee for cutting 40 coconut trees at P50/tree	2,000.00	Unsettled as at Dec. 31, 2014.

NC No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2014-12- 503(2013)/ June 30, 2014	RM III Acting PCDO/ Former Collecting Officer Payor	Non-collection of replacement fee for cutting 200 coconut trees at P50/tree	10,000.00	Unsettled as at Dec. 31, 2014.
Total			P 189,350.00	