

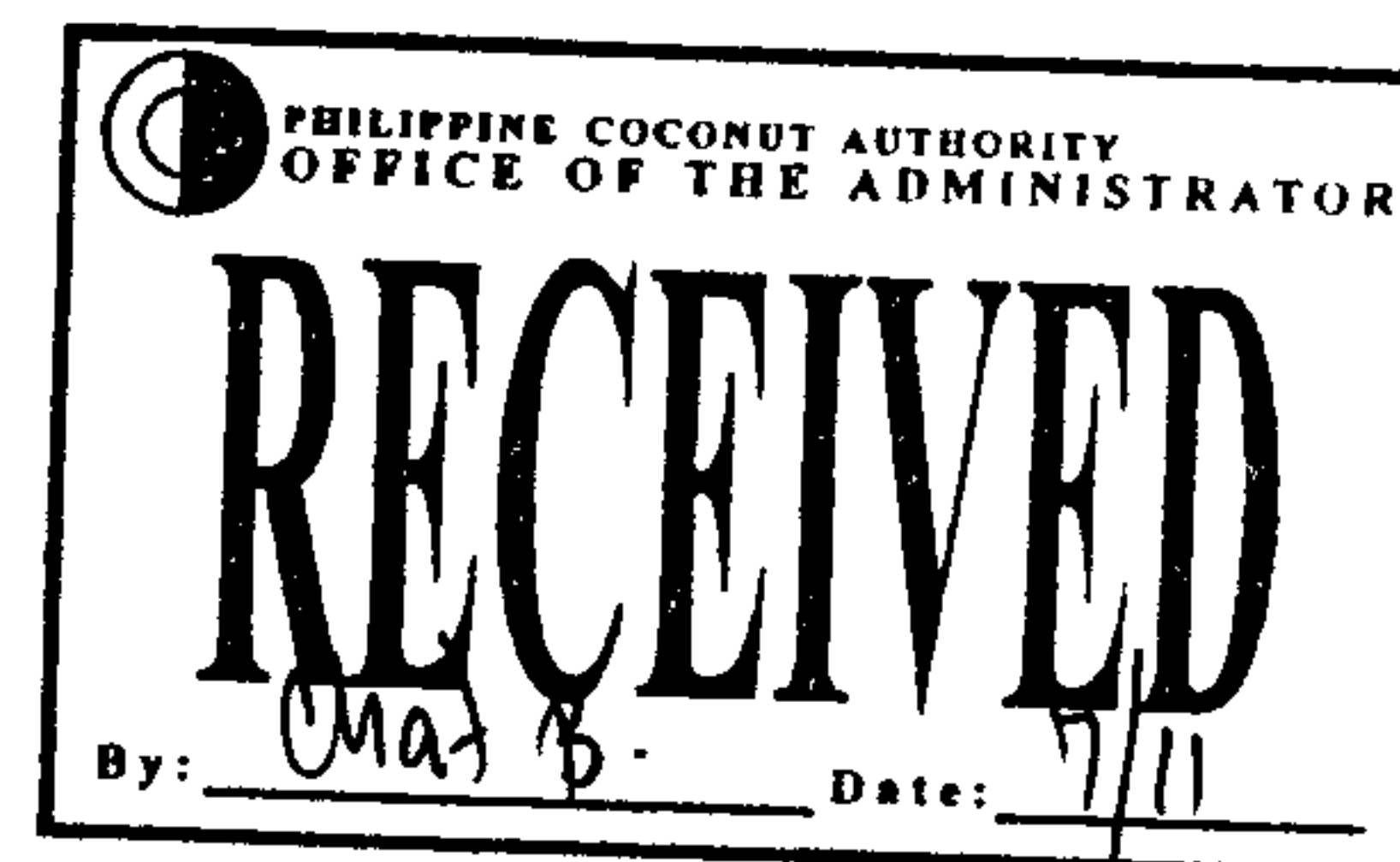


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

July 8, 2016

MR. GLENN B. SANTOS
Officer-in-Charge - Administrator
Philippine Coconut Authority
Elliptical Road, Diliman
Quezon City



Dear Mr. Santos:

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, 2015.

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, 2015 for the following reasons:

1. Unreleased portions of the Special Allotment Release Orders (SAROs) in CYs 2014 and 2015 of P0.911 billion and P2.840 billion, respectively, or totalling P3.751 billion were recorded as Subsidy Income from National Government contrary to pertinent provisions of the New Government Accounting System (NGAS) Manual and COA Government Accountancy and Financial Management Information System (GAFMIS) Circular Letter No. 2003-004 dated November 19, 2003, thereby, overstating the Due from National Treasury by P3.751 billion, Retained Earnings in CY 2014 by P0.911 billion and Income in CY 2015 by P2.840 billion.
2. The balance of Deferred Credits account in the amount of P102.553 million had remained outstanding in the books, notwithstanding that the fertilizers and other intercropping agricultural supplies have already been distributed to beneficiaries, due to non-submission/incomplete supporting documents while the balance of Inventories account amounting to P142.424 million included the costs of said agricultural supplies, resulting in the overstatement of the said accounts as well as the Agency's reported total assets and liabilities by P102.553 million.

3. The Statement of Cash Flows (SCF) could not be relied upon, since Maintenance and Other Operating Expenses (MOOE) reported therein for CY 2015 amounting to P2.843 billion exceeded the amount indicated in the Statement of Financial Performance (SFP) amounting to P2.340 billion, or by P0.503 billion. Also, the unreconciled discrepancy of P121.018 million and P8.152 million in CYs 2014 and 2015, respectively, after elimination of intra-agency fund transfers/remittances were reported in the SCF while return of unutilized Disbursement Acceleration Program fund balance of P274.455 million to the Bureau of the Treasury (BTr) was not reflected therein. Thus, affecting the correctness of Cash and Cash equivalents account of P1.816 billion at year-end.

4. Existence and reliability of the Property, Plant and Equipment (PPE) account with a carrying balance of P605.787 million could not be ascertained due to non-submission of inventory and reconciliation reports for PPE totalling P261.004 million, absence/incomplete PPE Ledger Cards (PPELCs) and Property Cards (PCs) and discrepancy in the PPELCs in the Central Office (CO) of P6.559 million, recognition of items not yet delivered/received or already distributed to the beneficiaries aggregating P10.423 million, inclusion of unserviceable assets of P0.661 million, and inadequate disclosures in the Notes to FS, contrary to NGAS Manual, Philippine Public Sector Accounting Standards (PPSAS) 16, and COA Circular No. 80-124. Likewise, disbursement vouchers (DVs) were processed and signed for procured items, which were not yet delivered/received and/or with incomplete supporting documents.

5. Personnel benefits without legal basis, expenses for projects not yet implemented and goods not yet received totalling P82.685 million and unpaid incentives of farmer-participants of P30.256 million without Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report were accrued and treated as outright expense, thus overstating the Payables accounts of P785.103 million by P112.941 million at year-end; while validity of payables amounting to P12.907 million could not be ascertained in view of absence of supporting documents.

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

1.1 Effect the necessary adjustments in the books to correct misstatement of affected accounts;

1.2 Henceforth, stop the practice of booking up receivables and income for unreleased portion of the SAROs, in accordance with pertinent provisions of NGAS Manual, Volumes II and III, and COA GAFMIS Circular Letter No. 2003-004 dated November 19, 2003;

2.1 Direct the Provincial Offices (PrOs) to exhaust efforts to immediately comply with the documentary requirements to support the distribution and/or issuance of agricultural and non-agricultural supplies;

2.2 Instruct the Accounting Division of CO and Accounting Units of ROs/Centers to: (i) conduct verification, analysis, and reconciliation between long/non-moving Agricultural and Marine Supplies Inventory and Deferred Credits accounts; (ii) effect the necessary adjusting journal entries upon verification and validation of documents supporting the distribution of agricultural and non-agricultural supplies; and henceforth, stop the practice

of using Other Deferred Credits accounts, instead adopt asset method of recording inventories;

2.3 Issue a memorandum superseding the memo advice dated October 30, 1995 and directive dated October 22, 2009, consistent with Sections 51, 167, and 291 of NGAS Manual, Volume III;

3.1 Direct the Accounting Division of CO to analyze, reconcile the discrepancies/inconsistencies, adjust the affected accounts, and revise the SCF accordingly;

4.1 Require the Property Division in the CO and concerned Property Units of the ROs/Centers to prioritize and strictly observe the scheduled dates/times of physical count; and prepare, reconcile and submit timely the RPCPPE and reconciliation report;

4.2 Instruct the Accounting Division in the CO and Accounting Units of the concerned ROs/Center to prepare the necessary adjustments to derecognize items which have already been distributed to the beneficiaries and unserviceable assets to Other Assets account, maintain PPELCs and PCs for each PPE type, reconcile the discrepancies in the PPELCs, and provide adequate disclosures of PPE account; and stop the practice of processing DVs which were not properly supported with valid documents;

4.3 Direct the Collection and Disbursement Division of CO to stop the practice of signing and issuing checks for DVs with incomplete supporting documents;

5.1 Instruct the Accounting Division in the CO to prepare the necessary adjusting journal entries to correct the following misstatements:

- a. Outright take up of expenses and payables pertaining to personnel benefits, fund releases to IAs and incentives of the farmer-participants;
- b. Double recording of payables;
- c. Payables, including long outstanding accounts, which are determined to be without valid claims as at year-end; and

5.2 Henceforth, refrain from recording transactions, including claims, that are not supported with proper documentation and for which goods/services have not been received and accepted.

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

6. Unused subsidies for CYs 2013 and 2014 aggregating P4.340 billion were reprogrammed for CY 2015, an indication that programs, projects, and activities (PPAs) in prior years were not fully implemented and budgets thereof were not properly utilized according to their respective intended purposes and timeframes, which consequently deferred the implementation of CY 2015 PPAs and the attainment of the objectives thereof.

6.1 We recommended that Management:

- a. Require the Operations Branch to implement PPAs according to targeted timeframes, approved budgets, and intended purposes and submit the Detailed Accomplishment Report (AcR) for each PPA for audit purposes; and
- b. Instruct the Finance Department to:
 - b.1 Reconcile the inconsistencies between the following: (i) available funds of P3.770 billion and reprogrammed funds of P3.429 billion as at December 31, 2014; (ii) CY 2014 Major Final Outputs accomplishment of 73.45 per cent and low fund utilization rate of 32.24 per cent; and (iii) reprogrammed fund of P3.163 billion, per COB, and PPAs cost of P2.549 billion, per Work and Financial Plans (WFPs); and
 - b.2 Prepare and submit the: (i) Detailed Fund Utilization Report (FUR) with variance analysis on the Corporate Operating Budget (COB) *vis-à-vis* actual expenditures/utilization by source of fund, by project, and by expense item; (ii) duly-approved WFP and budget realignment for each PPA; and (iii) Quarterly reports of all donations received and expenditures or disbursements thereon and post the same to the PCA website, as required under Sections 4 and 5 of GAAs for FYs 2014 and 2015.

Yolanda Rehabilitation and Recovery Program (YRRP)

7. Full evaluation of the implementation of the YRRP could not be easily undertaken in view of absence of FUR and Detailed AcRs while inter-fund transfers of YRRP funds to finance non-YRRP projects totaling P395.546 million, deprived the beneficiaries of the timely assistance and benefits due them, and consequently, contributed to the delay in the attainment of the objectives of YRRP.

7.1 We recommended that Management direct the:

- a. Operations Branch to fast track the implementation of YRRP projects and activities, and submit annual AcR for YRRP and justifications for the following:
 - a.1 Higher cost of fertilizer per tree actually incurred in CY 2014 as compared to that in CY 2015;
 - a.2 Higher targeted cost of fertilizer per tree for CY 2015;
 - a.3 Low targeted and actual number of trees fertilized in CY 2015 and as at December 31, 2015;
 - a.4 Discrepancies between Monitoring Report of Performance Targets and Performance Agreement for the targeted number of hectares benefited by the intercropping and livestock integration and fertilization projects;
 - a.5 Inconsistency of Strategic Initiative 1 of Strategic Initiatives Profile or Annex B of the Performance Agreement with the Performance Scorecard or

Annex A of Performance Agreement and Monitoring Report of Performance Agreement; and

b. Finance Department to:

b.1 Submit FUR for YRRP;

b.2 Reconcile the noted differences between the reported CY 2014 YRRP fund balance of P1,880.332 million and the reprogrammed funds of P1,584.616 million per Board Resolution No. 040-2015, P1.880.280 million per CY 2015 COB and cash balance of P1,886.173 million per CY 2014 YRRP Trial Balance;

b.3 Submit justification on the inter-fund transfers without approval from the Governing Board; and

b.4 Ensure that all fund disbursements are covered with duly certified and approved DVs.

Coconut Scale Insect Emergency Action Program (CSIEAP)

8. Effectiveness, efficiency, and economy in the field treatment of coconut scale-infested trees under CSIEAP in Isabela City, Basilan, could not be established due to absence of a detailed AcR and inconsistencies of information in the planning documents and in the reported accomplishments. Also, the lack of sense of urgency, significant number of untreated trees, non-rehabilitation of CSI-infested areas, and non-enforcement of liquidated damages on delayed delivery of pesticides are indications of inefficient implementation of the program.

8.1 We recommended that Management direct the:

a. Operations Branch to submit:

a.1 Assessment report on the reduction in the number of hotspot-municipalities in Cavite, Laguna, Batangas and Quezon (CALABAZON) as well as the CY 2015 AcR; and

a.2 Reconciliation report for the discrepancy between the reported expenditures of RO No. IX and the AcR of Isabela City Field Office, duly supported with documents, such as certified copy of payrolls, to prove that said activities were actually implemented.

b. Finance Department to:

b.1 Submit variance analysis report on the CY 2015 COB vis-à-vis actual expenditures/ utilization by source of fund, by project, and by expense item; and

b.2 Demand recovery from Leads Agricultural Products Corporation or deduct from its outstanding balance, if there are still any, the liquidated damages.

8.2 We also recommended that Management: (a) instruct the PCDMs of Basilan and Isabela City PrO to communicate with the officers of Local Government Unit (LGU) in encouraging all coconut farmers with infested coconut trees to cooperate in the treatment process to avoid further escalation of infestation; and (b) impose administrative sanctions to those personnel who had been remiss in the discharge of their duties.

Participatory Coconut Planting Project (PCPP)

9. Efficient and effective implementation of PCPP could not be ascertained in view of absence of any proof of land ownerships and approved masterlists; farmer-participants' lands agronomic suitability and their interests were not determined at the onset due to non-conduct of survey; lack of adequate knowledge and skills due to non-conduct of crash training; and monthly monitoring and evaluation was not undertaken, thus validity of farmer-participants' incentives of P107.743 million was questionable.

9.1 We recommended that Management direct Regional Managers to:

- a. Conduct investigation to determine cause/s of:
 - a.1. Non-submission of any proof of ownership, non-approval of the masterlists, non-conduct of survey on farmers' interest and farms suitability, crash training, and monthly monitoring and evaluation and hold the concerned personnel responsible as the case may be;
 - a.2. Allowing farmer-participants in Adams, Ilocos Norte to receive incentives under Phase I thru thumb marks while under Phase II by signing in the Certificate of Payment, Payroll and Acknowledgement Receipt;
 - a.3. Excessive payments of incentives to farmer-participants who planted more than 100 pieces allowed for every hectare in the Provinces of Pangasinan, Ilocos Norte and Palawan; and
 - a.4. Tenurial status as well land areas were not indicated in the Masterlist of Farmer-Participants/Letter for Replacement.
- b. Henceforth, ensure that all stakeholders down to the implementers comply with MC Nos. 04, series of 2012 and 06, series of 2015 to ensure that all documentary and procedural requirements are complied with in the implementation of PCPP.

Coconut Seedlings Dispersal Project (CSDP)

10. Successful attainment of the objective of CSDP to provide good quality of coconut seedlings to farmers may not be realized due to documentary deficiencies in the registration and selection of farmer-participants and delayed implementation of the project coupled with late deliveries of coconut seedlings by the suppliers/LGUs.

10.1 We recommended that Management direct the Regional Manager of RO No. XI to:

- a. Ensure that all personnel concerned comply with the provisions of Memorandum Circular Nos. 02 and 06 dated January 9, 2012 and May 22, 2015, respectively;

- b. Commit to undertake remedial actions to comply with the documentary requirements in the selection and registration of qualified farmer-participants and timely implementation of the project;
- c. Ensure that permanent files such as Masterlist of Approved Participants and proof of ownership of farmer-participants are maintained and turned-over by outgoing to incoming PDOs to establish accountability; and
- d. Enforce the provisions of the Memoranda of Agreement entered into with partner LGUs particularly on the delivery of coconut seedlings to their respective localities.

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 June 9, 2016 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.

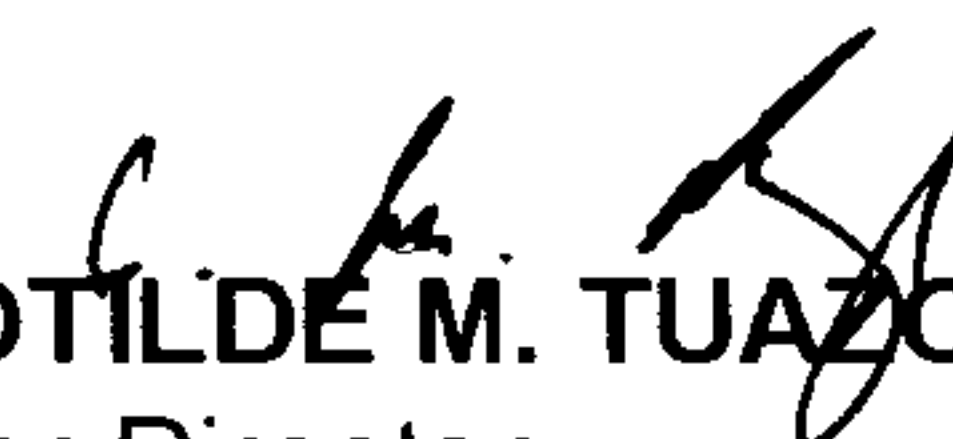
We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from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


CLEOTILDE M. TUAZON
Cluster Director
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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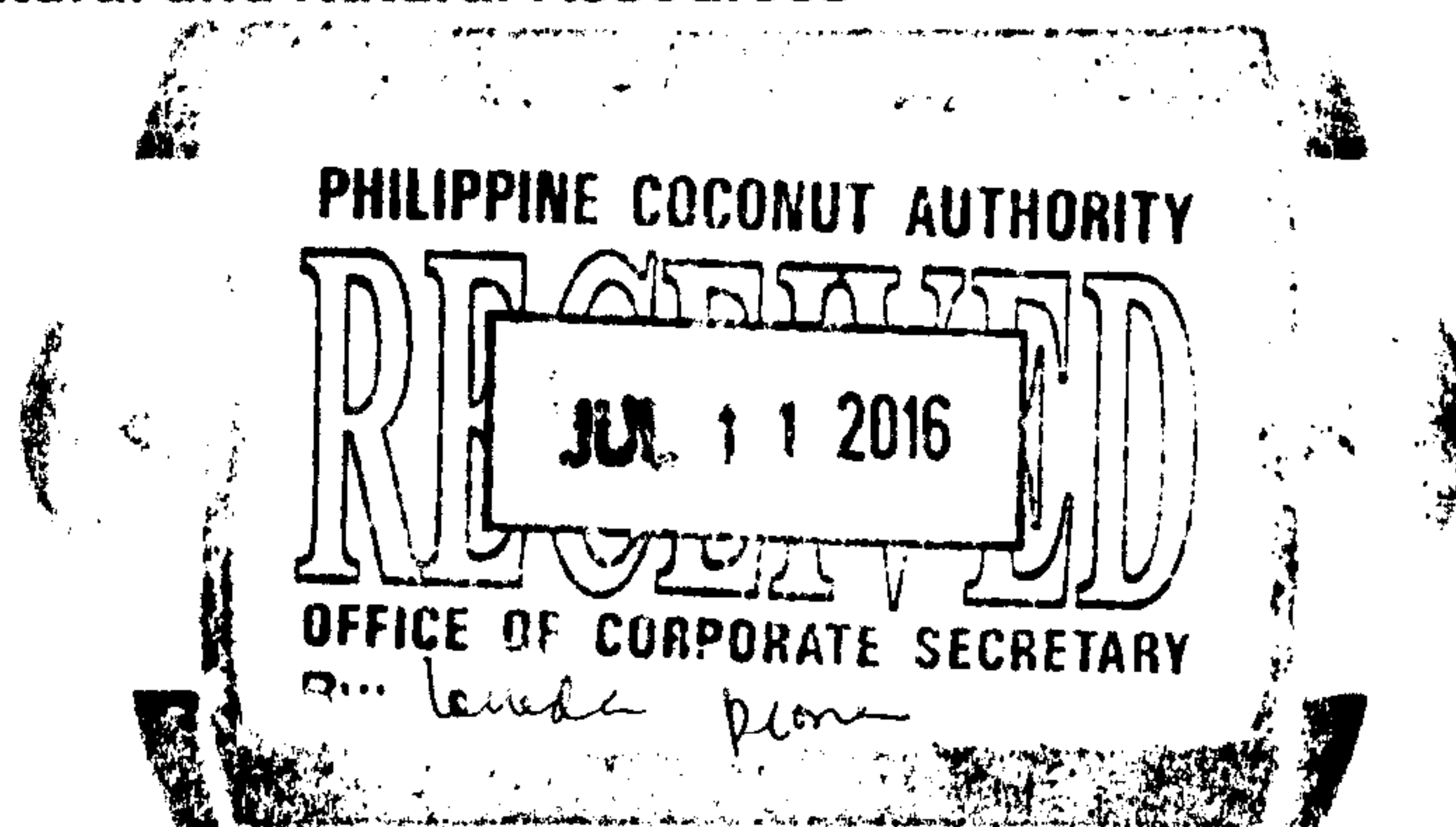


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July 8, 2016

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Elliptical Road, Diliman
Quezon City



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- b. Instruct the Finance Department to:
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b. Finance Department to:

b.1 Submit variance analysis report on the CY 2015 COB vis-à-vis actual expenditures/ utilization by source of fund, by project, and by expense item; and

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- b. Henceforth, ensure that all stakeholders down to the implementers comply with MC Nos. 04, series of 2012 and 06, series of 2015 to ensure that all documentary and procedural requirements are complied with in the implementation of PCPP.

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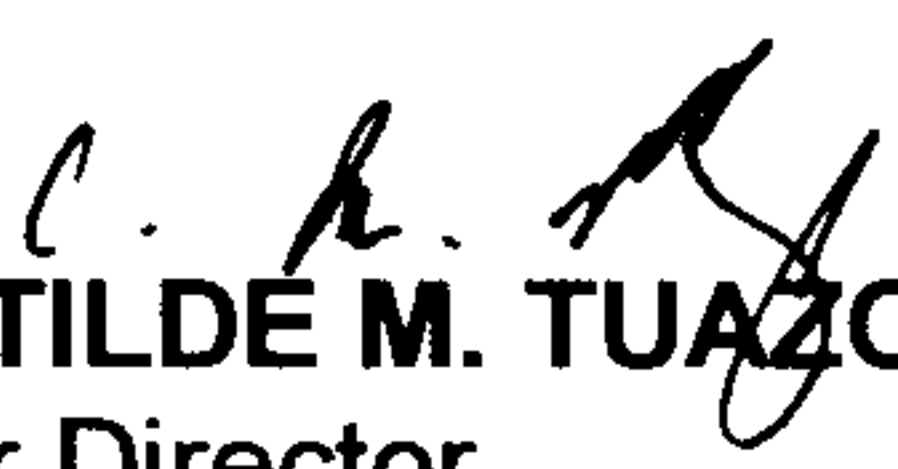
In our transmittal letter of even date, we request the Administrator of PCA to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt hereof.

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:


CLEOTILDE M. TUAZON
 Cluster Director
 Director IV

Copy furnished:

The President of the Republic of the Philippines
 The Vice President
 The Speaker of the House of Representatives
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 The Secretary of the Department of Budget and Management
 The Governance Commission for Government-Owned or Controlled Corporations
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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, 2015

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 the 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 are 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 (RO) in Quezon City and Region IV-A under the RO in Lucena City. It has 12 ROs, 67 Provincial Offices (PrOs), three Research Centers as well as Training and Seed Production Centers headed by a Regional Manager, Provincial Coconut Development Manager (PCDM) and Center Manager, respectively.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Statement of Financial Position

| | 2015 | 2014 (As restated) | Increase/ (Decrease) |
|-------------------|-----------|-----------------------|-------------------------|
| Total assets | 8,874.756 | 7,579.157 | 1,295.599 |
| Total liabilities | 1,644.443 | 971.651 | 672.792 |
| Equity | 7,230.313 | 6,607.506 | 622.807 |

II. Statement of Financial Performance

| | 2015 | 2014 (As restated) | Increase/ (Decrease) |
|---|-----------|-----------------------|-------------------------|
| Total income | 443.809 | 430.322 | 13.487 |
| Expenses | 2,735.944 | 2,519.623 | 216.321 |
| Loss from operations | 2,292.135 | 2,089.301 | 202.834 |
| Subsidy from national government | 2,911.117 | 2,602.592 | 308.525 |
| Income after subsidy from national government | 618.982 | 513.291 | 105.691 |

III. Comparison of CY 2015 Budget and Actual Expenses

| | Corporate Operating Budget | Actual Expenses | Savings |
|---|---|----------------------------|------------------|
| Personal services | 403.074 | 337.426 | 65.648 |
| Maintenance and other operating expenses (MOOE) | 5,703.470 | 2,340.223 | 3,363.247 |
| Financial expenses | 0.600 | 0.256 | 0.344 |
| Capital outlay | 2,549.586 | 61.325 | 2,488.261 |
| | 8,656.730 | 2,739.230 | 5,917.500 |

SCOPE OF AUDIT

Our audit covered the operations of PCA for Calendar Year (CY) 2015. Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements (FS). 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. Unreleased portions of the Special Allotment Release Orders (SAROs) in CYs 2014 and 2015 of P0.911 billion and P2.840 billion, respectively, or totalling P3.751 billion were recorded as Subsidy Income from National Government contrary to pertinent provisions of the New Government Accounting System (NGAS) Manual and COA Government Accountancy and Financial Management Information System (GAFMIS) Circular Letter No. 2003-004 dated November 19, 2003, thereby, overstating the Due from National Treasury by P3.751 billion, Retained Earnings in CY 2014 by P0.911 billion and Income in CY 2015 by P2.840 billion.
2. The balance of Deferred Credits account in the amount of P102.553 million had remained outstanding in the books, notwithstanding that the fertilizers and other intercropping agricultural supplies have already been distributed to beneficiaries, due to non-submission/incomplete supporting documents while the balance of Inventories account amounting to P142.424 million included the costs of said agricultural supplies, resulting in the overstatement of the said accounts as well as the Agency's reported total assets and liabilities by P102.553 million.
3. The Statement of Cash Flows (SCF) could not be relied upon, since Maintenance and Other Operating Expenses (MOOE) reported therein for CY 2015 amounting to P2.843 billion exceeded the amount indicated in the Statement of Financial Performance (SFP) amounting to P2.340 billion, or by P0.503 billion. Also, the unreconciled discrepancy of P121.018 million and P8.152 million in CYs 2014 and 2015, respectively, after elimination of intra-agency fund transfers/remittances were reported in the SCF while return of unutilized Disbursement Acceleration Program fund balance of P274.455

million to the Bureau of the Treasury (BTr) was not reflected therein. Thus, affecting the correctness of Cash and Cash equivalents account of P1.816 billion at year-end.

4. Existence and reliability of the Property, Plant and Equipment (PPE) account with a carrying balance of P605.787 million could not be ascertained due to non-submission of inventory and reconciliation reports for PPE totalling P261.004 million, absence/incomplete PPE Ledger Cards (PPELCs) and Property Cards (PCs) and discrepancy in the PPELCs in the Central Office (CO) of P6.559 million, recognition of items not yet delivered/received or already distributed to the beneficiaries aggregating P10.423 million, inclusion of unserviceable assets of P0.661 million, and inadequate disclosures in the Notes to FS, contrary to NGAS Manual, Philippine Public Sector Accounting Standards (PPSAS) 16, and COA Circular No. 80-124. Likewise, disbursement vouchers (DVs) were processed and signed for procured items, which were not yet delivered/received and/or with incomplete supporting documents.

5. Personnel benefits without legal basis, expenses for projects not yet implemented and goods not yet received totalling P82.685 million and unpaid incentives of farmer-participants of P30.256 million without Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report were accrued and treated as outright expense, thus overstating the Payables accounts of P785.103 million by P112.941 million at year-end; while validity of payables amounting to P12.907 million could not be ascertained in view of absence of supporting documents.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1.1 Effect the necessary adjustments in the books to correct misstatement of affected accounts;

1.2 Henceforth, stop the practice of booking up receivables and income for unreleased portion of the SAROs, in accordance with pertinent provisions of NGAS Manual, Volumes II and III, and COA GAFMIS Circular Letter No. 2003-004 dated November 19, 2003;

2.1 Direct the Provincial Offices (PrOs) to exhaust efforts to immediately comply with the documentary requirements to support the distribution and/or issuance of agricultural and non-agricultural supplies;

2.2 Instruct the Accounting Division of CO and Accounting Units of ROs/Centers to: (i) conduct verification, analysis, and reconciliation between long/non-moving Agricultural and Marine Supplies Inventory and Deferred Credits accounts; (ii) effect the necessary adjusting journal entries upon verification and validation of documents supporting the distribution of agricultural and non-agricultural supplies; and henceforth, stop the practice of using Other Deferred Credits accounts, instead adopt asset method of recording inventories;

2.3 Issue a memorandum superseding the memo advice dated October 30, 1995 and directive dated October 22, 2009, consistent with Sections 51, 167, and 291 of NGAS Manual, Volume III;

3.1 Direct the Accounting Division of CO to analyze, reconcile the discrepancies/inconsistencies, adjust the affected accounts, and revise the SCF accordingly;

4.1 Require the Property Division in the CO and concerned Property Units of the ROs/Centers to prioritize and strictly observe the scheduled dates/times of physical count; and prepare, reconcile and submit timely the RPCPPE and reconciliation report;

4.2 Instruct the Accounting Division in the CO and Accounting Units of the concerned ROs/Center to prepare the necessary adjustments to derecognize items which have already been distributed to the beneficiaries and unserviceable assets to Other Assets account, maintain PPELCs and PCs for each PPE type, reconcile the discrepancies in the PPELCs, and provide adequate disclosures of PPE account; and stop the practice of processing DVs which were not properly supported with valid documents;

4.3 Direct the Collection and Disbursement Division of CO to stop the practice of signing and issuing checks for DVs with incomplete supporting documents;

5.1 Instruct the Accounting Division in the CO to prepare the necessary adjusting journal entries to correct the following misstatements:

- a. Outright take up of expenses and payables pertaining to personnel benefits, fund releases to IAs and incentives of the farmer-participants;
- b. Double recording of payables;
- c. Payables, including long outstanding accounts, which are determined to be without valid claims as at year-end; and

5.2 Henceforth, refrain from recording transactions, including claims, that are not supported with proper documentation and for which goods/services have not been received and accepted.

The other significant audit observations and recommendations are as follows:

6. Unused subsidies for CYs 2013 and 2014 aggregating P4.340 billion were reprogrammed for CY 2015, an indication that programs, projects, and activities (PPAs) in prior years were not fully implemented and budgets thereof were not properly utilized according to their respective intended purposes and timeframes, which consequently deferred the implementation of CY 2015 PPAs and the attainment of the objectives thereof.

6.1 We recommended that Management:

- a. Require the Operations Branch to implement PPAs according to targeted timeframes, approved budgets, and intended purposes and submit the Detailed Accomplishment Report (AcR) for each PPA for audit purposes; and

- b. Instruct the Finance Department to:
 - b.1 Reconcile the inconsistencies between the following: (i) available funds of P3.770 billion and reprogrammed funds of P3.429 billion as at December 31, 2014; (ii) CY 2014 Major Final Outputs accomplishment of 73.45 per cent and low fund utilization rate of 32.24 per cent; and (iii) reprogrammed fund of P3.163 billion, per COB, and PPAs cost of P2.549 billion, per Work and Financial Plans (WFPs); and
 - b.2 Prepare and submit the: (i) Detailed Fund Utilization Report (FUR) with variance analysis on the Corporate Operating Budget (COB) *vis-à-vis* actual expenditures/utilization by source of fund, by project, and by expense item; (ii) duly-approved WFP and budget realignment for each PPA; and (iii) Quarterly reports of all donations received and expenditures or disbursements thereon and post the same to the PCA website, as required under Sections 4 and 5 of GAAs for FYs 2014 and 2015.

Yolanda Rehabilitation and Recovery Program (YRRP)

7. Full evaluation of the implementation of the YRRP could not be easily undertaken in view of absence of FUR and Detailed AcRs while inter-fund transfers of YRRP funds to finance non-YRRP projects totaling P395.546 million, deprived the beneficiaries of the timely assistance and benefits due them, and consequently, contributed to the delay in the attainment of the objectives of YRRP.

7.1 We recommended that Management direct the:

- a. Operations Branch to fast track the implementation of YRRP projects and activities, and submit annual AcR for YRRP and justifications for the following:
 - a.1 Higher cost of fertilizer per tree actually incurred in CY 2014 as compared to that in CY 2015;
 - a.2 Higher targeted cost of fertilizer per tree for CY 2015;
 - a.3 Low targeted and actual number of trees fertilized in CY 2015 and as at December 31, 2015;
 - a.4 Discrepancies between Monitoring Report of Performance Targets and Performance Agreement for the targeted number of hectares benefited by the intercropping and livestock integration and fertilization projects;
 - a.5 Inconsistency of Strategic Initiative 1 of Strategic Initiatives Profile or Annex B of the Performance Agreement with the Performance Scorecard or Annex A of Performance Agreement and Monitoring Report of Performance Agreement; and
- b. Finance Department to:
 - b.1 Submit FUR for YRRP;

b.2 Reconcile the noted differences between the reported CY 2014 YRRP fund balance of P1,880.332 million and the reprogrammed funds of P1,584.616 million per Board Resolution No. 040-2015, P1,880.280 million per CY 2015 COB and cash balance of P1,886.173 million per CY 2014 YRRP Trial Balance;

b.3 Submit justification on the inter-fund transfers without approval from the Governing Board; and

b.4 Ensure that all fund disbursements are covered with duly certified and approved DVs.

Coconut Scale Insect Emergency Action Program (CSIEAP)

8. Effectiveness, efficiency, and economy in the field treatment of coconut scale-infested trees under CSIEAP in Isabela City, Basilan, could not be established due to absence of a detailed AcR and inconsistencies of information in the planning documents and in the reported accomplishments. Also, the lack of sense of urgency, significant number of untreated trees, non-rehabilitation of CSI-infested areas, and non-enforcement of liquidated damages on delayed delivery of pesticides are indications of inefficient implementation of the program.

8.1 We recommended that Management direct the:

a. Operations Branch to submit:

a.1 Assessment report on the reduction in the number of hotspot-municipalities in Cavite, Laguna, Batangas and Quezon (CALABAZON) as well as the CY 2015 AcR; and

a.2 Reconciliation report for the discrepancy between the reported expenditures of RO No. IX and the AcR of Isabela City Field Office, duly supported with documents, such as certified copy of payrolls, to prove that said activities were actually implemented.

b. Finance Department to:

b.1 Submit variance analysis report on the CY 2015 COB vis-à-vis actual expenditures/ utilization by source of fund, by project, and by expense item; and

b.2 Demand recovery from Leads Agricultural Products Corporation or deduct from its outstanding balance, if there are still any, the liquidated damages.

8.2 We also recommended that Management: (a) instruct the PCDMs of Basilan and Isabela City PrO to communicate with the officers of Local Government Unit (LGU) in encouraging all coconut farmers with infested coconut trees to cooperate in the treatment process to avoid further escalation of infestation; and (b) impose administrative sanctions to those personnel who had been remiss in the discharge of their duties.

Participatory Coconut Planting Project (PCPP)

9. Efficient and effective implementation of PCPP could not be ascertained in view of absence of any proof of land ownerships and approved masterlists; farmer-participants' lands agronomic suitability and their interests were not determined at the onset due to non-conduct of survey; lack of adequate knowledge and skills due to non-conduct of crash training; and monthly monitoring and evaluation was not undertaken, thus validity of farmer-participants' incentives of P107.743 million was questionable.

9.1 We recommended that Management direct Regional Managers to:

- a. Conduct investigation to determine cause/s of:
 - a.1. Non-submission of any proof of ownership, non-approval of the masterlists, non-conduct of survey on farmers' interest and farms suitability, crash training, and monthly monitoring and evaluation and hold the concerned personnel responsible as the case may be;
 - a.2. Allowing farmer-participants in Adams, Ilocos Norte to receive incentives under Phase I thru thumb marks while under Phase II by signing in the Certificate of Payment, Payroll and Acknowledgement Receipt;
 - a.3 Excessive payments of incentives to farmer-participants who planted more than 100 pieces allowed for every hectare in the Provinces of Pangasinan, Ilocos Norte and Palawan; and
 - a.4. Tenurial status as well land areas were not indicated in the Masterlist of Farmer-Participants/Letter for Replacement.
- b. Henceforth, ensure that all stakeholders down to the implementers comply with MC Nos. 04, series of 2012 and 06, series of 2015 to ensure that all documentary and procedural requirements are complied with in the implementation of PCPP.

Coconut Seedlings Dispersal Project (CSDP)

10. Successful attainment of the objective of CSDP to provide good quality of coconut seedlings to farmers may not be realized due to documentary deficiencies in the registration and selection of farmer-participants and delayed implementation of the project coupled with late deliveries of coconut seedlings by the suppliers/LGUs.

10.1 We recommended that Management direct the Regional Manager of RO No. XI to:

- a. Ensure that all personnel concerned comply with the provisions of Memorandum Circular Nos. 02 and 06 dated January 9, 2012 and May 22, 2015, respectively;
- b. Commit to undertake remedial actions to comply with the documentary requirements in the selection and registration of qualified farmer-participants and timely implementation of the project;

- c. Ensure that permanent files such as Masterlist of Approved Participants and proof of ownership of farmer-participants are maintained and turned-over by outgoing to incoming PDOs to establish accountability; and
- d. Enforce the provisions of the Memoranda of Agreement entered into with partner LGUs particularly on the delivery of coconut seedlings to their respective localities.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES AS AT DECEMBER 31, 2015

The unsettled audit suspensions, disallowances, and charges as at December 31, 2015 amounted to P15.013 million, P13.941 million, and P170,750, respectively. Details are shown in Annex 2 of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 66 audit recommendations embodied in the previous years' Annual Audit Reports, 13 were fully implemented, 24 were partially implemented and 29 were not implemented. Details are presented in Part III of this Report.

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Coconut Authority
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, 2015, and the statement of financial performance, statement of changes in equity and statement of cash flows 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 the 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 in our audit is sufficient and appropriate to provide bases for our adverse audit opinion.

Bases for Adverse Opinion

The unreleased portions of the Special Allotment Release Orders in Calendar Years (CYs) 2014 and 2015 of P0.911 billion and P2.840 billion, respectively, or totalling P3.751 billion were recorded as Subsidy Income from National Government contrary to pertinent provisions of the New Government Accounting System (NGAS) Manual and COA Government Accountancy and Financial Management Information System Circular Letter No. 2003-004 dated November 19, 2003, thereby, overstating the Due from National Treasury by P3.751 billion, Retained Earnings in CY 2014 by P0.911 billion and Income in CY 2015 by P2.840 billion.

Likewise, the balance of Deferred Credits account in the amount of P102.553 million had remained outstanding in the books, notwithstanding that the fertilizers and other intercropping agricultural supplies have already been distributed to beneficiaries, due to non-submission/incomplete supporting documents from the PCA Provincial Offices while the balance of Inventories account amounting to P142.424 million included the costs of said agricultural supplies, resulting in the overstatement of the said accounts as well as the Agency's reported total assets and liabilities by P102.553 million.

Personnel benefits without legal basis, expenses for projects not yet implemented and goods not yet received totalling P82.685 million and unpaid incentives of farmer-participants of P30.256 million without Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report were accrued and treated as outright expenses, thus overstating the Payables accounts of P785.103 million by P112.941 million at year-end.

Moreover, the Statement of Cash Flows (SCF) could not be relied upon, since Maintenance and Other Operating Expenses (MOOE) reported therein for CY 2015 amounting to P2.843 billion exceeded the amount indicated in the Statement of Financial Performance amounting to P2.340 billion, or by P0.503 billion. Also, the unreconciled discrepancy of P121.018 million and P8.152 million in CYs 2014 and 2015, respectively, after elimination of intra-agency fund transfers/remittances were reported in the SCF while return of unutilized Disbursement Acceleration Program fund balance of P274.455 million to the Bureau of the Treasury was not reflected therein. Thus, affecting the correctness of Cash and Cash equivalents account of P1.816 billion at year-end.

Existence and reliability of the Property, Plant and Equipment (PPE) account with a carrying balance of P605.787 million could not be ascertained due to non-submission of inventory and reconciliation reports for PPE totalling P261.004 million, absence/incomplete PPE Ledger Cards (PPELCs) and Property Cards and discrepancy in the PPELCs in the Central Office of P6.559 million, recognition of items not yet delivered/received or already distributed to the beneficiaries aggregating P10.423 million, inclusion of unserviceable assets of P0.661 million, and inadequate disclosures in the Notes to Financial Statements, contrary to NGAS Manual, Philippine Public Sector Accounting Standards 16, and COA Circular No. 80-124.

We were unable to obtain sufficient appropriate audit evidence about the balances of the PPE and other affected accounts as at December 31, 2015 due to inadequacy of the records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Bases for Adverse Opinion paragraphs, the financial statements do not present fairly, in all material respects, the financial position of **PCA** as at December 31, 2015, 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

June 17, 2016



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

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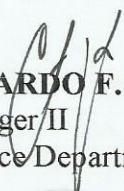


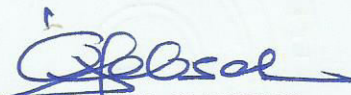
Statement of Management's Responsibility for Financial Statements

In accordance with your examination of the Financial Statements of the Philippine Coconut Authority as of December 31, 2015, 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.


EDUARDO F. SUAREZ
Manager/II
Finance Department


GLENN B. SANTOS
OIC - Administrator

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

(In Philippine Peso)

| | | | 2014 |
|-------------------------------------|-------------|----------------------|----------------------|
| | Note | 2015 | As restated |
| A S S E T S | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 1,816,266,124 | 4,635,055,836 |
| Receivables - net | 4 | 5,520,816,960 | 1,492,521,563 |
| Inventories | 5 | 142,423,819 | 129,050,874 |
| Prepayments | 6 | 65,753,626 | 22,263,927 |
| Other current assets | 7 | 3,939,006 | 4,865,641 |
| | | 7,549,199,535 | 6,283,757,841 |
| Non-current assets | | | |
| Investments | 8 | 88,515 | 88,515 |
| Property, plant and equipment - net | 9 | 605,786,849 | 575,511,966 |
| Other assets | 10 | 719,681,467 | 719,799,138 |
| | | 1,325,556,831 | 1,295,399,619 |
| TOTAL ASSETS | | 8,874,756,366 | 7,579,157,460 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Payable accounts | 11 | 785,102,868 | 713,593,345 |
| Inter-agency payables | 12 | 80,952,781 | 82,317,324 |
| Intra-agency payables | 13 | 612,019,371 | 8,461,205 |
| Other payables | 14 | 63,815,828 | 68,285,602 |
| | | 1,541,890,848 | 872,657,476 |
| Non-current liabilities | | | |
| Mortgage payable | 15 | - | 838,080 |
| Deferred credits | 16 | 102,552,602 | 98,155,442 |
| | | 102,552,602 | 98,993,522 |
| TOTAL LIABILITIES | | 1,644,443,450 | 971,650,998 |
| EQUITY | 17, 18, 19 | 7,230,312,916 | 6,607,506,462 |
| TOTAL LIABILITIES AND EQUITY | | 8,874,756,366 | 7,579,157,460 |

The Notes on pages 12 to 28 form part of these Financial Statements.

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended December 31, 2015

(In Philippine Peso)

| | | | 2014 |
|--|-------------|----------------------|----------------------|
| | Note | 2015 | As restated |
| INCOME | 20 | | |
| Fees, permits and licenses | | 365,035,255 | 319,006,835 |
| Service income | | 36,304,412 | 29,208,191 |
| Business income | | 31,385,762 | 28,154,499 |
| Other income | | 11,083,299 | 53,952,077 |
| | | 443,808,728 | 430,321,602 |
| EXPENSES | 21 | | |
| Personal services | | 337,426,347 | 607,668,879 |
| Maintenance and other operating expenses | | 2,398,261,834 | 1,911,566,695 |
| Financial expenses | | 255,853 | 387,878 |
| | | 2,735,944,034 | 2,519,623,452 |
| LOSS FROM OPERATIONS | | 2,292,135,306 | 2,089,301,850 |
| Subsidy income from national government | 22 | 2,911,117,000 | 2,602,592,197 |
| INCOME AFTER SUBSIDY FROM NATIONAL GOVERNMENT | | 618,981,694 | 513,290,347 |

The Notes on pages 12 to 28 form part of these Financial Statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2015
(In Philippine Peso)

| | | | 2014 |
|----------------------------|-------------|----------------------|----------------------|
| | Note | 2015 | As restated |
| Government equity | 17 | 1,174,742,704 | 1,170,917,944 |
| Appraisal capital | 18 | 19,855,000 | 19,855,000 |
| Retained earnings | 19 | | |
| Balance, beginning of year | | 5,416,733,518 | 4,903,443,171 |
| Net income | | 618,981,694 | 513,290,347 |
| Balance, end of year | | 6,035,715,212 | 5,416,733,518 |
| EQUITY | | 7,230,312,916 | 6,607,506,462 |

The Notes on pages 12 to 28 form part of these Financial Statements.

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(In Philippine Peso)

| | Note | 2015 | 2014 As restated |
|--|----------|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Collection of income | | 299,238,738 | 367,239,086 |
| Refunds of receivables and allowances | | 98,648,611 | 160,223,279 |
| Proceeds from trust funds/special projects | | 77,115,088 | 31,635,160 |
| Receipt of subsidy from the national government | | 70,750,000 | 5,335,207,332 |
| Bidders' bond/guaranty deposits | | 3,945,369 | 952,436 |
| Collection of regulatory fees | | 2,322,488 | 1,987,301 |
| Grants and donations | | 1,540,454 | 38,578,823 |
| Remittances from regional offices/centers | | - | 19,550,684 |
| Payment of expenses | | | |
| Maintenance and other operating expenses | | -2,842,582,195 | -1,728,413,000 |
| Personal services | | -268,051,862 | -496,363,325 |
| Disbursement of trust funds/special projects | | -184,169,642 | -144,988,935 |
| Prior years' payable | | -48,229,719 | -147,285,671 |
| Remittance of local government units (LGUs) | | -20,348,124 | -8,924,629 |
| Transfer of allotments | | 8,151,743 | -121,018,140 |
| Net cash (used in) provided by operating activities | | -2,801,669,051 | 3,308,380,401 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from bank interests | | 7,824,836 | 29,347,087 |
| Purchase/construction of property, plant and equipment | | -24,368,125 | -216,536,518 |
| Net cash used in investing activities | | -16,543,289 | -187,189,431 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of domestic loans | | -577,372 | -1,220,076 |
| Net cash used in financing activities | | -577,372 | -1,220,076 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | -2,818,789,712 | 3,119,970,894 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 4,635,055,836 | 1,515,084,942 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 3 | 1,816,266,124 | 4,635,055,836 |

The Notes on pages 12 to 28 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, 2015
(In Philippine Peso)

| | Budget | Actual | Savings/ (overdraft) |
|--|--------------------|--------------------|---------------------------------|
| PERSONAL SERVICES | | | |
| Salaries and wages | 279,236,000 | 169,084,865 | 110,151,135 |
| Other compensation | | | |
| Personnel economic relief allowance (PERA) | 19,824,000 | 12,226,958 | 7,597,042 |
| Representation allowance (RA) | 6,864,000 | 6,366,900 | 497,100 |
| Transportation allowance (TA) | 6,864,000 | 3,414,976 | 3,449,024 |
| Clothing/uniform allowance | 4,130,000 | 2,325,000 | 1,805,000 |
| Productivity incentive allowance | - | 24,380,398 | -24,380,398 |
| Anniversary bonus | - | 400,000 | -400,000 |
| Performance bonus | - | 21,848,503 | -21,848,503 |
| Performance based bonus | - | 50,000 | -50,000 |
| Honorarium | - | 5,697 | -5,697 |
| Longevity pay | 224,000 | 193,038 | 30,962 |
| Overtime and night pay | - | 2,391,813 | -2,391,813 |
| Cash gift | 4,130,000 | 2,521,125 | 1,608,875 |
| Year-end bonus | 23,270,000 | 13,571,158 | 9,698,842 |
| | 65,306,000 | 89,695,566 | -24,389,566 |
| Personnel benefit contributions | | | |
| Life and retirement insurance contributions | 33,508,000 | 20,297,500 | 13,210,500 |
| PhilHealth contributions | 2,832,000 | 1,669,518 | 1,162,482 |
| ECC contributions | 991,000 | 613,347 | 377,653 |
| Pag-IBIG contributions | 991,000 | 607,200 | 383,800 |
| | 38,322,000 | 23,187,565 | 15,134,435 |
| Other personnel benefits | | | |
| CNA incentives | - | 28,819,200 | -28,819,200 |
| Vacation and sick leave benefits | 7,444,000 | 25,260,602 | -17,816,602 |
| Per diem of directors | - | 534,900 | -534,900 |
| Loyalty allowance | - | 470,265 | -470,265 |
| Incentives EO 366 | 806,000 | 344,032 | 461,968 |
| Incentives EO 366 opted to remain | 11,960,000 | - | 11,960,000 |
| Counsel allowance | - | 15,000 | -15,000 |
| Others | - | 14,352 | -14,352 |
| | 20,210,000 | 55,458,351 | -35,248,351 |
| | 403,074,000 | 337,426,347 | 65,647,653 |
| MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE) | | | |
| Local travel | 212,569,150 | 52,902,211 | 159,666,939 |
| Foreign travel | 445,000 | 268,160 | 176,840 |
| Training and scholarship expenses | 153,750,260 | 21,882,567 | 131,867,693 |
| Office supplies | 43,307,980 | 12,965,541 | 30,342,439 |
| Accountable forms | 549,920 | 270,048 | 279,872 |
| Medical, dental and laboratory expenses | 20,706,200 | 3,353,886 | 17,352,314 |
| Gasoline, oil and lubricants | 110,337,600 | 55,441,893 | 54,895,707 |
| Agricultural and marine supplies expenses | 3,388,132,350 | 1,405,637,332 | 1,982,495,018 |

| | Budget | Actual | Savings/ (overdraft) |
|---|----------------------|----------------------|-------------------------|
| Other supplies | 72,380,820 | 12,802,096 | 59,578,724 |
| Water | 7,051,400 | 3,304,206 | 3,747,194 |
| Electricity | 27,737,660 | 21,304,623 | 6,433,037 |
| Fuel | 16,000 | 670 | 15,330 |
| Postage and deliveries | 10,028,370 | 1,596,016 | 8,432,354 |
| Telephone expenses-landline/mobile | 20,975,410 | 8,605,032 | 12,370,378 |
| Internet expenses | 4,631,910 | 1,111,531 | 3,520,379 |
| Cable satellite, telegraph and radio expenses | 126,000 | 5,540 | 120,460 |
| Awards and indemnities | 954,830 | 797,800 | 157,030 |
| Advertising, promotional and marketing expenses | 3,944,040 | 715,394 | 3,228,646 |
| Printing and binding expenses | 7,426,130 | 517,883 | 6,908,247 |
| Rent/lease expenses | 59,655,560 | 13,826,512 | 45,829,048 |
| Representation expenses | 1,000,000 | 293,885 | 706,115 |
| Transportation and delivery expenses | 124,203,450 | 21,463,352 | 102,740,098 |
| Subscription expenses | 719,500 | 281,431 | 438,069 |
| Legal services | 50,000 | 800 | 49,200 |
| Auditing services | 9,419,720 | 21,852,428 | -12,432,708 |
| Consultancy services | 10,318,370 | 527,400 | 9,790,970 |
| General/janitorial | 648,470,120 | 382,144,089 | 266,326,031 |
| Security services | 39,458,480 | 35,663,098 | 3,795,382 |
| Other professional expenses | 485,255,390 | 171,093,762 | 314,161,628 |
| Repairs and maintenance | | | |
| Buildings and other structures | 29,903,500 | 9,903,966 | 19,999,534 |
| Other structures | 7,410,810 | 421,068 | 6,989,742 |
| Office equipment | 2,539,150 | 932,206 | 1,606,944 |
| Furniture and fixtures | 492,970 | - | 492,970 |
| IT equipment | 2,881,350 | 295,226 | 2,586,124 |
| Machinery | 1,500,000 | 120 | 1,499,880 |
| Agricultural equipment | 3,150,310 | 236,205 | 2,914,105 |
| Medical, dental and laboratory equipment | 8,362,570 | 531,430 | 7,831,140 |
| Technical and scientific equipment | 5,593,850 | - | 5,593,850 |
| Other machinery and equipment | 1,268,780 | 174,051 | 1,094,729 |
| Land transportation equipment | 13,746,130 | 6,634,997 | 7,111,133 |
| Other property, plant and equipment | 379,720 | 7,408 | 372,312 |
| Extraordinary and miscellaneous expenses | 1,713,600 | 624,039 | 1,089,561 |
| Donations | 93,944,150 | 49,565,886 | 44,378,264 |
| Taxes, duties, licences and premiums | 6,959,140 | 7,728,687 | -769,547 |
| Other MOOE | 60,002,360 | 12,538,194 | 47,464,166 |
| | 5,703,470,010 | 2,340,222,669 | 3,363,247,341 |
| Financial expenses | 600,000 | 255,853 | 344,147 |
| CAPITAL OUTLAY | 2,549,586,340 | 61,324,792 | 2,488,261,548 |
| | 8,656,730,350 | 2,739,229,661 | 5,917,500,689 |

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

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 are 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, 2015 of 572, consisting of 73 in the Central Office, 26 in Centers and 473 in the Regional and Field Offices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Combination of financial statements

The financial statements are a 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 provisions 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 has been declared bankrupt, insolvent and had ceased operation;
- c. The debtor had died and had 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 repainting shall be 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:

| | 2015 | 2014 (As restated) |
|--|----------------------|-----------------------|
| General fund 151 (regulatory fees) | | |
| Cash – national treasury | 43,833,826 | 25,680,220 |
| Cash for corporate fund 503 (one fund) | | |
| Cash on hand | | |
| Cash – collecting officers | 3,787,939 | 1,749,484 |
| Cash – disbursing officers | 528 | 7,790 |
| Petty cash fund | 76,425 | 90,921 |
| Cash – national treasury | 6,164,179 | 3,667,236 |
| Cash in bank | | |
| Local currency, current account | 1,714,854,654 | 4,303,310,894 |
| Local currency, savings account | 42,172,176 | 295,361,011 |
| Foreign currency | 5,376,397 | 5,188,280 |
| | 1,772,432,298 | 4,609,375,616 |
| | 1,816,266,124 | 4,635,055,836 |

The Cash in Bank account represents PCA's funds deposited at the Land Bank of the Philippines (LBP) which includes Yolanda Rehabilitation and Recovery Program (YRRP) fund amounting to P961.233 million. 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 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 P43.834 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 P6.164 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:

| | 2015 | 2014 (As restated) |
|--|----------------------|-----------------------|
| Accounts receivable – PCA fees | 540,779,417 | 424,133,063 |
| Due from national treasury | 3,751,030,359 | 910,670,695 |
| Due from government-owned and controlled corporation (GOCCs) | 433,061,968 | - |
| Due from other funds | 398,087,277 | 2,562,538 |
| Due from central office | 207,324,060 | - |
| Due from national government agencies (NGAs) | 48,020,268 | 11,995,699 |
| Due from local government units (LGUs) | 26,382,085 | - |
| Due from regional offices | 10,079,519 | 18,501,664 |
| Due from non-governmental organizations/people's organizations | 1,310,993 | 1,310,993 |
| Interest receivable | - | 703,678 |
| Due from officers and employees | 606,157 | 550,370 |
| Due from operating/field units | 28,600 | 2,240 |
| Receivables – disallowances/charges | 133,837,784 | 133,860,886 |
| Advances to officers and employees | 455,539 | 513,335 |
| Other receivables | 23,724,701 | 27,858,838 |
| | 5,574,728,727 | 1,532,663,999 |
| Less: Allowance for doubtful accounts | 53,911,767 | 40,142,436 |
| | 5,520,816,960 | 1,492,521,563 |

Accounts Receivable – PCA fees and Other Receivables accounts 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.

Due from National Treasury account includes receivables from the BTr for PCA subsidy amounting to P3.751 billion under following Special Allotment Release Orders (SAROs):

| Date | SARO No. | Amount |
|-------------|-----------------------|----------------------|
| 11/10/2014 | SARO-BMB-F-14-0017714 | 910,530,150 |
| 02/11/2015 | SARO-BMB-F-15-0001024 | 340,345,000 |
| 08/28/2015 | SARO-BMB-F-15-0012151 | 1,091,914,000 |
| 10/27/2015 | SARO-BMB-C-15-0017518 | 1,408,108,000 |
| | | 3,750,897,150 |

Due from NGAs account in the amount of P48.020 million includes funds released to various NGAs in the total amount of P10.272 million for the conduct of the following research activities:

| Project | Amount |
|---|-------------------|
| Effects of virgin coconut oil (VCO) on Alzheimer’s disease using rats | 6,080,000 |
| Association of Dietary Intake of coconut oil and coconut products with dyslipidemia and hypertension | 1,648,658 |
| Glycemic index and changes in glucose and lipid profile in humans with moderately raised glucose and cholesterol levels after feeding with coconut-based products | 1,644,152 |
| Oil palm productivity for peace and poverty alleviation in Mindanao | 605,718 |
| On-road test of 5% coco-methyl (CME) biodiesel blend (B5) in public transport | 167,816 |
| University of the Philippine Los Baños-Banana High Value Crop Commercial | 108,874 |
| Metal Industry Research and Development Center | 17,167 |
| | 10,272,385 |

This account also includes fund transferred to the Department of Budget and Management-Procurement Service (DBM-PS) for the supply and delivery of one set PVC tufting machine with complete auxiliary machine/equipment in the amount of P37.717 million pursuant to a Memorandum of Agreement and approved per Board Resolution No. 01-2015 dated January 21, 2015 while P30,819 represents deposit for security services for eight-month period.

Due from GOCCs account in the amount of P433.062 million includes fund released to Philippine International Trading Corporation (PITC) for the purchase of the agricultural grade salt multi nutrient fertilizers in the amount of P337.840 million and P95.222 million to be paid out of corporate and YRRP funds, respectively. This was approved by Board Resolution No. 123-2015 dated July 20, 2015.

Due from LGUs in the amount of P26.382 million represents the balance of funds transferred to the following LGUs for YRRP and construction of biological control laboratory building:

| Province/City | Purpose | Amount |
|----------------------|--|-------------------|
| Biliran | Rehabilitation and management of the coconut plantation damaged by typhoon 'Yolanda' which includes coconut disposal, timber utilization and restoration of agricultural productivity of the coconut areas | 2,359,098 |
| Samar | Coconut rehabilitation and restoration of agricultural activity/farming systems project due to typhoon 'Yolanda', approved per Board Resolution No. 120-2014 dated November 18, 2014 | 23,022,987 |
| Dipolog | Construction of Biological Control Laboratory Building in Sta. Isabel, Dipolog City funded out of corporate fund | 1,000,000 |
| | | 26,382,085 |

Due from Central Office account in the amount of P207.324 million represents funds for different projects not yet released by PCA Central Office to its Regional Offices which was taken per Journal Entry Voucher (JEV) No. 503-1512-695-A.

Due from Other funds account in the amount of P398.087 million includes fund transfer from YRRP fund to corporate fund for the implementation of locally-funded projects in the amount of P395.546 million per letters dated July 28, 2015 and September 24, 2015 of the former PCA Administrator due to the non – release of Notice of Cash Allocation (NCA) by the DBM.

5. INVENTORIES

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

| | 2015 | 2014 |
|---|--------------------|--------------------|
| Fertilizers (salt) | 65,321,268 | 55,498,553 |
| Coconut seed nuts | 32,229,317 | 34,619,417 |
| Coconut seedlings | 25,113,898 | 18,772,506 |
| Earwigs | 9,027,861 | 3,766,059 |
| Planting materials (intercrops, e.g. corn) | 4,489,840 | 9,333,918 |
| Crops and fruits inventory | 2,550,772 | 2,913,552 |
| Agricultural chemicals (inoculants) | 340,301 | 292,816 |
| Other agricultural supplies (includes polybags, pollen) | 3,350,562 | 3,854,053 |
| | 142,423,819 | 129,050,874 |

For the year 2015, 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., LGUs, Non-Governmental Organizations, government agencies) in many parts of the country. This requires the procurement of good quality coconut 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 fertilizers 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, coconut seed nuts and other agricultural inputs to farmers were not fully taken up in the books as Expense account as of December 31, 2015, 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:

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Advances to contractors | 38,018,194 | 4,605,000 |
| Deferred charges | 544,483 | 544,483 |
| Prepaid insurance | 342,898 | 74,442 |
| Prepaid rent | 50,503 | 50,503 |
| Prepaid interest | - | 995 |
| Other prepaid expenses | 20,652 | 112,249 |
| Office supplies inventory | 1,586,435 | 1,528,455 |
| Fuel, oil and lubricants inventory | 669,569 | 274,107 |
| Medical, dental and laboratory supplies inventory | 632,507 | 1,452,430 |
| Accountable forms inventory | 63,407 | 49,983 |
| Other supplies inventory | 23,824,978 | 13,571,280 |
| | 65,753,626 | 22,263,927 |

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

7. OTHER CURRENT ASSETS

This account comprises the following:

| | 2015 | 2014 (As restated) |
|------------------------|------------------|-------------------------------|
| Guaranty deposits | 1,281,367 | 1,106,367 |
| Deposits on containers | 96,500 | 96,500 |
| Marginal deposits | 58,224 | 58,224 |
| Other deferred charges | 2,502,915 | 3,604,550 |
| | 3,939,006 | 4,865,641 |

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

| | 2015 | 2014 (As restated) |
|--------------------------------|--------------------|-------------------------------|
| Property, plant and equipment | 1,029,306,194 | 966,628,426 |
| Less: Accumulated depreciation | 423,519,345 | 391,116,460 |
| | 605,786,849 | 575,511,966 |

10. OTHER ASSETS

This account comprises the following:

| | 2015 | 2014 |
|-----------------------------|--------------------|--------------------|
| Work/breeding/other animals | 25,000 | 248,204 |
| Other assets | 719,656,467 | 719,550,934 |
| | 719,681,467 | 719,799,138 |

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 but 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:

| | 2015 | 2014 (As restated) |
|-------------------------------|--------------------|-----------------------|
| Accounts payable | 775,977,177 | 704,729,205 |
| Due to officers and employees | 9,053,242 | 8,750,402 |
| Tax refunds payable | 72,449 | 113,738 |
| | 785,102,868 | 713,593,345 |

12. INTER-AGENCY PAYABLES

This account is composed of the following:

| | 2015 | 2014 (As restated) |
|-------------------|-------------------|-----------------------|
| Due to NGAs | | |
| Due to BIR | 5,325,459 | 6,925,669 |
| Due to GSIS | 1,220,693 | 1,200,478 |
| Due to Pag-IBIG | 219,332 | 246,215 |
| Due to PhilHealth | 162,222 | 129,742 |
| Due to other NGAs | 41,765,680 | 52,671,918 |
| Due to GOCCs | 1,409,083 | 1,123,383 |
| Due to LGUs | 30,850,312 | 20,019,919 |
| | 80,952,781 | 82,317,324 |

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 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:

| | 2015 | 2014 |
|-------------------------------|--------------------|------------------|
| Due to Regional Offices (ROs) | 207,324,060 | - |
| General fund 151 | 7,176,988 | 6,489,770 |
| General fund 101 | 1,609,512 | 1,609,512 |
| General fund 501 | 3,864 | 3,863 |
| SCFDP fund 401 | 186,900 | 186,900 |
| CISF | 109,201 | 109,201 |
| Yolanda fund | 395,608,846 | 61,959 |
| | 612,019,371 | 8,461,205 |

Due to ROs account in the amount of P207.324 million represents sub-allotment of different projects not yet released by CO to ROs.

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 are 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.

Due from Yolanda Fund represents fund transferred to Corporate Fund for the implementation of locally funded projects due to non - release of NCA by the DBM.

14. OTHER PAYABLES

This account consists of the following:

| | 2015 | 2014 (As restated) |
|---------------------------------------|-------------------|-------------------------------------|
| Contractors' retention money | 14,751,681 | 28,241,918 |
| Guaranty deposits/performance payable | 7,840,705 | 5,676,233 |
| Other payables | 41,223,442 | 34,367,451 |
| | 63,815,828 | 68,285,602 |

15. MORTGAGE PAYABLE

This pertains to the outstanding principal balance of the loan granted by the LBP in October 2012 in the gross amount of P2.794 million to finance the replacement/modernization of the elevator in the CO, payable in three years at 6.5 per cent per annum. The loan was fully paid on October 15, 2015.

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.

| | 2015 | 2014 |
|-----------------------------------|--------------------|-------------------|
| Central office | 177,960 | 177,960 |
| Region IV-A | 108,088 | 108,088 |
| Regions I- IV-B | 9,047,923 | 23,308 |
| Region V | 20,082,134 | 20,083,666 |
| Region VI | 272,387 | 272,387 |
| Region VIII | 44,727,725 | 44,777,118 |
| Region IX | 842,000 | 776,529 |
| Region X | 5,632,432 | 5,451,880 |
| Region XI | 357,014 | 357,014 |
| Region XII | 77,415 | 77,415 |
| Region XIII | 147,924 | 709,354 |
| Albay Research Center | 1,952,725 | 1,952,725 |
| Coconut Extension Training Center | 171,397 | 171,398 |
| Davao Research Center | 1,350,165 | 1,350,165 |
| Coconut Seed Production Center | 71,991 | 71,991 |
| Zamboanga Research Center | 17,533,322 | 21,794,444 |
| | 102,552,602 | 98,155,442 |

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, 2014 | 4,903,530,698 |
| Less adjustment on prior years' transactions | 87,527 |
| Retained earnings as at January 1, 2014, as restated | 4,903,443,171 |
| Add: Net income for CY 2014 after subsidy, as reported | 781,974,543 |
| Add (deduct) adjustments of CY 2014 net income: | |
| Unrecorded/(erroneously recorded) income: | |
| Fees, permits and licenses | 1,136,715 |
| Service income | (175,075) |
| Unutilized Disbursement Acceleration Program (DAP) fund returned to BTr and unreleased portion of DAP fund | (281,597,685) |
| Other income | 19,468 |
| Erroneously recorded expenses: | |
| Personal services | 3,396,193 |
| MOOE | 8,536,188 |
| | 11,932,381 |
| | (268,684,196) |
| Net income for CY 2014 after subsidy, as restated | 513,290,347 |
| Retained earnings as at December 31, 2014, as restated | 5,416,733,518 |
| Add: CY 2015 net income after subsidy, as reported | 618,981,694 |
| Retained earnings, December 31, 2015 | 6,035,715,212 |

20. INCOME

This account comprises the following:

| | 2015 | 2014 (As restated) |
|---|--------------------|-----------------------|
| General and service income | | |
| Fees, permits and licenses | | |
| Permit (PCA) fee | 230,246,519 | 209,030,865 |
| Interest and surcharges on PCA fee | 55,335,824 | 42,414,272 |
| Transport permit fee | 27,505,508 | 23,697,983 |
| Registration fees | - | 11,223,055 |
| Cutting permit fees | 20,500,751 | 11,616,044 |
| Chainsaw registration fee | 15,344,640 | 3,954,820 |
| Inspection fees – RA 8048 | 7,005,972 | 8,756,818 |
| Filing processing fee | 2,380,439 | 2,290,686 |
| Moisture meter fees | 1,493,738 | 150,092 |
| Surcharges on chainsaw registration fee | 774,715 | 250,934 |
| Export processing fees | 271,234 | 29,126 |
| Laboratory analysis fees | 90,230 | 1,096,407 |
| Seedling supplier registration fees | 74,800 | 25,850 |
| Certificate, licenses and processing fees | 40,600 | 11,200 |
| Fines and penalties | 11,173 | 365,256 |
| Other fees | 3,959,112 | 4,093,427 |
| | 365,035,255 | 319,006,835 |
| Service income | | |
| Other service income | | |
| Seed nuts replacement | 12,465,050 | 11,650,425 |
| Sale of copra | 7,230,093 | 8,495,982 |
| Sale of coco seed nuts | 5,914,192 | 2,008,199 |
| Other fines and penalties | 2,841,871 | 2,824,956 |
| Analysis fee - plant tissue analysis laboratory | 2,436,500 | 746,590 |
| Filing/certification fees | 2,200,000 | 1,048,095 |
| Sale of coco seedlings | 1,972,668 | 260,104 |
| Sale of coco-by-products | 1,053,729 | 1,698,603 |
| Sale of intercrops | 188,709 | 251,828 |
| Sale of waste materials | 600 | - |
| Sale from confiscated/seized goods | - | 3,322 |
| Transfer of technology | - | 350 |
| Others | 1,000 | 219,737 |
| | 36,304,412 | 29,208,191 |
| Business income | | |
| Rent/lease income | 31,285,632 | 28,087,335 |
| Income from dormitory operations | 100,130 | 67,164 |
| | 31,385,762 | 28,154,499 |
| Other income | | |
| Interest income | 9,508,286 | 13,244,899 |
| Income from grants and donations | 895,700 | 40,591,654 |
| Gain on sale of assets | 620,697 | 77,311 |
| Income from photocopying services | 58,610 | 33,811 |
| Gain on foreign exchange | 6 | 2 |
| Income from sale of books | - | 4,400 |
| | 11,083,299 | 53,952,077 |
| | 443,808,728 | 430,321,602 |

21. EXPENSES

The breakdown of this account consists of the following:

| | 2015 | 2014 (As restated) |
|--|--------------------|-----------------------|
| Personal services | | |
| Salaries and wages | 169,084,865 | 191,938,416 |
| Other compensation | | |
| Personnel economic relief allowance (PERA) | 12,226,958 | 11,175,781 |
| Representation allowance (RA) | 6,366,900 | 6,041,544 |
| Transportation allowance (TA) | 3,414,976 | 3,383,519 |
| Clothing/uniform allowance | 2,325,000 | 2,282,200 |
| Productivity incentive allowance | - | 589,000 |
| Anniversary bonus | 400,000 | - |
| Productivity enhancement incentive (PEI) | 24,380,398 | 2,766,000 |
| Performance bonus | 21,848,503 | 8,919,380 |
| Performance based bonus | 50,000 | - |
| Honorarium | 5,697 | - |
| Longevity pay | 193,038 | 263,383 |
| Overtime and night pay | 2,391,813 | 2,859,888 |
| Cash gift | 2,521,125 | 2,276,875 |
| Year-end bonus | 13,571,158 | 12,293,764 |
| | 89,695,566 | 52,851,334 |
| Personnel benefit contributions | | |
| Life and retirement insurance contributions | 20,297,500 | 18,120,983 |
| PhilHealth contributions | 1,669,518 | 1,444,688 |
| ECC contributions | 613,347 | 561,365 |
| Pag-IBIG contributions | 607,200 | 551,053 |
| | 23,187,565 | 20,678,089 |
| Other personnel benefits | | |
| CNA incentives | 28,819,200 | 141,031 |
| Vacation and sick leave benefits | 25,260,602 | 169,307,219 |
| Per diem of directors | 534,900 | 261,100 |
| Loyalty allowance | 470,265 | 320,000 |
| Incentives EO 366 | 344,032 | 172,145,440 |
| Counsel allowance | 15,000 | 13,750 |
| Others | 14,352 | 12,500 |
| | 55,458,351 | 342,201,040 |
| | 337,426,347 | 607,668,879 |
| Maintenance and other operating expenses (MOOE) | | |
| Traveling expenses | | |
| Local | 52,902,211 | 48,223,519 |
| Foreign | 268,160 | 222,193 |
| | 53,170,371 | 48,445,712 |
| Training and scholarship | 21,882,567 | 18,639,985 |
| Supplies expense | | |
| Agricultural and marine supplies | 1,405,637,332 | 890,667,164 |
| Gasoline, oil and lubricants | 55,441,893 | 90,717,911 |
| Office supplies | 13,235,589 | 14,707,018 |
| Medical, dental and laboratory expense | 3,353,886 | 2,844,937 |
| Other supplies | 12,802,096 | 20,646,385 |
| | 1,490,470,796 | 1,019,583,415 |

| | 2015 | 2014 (As restated) |
|--|-------------|-----------------------|
| Utility expenses | | |
| Electricity | 21,304,623 | 19,632,862 |
| Water | 3,304,206 | 3,336,225 |
| Fuel | 670 | 685 |
| | 24,609,499 | 22,969,772 |
| Communication expense | | |
| Telephone/mobile | 8,605,032 | 7,973,500 |
| Postage and deliveries | 1,596,016 | 1,999,828 |
| Internet | 1,111,531 | 1,074,228 |
| Cable, satellite, telegraph and radio | 5,540 | 4,790 |
| | 11,318,119 | 11,052,346 |
| Awards, prizes, and other claims | 797,800 | 863,310 |
| Advertising, promotional and marketing expense | 715,394 | 773,274 |
| Printing expense | 517,883 | 428,896 |
| Rent/lease expense | 13,826,512 | 10,089,015 |
| Representation expense | 293,885 | 290,958 |
| Transportation expense | 21,463,352 | 23,001,663 |
| Subscription expense | 281,431 | 270,317 |
| Professional services | | |
| General/janitorial services | 382,144,089 | 337,715,837 |
| Security service | 35,663,098 | 33,331,118 |
| Auditing services | 21,852,428 | 22,909,805 |
| Consultancy services | 527,400 | 982,633 |
| Legal services | 800 | 3,062 |
| Other professional services | 171,093,762 | 263,725,996 |
| | 611,281,577 | 658,668,451 |
| Repairs and maintenance | | |
| Buildings and other structures | 9,903,966 | 7,303,347 |
| Land, transport equipment | 6,634,997 | 5,752,094 |
| Office equipment | 932,206 | 849,371 |
| Medical, dental and laboratory equipment | 531,430 | 189,231 |
| IT equipment | 295,226 | 296,802 |
| Agricultural and marine equipment | 236,205 | 282,985 |
| Machinery | 120 | 15,285 |
| Furniture and fixtures | - | 1,462,641 |
| Other structures | 421,068 | 670,213 |
| Other machinery and equipment | 174,051 | 142,300 |
| Other property, plant and equipment | 7,408 | (1,229,105) |
| | 19,136,677 | 15,735,164 |
| Extraordinary and miscellaneous expense | | |
| Extraordinary expense | 614,515 | 1,373,577 |
| Miscellaneous expense | 9,524 | 35,469 |
| | 624,039 | 1,409,046 |
| Donation | 49,565,886 | 14,277,532 |
| Taxes, duties and premiums | | |
| Taxes, duties and licenses | 4,232,980 | 20,023,553 |
| Building insurance | 1,178,262 | 1,095,049 |
| Fidelity bond premium | 1,155,909 | 1,040,617 |
| Vehicle insurance | 1,074,154 | 1,512,655 |
| Flood/Typhoon insurance | 85,582 | - |
| Equipment insurance | 1,800 | 30,322 |
| | 7,728,687 | 23,702,196 |

| | 2015 | 2014 (As restated) |
|------------------------------|----------------------|-----------------------|
| Non-cash expense | | |
| Depreciation expense | 43,942,512 | 29,904,181 |
| Bad debts expense | 14,096,653 | 3,047,386 |
| | 58,039,165 | 32,951,567 |
| Other MOOE | | |
| Meetings and conferences | 3,486,161 | 2,232,006 |
| Athletic and social events | 2,703,423 | 1,661,951 |
| Survey and research expenses | 541,588 | 392,229 |
| Duplication costs | 108,920 | 462,570 |
| Others | 5,698,102 | 3,665,320 |
| | 12,538,194 | 8,414,076 |
| | 2,398,261,834 | 1,911,566,695 |
| Financial expenses | | |
| Documentary stamp expense | 125,707 | 206,955 |
| Interest expense | 129,021 | 180,527 |
| Bank charges | 1,125 | 150 |
| Other financial charges | - | 246 |
| | 255,853 | 387,878 |
| | 2,735,944,034 | 2,519,623,452 |

22. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

This represents subsidy from the National Government as follows:

| | 2015 | 2014 (As restated) |
|---|----------------------|-----------------------|
| Regular subsidy | 2,570,772,000 | 333,000,000 |
| Coconut Scale Insect Action Program | 340,345,000 | - |
| Agricultural Fisheries Modernization program | | |
| Locally-funded projects | - | 2,040,750,000 |
| 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 |
| Unutilized Disbursement Acceleration Program (DAP) fund | | |
| returned to BTr | - | (281,597,685) |
| | 2,911,117,000 | 2,602,592,197 |

Out of P2.911 billion SARO issued for the CY 2015, only P70.750 million with NCA which was released on March 6, 2015.

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 Standards 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 2015 to BIR were as follows:

| | Withheld | Remitted |
|--------------------------------|-------------------|-------------------|
| On compensation | 21,828,172 | 21,856,919 |
| VAT from suppliers/contractors | 13,094,049 | 14,263,938 |
| Expanded creditable income tax | 5,731,667 | 5,752,290 |
| Other fees and taxes | 11,390,105 | 11,680,654 |
| | 52,043,993 | 53,553,801 |

The amount remitted to BIR includes the amount withheld from previous years. Hence, in the schedule of Due to BIR, the amount of remittance exceeds the amount of tax withheld.

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 2015, the employees' premiums and employer's contributions of P21.964 million and P18.590 million, respectively, were remitted to GSIS.

PART II – OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL OPERATIONS

1. Unreleased portions of the Special Allotment Release Orders (SAROs) in Calendar Years (CYs) 2014 and 2015 of P0.911 billion and P2.840 billion, respectively, or totalling P3.751 billion were recorded as Subsidy Income from National Government contrary to pertinent provisions of the New Government Accounting System (NGAS) Manual and COA Government Accountancy and Financial Management Information System (GAFMIS) Circular Letter No. 2003-004 dated November 19, 2003, thereby, overstating the Due from National Treasury by P3.751 billion, Retained Earnings in CY 2014 by P0.911 billion and Income in CY 2015 by P2.840 billion.

1.1 Sections 184 and 33, Chapter 3 of NGAS Manual, Volume III, provide the description of Subsidy Income from National Government and Due from National Treasury accounts, as follows:

Sec. 184. Subsidy Income from National Government (601). This account is used to record the amount of Notice of Cash Allocation (NCA) received, Tax Remittance Advice (TRA) issued, tax exemption granted by the National Government and payment of national government agencies' liabilities by foreign lending/donor institutions.

Sec. 33. Due from National Treasury (134). This account is used to record the amount deposited/remitted by government agencies with the National Treasury thru AGDB [Authorized Government Depository Bank] for collections, which the agencies are authorized to use upon receipt of the NCA.

1.2 Likewise, Circular Letter No. 2003-004 dated November 19, 2003 issued by the GAFMIS, now Government Accountancy Sector (GAS), of the Commission on Audit (COA), prescribes the guidelines and procedures including the accounting treatment relative to the receipt of subsidy income from the Department of Budget and Management (DBM), through the Bureau of the Treasury (BTr). Annex C thereof illustrated the procedural flow for the release of allotment and NCA, among others, wherein receipt of allotments from the DBM is recorded under the Registries of Allotments and Obligations (RAOs) maintained by the Budget Division.

1.3 Section 17, Chapter 1 of NGAS Manual, Volume II, provides for the usage of RAOs, as follows:

Registries of Allotments and Obligations (RAO). The Registries of Allotments and Obligations (RAO) shall be prepared by agencies to record allotments and obligations. This record shall be maintained by the Budget Unit/Authorized Official of the agency to monitor allotments available for obligations. It shall show all the allotments received and the obligations incurred charged against the corresponding allotment. The balance is extracted every time an entry is made to prevent incurrence of obligations in excess of allotment received.

1.4 Further, Annexes A and B of the aforementioned Circular Letter provide illustrative accounting entries including that for the receipt of allotment and NCA by Central Office (CO) of the agency, wherein the amount of allotment received is entered by the Budget Division in the allotment column of the RAOs while the receipt of NCA is recorded by the Accounting Division as Subsidy Income from National Government.

1.5 The Due from National Treasury account and Subsidy Income from National Government account of the PCA as at December 31, 2015 and for CY 2015 had outstanding balance and total amount of P3.751 billion and P2.911 billion, respectively. Review, however, disclosed that subsidy income was recognized upon receipt not only of the NCA but also of the unreleased portion of the SAROs issued by the DBM. As such, the corresponding receivable is debited, pending receipt of the NCA. Consequently, said accounting practice is not only contrary to the pertinent provisions of NGAS Manual, Volumes II and III, and COA GAFMIS Circular Letter No. 2003-004 dated November 19, 2003 but also overstated the Due from National Treasury, Retained Earnings and Subsidy Income accounts by P3.751 billion, P0.911 billion and P2.840 billion, respectively, as shown in Table 1. The same Table also provides for the result of the analysis made on the affected accounts for CY 2014.

**Table 1 – Due from National Treasury and Subsidy Income accounts
for CYs 2014-2015**

| | CY 2015 | | CY 2014 | |
|--|----------------------------------|------------------------|---|---|
| | Due from National Treasury | Subsidy Income | Income/loss after subsidy from National Government | Due from National Treasury/ Retained Earnings |
| Balances, per books | P 3,751,030,359 | P 2,911,117,000 | P 618,981,694 | P 910,670,695 |
| Balances, per audit | 133,209 | 70,750,000 | (2,221,385,306) | 133,209 |
| Overstatement/ (Understatement) | P 3,750,897,150 | P 2,840,367,000 | P 2,840,367,000 | P 910,537,486 |
| Accounted for as: | | | | |
| CY 2013 unreleased subsidy but received in CY 2014: | | | | |
| YRRP* fund | | | | |
| DAP** fund | | | | |
| Underbooked DAP** fund | 150 | | | 150 |
| Unidentified adjustment | | | | 7,336 |
| Unreleased portions of SAROs: | | | | |
| CY 2014 | 910,530,000 | | | 910,530,000 |
| CY 2015 | 2,840,367,000 | 2,840,367,000 | 2,840,367,000 | - |
| | P 3,750,897,150 | P 2,840,367,000 | P 2,840,367,000 | P 910,537,486 |

* YRRP - Yolanda Recovery and Rehabilitation Plan

** DAP - Disbursement Acceleration Program

1.6 **We recommended that Management direct the Accounting Division of CO to:**

a. **Effect the necessary adjustments in the books to correct misstatement of affected accounts; and**

b. **Henceforth, stop the practice of booking up receivables and income for unreleased portion of the SAROs, in accordance with pertinent provisions of NGAS Manual, Volumes II and III, and COA GAFMIS Circular Letter No. 2003-004 dated November 19, 2003.**

1.7 It is worthy to mention that Management has already prepared Journal Entry Voucher (JEV) No. 503-16-040149 in April 2016 to adjust the Due from National Treasury and Retained Earnings accounts pertaining to portion of SAROs amounting to P3.751 billion without NCA that were recognized as income in CYs 2014 and 2015.

2. The balance of Deferred Credits account in the amount of P102.553 million had remained outstanding in the books, notwithstanding that the fertilizers and other intercropping agricultural supplies have already been distributed to beneficiaries, due to non-submission/incomplete supporting documents while the balance of Inventories account amounting to P142.424 million included the costs of said agricultural supplies, resulting in the overstatement of the said accounts as well as the Agency's reported total assets and liabilities by P102.553 million.

2.1 Section 167 of NGAS Manual, Volume III, provides that Other Deferred Credits account is credited when collections were received for items not specifically included in the account "Deferred Credits to Income" or those revenues collected that were not yet earned.

2.2 As at December 31, 2015, the outstanding balance of the Deferred Credits account amounted to P102.553 million, composition of which is disclosed under Note 16 of the Notes to Financial Statements (NFS) for CY 2015 and as shown in Table 2.

Table 2 – Composition of Deferred Credits account as at December 31, 2015

| Office/Region/Center | Balance |
|--|----------------------|
| CO | P 177,960 |
| IV-A | 108,088 |
| I-IV-B | 9,047,923 |
| V | 20,082,134 |
| VI | 272,387 |
| VIII | 44,727,725 |
| IX | 842,000 |
| X | 5,632,432 |
| XI | 357,014 |
| XII | 77,415 |
| XIII | 147,924 |
| Albay Research Center (ARC) | 1,952,725 |
| Coconut Extension Training Center (CETC) | 171,397 |
| Davao Research Center (DRC) | 1,350,165 |
| New Coconut Seed Production Center (NCSPC) | 71,991 |
| Zamboanga Research Center (ZRC) | 17,533,322 |
| | P 102,552,602 |

2.3 In the same Note to NFS, it is explained that Deferred Credits 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 acknowledgement receipts (AkRs) of farmer-recipients are completely submitted.

2.4 Notwithstanding the inappropriate use of Deferred Credits account, Note 5 of the NFS provides disclosures for Inventories account, among which are the following:

For the year 2015, PCA implemented the following projects:

- 1. 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.*
- 2. Coconut Seedlings Dispersal Project (CSDP) is implemented to cater the demand for coconut seedlings by some private and government sectors xxx. 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.*
- 3. 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. Xxx.*
- 4. 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, coco seed nuts and other agricultural inputs to farmers were not fully taken up in the books as Expense account as of December 31, 2015, pending the submission by the Provincial Offices of the following documents:

- 1) Certificate of Distribution and Application of Agricultural Grade Salt Fertilizer;*
- 2) Master List of Farmer-Participants;*
- 3) Provincial/Terminal Reports; and*
- 4) Accomplished Acknowledgment 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).

2.5 As at December 31, 2015, the outstanding balance of Inventories account consisting of agricultural and marine supplies amounted to P142.424 million, as shown in Table 3, while the Agricultural and Marine Supplies Expenses account totalled to P1.406 billion.

**Table 3 – Composition of Inventories-Agricultural and Marine Supplies account
As at December 31, 2015**

| Particulars | Balance |
|--|----------------------|
| Fertilizers (salt) | P 65,321,268 |
| Coconut seedlings | 25,113,898 |
| Coconut seed nuts | 32,229,317 |
| Agricultural chemicals (Inoculants) | 340,301 |
| Planting materials (Intercrops, e.g., corn) | 4,489,840 |
| Earwigs | 9,027,861 |
| Other agricultural supplies (includes polybags and pollen) | 3,350,562 |
| Crops and fruits inventory | 2,550,772 |
| | P 142,423,819 |

2.6 Further review of the Inventories-Agricultural and Marine Supplies and Deferred Credits accounts revealed the following:

- a. Other than Note 16 of NFS, no details were made available to, despite repeated requests made by the Audit Team, hence, it could not be ascertained how much of the Deferred Credits account balance of P102.553 million pertained to respective costs of fertilizers, coco seed nuts, and other agricultural inputs, which formed part of the Inventories-Agricultural and Marine Supplies account balance of P142.424 million as at December 31, 2015;
- b. While the disclosure on the nature of Deferred Credits account in the NFS began only in CY 2009 or the year when its outstanding balance suddenly increased to an all-time high of P134.452 million, the account balance decreased to P41.011 million in CY 2010, nonetheless, the same already existed as early as CY 1998 or over a period of 18 years and continued to accumulate in the amount of P102.553 million as at December 31, 2015;
- c. The efforts of Management to cleanse the said suspense account could not be established as its individual outstanding balances, carried by the respective ROs/Centers amounting to P24.550 million either continue to accumulate or become dormant/non-moving since CY 2011, as presented in Table 4.

**Table 4 – Composition of dormant/non-moving Deferred Credits account balances of nine
PCA Office/Centers as at December 31, 2015**

| Office/Region/Center | No. of years dormant/non-moving | Balance |
|-----------------------------|--|---------------------|
| CO | 4 | P 177,960 |
| IV-A | 2 | 108,088 |
| V | 5 | 20,010,785 |
| VI | 4 | 272,387 |
| XI | 4 | 357,014 |
| XII | 3 | 77,415 |
| ARC | 3 | 1,952,725 |
| CETC | 2 | 171,397 |
| DRC | 3 | 1,350,165 |
| NCSPC | 5 | 71,991 |
| | | P 24,549,927 |

d. Outstanding balances of Inventories-Agricultural and Marine Supplies account of seven Regions/Centers accumulating to P68.237 million had been non-moving for two to three years or since CY 2013, as listed in Table 5. The non-movement of the said asset account casts doubt on the existence of agricultural supplies, particularly perishable items such as salt fertilizers and the like.

Table 5 – Composition of non-moving Inventories-Agricultural and Marine Supplies account balances of seven Regions/Centers as at December 31, 2015

| Region/Center | No. of years non-moving | Balance |
|----------------------|--------------------------------|---------------------|
| V | 3 | P 20,301,588 |
| VI | 2 | 713,490 |
| VII | 3 | 166,950 |
| VIII | 2 | 44,585,707 |
| XI | 3 | 227,000 |
| ARC | 3 | 1,951,400 |
| DRC | 3 | 291,232 |
| | | P 68,237,367 |

e. It could not be ascertained whether all or a portion of agricultural supplies inventory accumulating to P68.237 million, as shown in Table 5, were already distributed to the intended beneficiaries as its total cost did not at least approximate the outstanding balance of dormant/non-moving Deferred Credits account accumulating to P24.550 million, as shown in Table 4. On the other hand, the affected non-moving Inventories-Agricultural and Marine Supplies account did not match with that of the dormant/non-moving Deferred Credits account. In DRC, the Other Deferred Credits account was composed not only of the agricultural supplies with outstanding balance of P291,232 but also of all other non-agricultural supplies such as office supplies, maintenance supplies, construction materials, etc. accumulating to P1.059 million at year-end, which was inconsistent with Note 16 of NFS that Other Deferred Credits account is a suspense account for fertilizers and other intercropping agricultural supplies; and

f. Notwithstanding the inclusion of non-agricultural supplies, it could not be ascertained whether agricultural expenses, as recorded under Agricultural and Marine Supplies Expenses account in the total amount of P1.406 billion and Retained Earnings account of undetermined amount for prior years' expenses, were already actually distributed to the intended beneficiaries, as expense method was used in booking up of the purchase of agricultural supplies, such as the procurement in the CO of chemical pesticides in the total contract cost of P20.735 million. In addition, there were no supplies issuance slips provided to justify the outright take up of expense. In DRC, expense method has been used in the accounting for inventories for a long period already while the Regional Office No. XIII similarly recorded the agricultural supplies of P82.257 million as an outright expense despite inspection revealed that some of which were still found on hand even after year-end. As such, said practice is contrary to the asset method of recording inventories as disclosed in Note 5 of the NFS for CY 2015, as well as, under the respective Sections 51 and 291 of the NGAS Manual, Volume III, which provide that, agricultural supplies inventory account is used to record the cost of agricultural supplies purchased in the implementation of

government programs while agricultural supplies expenses account is used to record the issuance thereof.

2.7 Consequently, the Inventories account as well as the reported total assets and liabilities of the Agency were overstated by P102.553 million, while the Expenses and Retained Earning accounts were misstated by undetermined amounts. Also, the documentary deficiencies cast doubt whether said agricultural and other supplies were actually received by the intended beneficiaries and whether the objectives of programs, projects, and activities (PPAs) were attained. The same is also an indication that there is an inadequate monitoring and management in the implementation of PPAs of PCA.

2.8 **We recommended that Management direct the:**

a. **Provincial Offices (PrOs) to exhaust efforts to immediately comply with the documentary requirements to support the distribution and/or issuance of agricultural and non-agricultural supplies; and**

b. **Accounting Division of CO and Accounting Units of ROs/Centers to:**

b.1 **Conduct verification, analysis, and reconciliation between long/non-moving Agricultural and Marine Supplies Inventory and Deferred Credits accounts;**

b.2 **Effect the necessary adjusting journal entries upon verification and validation of documents supporting the distribution of agricultural and non-agricultural supplies; and**

b.3 **Henceforth, stop the practice of using Other Deferred Credits accounts, instead adopt asset method of recording inventories.**

2.9 Management commented that the necessary adjustments in the books will be effected by the concerned ROs/Centers upon receipt, verification, and validation of supporting documents. However, RO No. IV-A commented that the recording of the semi-expendable inventories under Other Deferred Credits account was based on the memo advice dated October 30, 1995 from the CO while RO Nos. I-IV-B suggested that CO should amend its directive dated October 22, 2009 on the use of the contra account in recording the agricultural supplies inventory.

2.10 As a rejoinder, **we further recommended that Management issue a memorandum superseding the memo advice dated October 30, 1995 and directive dated October 22, 2009, consistent with Sections 51, 167, and 291 of NGAS Manual, Volume III.**

3. **The Statement of Cash Flows (SCF) could not be relied upon, since Maintenance and Other Operating Expenses (MOOE) reported therein for CY 2015 amounting to P2.843 billion exceeded the amount indicated in the Statement of Financial Performance (SFP) amounting to P2.340 billion, or by P0.503 billion. Also, the unreconciled discrepancy of P121.018 million and P8.152 million in CYs 2014 and 2015, respectively, after elimination of intra-agency fund transfers/remittances were reported in the SCF while return of unutilized DAP fund**

balance of P274.455 million to the BTr was not reflected therein. Thus, affecting the correctness of Cash and Cash equivalents account of P1.816 billion at year-end.

3.1 Philippine Public Sector Accounting Standards (PPSAS) 2 states, among others, that:

The cash flow statement identifies (a) the sources of cash inflows, (b) the items on which cash was expended during the reporting period, and (c) the cash balance as at the reporting date. Information about the cash flows of an entity is useful in providing users of financial statements with information for both accountability and decision-making purposes. Cash flow information allows users to ascertain how a public sector entity raised the cash it required to fund its activities, and the manner in which that cash was used. (Underscoring supplied)

3.2 Also, Paragraph 1 of the same PPSAS provides 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)

3.3 Note 2.8 of the NFS for CY 2015, states, among others, that “expenses are recognized on [an] accrual basis”.

3.4 As reported in the SFP for CY 2015, the total MOOE amounted to P2.398 billion, inclusive of non-cash expenses of P58.039 million [Depreciation P43.942 million + Bad debts P14.097 million]. Review, however, of the SCF revealed that total MOOE paid amounted to P2.843 billion, which exceeded that accrued and paid, per SFP, by P0.502 billion as illustrated in Table 6.

Table 6 – CY 2015 MOOE, per SCF and per SFP

| | Amount |
|---------------------------|----------------------|
| Paid MOOE, per SCF | P 2,842,582,195 |
| Accrued and paid, per SFP | 2,398,261,834 |
| Less: Non-cash expenses | 58,039,164 |
| Net MOOE, per SFP | 2,340,222,670 |
| Difference | P 502,359,525 |

3.5 Accrued and paid MOOE, per SFP, should have exceeded the paid MOOE, per SCF, such as that presented for CY 2014, after effecting adjustments, in compliance with the prior year’s audit recommendation. On the other hand, the SCF for CYs 2015 and 2014 showed intra-agency fund transfers/remittances, elimination of which, however, resulted in unreconciled discrepancy for the said period of P8.152 million and P121.018 million, respectively, as shown in Table 7.

Table 7 – Intra-agency transfers/remittances in CYs 2014-2015

| | 2015 | 2014 |
|-----------------------------|--------------------|------------------------|
| Remittance from ROs/Centers | P - | P 19,550,684 |
| Transfer of allotments | 8,151,743 | (121,018,140) |
| Discrepancy | P 8,151,743 | P (101,467,456) |

3.6 Further, return of the unutilized balance of DAP fund in the amount of P274.455 million to the BTr in CY 2015 was not reflected in the SCF. The discrepancies/inconsistencies noted, cast doubt on the reliability of the SCF and correctness of the Cash and Cash Equivalents account balance of P1.816 billion as at year-end, which could mislead the users of the financial information.

3.7 We recommended that Management direct the Accounting Division of CO to analyze, reconcile the discrepancies/inconsistencies, adjust the affected accounts, and revise the SCF accordingly.

3.8 No Management comment has been received as at June 17, 2016, the agreed last extension date of submission of comments and the date of preparation of this Annual Audit Report (AAR).

4. The accuracy, propriety, and reliability of the Cash in Bank account of RO Nos. V, VI and VII amounting to P206.542 million, or 11.37 per cent of the P1.816 billion Cash and Cash Equivalents balance, are doubtful due to the non-preparation or late submission of Bank Reconciliation Statements (BRS), late remittance of collections by the PrOs in the amount of P1.130 million and non-restoration of stale checks amounting to P0.525 million to the Cash in Bank account at year-end.

4.1 Section 74 of Presidential Decree (PD) No. 1445 provides that, at the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account outstanding on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.

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

4.3 Section 34 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 8048, as amended by RA No. 10693 states that all fees collected by the Division Chief I shall be deposited immediately with the nearest Land Bank of the Philippines (LBP) branch or other depository bank in their area of responsibility. The same shall be remitted, thru bank transfer, to the PCA RO for proper accounting thereof.

4.4 Further, Section 52 of NGAS Manual, Volume I, requires that unclaimed stale checks shall be cancelled.

4.5 The monthly BRS prepared and submitted by RO No. VII pertained only to its bank account and updated only up to July 2015, hence, BRS were delayed for six months, while there was none for the bank accounts of three PrOs. Moreover, reconciling items in the latest BRS of RO No. VII still include checks accumulating to P0.525 million which had become stale as early as April 2012. Inquiry with Management disclosed that the recipient-farmers were not informed that the checks will become stale if the same will not be encashed within six months.

4.6 Likewise, there were no updated monthly BRS prepared by RO No. VI in view of lack of personnel. The latest BRS prepared and submitted to the Audit Team was for the month of August 2014.

4.7 Moreover, in RO No. V, collections of the PrOs amounting to P1.130 million mostly for the month of December 2015 remained unremitted as at December 31, 2015 to the RO, thereby understating the Cash in Bank account. The late remittance of collections from PrOs to the RO was attributed, among others, to lack of manpower and skilled personnel at PrOs to prepare financial reports.

4.8 The non-preparation and submission of the BRS within the prescribed period resulted in the delayed identification of discrepancies/errors or other reconciling items and late adjustments thereof; while the non-restoration of the stale checks of P0.525 million to the Cash in Bank account and the corresponding liability accounts consequently understated the said accounts by the same amount.

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

- a. Hire and assign qualified personnel to prepare BRS for the Cash in Bank accounts of the ROs and PrOs;**
- b. Require the Accounting Units to ensure timely preparation of the BRS and necessary adjustments are made in the books to revert back the Cash in Bank and other affected accounts for checks that had become stale; and**
- c. Direct the Provincial Coconut Development Managers (PCDMs) to remit promptly their collections to the RO and inform the recipient-farmers on the validity period of checks issued to avoid incurrence of stale checks.**

4.10 Management commented that RO No. VII will fast track the preparation of the unsubmitted BRS, and assured to observe the timely submission of the monthly BRS. Likewise, they will review the stale checks and corresponding adjusting entries will be made.

5. Existence and reliability of the Property, Plant and Equipment (PPE) account with a carrying balance of P605.787 million could not be ascertained due to non-submission of inventory and reconciliation reports for PPE totalling P261.004 million, absence/incomplete PPE Ledger Cards (PPELCs) and Property Cards (PCs) and discrepancy in the PPELCs in the CO of P6.559 million, recognition of items not yet delivered/received or already distributed to the beneficiaries aggregating P10.423 million, inclusion of unserviceable assets of

P0.661 million, and inadequate disclosures in the FS, contrary to NGAS Manual, PPSAS 16, and COA Circular No. 80-124. Likewise, disbursement vouchers (DVs) were processed and signed for procured items, which were not yet delivered/received and/or with incomplete supporting documents.

5.1 As at December 31, 2015, the carrying amount of PPE account amounted to P605.787 million, as summarized in Table 8.

Table 8 – Summary of PPE Account per Fund Source

| Fund | Acquisition Cost | Accumulated Depreciation | Carrying Amount |
|--|-------------------------|---------------------------------|------------------------|
| I. CO: | | | |
| Corporate fund (503) | P 326,627,145 | P 130,780,052 | P 195,847,093 |
| YRRP fund | 1,230,905 | 334,858 | 896,047 |
| Small Coconut Farms Development Project fund (401) | 81,055,620 | 66,040,085 | 15,015,535 |
| | 408,913,670 | 197,154,995 | 211,758,675 |
| II. ROs/Centers: | | | |
| 503 | 416,634,609 | 202,164,284 | 214,470,325 |
| YRRP | 203,757,915 | 24,200,066 | 179,557,849 |
| | 620,392,524 | 226,364,350 | 394,028,174 |
| | P 1,029,306,194 | P 423,519,345 | P 605,786,849 |

Non-submission of inventory/reconciliation reports of CO, DRC, and RO Nos. VI, XI and XII –

5.2 Section 66 and Appendix 63 of NGAS Manual, Volume II, state that the physical count of PPE shall be reported annually by type as at a given date using the Report on the Physical Count of PPE (RPCPPE) to show the balance of property and equipment per cards and per count and shortage/overage, if any. The same shall be submitted to the Auditor concerned not later than January 31 of each year.

5.3 Also, Section 4 of COA Circular No. 80-124 dated January 18, 1980 provides that a representative of the Audit Team shall witness the inventory-taking and the resulting inventory report shall be properly reconciled with the accounting and the inventory records.

5.4 The RPCPPE of CO as at December 31, 2015 had not been submitted to the Audit Team despite that the physical count was already completed sometime in January 2016, as per information received from the Supply Officer III, Property Division. He explained that his voluminous workload caused the intermittent preparation of the RPCPPE and the conduct of the count as well. Also, the Audit Team was notified of the actual count only on two separate instances/days, notwithstanding the fact that the physical inventory covered: (a) not only for two days but for a four-month period starting from September 7, 2015 up to December 29, 2015 and even extended up to January 2016; and (b) a significant number of PPE items with total carrying amount of P211.758 million. Thus, the audit procedures of validating the reported existence of the PPE could not be completely undertaken.

5.5 As there was no RPCPPE to reconcile with, the related reconciliation report of PPE between property and accounting records was not consequently prepared and submitted by CO. The latest reconciliation report submitted was as at December 31, 2012, which total reconciling items then of P34.509 million were still not accounted for and duly adjusted due to incomplete submission of supporting documents.

5.6 Likewise, no reconciliation reports were prepared for the PPE accounts of DRC, RO Nos. VI, XI and XII, with carrying amount of P49.245 million, as shown in Table 9. Balances per General Ledger (GL) in RO No. XII exceeded that of the RPCPPE by P10.976 million, which is attributed partly to the erroneous footings in the RPCPPE, as well as, incomplete list of PPE both in the RPCPPE and in the accounting records. Although, there was RPCPPE prepared in RO No. VI, the same did not have total for each kind of PPE, thus reconciliation could not be facilitated with the books of accounts.

Table 9 – List of CO/ROs/Center without PPE Reconciliation Reports

| CO/RO/Center | Acquisition cost | Accumulated depreciation | Carrying amount |
|---------------------|-------------------------|---------------------------------|------------------------|
| DRC | P 19,092,765 | P 14,717,895 | P 4,374,870 |
| VI | 23,142,435 | 12,032,978 | 11,109,457 |
| XI | 29,390,260 | 11,056,979 | 18,333,281 |
| XII | 20,973,574 | 5,545,696 | 15,427,878 |
| | 92,599,034 | 43,353,548 | 49,245,486 |
| Add: CO | 408,913,670 | 197,154,995 | 211,758,675 |
| | P 501,512,704 | P 240,508,543 | P 261,004,161 |

5.7 The non-submission of updated RPCPPE and the related reconciliation statement precluded the timely review and validation of the physical and recorded inventory, thereby, casting doubt as to existence and reliability of presentation of PPE account in the FS.

Non-reconciliation of discrepancy of P6.559 million in the CO PPELCs; no PPELCs maintained in DRC and RO Nos. XI and XII and incomplete PPELCs in CO and RO No. XIV; and no PCs maintained in RO No. XI –

5.8 Section 12 and Appendix 8 of NGAS Manual, Volume II, state, among others, that the PPELC shall be prepared periodically and for each type of PPE to support the corresponding controlling PPE GL accounts and both records shall be reconciled regularly or at the end of each month. On the other hand, Section 42 of the same Manual and Volume requires the Supply and Property Unit to record the description, transfer/acquisition, disposal, and other information about the PPE in the PC.

5.9 The PPELCs maintained by the Accounting Division of CO are for each PPE sub-account instead of each type of PPE. Also, a total discrepancy of P6.559 million existed between the CY 2011 recomputed ending balances and the CY 2012 beginning balances under the same PPELC for each sub-account of PPE, thus, casting doubt on the accuracy and reliability of the said accounting records.

5.10 Moreover, no PPELCs were maintained for two sub-accounts of CO and one sub-account of RO No. XIV, as well as, for all PPE items of DRC, and RO Nos. XI and XII, with total carrying amount of P67.041 million, as shown in Table 10.

Table 10 – List of Office/ROs/Center without PPELCs

| Office/RO/Center | Acquisition cost | Accumulated depreciation | Carrying amount |
|--------------------------------|-------------------------|---------------------------------|------------------------|
| DRC, XI and XII (from Table 9) | P 69,456,599 | P 31,320,570 | P 38,136,029 |
| XIV (1 sub-account) | 80,000 | - | 80,000 |
| | 69,536,599 | 31,320,570 | 38,216,029 |
| Add: CO (2 PPE sub-accounts) | 122,031,560 | 93,207,067 | 28,824,493 |
| | P 191,568,159 | P 124,527,637 | P 67,040,522 |

5.11 Similarly, PCs are not maintained by RO No. XI. Absence of PPELCs and PCs casts doubt as to completeness and accuracy of recorded PPE transactions.

Inadequate disclosures of PPE as the reconciliation of the beginning and ending carrying balances of PPE in the amount of P575.512 million and P605.787 million, respectively, are not shown in the NFS –

5.12 Paragraph 88(e) of PPSAS 17 on PPE requires the disclosure in the FS, for each class thereof, a reconciliation of the carrying amount at the beginning and end of the period showing, among others, the additions, disposals, depreciation, and other changes.

5.13 The information required under Paragraph 88(e) of PPSAS 17 was not, however, disclosed in the NFS for CY 2015. Instead, the NFS only showed the lumped-sum carrying balance of the entire PPE (CO and ROs/Centers) in the total amount of P605.787 million by deducting the total accumulated depreciation of P423.519 million from the total acquisition cost of P1,029.306 million. While a separate schedule was submitted by Management disclosing the effects of additions, disposal and reclassification for each class of PPE and their corresponding accumulated depreciation, the same, however, pertained only to CO PPE accounts. Hence, the disclosure requirement for PPE is insufficient, thus, affects the fair presentation of PPE account in the FS.

Thirteen (13) DVs in aggregate amount of P356,948 were processed and signed in CO prior to delivery, inspection, and acceptance of goods purchased –

5.14 Section 45 of the NGAS Manual, Volume I, lists down the procedures in the receipt, inspection, acceptance, and recording deliveries of inventory items and equipment. In the said procedure, it is required that the delivery received should be inspected and accepted before preparing a DV. As such, an Inspection and Acceptance Report (IAR) must be accomplished prior to the preparation of DV and eventually, the issuance of check.

5.15 Likewise, Section 9.2 of COA Circular No. 2012-001 dated June 14, 2012, provides basic requirements common to all purchases under alternative mode, among which is IAR signed “Inspected by” by the authorized agency inspector and signed “Accepted by” the end-user to whom the item was delivered or the property officer if item is for stock.

5.16 Review of DVs and supporting documents on purchase of PPE items disclosed that 13 DVs and checks with aggregate amount of P356,948 were processed and signed 7 to 43 days prior to the issuance of IAR and receipt of Sales Invoice and/or Delivery Receipt which are indications that procured goods were not yet received, inspected, and accepted then. Said practice is not only contrary to the procedures prescribed by the NGAS Manual, Volume I, but also suggests weakness in internal control.

PPE amounting to P10.423 million either not yet delivered/ received or already distributed to the beneficiaries were recognized in the books in CO, and RO Nos. XI and XIV –

5.17 Paragraph 7 of PPSAS 1 defines, among others, assets as resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

5.18 Items procured in CY 2015 with total cost of P7.944 million received in CY 2016 have been recognized in the books by CO and RO No. XI in CY 2015. Also, items costing P2.479 million procured by RO No. XIV already distributed to the beneficiaries were still recorded under PPE.

5.19 The Accountant of RO No. XI averred that, year-end assets can be recognized based on issued Purchase Orders (POs) or perfected contracts, as per his verbal inquiry from the OIC-Finance Manager on the matter. The said practice is contrary to Paragraph 7 of PPSAS 1 as PCA has no control over items with total cost of P10.423 million as at December 31, 2015. Consequently, the PPE account was overstated by the same amount, details of which are summarized in Table 11.

Table 11 – Summary of Recorded Assets which do not qualify as PPE

| Office/RO | Cost |
|------------------|---------------------|
| CO | P 272,454 |
| XI | 7,671,619 |
| XIV | 2,479,000 |
| | P 10,423,073 |

Inclusion of unserviceable assets of P0.661 million in RO No. XI and DRC in the PPE account -

5.20 Section 143 of NGAS Manual, Volume III, states that Other Assets account shall be used to record the value of obsolete and unserviceable assets awaiting final disposition as well as those assets still serviceable but are no longer being used.

5.21 Unserviceable assets from RO No. XI and DRC costing P318,934 and P342,190, respectively, or totaling to P0.661 million have remained recorded under the PPE account. Inquiry with Management disclosed that the Inventory and Inspection Reports of Unserviceable Property (IIRUPs) had already been prepared; however, the same were not submitted to the respective Accountants for necessary adjustments in the books, thus, overstating the PPE account by P0.661 million and understating the Other Assets account by the same amount.

5.22 **We recommended that Management direct the:**

a. Property Division in the CO and concerned Property Units of the ROs/Centers to prioritize and strictly observe the scheduled dates/times of physical count; and prepare, reconcile and submit timely the RPCPPE and reconciliation report;

b. Accounting Division in the CO and Accounting Units of the concerned ROs/Center to prepare the necessary adjustments to derecognize items which have already been distributed to the beneficiaries and unserviceable assets to Other Assets account, maintain PPELCs and PCs for each PPE type, reconcile the discrepancies in the PPELCs, and provide adequate disclosures of PPE account; and stop the practice of processing DVs which were not properly supported with valid documents; and

c. Collection and Disbursement Division of CO to stop the practice of signing and issuing checks for DVs with incomplete supporting documents.

5.23 Management commented that:

a. The RPCPPE was already submitted to the Audit Team of CO on May 18, 2016. To comply with the timely submission of the required RPCPPE, the Property Division is now in the process of preparing an Action Plan in adherence to Section 491 of Government Accounting and Auditing Manual (GAAM), Volume I. As regards the notification to the Audit Team of the actual schedule of physical count, Management hereby subscribes to the recommendation stated under Paragraph 5.22(a) hereof. Also, a similar initiative was already undertaken during the conduct of the CY 2015 count wherein a COA representative was requested to facilitate the conduct of inventory. Said initiative is consistent with the recommendation, which is intended to be observed and pursued hereinafter in accordance with the specified timeframe as indicated therein;

b. Reconciliation report in RO No. XII is now being prepared while reclassification of unserviceable assets to Other Assets account has already been made by RO No. XI and PPELCs in RO No. XIV are now being updated by the newly-appointed Property Officer thereat; and

c. Section 45 of NGAS Manual, Volume I, is applicable only to purchases on account (credit transactions). A cash transaction is defined as those that are settled immediately through cash or check. Needless to say, payment should be made at the time when the seller/supplier transfers the risks and rewards pertaining to the asset sold to and received by the buyer, in this case, the PCA.

Hence, a check should be available at the delivery date and as such, it should be prepared prior to delivery schedule.

5.24 As a rejoinder, we maintain our recommendations in view of the following:

a. The RPCPPE for CY 2015 of CO submitted on May 18, 2016 was in response to the previously-issued Audit Observation Memorandum (AOM) on the matter. Nonetheless, review of the same further disclosed absence of signatures of authorized officials, erroneous footings, and an unreconciled discrepancy of P18.547 million between RPCPPE and GL balances. On the other hand, as already stated in Paragraph 5.4 hereof, notification to the Audit Team of the actual count was limited only on two separate instances/days, thus, the reported existence of most PPE items could not be fully validated;

b. One of the fundamental principles governing the financial transactions and operations of any government agency, as provided for under Section 4(6) of PD No. 1445 and cited under COA Circular No. 2012-001 dated June 14, 2012, is that claims against government funds shall be supported with complete documentation. Further, the same Circular also provides that one of the general requirements for all types of disbursement is that there should be sufficient and relevant documents to establish validity of claim. Processing of DV and drawing a check under the specific name of the supplier without complete documentation, is not only an indication that validity of the claim was not established, it is, likewise contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012; and

c. All other aforementioned observations have not been addressed by Management, such as the following: absence of PPE reconciliation report in RO No. VI, absence of PCs in RO No. XI and inadequate disclosures of PPE in the NFS.

6. Validity, accuracy and reliability of the net realizable value (NRV) of Accounts Receivable (AR)-PCA Fees of P491.173 million are doubtful due to unsubstantiated adjustments of P124.683 million, inclusion of long outstanding receivables with uncertain recoverability of P483.720 million and non-disclosure of its status, charging of interest of P6.859 million on receivables with uncertain recoverability/zero principal balances, and discrepancy of P5.808 million between confirmed and recorded balances.

6.1 Pursuant to PD No. 1854 dated December 21, 1982, authorizing an adjustment of the funding support of the PCA and instituting a procedure for the management of such fund, as implemented under a series of Administrative Orders (AOs), a levy named as PCA fees had been imposed and collected by PCA for every kilo of copra or the copra equivalent of other coconut products delivered to and/or purchased by oil millers, coconut product exporters, dessicators and other end-users of coconut products.

6.2 As at December 31, 2015, the NRV of AR-PCA fees amounted to P491.173 million, as aged under Table 12.

Table 12 - Aging summary of AR- PCA Fees as at December 31, 2015

| Age | No. of accounts | Outstanding balance |
|---|------------------------|----------------------------|
| Over 10 years | 36 | P 25,584,215 |
| 5 - 10 years | 44 | 9,128,479 |
| 2 - 5 years | 52 | 256,829,884 |
| Less than 2 years | 66 | 249,236,839 |
| | 198 | 540,779,417 |
| Less: Allowance for Doubtful Accounts (ADA) | | 49,606,233 |
| NRV | 198 | P 491,173,184 |

*Unsubstantiated adjustments of receivables
in the net amount of P124.683 million –*

6.3 The Assessment and Monitoring Service (AMS), CO is responsible for the computation and assessment of PCA fees and issuance of billing statements to the oil millers for the collection thereof. As such, the AMS prepares and submits Schedule of Computation of PCA Fees, Interest, and Interest for Late Remittance to the Accounting Division for reconciliation on a quarterly basis. However, no reconciliation process was actually conducted as the difference between per Schedule and per General Ledger (GL) was automatically taken up as an adjustment to the latter. Said practice was made as the Accounting Division does not accrue receivables based on the issued billing statements, despite prior years' audit recommendation.

6.4 For CY 2015, the quarterly balance of AR-PCA fees had increased and decreased by total amounts of P125.229 million and P0.546 million, respectively, or net increase of P124.683 million, in view of automatic adjustment, validity and accuracy of which, however, could not be ascertained due to inadequate/absence of supporting documents. Details are summarized in Table 13.

Table 13 - Adjustments to A/R - PCA Fees

| Quarter | Quarterly ending balance | | | Adjustments | |
|-----------------|---------------------------------|------------------------|----------------------|----------------------|------------------|
| | Per AMS Schedule | Per GL | Difference | Increase | Decrease |
| 1 st | P 424,824,901 | P 414,123,566 | P 10,701,335 | P 10,842,516 | P 141,181 |
| 2 nd | 486,313,484 | 424,400,216 | 61,913,268 | 61,965,278 | 52,010 |
| 3 rd | 523,113,473 | 485,880,016 | 37,233,457 | 37,377,946 | 144,489 |
| 4 th | 537,339,826 | 522,505,165 | 14,834,661 | 15,043,246 | 208,585 |
| | P 1,971,591,684 | P 1,846,908,963 | P 124,682,721 | P 125,228,986 | P 546,265 |

6.5 In addition to the ending balance of AR-PCA Fees of P537.340 million (4th Quarter) per AMS records, shown in Table 13, are PCA Fees of the International Oil Factory which were subject of a Compromise Agreement and accrual in the amount of P1.301 million and P2.138 million, respectively, thus the outstanding balance of AR-PCA Fees as at December 31, 2015 amounted to P540.779 million, shown in Table 12.

*Inclusion of long outstanding receivables
with uncertain recoverability aggregating
P483.720 million and non-disclosures of its
status in the FS -*

6.6 Paragraphs 140 and 141 of PPSAS 1 state that:

140. An entity shall disclose in the notes information about (a) the key assumptions concerning the future, and (b) other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of: (a) Their nature; and (b) Their carrying amount as at the reporting date.

141. Determining the carrying amounts of some assets xxx requires estimation of the effects of uncertain future events on those assets xxx at the reporting date. For example, in the absence of recently observed market prices used to measure the following assets and liabilities, future-oriented estimates are necessary to measure xxx (c) provisions subject to the future outcome of litigation in progress. Xxx.

6.7 Verification revealed that 61 accounts of the oil millers with NRV of P483.720 million, or equivalent to 98.48 per cent of the total NRV of AR-PCA Fees of P491.173 million, had been long overdue and recoverability of which was uncertain because said accounts were either with cases pending in court, ordered archived/unlocated address, or referred to the PCA Legal Department, now Legal Affairs Office (LAO), for filing of cases. Said vital information was not disclosed in the NFS for CY 2015, thus, affecting the fairness of the presentation of the account in the FS, thereby misleading users thereof. The Status Report on Outstanding PCA Fee Obligation as at December 31, 2015 showed the composition of the aforementioned 61 accounts with comparative figures in CY 2014, as summarized in Table 14.

Table 14 - Composition of the AR-PCA Fees with Uncertain Recoverability

| Status of Accounts | CY 2015 | | CY 2014 | | Increase | |
|---|-----------|----------------------|-----------|----------------------|----------------------|--------------|
| | Qty | Amount | Qty | Amount | Amount | % |
| I. Cases still pending in court | 7 | P 7,705,930 | 7 | P 7,418,869 | P 287,061 | 3.87 |
| II. Cases ordered archived/ unlocated address (ceased operations): | | | | | | |
| a. Decision cannot be executed/ enforced | 6 | 3,101,638 | 6 | 3,017,278 | 84,360 | 2.80 |
| b. Company owners remain at large | 3 | 7,742,704 | 3 | 7,390,856 | 351,848 | 4.76 |
| c. Summons could not be served | 13 | 9,937,071 | 13 | 9,937,071 | - | - |
| | 22 | 20,781,413 | 22 | 20,345,205 | 436,208 | 2.14 |
| III. Accounts forwarded to LAO for appropriate action and/or filing of case | 32 | 504,704,762 | 32 | 383,506,230 | 121,198,532 | 31.61 |
| | 61 | 533,192,105 | 61 | P 411,270,304 | P 121,921,801 | 29.65 |
| Less: ADA | | 49,471,833 | | | | |
| NRV | 61 | P 483,720,272 | | | | |

6.8 Further review disclosed the following:

a. The increase in AR-PCA Fees with uncertain recoverability was attributed mainly to the PCA fee deficiency of P0.06/kilo, which was continuously billed by PCA and remained unpaid by the oil millers, despite the dismissal by the

Regional Trial Court, Branch 98 of Quezon City on November 5, 2013 of the Petition for Relief from Judgment for the case filed by Philippine Coconut Oil Producers Association (PCOPA) against PCA on the matter. Said material information was previously disclosed in the NFS, however, for CYs 2014 and 2015, the same was no longer included in the NFS.

b. The Status Report on Outstanding PCA Fee Obligation as at December 31, 2015 did not show information as to whether the following courses of action, as stated by Management in its reply to CY 2012 audit observations, were implemented:

i. For seven accounts still pending in court: five will be requested for write-off while two were found out to be active.

ii. For 22 accounts ordered archived/unlocated addresses: 21 will be requested for write-off while one will be refiled for revival as there is a possibility of collection of the amount due considering that the company is still operating at that time.

c. Of the 32 accounts forwarded to LAO, nine accounts in the total amount of P4.929 million had the same status since CYs 2010 and 2011, which is an indication of lack of legal action and effort to collect, notwithstanding the approval of the PCA Governing Board, per Board Resolution No. 124-2015 dated July 16, 2015, for the filing of civil or criminal cases against companies which are not paying the required PCA fees. It should be noted that, despite repeated requests, Management was unable to provide the Audit Team with a report on the nature, amount involved, and status of all cases filed for/by PCA as at December 31, 2015. Nonetheless, details of the aforementioned nine accounts are summarized in Table 15.

**Table 15 – Status of nine accounts as at December 31, 2015
which had been forwarded to LAO since CYs 2010 and 2011**

| Status | No. of Oil Millers | Amount |
|---|---------------------------|--------------------|
| Final demand letter sent by LAO | 1 | P 11,831 |
| No response to the counter settlement proposal of LAO | 2 | 3,422,178 |
| For filing of case | 4 | 1,293,768 |
| No response to second billing | 2 | 201,396 |
| | 9 | P 4,929,173 |

*Inconsistent implementation of policy on
sanctions for arrearages -*

6.9 Paragraph 31 of PPSAS 23 states that:

An inflow of resources from a non-exchange transaction, xxx, that meets the definition of an asset shall be recognized as an asset when, and only when: (a) It is probable that the future economic benefits xxx will flow to the entity; xxxxx

6.10 Section 13 of PCA AO No. 01 dated March 11, 2011, also known as Amended Rules and Regulations Implementing PD No. 1854, states, among others:

Sanctions - For any violation of the provisions of these Rules, the Authority shall impose any or all of the following sanctions: (a) Interest equal to fourteen per cent (14%) per annum of the PCA Fee unpaid and/or paid after the due date thereof; xxx

6.11 Further examination of the aforementioned accounts with uncertain recoverability disclosed that the outstanding balances of 13 out of the 26 accounts, as discussed in Paragraph 6.8(b) hereof, subject for write-off had continuously been increasing, which was attributed to the continuous charging of interest pursuant to the sanction set forth under Section 13 of AO No. 01 dated March 11, 2011. However, the continuous recognition of interest was inconsistent with Paragraph 31 of PPSAS 23, as the accounts to be considered for write-off signify an acknowledgment that no probable future economic benefits will flow to PCA, hence, no longer meets the definition of an asset. Conversely, no interest has been charged for the remaining 13 accounts, which was contrary to Section 13 of AO No. 01 dated March 11, 2011, albeit consistent with Paragraph 31 of PPSAS 23.

Continuous charging of interest of P6.859 million for receivables with zero principal balances -

6.12 Article 1253, Chapter 4, Book IV of the Civil Code of the Philippines provides the extinguishment of obligations which states:

If the debt produces interest, payment of the principal shall not be deemed to have been made until the interests have been covered.

6.13 Of the 198 accounts in Table 12, 17 accounts which have zero principal balances have been continuously charged with interest and interest for late remittance accumulating to P26,336 and P6.833 million, respectively, or an aggregate amount of P6.859 million as at December 31, 2015. It appeared that a zero principal outstanding balance was a result of the practice of PCA in applying first the payments to the principal amount, thus, contrary to Article 1253, Chapter 4, Book IV of the Civil Code of the Philippines, thereby casting doubt on the accuracy and validity of the computed principal balance, interest, and/or interest for late remittance.

Discrepancy of P5.808 million between outstanding balances confirmed by oil millers and booked by PCA –

6.14 Confirmations made to 61 oil millers with aggregate outstanding balances of P535.217 million had replies from only two oil millers, which balances showed a total discrepancy of P5.808 million, details are shown in Table 16.

**Table 16 - Results of confirmation from the two oil millers
on the outstanding balance of AR-PCA Fees as at December 31, 2015**

| Oil Miller | Per PCA | Per Oil Miller | Discrepancy |
|------------------------------------|--------------------|-----------------------|--------------------|
| Philippine Super Feeds Corporation | P 29,397 | P - | P 29,397 |
| New Asia Oil | 5,948,593 | 170,378 | 5,778,215 |
| | P 5,977,990 | P 170,378 | P 5,807,612 |

6.15 **We recommended that Management direct the:**

a. Accounting Division to:

a.1 Reconcile its records on AR-PCA Fees with AMS records;

a.2 Duly support all recorded transactions including the unsubstantiated net adjustments of P124.683 million;

a.3 Accrue receivables based on billing statements issued;

a.4 Provide adequate disclosure in the NFS on the status of long outstanding receivables with uncertain recoverability;

b. AMS to:

b.1 Reconcile the receivable balance discrepancy of P5.808 million between that confirmed by two millers and that booked by PCA;

b.2 Submit justifications on the following: inconsistencies in the implementation of sanctions for arrearages and continuous charging of interest for accounts which are subject for write-off and with zero principal balances; and

c. LAO to intensify and exhaust efforts to recover/collect long outstanding AR-PCA Fees and submit duly-supported latest status of action/s taken thereon.

6.16 No Management comment had been received as at June 17, 2016, the agreed last extension date of submission of comments and the date of preparation of this AAR.

7. In Zamboanga Research Center (ZRC) and Davao Research Center (DRC), inventories in the aggregate amount of P16.816 million were no longer found on hand but still recorded as assets, thus, misstating the affected Inventories by the same amount while existence of other inventories totalling P4.347 million could not be ascertained in view of absence of inventory report, contrary to Section 65 of NGAS Manual, Volume II.

7.1 Section 65 of NGAS Manual, Volume II, states that the Report on the Physical Count of Inventories (RPCI) shall be used to report the physical count of supplies by type of inventory as at a given date and to show the balance of inventory items per cards and per count and shortage/overage, if any.

7.2 Moreover, Section 43 of NGAS Manual, Volume I, provides that:

Xxxx

The Accounting Unit shall maintain perpetual inventory records, such as the Supplies Ledger Cards for each inventory stock, xxx.

For check and balance, the Property and Supply Office/Unit shall maintain xxx Stock Cards (SC) for inventories. The balance in quantity per xxx SC should always reconcile with the ledger cards of the Accounting Unit.

7.3 As at year-end, the Inventories account of ZRC had an outstanding balance of P23.471 million, 81.48 per cent of which or P19.124 million did not tally with balance per RPCI of P3.658 million, or a difference of P15.466 million, as summarized in Table 17. This was due to non-reconciliation between records of Supply and Accounting Units.

Table 17 – Comparison of ZRC Inventories account balances per RPCI and Books

| | Per RPCI | Per Books | Difference (No longer found on hand) |
|--|--------------------|---------------------|--|
| Office supplies | P - | P 408,748 | P 408,748 |
| Medical, dental, and laboratory supplies | - | 542,371 | 542,371 |
| Fuel, oil, and lubricants | 38,126 | 669,569 | 631,443 |
| Agricultural and marine supplies | 3,515,270 | 11,221,608 | 7,706,338 |
| Other supplies | 103,936 | 5,061,455 | 4,957,519 |
| Spare parts | - | 1,141,637 | 1,141,637 |
| Construction materials | 1,034 | 78,530 | 77,496 |
| | P 3,658,366 | P 19,123,918 | P 15,465,552 |

7.4 Interview with the Supply Officer of ZRC revealed that most inventory items were immediately issued to the end-users after inspection and acceptance of the same. On the other hand, the Accounting Unit does not regularly update the supplies ledger card for each inventory stock, hence, records were not adjusted to the correct amounts.

7.5 Further, the existence and reliability of other inventories of ZRC with total outstanding balance of P4.347 million could not be ascertained due to the non-submission of the RPCI. The composition of said inventory sub-accounts is shown in Table 18.

Table 18 – Composition of Inventory sub-accounts without RPCI

| | Balance |
|---|--------------------|
| Accountable forms | P 20,500 |
| Fertilizers | 633,762 |
| Agricultural chemicals, etc. (Inoculants) | 5,892 |
| Planting materials | 20,627 |
| Other agricultural supplies | 188,964 |
| Semi-expendable properties | 3,445,492 |
| Semi-expendable properties (SCFDP) | 31,490 |
| | P 4,346,727 |

SCFDP – Small Coconut Farms Development Project

7.6 Moreover, the outstanding balance of the Inventories account of DRC amounting to P1.350 million in the books were no longer found on hand at year-end. As such, Inventories account of ZRC and DRC was overstated by P16.816 million (ZRC - P15.466 million + DRC – P1.350 million). It should be noted also that DRC does not maintain ledger cards for its inventory sub-accounts, thus, contrary to Section 43 of NGAS Manual, Volume I.

7.7 We recommended and Management agreed to require the Supply Officer and Accountants of ZRC and DRC to reconcile their records and effect necessary adjustments in the books.

8. Personnel benefits without legal basis, expenses for projects not yet implemented and goods not yet received totalling P82.685 million and unpaid incentives of farmer-participants of P30.256 million without Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report were accrued and treated as outright expense, thus overstating the Payables accounts of P785.103 million by P112.941 million at year-end; while validity of payables amounting to P12.907 million could not be ascertained in view of absence of supporting documents.

8.1 Section 3.2(a) of COA Circular No. 99-004 dated August 17, 1999, prescribing, among others, the accounting guidelines for Accounts Payable (AP), states that all obligations shall be supported by valid claims.

8.2 Paragraphs 19(a) and (b) of PPSAS 19 define payables and accruals as:

(a) Payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier (and include payments in respect of social benefits where formal agreements for specified amounts exist); and

(b) Accruals are liabilities to pay for goods or services that have been received or supplied, but have not been paid, invoiced, or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions.

8.3 As at December 31, 2015, the year-end balance of AP account amounted to P785.103 million, P244.760 million of which pertained to the outstanding balance of CO under the Corporate Fund 503, as summarized under Table 19.

Table 19 – Composition of AP account of CO – Corporate Fund 503

| Particulars | Amount |
|---|----------------------|
| Trade and business | P 16,397,766 |
| Unliquidated Obligations (UO): | |
| Personnel services (PS) | P 70,902,393 |
| Maintenance and other operating expenses (MOOE) | 59,222,439 |
| Miscellaneous | 98,237,621 |
| | 228,362,453 |
| | P 244,760,219 |

8.4 Review, however, disclosed that AP account in the CO was overstated by P82.685 million in view of, among others, accrual of personnel benefits which have no legal basis, outright take up of expenses in CY 2013 for projects that were yet to be implemented, and booking up of payables for items procured but not yet received as at December 31, 2015. Likewise the AP account in RO Nos. I-IV-B was overstated by P30.256 million since unpaid incentives to beneficiaries of PCPP was treated as outright expense despite absence of supporting documents. Table 20 summarizes the overstatement in the AP account.

Table 20 – Overstatement in Accounts Payable

| Particulars | Amount |
|--|----------------------|
| I. Overstated AP – CO, RO Nos. VII and XIII | |
| Personnel benefits accrued without legal basis | P 60,752,521 |
| Outright take up of expenses in CY 2013 | 18,412,278 |
| Payables without valid supporting documents | 2,300,023 |
| Items procured but received in CY 2016 | 490,784 |
| Twice-recorded POs | 52,640 |
| Unreverted APs, which have been outstanding for over 2 to 10 years | 676,301 |
| | 82,684,547 |
| II Overstated AP – RO Nos. I-IV-B books | |
| Unpaid Incentive of Farmers without supporting documents | 30,256,052 |
| | P 112,940,599 |

Accruals by CO of P60.753 million without legal basis -

8.5 For CY 2015, among the major expenses under the Other Compensation sub-account were the Anniversary Bonus, Performance Enhancement Incentive (PEI), and Performance Bonus in the aggregate amount of P46.629 million while the Other Personnel Benefits sub-account includes Performance-based Bonus (PBB), Loyalty Award, and Collective Negotiation Agreement (CNA) incentives of P29.339 million, or a total of P75.968 million. Of this amount, P60.753 million or 79.97 per cent represented accrued expenses. Details are summarized in Table 21.

Table 21 - Composition of Major Expenses under PS - Other Compensation and Other Personnel Benefits sub-accounts for CY 2015

| PS sub-accounts | Actual disbursements (a) | Accruals (b) | Total (c)=(a)+(b) | Per cent of accruals to total (d)=(b)/(c) x 100 |
|--------------------------|-------------------------------------|-------------------------|------------------------------|--|
| Other compensation | | | | |
| Anniversary bonus | P 400,000 | P - | P 400,000 | |
| PEI | 5,132,500 | 19,247,898 | 24,380,398 | 78.95 |
| Performance bonus | 993,880 | 20,854,623 | 21,848,503 | 95.45 |
| | 6,526,380 | 40,102,521 | 46,628,901 | 86.00 |
| Other personnel benefits | | | | |
| Loyalty award | 470,265 | - | 470,265 | |
| PBB | 50,000 | - | 50,000 | |
| CNA incentives | 8,169,200 | 20,650,000 | 28,819,200 | 71.65 |
| | 8,689,465 | 20,650,000 | 29,339,465 | 70.38 |
| | P 15,215,845 | P 60,752,521 | P 75,968,366 | 79.97 |

8.6 The accrued expenses accumulating to P60.753 million, which were all recorded under one JEV dated December 2015, represented 85.68 per cent of P70.902 million UO-PS balance and 24.82 per cent of P244.760 million of AP balance of CO as at December 31, 2015, as shown in Table 19. The composition of accrued expenses is summarized in Table 22.

Table 22 - Composition of Accrued Expenses as at December 31, 2015

| Particulars | Amount |
|--|---------------------|
| PEI of 841 personnel for Fiscal Year (FY) 2014 | P 19,247,898 |
| PBB of 841 personnel at P25,000 for FY 2014 | 20,854,623 |
| CNA incentives of 826 personnel at P25,000 for FY 2015 | 20,650,000 |
| | P 60,752,521 |

8.7 Review disclosed that the said accruals were supported with unsigned computation sheets showing the number of personnel and the total amount to be paid. Moreover, it showed the following:

- a. PEI accrued, equivalent to one-month salaries of personnel net of prior payment made of P5,000 each, pertained to FY 2014, notwithstanding the fact that the PEI, approved by the Governance Commission for GOCCs (GCG), in its letter dated December 8, 2015 to PCA, was for FY 2015 and settled in CY 2015. While the accrual may actually pertains to FY 2015, the same is still not a valid obligation as the letter expressly provided that each entitled employee of PCA was only qualified for the P5,000 PEI as PCA did not substantially comply with the requirements of Section 4 of Executive Order (EO) No. 181;
- b. In the letter dated January 6, 2016 of DBM-PS, it was mentioned that PCA was not able to comply with one of the requirements for the grant of FY 2014 PBB. Likewise, in a separate letter dated December 8, 2015 of the GCG, it informed that PCA obtained a final Performance Scorecard rating of 88.16 per cent. Albeit the said rating was inconsistent with the low fund utilization rate of 32.24 per cent, it was still short from the required rating of 90 per cent to qualify for the FY 2014 PBB, pursuant to Section 1.5 of Administrative Order (AO) No. 25, s. 2011, Inter-Agency Task Force (IATF) Memorandum Circular No. 2014-02 dated October 8, 2014; and
- c. As at year-end, it was not established whether the officials and employees of PCA were qualified for the FY 2015 CNA incentives, with pre-determined amount at P25,000 each, since no documents were presented to the Audit Team as proof that it has complied with the conditions required under the DBM Budget Circular (BC) No. 2015-2 dated November 23, 2015.

*Outright take up of expenses and payables
for projects overstated the payable account
by P18.412 million at year-end -*

8.8 The UO-MOOE sub-account of P59.222 million (Table 19) included net payables to five national government agencies (NGAs), one non-governmental organization (NGO), and one private company aggregating to P16.892 million, which were initially accrued in CY 2013 totaling to P20.799 million. Table 23 shows the list of agencies with

funded projects and the corresponding project costs and account balances as at December 31, 2015.

Table 23 - List of Agencies with Projects Funded by PCA

| | MOA signing/ notarization date | Total project cost | Account balances as at 12/31/15 | |
|--|---|-----------------------|---------------------------------|--------------|
| Implementing Agency | | | Due from NGAs/NGOs | AP*** |
| I. NGAs | | | | |
| Food and Nutrition Research Institute (FNRI) | 2013 | P 2,192,203 | P 1,644,152 | P 2,192,203 |
| University of the Philippines (UP) – Diliman | 08/13/13 | 839,080 | 167,816 | 227,430 |
| UP – Manila | 12/18/13 | 5,997,435 | 1,648,658 | 3,447,889 |
| University of Southern Mindanao (USM) | 11/07/13 | 2,100,000 | 605,718 | 2,100,000 |
| Philippine Council for Health Research and Development (PCHRD)** | 01/14/15 | 7,600,000 | 6,080,000 | 9,120,000* |
| | | 18,728,718 | 10,146,344 | 17,087,521 |
| II. NGO | | | | |
| UP Los Baños Foundation, Incorporated (UPLBFI) | 02/27/13 | 2,000,000 | 812,616 | 1,282,757 |
| III. Private company | | | | |
| Moonbake, Inc. | 01/08/14 | 70,000 | - | 42,000 |
| | | P 20,798,718 | P 10,958,960 | P 18,412,278 |

* inclusive of fund of P1.520 million due for release as at 12/31/15 and credited to AP-Trade and Business account

** replaced the Industrial Technology Development Institute (ITDI), which MOA was notarized on 01/22/14

***AP = P20.798 million – P3.906 million in Table 24 + P1.520 million = P18.412 million

8.9 As shown in Table 23, the accrued payables of P20.799 million is equivalent to the total cost of seven projects, pursuant to Memoranda of Agreement (MOAs) executed by and between PCA, as the Source Agency (SA), and various recipient agencies, as Implementing Agencies (IAs). As provided in the MOAs, fund releases shall be made in tranches, that is, after the first fund release, succeeding fund releases shall be subject to project accomplishments and submission of pertinent reports.

8.10 Table 24 shows the funds released to IAs, as well as, their respective fund liquidations which were either debited to Expense or AP account.

Table 24 – Summary of Fund Releases and Liquidations

| Liquidation | | | | | | | | | | |
|----------------------|--------------|----------------|-------------|-----------|-------------|---------|-------------------|-----|----------------------|--|
| | | For the period | | | Debited to | | Credited to | | | |
| IA | Fund release | CYs 2013-2014 | CY 2015 | Expense | Payable | | Due from NGAs/NGO | | Fund release balance | |
| I. NGAs | | | | | | | | | | |
| FNRI | P 1,644,152 | P - | P - | P - | P - | P - | P - | P - | P 1,644,152 | |
| UP – Diliman | 779,466 | 611,650 | - | - | - | 611,650 | 611,650 | - | 167,816 | |
| UP - Manila | 4,198,204 | - | 2,549,546 | - | 2,549,546 | - | 2,549,546 | - | 1,648,658 | |
| USM | 1,260,000 | - | 654,282 | 654,282 | - | - | 654,282 | - | 605,718 | |
| PCHRD | 6,080,000 | - | - | - | - | - | - | - | 6,080,000 | |
| | 13,961,822 | 611,650 | 3,203,828 | 654,282 | 3,161,196 | - | 3,815,478 | - | 10,146,344 | |
| II. NGO | | | | | | | | | | |
| UPLBFI | 1,800,000 | 270,141 | - | 270,141 | - | - | 270,141 | - | - | |
| | | 717,243 | - | - | 717,243 | - | 717,243 | - | 812,616 | |
| | 1,800,000 | 987,384 | - | 270,141 | 717,243 | - | 987,384 | - | 812,616 | |
| III. Private company | | | | | | | | | | |
| Moonbake, Inc. | 28,000 | 28,000 | - | - | 28,000 | - | ** | - | - | |
| | P 15,789,822 | P 1,627,034 | P 3,203,828 | P 924,423 | P 3,906,439 | - | P 4,802,862 | - | P 10,958,960 | |

** P28,000 was credited to cash

8.11 Review of the accounting entries disclosed that at year-end of CY 2013, the Agency made an entry by debiting the expenses account and crediting the AP account for P20.799 million. The Agency should not have made such entry considering that there were no expenses to speak of, thus both the Payables and Expenses accounts were overstated. On the fund releases of P15.790 million, these were taken up in the books as Due from NGAs/NGO, thereby no reduction in the Payables account. Upon submission of the liquidation reports by the IAs totalling P4.830 million, these were taken up in the books as debit to expense of P0.924 million and Payables account of P3.204 million, as a result the overstatement in the Payables account of P20.799 million was reduced to P17.595 million. However, the release of funds of P1.520 million to PCHRD in CY 2016, but the DV was prepared in CY 2015, was taken up as debit to Due from NGAs and again a credit to Payables account, thereby the overstatement in Payables increased to P18.412 million at the end of December 31, 2015.

Cost of goods/services not yet received aggregating to P490,784 was accrued in CY 2015 and double take up of payables of P52,640 -

8.12 Review of 10 DVs and 9 POs disclosed that the CO AP account included goods/services procured in the aggregate value of P490,784, but the same were not received at year-end. Further examination of records revealed that four POs in the total amount of P52,640 which were already booked under AP-Trade and Business were also included under UO-MOOE, thus, overstating expense accounts as well as AP account.

Unreverted payables of P0.676 million -

8.13 In addition, the AP account included payables of CO, and RO Nos. VII and XIII amounting to P47,658, P430,694, and P197,949 million, respectively, which have been outstanding for two to 10 years. There was no information as to whether actual claims have been filed or the same were covered with perfected contracts, thus, non-reversion of the accounts to unappropriated surplus had overstated the Payables account by P0.676 million.

Unpaid incentives to beneficiaries of PCPP amounting to P30.256 million was treated as outright expense despite absence of Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report -

8.14 PCA Memorandum Circular (MC) No. 04, series of 2012, dated January 9, 2012, provides the guidelines on the implementation of the PCPP which espouses a participatory and incentive-based systems approach to encourage coconut farmers and would be coconut farmers to plant more coconut trees. The project covers the following two stages:

Phase I - Nursery Operations. Participating farmers are tapped to source their own seed nuts, sow and propagate them in their own nursery to produce good seedlings for at least four to six months; and

Phase II - Transplanting of seedlings. This refers to field planting of seedlings produced in the nursery about three feet tall following the PCA recommended good agricultural practices.

8.15 Section 12.1 of the same PCA MC provides that inspection and evaluation (IE) of the project sites are pre-condition before the grant of incentives. The IE should be properly documented by accomplishing the required documents, among which are the following:

- a. Nursery Inspection and Evaluation Report (PCPP2012/Doc.02/02A) for Phase I; and
- b. Coconut Planting Inspection and Evaluation Report (PCPP2012/Doc.04/04A) for Phase II.

8.16 PCA MC No. 02, series of 2013, dated January 30, 2013 provides the increase in monetary incentives of participating farmers who have satisfactorily met the requirements from P30 to P40 per tree (Phase I – P18 and Phase II – P22).

8.17 In RO Nos. I-IV-B, verification showed that the incentives aggregating P30.256 million was taken up as outright expense in CY 2015 with corresponding credit to Payables account despite absence of Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report since there was no IE conducted on the project sites. The Master Lists of Registered Participants (MLRPs) and the Advice of Sub-Allotment dated September 30, 2015 showing Region's PCPP budget for CY 2015 in the amount P33.448 million, of which P3.192 million was previously obligated, are the documents used in recording the said unpaid incentives. Thus, the said recorded obligation in the amount of P30.256 million overstated AP account and Agricultural and Supplies Expense account and in fact resulted in negative balance of allotment over expenses. Likewise, the validity of the said obligation was also doubtful or questionable.

Unsupported payables aggregating to P12.907 million -

8.18 Sections 3.2(a) and 3.2(b) of COA Circular No. 99-004 dated August 17, 1999, prescribing, among others, the accounting guidelines for Accounts Payable, provide that:

3.2 *Xxx, the following rules and regulations are hereby reiterated:*

- a. *All obligations shall be supported by valid claims.*
- b. *Payable-Unliquidated Obligations which has been outstanding for two years or more and against which no actual claims, xxx, has been filed or which is not covered by perfected contracts on record should be reverted to the CROU [Cumulative Results of Operations Unappropriated].*

8.19 Records of CO and RO IV-A showed that payables in the total amount of P12.907 million were not supported with documents, composition of which is shown in Table 25.

Table 25 – Composition of Unsupported Payables as at December 31, 2015

| Office/RO | AP | Document referred to in the schedule | Quantity | Amount |
|------------------|--------------------|---|-----------------|---------------------|
| CO | Trade and Business | Disbursement Vouchers (DVs) | 81 | P 9,319,028 |
| | UO-MOOE | Purchase Orders (POs) | 34 | 1,288,256 |
| | | | 115 | 10,607,284 |
| IV-A | CY 2013 | - | - | 1,358,155 |
| | CY 2014 | - | - | 941,868 |
| | | | - | 2,300,023 |
| | | | 115 | P 12,907,307 |

8.20 It has been the practice of the Accounting Division of CO to submit a copy of voucher register, along with the covering Journal Entry Voucher (JEV), without the corresponding copies of DVs and supporting documents. Likewise, POs were either not submitted at all or submitted but without the supporting Inspection and Acceptance Reports, Delivery Receipts, and the like. Hence, absence of supporting documents casts doubt on the validity of the recorded transactions.

8.21 Also, as shown in Table 25, payables of RO No. IV-A amounting to P2.300 million have no valid supporting documents which have been outstanding for two to three years, but were not reverted to unappropriated surplus at year-end, thus overstating the AP by the same amount.

8.22 The aforementioned discrepancies cast doubt on the accuracy of the Payables account in the FS.

8.23 **We recommended that Management direct the concerned Accountants to:**

a. Prepare the necessary adjusting journal entries to correct the following misstatements:

a.1 Outright take up of expenses and payables pertaining to personnel benefits, fund releases to IAs and incentives of the farmer-participants;

a.2 Double recording of payables; and

a.3 Payables, including long outstanding accounts, which are determined to be without valid claims as at year-end; and

b. Henceforth, refrain from recording transactions, including claims, that are not supported with proper documentation and for which goods/services have not been received and accepted.

8.24 Management commented that:

a. No CY 2014 PBB had been booked and granted, instead, the CY 2015 PBB was recorded in compliance with the PCA Board Resolution dated March 4, 2016, authorizing the grant thereof, subject to the approval and/or adjustment by the GCG. Also, the PCA has achieved a weighted-average of 92.77 per cent on its 2015 Performance Scorecard, per Omnibus Certification duly signed by the Governing Board;

b. Duplicate DVs in the total amount of P9.319 million had been submitted, in response to the AOM;

c. Goods and services of P1.288 million and P245,772 (P490,784 less P245,012) or totalling to P1.534 million, although paid and delivered in the following year, were obligations as at year-end, pursuant to Section 119 of PD No. 1445, which states that “all lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year”. On the other hand, AP of P245,012 (P490,784 less P245,772) could not be validated without the individual breakdown of POs and names of suppliers;

d. The long-outstanding payables of RO Nos. VII and XIII will be reviewed and reverted back to the appropriate accounts; and

e. The necessary adjusting journal entries to correct the misstatements such as the outright take up of expense, unreverted long outstanding accounts, etc. had already been effected in the books in CY 2016.

8.25 As a rejoinder, the adjusting journal entries to correct the misstatements were found in order. However, we maintain our recommendations in view of the following:

a. The Estimated Budgetary Requirement attached to the recording of PBB specifically pertained to the CY 2014 and not to the CY 2015 PBB. Documents resubmitted in response to the AOM showed that the words, “2014 PBB” had been changed to “2015 PBB.” Nonetheless, recording of CY 2015 PBB is wanting of approval from GCG considering also that review of Omnibus Certification disclosed misrepresentations on the alleged compliance with all Good Governance Conditions, such as the following:

i. Paid in full all statutory liabilities, including the declaration and payment of all dividends to the National Government due for CY 2015; and

ii. Submission to COA of concrete and time-bound action plans for addressing Notices of Disallowances and Audit Observation Memoranda (AOMs), if any, and the timely execution of all such plans that were possible as at the time of the issuance of the Certification.

b. Duplicate copies of DVs submitted were not duly supported with pertinent documents, were not certified as true copies, and were not signed by the approving officials, hence, validity of which could not be ascertained;

c. Recording of payables for goods and services, which are not yet received at year-end, is contrary to Paragraphs 19(a) and 19(b) of PPSAS 19, while the breakdown of POs and names of suppliers were already included in the schedule prepared by Management; and

d. Other herein audit observations have not been addressed by Management, such as the following: unsupported payables of RO No. IV-A and absence of Nursery Inspection and Evaluation Report and Coconut Planting Inspection and Evaluation Report in ROs Nos. I-IV-B.

9. Accuracy and reliability of the intra-fund accounts could not be ascertained in view of variances between intra-fund accounts of P11.628 million which had been unreconciled for over 16 to 36 years.

9.1 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 funds, which 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 over five years.

9.2 The intra-fund accounts used by PCA in recording intra-fund transactions are the Due from Other Funds and Due to Other Funds accounts. These temporary accounts are maintained to serve the purpose of monitoring and recording intra-fund transactions for convenience in setting up and offsetting internal transactions. As such, these accounts should always have equal balances as a result of the elimination/offsetting process and the same should have zero net balances in the consolidated Financial Statements (FSs) at the end of the accounting period.

9.3 Pursuant to the PCA's One Fund Accounting System Manual, its consolidated FSs are composed of six funds described under Table 26.

Table 26 - Composition and description of PCA funds

| Code | Description |
|-------------|--|
| Fund 101 | General Fund |
| Fund 503 | Corporate Fund which includes Accounts of Fund 201- Special/calamity fund and Fund 501- National Coconut Productivity Program/Energy Self-reliance Program Funds and Coconut Farms Safety Net Program (CFSNP). These two Programs had already been completed several years ago. |
| Fund 151 | Special Account in the General Fund is sourced from Automatic Appropriations which expenditures are authorized under PD No. 1234. |
| Fund 401 | Small Coconut Farms Development Project (SCFDP) was a foreign-assisted project financed through a World Bank loan aimed to launch a program of coconut development and productivity improvement, increase the income of small scale coconut farmers by improving coconut yields and copra quality. The program started its implementation on June 4, 1990 and was terminated on December 31, 1999. |
| CISF | Coconut Industry Stabilization Fund represents levies collected from the copra dessicators, copra exporters, oil millers, refineries and other end-users of copra or its equivalent in other coconut products for viability and stability of the coconut industry, pursuant to PD Nos. 1468 and 1842. Collection thereof was levied on August 28, 1982. |
| YRRP fund | Yolanda Recovery and Rehabilitation Program fund represents subsidy for the implementation of Coconut Rehabilitation Program of PCA |

9.4 As at December 31, 2015, Due from Other Funds and Due to Other Funds accounts had variances aggregating to P11.690 million after elimination of the intra-fund transactions, as summarized in Table 27.

9.5 The said total variance of P11.690 million increased by P0.667 million or six per cent compared to that of the prior year's variance of P11.023 million. The increase accounts mainly for the accumulated Fund 151 collections, deposited by the ROs/Centers to the Fund 503 account of CO, which remained unadjusted as at year-end.

Table 27 - Variance between Intra-fund Accounts as at December 31, 2015

| Unreconciled intra-fund accounts | | | | | |
|----------------------------------|----------------------|--------------------|--------------------------|-------------------|--|
| Fund | Due from other Funds | Due to other Funds | Variance Absolute Figure | Outstanding since | |
| CISF | P - | P 109,201 | P 109,201 | 1982 | |
| 101 | - | 1,609,512 | 1,609,512 | 1979 | |
| 201 | 695,416 | - | 695,416 | 1982 | |
| 151 | - | 7,176,988 | 7,176,988 | 1979 | |
| 401 | - | 186,900 | 186,900 | 1999 | |
| 501 | - | 3,864 | 3,864 | 1982 | |
| 503 | 1,845,757 | - | 1,845,757 | 1982 | |
| | 2,541,173 | 9,086,465 | 11,627,638 | | |
| Add: YRRP | - | 62,742 | 62,742 | 2014 | |
| | P 2,541,173 | P 9,149,206 | P 11,690,379 | | |

9.6 Likewise, the variance had become dormant as the same remained unreconciled for 16 to 36 years, except for YRRP, due to lack of availability of supporting records/documents to facilitate analysis of the intra-fund transactions. As regards CISF accounts, Management had requested authority for its write-off from the books, however, the same was returned by the Audit Team due to incomplete supporting documents, prescribed under COA Circular No. 97-001.

9.7 In view thereof, the accuracy and reliability of the intra-fund accounts could not be ascertained.

9.8 We reiterated our prior years' recommendation that Management direct the Accounting Division of CO and Accounting Units of ROs/Centers concerned to:

- a. Exhaust extensive efforts to analyze, review, and reconcile the intra-fund accounts; and**
- b. Submit to the Audit Team status of actions taken on the variances for audit purposes.**

9.9 No Management comment had been received as at June 17, 2016, the agreed last extension date of submission of comments and the date of the preparation of this AAR.

COMPLIANCE

10. Unused subsidies for CYs 2013 and 2014 aggregating P4.340 billion were reprogrammed for CY 2015, an indication that programs, projects, and activities (PPAs) in prior years were not fully implemented and budgets thereof were not properly utilized according to their respective intended purposes and timeframes, which consequently deferred the implementation of CY 2015 PPAs and the attainment of the objectives thereof.

10.1 Section 16 of General Appropriations Act (GAA), for FY 2015, provides:

Use of Government Funds. Government funds shall be utilized in accordance with the appropriations authorized for the purpose. However, xxx, GOCCs, xxx, shall ensure that utilization of government funds comply with applicable laws, rules and regulations, xxx.

10.2 For CY 2015, the Corporate Operating Budget (COB) of the PCA, as approved by the DBM, amounted to P8.658 billion, which included the total unused subsidy as at December 31, 2014 and reprogrammed for CY 2015 accumulating to P4.340 billion.

10.3 Inquiry with the Budget Division revealed that said reprogrammed amount was inclusive of the amount of P0.911 billion, which was not yet received by PCA, pending receipt of Notices of Cash Allocation (NCAs) from the DBM, albeit supported with respective Special Allotment Release Orders (SAROs). As such, said reprogrammed amount was overstated by the unfunded subsidy of P0.911 billion and outstanding balance as at December 31, 2014 should have amounted only to P3.429 billion, as shown in Table 28.

Table 28 – Unutilized and Reprogrammed Subsidies as at December 31, 2014

| PPA | Reprogrammed fund (a) | Unreleased NCA (b) | Net reprogramme d fund (c) = (a)-(b) |
|--|--------------------------------------|-----------------------------------|---|
| Accelerated Coconut Planting and Replanting Project (ACPRP) | P 660,506,170 | P 406,713,000 | P 253,793,170 |
| Coconut Fertilization or SFP | 355,819,600 | 42,817,000 | 313,002,600 |
| KEDP | 763,592,400 | 166,000,000 | 597,592,400 |
| Smallholders Oil Palm Plantation Development Project (SOPDP) | 49,748,480 | 40,000,000 | 9,748,480 |
| KAANIB Agro-Industrial Hubs Project (KAIHP) | 303,963,500 | 255,000,000 | 48,963,500 |
| Integrated Pest Management and Control (IPMC) | 34,338,520 | - | 34,338,520 |
| YRRP | 1,880,280,450 | - | 1,880,280,450 |
| Rehabilitation of damaged coconut trees in the provinces of Compostela Valley and Davao Oriental (Typhoon Pablo) | 155,492,780 | - | 155,492,780 |
| Trade and Market Development Branch (TMDB) | | | |
| Priority Projects | 7,743,960 | - | 7,743,960 |
| National Coconut Farmers Registry System (NCFRS) | 17,356,500 | - | 17,356,500 |
| United Nations Development Program (UNDP) project | 1,451,090 | - | 1,451,090 |
| Strengthening of the Smallholders Coconut-Based Industries (funded by Japan-Asean Integration Fund or JAIF) | 31,492,120 | - | 31,492,120 |
| Product and Agricultural Research | 69,366,380 | - | 69,366,380 |
| Administrative | 8,506,870 | - | 8,506,870 |
| | P 4,339,658,820 | P 910,530,000 | P 3,429,128,820 |

10.4 Also, there was unprogrammed amount of P0.341 billion representing the excess of available amount of P3.770 billion, net of obligations, as at December 31, 2014, from reprogrammed amounts for CY 2015, as illustrated in Table 29. The Budget Division explained that reprogrammed amounts were computed based mainly on the Statements of Budget Utilization (SBUs) submitted and amounts requested for reprogramming by ROs/Centers, but the same were no longer reconciled with the available funds booked by the Accounting Division. As such, unutilized amounts, which were not reprogrammed, imply existence of idle subsidies, which could have been returned to the BTr to finance other important PPAs of the government.

Table 29 – Available Funds *vis-à-vis* Reprogrammed Amounts as at December 31, 2014

| | Amount |
|------------------------------|----------------------|
| Cash | P 4,635,055,836 |
| Less: Liabilities: | |
| Accounts payable | 713,593,346 |
| Inter-agency payables | 82,317,324 |
| Other payables | 68,285,602 |
| Mortgage payable | 838,080 |
| | <u>865,034,352</u> |
| Available funds | 3,770,021,484 |
| Less: Net reprogrammed funds | 3,429,128,820 |
| Unprogrammed funds | P 340,892,664 |

10.5 On the other hand, the subsidy in CY 2014 totaling P5.061 billion, inclusive of YRRP and Disbursement Acceleration Program (DAP) funds. It was observed, however, that the net reprogrammed funds of P3.429 billion represented 67.76 per cent of the aforesaid total subsidy. While P0.622 billion or 12.29 per cent of the total subsidy was received in the fourth quarter of CY 2014, a reprogrammed fund of P0.769 billion from the CY 2013 budget and consequently, an unprogrammed fund of P0.341 billion for CY 2015 could have been utilized and, at least, compensated for the late release of funds. Nevertheless, the fund utilization rate was only 32.24 per cent of the total subsidy received, which consequently resulted in high fund level and caused the non-release of NCAs by the DBM in CY 2015, other than the previously-released subsidy of P0.071 billion. As such, low fund utilization rate, as well as, existence of idle/ unprogrammed funds, is an indication that PPAs were not fully implemented by PCA during CYs 2013 and 2014 and budgets thereof were not properly utilized according to their respective intended purposes and timeframes, thereby, depriving the intended beneficiaries of the benefits that could have been derived therefrom.

10.6 Further examination also disclosed the following observations:

- a. The limited amount of CY 2015 subsidy received of P0.071 billion, representing only 2.44 per cent of the total amount of SAROs of P2.911 billion for CY 2015, caused by low fund utilization rate for CY 2014 and high fund level as at December 31, 2014, consequently deferred the implementation of CY 2015 PPAs and the attainment of their respective objectives.
- b. Accomplishment of Major Final Outputs (MFOs) of 73.45 per cent, as reported in the Interim Performance Evaluation System (PES) Form 3 and used to support the disbursement for CNA incentive for CY 2014, was inconsistent with the low fund utilization rate of 32.24 per cent, thus, casting doubt on the accuracy and validity of the reported accomplishments.
- c. No fund utilization reports were provided to the Audit Team, despite repeated requests thereof with variance analysis on the COB *vis-à-vis* actual expenditures/utilization by source of fund, by project, and by expense item. Detailed Accomplishment Reports (AcRs) were not likewise made available except for one project. As such, efficiency, economy, and effectiveness of the implementation of PPAs, could not be ascertained.
- d. On the Work and Financial Plans (WFPs) for funds reprogrammed for CY 2015, as shown in Table 30, *viz.*:

Table 30 – WFPs for Funds Reprogrammed for CY 2015

| PPA | Per COB* | Per WFP* | Difference |
|-----------------------------------|------------------------|------------------------|----------------------|
| I. With WFPs: | | | |
| a. Duly-approved WFP: | | | |
| YRRP | P 1,880,280,450 | P 1,584,616,240 | P 295,664,210 |
| b. Not duly-approved WFPs: | | | |
| ACPRP | 253,793,170 | 184,453,216 | 69,339,954 |
| SFP | 313,002,600 | 312,762,977 | 239,623 |
| KEDP | 597,592,400 | 390,005,128 | 207,587,272 |
| SOPDP | 9,748,480 | 9,748,480 | - |
| KAIHP | 48,963,500 | 48,942,869 | 20,631 |
| IPMC | 34,338,520 | 1,315,927 | 33,022,593 |
| TMDB | 7,743,960 | 7,508,319 | 235,641 |
| NCFRS | 17,356,500 | 9,184,371 | 8,172,129 |
| | 1,282,539,130 | 963,921,287 | 318,617,843 |
| | 3,162,819,580 | 2,548,537,527 | 614,282,053 |
| II. Without WFPs: | | | |
| a. Donations: | | | |
| UNDP | 1,451,090 | - | 1,451,090 |
| JAIF | 31,492,120 | - | 31,492,120 |
| | 32,943,210 | - | 32,943,210 |
| b. Others | | | |
| Rehabilitation (typhoon Pablo) | 155,492,780 | - | 155,492,780 |
| Product and Agricultural Research | 69,366,380 | - | 69,366,380 |
| Administrative | 8,506,870 | - | 8,506,870 |
| | 233,366,030 | - | 233,366,030 |
| | 266,309,240 | - | 266,309,240 |
| | P 3,429,128,820 | P 2,548,537,527 | P 880,591,293 |

* net of unreleased NCA/subsidy

i. Total costs of PPAs in the WFPs were inclusive of the unreleased subsidy of P0.911 billion. However, said inclusion was not disclosed, hence, misleading users of the WFPs;

ii. Five (5) PPAs with reprogrammed funds accumulating to P0.266 billion were not supported with their corresponding WFPs, thus, casting doubt whether adequate and proper planning thereon were conducted prior to the implementation of the subject PPAs;

iii. Two (2) of the aforementioned five PPAs, with reprogrammed funds of P0.033 billion, were funded from the donations received from UNDP and JAIF. Also, for CY 2015, an additional amount of P0.896 million was received from UNDP, representing second tranche of the total project cost. However, quarterly reports of all donations received and expenditures or disbursements thereon were neither submitted to the Audit Team nor posted on the official website of PCA, thus, contrary to Sections 4 and 5 of GAAs for FYs 2014 and 2015, respectively; and

iv. Only one out of nine WFPs was duly approved by the Governing Board of PCA. Further, it was observed that comparison between the total reprogrammed fund of P3.163 billion, per COB, and total PPA cost of P2.549 billion, per WFPs, disclosed a difference of P0.614 billion. It

appears that realignment was made without authority, thus, validity of which is considered doubtful.

10.7 We recommended that Management:

a. Require the Operations Branch to implement PPAs according to targeted timeframes, approved budgets, and intended purposes and submit the Detailed Accomplishment Report for each PPA for audit purposes; and

b. Instruct the Finance Department to:

b.1 Reconcile the inconsistencies between the following: (i) available funds of P3.770 billion and reprogrammed funds of P3.429 billion as at December 31, 2014; (ii) CY 2014 MFO accomplishment of 73.45 per cent and low fund utilization rate of 32.24 per cent; and (iii) reprogrammed fund of P3.163 billion, per COB, and PPAs cost of P2.549 billion, per WFPs; and

b.2 Prepare and submit the: (i) Detailed Fund Utilization Report with variance analysis on the COB vis-à-vis actual expenditures/utilization by source of fund, by project, and by expense item; (ii) duly-approved WFP and budget realignment for each PPA; and (iii) Quarterly reports of all donations received and expenditures or disbursements thereon and post the same to the PCA website, as required under Sections 4 and 5 of GAAs for FYs 2014 and 2015.

10.8 No Management comment had been received as at June 17, 2016, the agreed last extension date of submission of comments and the date of preparation of this AAR.

11. Contracts with aggregating P619.163 million were submitted 35 days after year-end by RO No. XIII, contracts with undetermined amount were either not submitted or submitted late by RO No. VI, while none at all was submitted by RO No. IV-A. Also, POs issued by CO in CYs 2015 and 2014 totaling P46.747 million were submitted 1 to 137 days late and without signature of the suppliers or their duly authorized representatives and acceptance/delivery dates not indicated therein, while POs totaling P16.533 million have no notices of deliveries contrary to COA Circular Nos. 2009-001 and 2009-002. Thus, precluding the timely review thereof and communicating the results of the audit to the Agency.

11.1 Section 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009 provides:

A copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned.

11.2 Section 6.9 of COA Circular No. 2009-002, dated May 18, 2009, also states that copies of delivery documents or inspection and acceptance reports should be furnished the Auditor within 24 hours after acceptance of deliveries of goods and services regardless whether or not the transactions are subject to pre-audit.

11.3 The aforesaid provisions of the above-cited Circulars were also stated under Sections A.1 and A.2 of COA Circular No. 96-010 dated August 15, 1996, as follows:

A.1 A copy of any letter or purchase order, irrespective of amount, and all supporting documents thereto, shall be submitted to the unit or agency Auditor concerned within five (5) days from issuance.

A.2 The agency official responsible for accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, notify the Auditor of the time and date of the schedule deliveries.

11.4 In RO No. XIII, it was observed that contracts were not submitted even when deliveries of goods were already in progress and inspected by the Audit Team thereat. Copies of 17 contracts in the total amount of P619.163 million were subsequently submitted, but only 35 days after year-end.

11.5 In RO No. VI, there were 19 contracts awarded to various suppliers for the procurement of goods under KEDP, CSDP, and YRRP. However, only 8 contracts aggregating P36.269 million were submitted but without supporting documents. The remaining 11 contracts with undetermined amounts were not submitted to the Audit Team. In RO No. IV-A, contracts were not at all provided to the Audit Team.

11.6 In CO, 527 issued POs aggregating P18.071 million, net of four cancelled POs totaling P64,592, were received by the Audit Team during CY 2015. Review disclosed the following:

a. Five hundred four (504) POs or 95.64 per cent in the total amount of P16.681 million were not submitted within the prescribed period of five days from execution/issuance. Delays in the submission ranged from 1 to 137 working days reckoned from the time the same were supposed to have been received by the Audit Team;

b. Goods and services procured covering 467 POs accumulating to P16.533 million or 91.49 per cent of P18.071 million issued POs were without notices of deliveries, thus the Audit Team was precluded to conduct timely inspection of the deliveries and to determine whether goods delivered were in accordance with specifications; and

c. Notices of deliveries for 60 POs totaling P1.537 million were without IARs and only supported with copies of Sales/Charge Invoices (S/CIs) or, at times, Delivery Receipts (DRs). While S/CIs and DRs both contained an acknowledgment from PCA representative that the items listed thereon were received in good order and condition, there was no information at all whether said items were inspected, verified, found in order as to quantity and specifications, and accepted, as provided in the Inspection and Acceptance Report (IAR) form of Appendix 64, NGAS Manual, Volume II.

11.7 Consequently, the non-submission or delayed submission of contracts and POs, as well as, non-issuance or late issuance of notices of deliveries precluded the timely review and evaluation thereof, and the conduct of appropriate procedures as necessary to establish the propriety and validity of transactions. Likewise, absence of proof of

inspection, verification, and acceptance of items received casts doubt whether the same were in conformity with the given specifications and thus, duly accepted. In addition the Audit Team was precluded to timely communicate the results of the audit thereon so as corrective action(s) could be undertaken by Management.

11.8 In addition, 41 POs issued in CY 2014 for procurement of various goods under the YRRP have no signature of suppliers or their duly authorized representatives and date of acceptance as proof that they have accepted the orders and conformed to the terms and conditions thereof. Also, of the 41 POs, 22 with aggregate amount of P12.030 million have no dates of deliveries indicated therein.

11.9 Absence of signature of the suppliers or of their authorized representatives in the POs and dates of acceptance and deliveries put the Agency in disadvantageous situation, since enforcement of the terms and conditions due to non-compliance and imposition of penalty in case of late deliveries could not be made against the suppliers.

11.10 **We recommended and Management agreed to:**

- a. Submit copies of contracts, POs and notices of deliveries on a timely manner as required in COA Circular Nos. 2009-001 and 2009-02 dated February 12, 2009 and May 18, 2009, respectively;**
- b. Notify the Audit Team of the scheduled deliveries of goods and services within 24 hours from acceptance thereof;**
- c. Provide the Audit Team with IARs as proof that the delivered goods were inspected, verified, found in order as to quantity and specifications, and duly accepted; and**
- d. Oblige the concerned PCA officers/employees to require the suppliers to sign the POs and to indicate the dates of acceptance and delivery in the POs to ensure enforcement of the terms and conditions thereof and imposition of penalties for late deliveries against the suppliers.**

11.11 Management explained that only POs on cash term basis of payment are not received by suppliers or their authorized representatives, but POs with credit term basis are duly received by suppliers or their authorized representatives as indicated in the AkRs. Likewise, Management commented that the date of receipt of deliveries is indicated in the invoices and IARs.

11.12 In RO No. XIII, Management informed that the Regional Bids and Awards Committee (RBAC) Secretariat was designated as the focal point that shall be responsible in the monitoring and submission of contracts to the Audit Team within the prescribed period.

11.13 As a rejoinder, the Audit Team would like to emphasize that the suppliers should be required to sign and indicate date of acceptance in the PO regardless of the terms of payment to ensure the imposition of sanctions and penalties for non-compliance with the terms and conditions thereof.

12. Significant requirements under RA No. 9184 were not fully observed in the procurement of goods during CY 2015 in the total amount of P75.370 for Yolanda Recovery and Rehabilitation Program (YRRP), Coconut Scale Insect Emergency Action Program (CSIEAP) and Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP), thus no assurance that the availed prices were most advantageous to the government.

12.1 This is a reiteration with update of observations contained in CY 2014 AAR.

12.2 Section 2 of the 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.

12.3 During CY 2015, the PCA entered into contracts with various suppliers for the procurement of goods in the total amount of P75.370 million thru public bidding for CSIEAP, YRRP and KEDP. Details are summarized in Table 31.

Table 31– Procurement of Goods under CSIEAP and YRRP

| | Program/ Project | Date of | | Types of Goods | Quantity | Cost (In millions) |
|--|---------------------|----------|----------|---------------------|---------------------|-----------------------|
| | | NOA | NTP | | | |
| CO | | | | | | |
| Leads Agricultural Products Corporation (LAPC) | CSIEAP | 07/06/15 | 07/24/15 | Chemical pesticides | 143,000 sachets | P 20.735 |
| RO No. VIII | | | | | | |
| Nestlé Philippines, Inc. | KEDP | 07/06/15 | 07/31/15 | Coffee seedlings | 1,050,000 seedlings | 26.250 |
| Coronado's Farm Plant Nursery | KEDP | 10/02/15 | 10/13/15 | Cacao seedlings | 167,750 seedlings | 3.858 |
| Coronado's Farm Plant Nursery | KEDP | 10/21/15 | 10/30/15 | Cacao seedlings | 500,000 seedlings | 11.500 |
| GMG Agri-Farm Products | YRRP | 10/05/15 | 10/16/15 | Coconut seed nuts | 869,600 seed nuts | 13.027 |
| | | | | | | 54.635 |
| | | | | | | P 75.370 |

12.4 Review of documents supporting the awarding of the contracts to suppliers disclosed the following documentary and procedural deficiencies, despite prior year's recommendation that the Bids and Awards Committee (BAC) and other officials concerned should undergo training or re-training to have sufficient awareness or knowledge in the procurement processes prescribed under the IRR of RA No. 9184. Detailed discussion on the following observations is shown in Annex "A" of this Report.

- a. Absence of Project Procurement Management Plan (PPMP);

- b. Absence of invitation to observers for every stage of the procurement process conducted, and from a duly recognized private group in a sector or discipline relevant to the procurement at hand;
- c. No minutes of pre-procurement conference submitted to the Audit Team;
- d. No disclosures in the request for proposal and invitation to bid of the place of the deadline for the submission and receipt of the eligibility requirements, the pre-bid conference, the submission and receipt of bids, the opening of bids, source of funding, and contract duration or delivery schedule;
- e. Acceptance of Credit Line Certificate (CLC) of Nestle Philippines, Inc. in lieu of Net Financial Contracting Capacity (NFCC) since the bidder's NFCC could not be computed because its current liabilities is more than its current assets;
- f. Statement of on-going and completed contracts which are similar in nature submitted by LAPC does not disclose any on-going and/or private contracts while that of GMG Agri-Farm Products illustrates that the bidder is not technically qualified due excessive delay in completing the delivery of goods in a previous contract awarded;
- g. Laxity in conducting post-qualification resulted in awarding the contract to an ineligible and unqualified bidder;
- h. Absence of post-qualification documents and delayed completion of the post-qualification process;
- i. Splitting of contracts, which were awarded to the same supplier within a span of 19 days; and
- j. Delayed issuance to the winning bidder of the Notice to Proceed (NTP) together with the approved contract and delayed posting of Notice of Award (NOA) to Philippine Government Electronic Procurement System (PhilGEPS) and PCA websites.

12.5 The aforementioned observations were contrary to the provisions of RA No. 9184 and its IRR, thus, there is no assurance that the availed prices were most advantageous to the government.

12.6 We recommended that Management:

- a. Hold liable the concerned officials and employees of RO No. VIII accountable and responsible for splitting the procurement;**
- b. Require the BAC to judiciously examine all documents submitted by prospective bidders to ensure that only eligible and qualified bidders are awarded with government contracts; and**
- c. Henceforth, strictly follow the provisions of RA No. 9184 and its IRR to ensure that the procurements are to the advantage of the Government.**

12.7 Management in RO No. VIII commented that the Regional BAC (RBAC) considered GMG Agri-Farm Products as technically qualified since it was not blacklisted by the Agency, paid penalties and agreed forfeiture of the its retention money for late deliveries in the CY 2014 contract and a lone bidder. Likewise, they commented that the previous RBAC accepted the CLC of the Nestle Philippines, Inc. due to the following reasons:

- a. The bidding was originally undertaken by the CO and was unexpectedly transferred to the RBAC;
- b. During the bidding of the commodity, RBAC was unaware of the amendments that the use of CLC was no longer acceptable as a measure of financial liquidity to enter contracts as internet facility was not available during that period due to damage caused by Typhoon Yolanda; and
- c. The Reference material used was the Handbook on Philippine Government Procurement, Sixth Edition, 2012 which provides that CLC can be used as an alternate document in lieu of NFCC.

12.8 Moreover, Management assured to implement the recommendations and will comply with the bidding procedures in the future procurements.

13. One hundred twenty-three (123) units of chainsaws costing P7.759 million were missing and not accounted for, contrary to Section 102 of PD No. 1445, thereby resulting in loss of government properties.

13.1 Section 102 of PD No. 1445 states that:

- (1) The head of any agency of the government is immediately and primarily responsible for all government funds or property pertaining to his agency.*
- (2) Persons entrusted with the possession or custody of the funds or property under the agency head shall be immediately responsible to him without prejudice to the liability of either party to government.*

13.2 Our physical count of the chainsaws on June 15, 23 and 24, 2015 and on July 29, 2015 disclosed a discrepancy of 123 units between the total quantities received from CO of 2,625 with the quantity inspected and accounted of 2,502.

13.3 The inspection and physical count resulted in the discovery of missing chainsaws equivalent to 123 units aside from the 12 units which were not returned by the chainsaw operators and now under litigation. The unaccounted units resulted in loss of government properties costing P7.759 million. Likewise, other deficiencies were observed as follows:

- a. The serial numbers of some chainsaws were tampered and unreadable. In the first physical count conducted on June 15, 2015, 11 chainsaws have tampered serial numbers;

- b. Some of the issued chainsaws were not covered with Acknowledgement Receipt for Equipment (ARE);
- c. All of the chainsaws are not registered with the Department of Environment and Natural Resources (DENR); and
- d. The spare parts of some of the chainsaws were stolen or replaced, thus no longer serviceable.

13.4 We recommended that Management direct the:

- a. Regional Manager to: (i) conduct an investigation on the tampered and missing chainsaws, (ii) require a report thereon to pinpoint responsibility and accountability for the destruction and loss of government properties, and (iii) require the responsible persons to replace or refund the cost of the chainsaws, if warranted;**
- b. Head of the Property Division to recount and inspect the chainsaws to determine which units are still serviceable and to register the same with the DENR; and**
- c. Property/Supply Officer to issue all recipients of the chainsaws with ARE.**

13.5 The RO No. VIII Management informed that they created a committee to conduct an investigation on the tampered chainsaws, locate the missing units, and to render a report thereon.

13.6 As a rejoinder, we appreciate Management's effort to implement the recommendations.

14. Payrolls for salaries, wages and other emoluments totaling P55.599 million were not certified as to availability of funds, completeness of supporting documents, and services rendered; not signed by the authorized approving officer and supported with complete documents as well as not in prescribed format contrary to PD No. 1445, COA Circular No. 2012-001 and NGAS Manual, thus accuracy, validity, and reliability of the payments could not be ascertained. Also, only one set of payrolls for salaries was prepared for each month, index of payments are not maintained, and overall payroll processing is done by one Office, thus discrepancies and double payments could not be easily detected.

14.1 For the period January to December 2015, the CO disbursed salaries and wages, personal economic and relief assistance (PERA), representation and transportation allowances (RATA), overtime (OT), and other emoluments of its officers and employees in the total amount of P55.599 million. Said payments, which covered 173 payrolls, were directly deposited to the concerned employee's bank account through a letter of instruction and authorization to the bank to debit PCA's current account and credit the employees' respective accounts.

Payrolls were neither certified by the Accountant and authorized official nor approved by the agency head or authorized representative -

14.2 Section 4 of PD No. 1445 provides for the fundamental principles for government financial transactions and operations, among which is that, disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.

14.3 COA Circular No. 2012-001 dated June 14, 2012, which prescribes the Revised Guidelines and Documentary Requirements for Common Government Transactions, includes the general requirements for all types of disbursements, among which are the following: Certificate of Availability of Funds issued by the Chief Accountant, approval of expenditures by Head of Office or his authorized representative, and sufficient and relevant documents to establish validity of claims.

14.4 Further, instructions in accomplishing the General Payroll, as stated under Chapter 2 of the NGAS Manual, Volume II, include providing the name and signature of the authorized signatory of the concerned office and Chief Accountant/Head of the Accounting Unit in respective Boxes "A" and "B" thereof, particularly, certifications as to services rendered, as well as, completeness and propriety of supporting documents and availability of cash.

14.5 Audit disclosed that the aforementioned expenses of P55.599 million were not certified by the accountant that cash was available for the purpose and that supporting documents were complete and proper, contrary to COA Circular No. 2012-001 and Chapter 2 of the NGAS Manual, Volume II. The Accountant affixed her initials on the last page of the payroll, particularly on the net totals, only when corrections/revisions were made thereon. On the other hand, the payroll was only certified as to correctness thereof, not specifically as to the services rendered by the officers and employees listed therein, as required under instructions in accomplishing the General Payroll, Chapter 2 of the NGAS Manual, Volume II.

14.6 Further review disclosed that, P0.727 million of the total expenses of P55.599 million was not approved for payment by PCA Administrator or his authorized representative, contrary to Section 4(5) of PD No. 1445.

14.7 Absence of signatures of the Accountant and the Agency Head or his authorized representative and certification by the authorized official of the services rendered as stated in the payroll put the Agency in disadvantageous situation, since liability could not be established for improper or absence of supporting documents, non-availability of cash for the purpose, and non-approval or unauthorized payment of expenses. Nonetheless, said officers are still liable for non-performance of their respective duties and responsibilities, as certifying/approving officials for the financial transactions of PCA.

Payrolls were not supported with complete documents -

14.8 Section 4(6) of PD No. 1445 provides that claims against government funds shall be supported with complete documentation.

14.9 Further, Section 4.2 of COA Circular No. 2012-001 dated June 14, 2012 lists down the documentary requirements for the general claims through the Automated Teller Machine (ATM), which include the following:

- a) *Salary Payroll;*
- b) *Payroll Register (hard and soft copy); and*
- c) *Letter to the Bank to credit employee's account of their salaries or other claims.*

14.10 Verification disclosed that P55.379 million, or equivalent to 99.60 per cent of the aforementioned disbursements of P55.599 million, were not supported with complete documents. One hundred fifty four (154) payrolls aggregating to P55.367 million were supported only with Data Base Report (DBR) instead of Payroll Registers (PyRs), duly received by the LBP, depository bank. Management averred that the data per PyR were almost similar to that in the DBR as both documents contained respective employees' account numbers and amounts credited thereto. Also, both documents were generated by the Human Resource Division (HRD) as responsible for the operation of the payroll system of PCA. Comparison of the two documents, however, disclosed differences, as summarized in Table 32.

Table 32 – Difference between DBR and PyR

| DBR | PyR |
|--|---|
| a. Arranged alphabetically per account name | a. Arranged numerically per account number |
| b. Certified correct by the Officer-In-Charge, HRD and approved by the Deputy Administrator, Administration and Finance Branch (ADFIN) | b. Signed by the Division Chief, Collection and Disbursement Division and the DA, ADFIN |
| c. Not transmitted to LBP, thus, not stamped as received by LBP | c. Transmitted to LBP, together with the soft copy and stamped as received by LBP |
| d. Attached to the JEV and submitted to the Audit Team | d. Not attached to the JEV and not submitted to the Audit Team |

14.11 Moreover, of the aforementioned 154 payrolls in the total amount of P55.367 million, 8 payrolls in the total amount of P2.407 million were not supported with the original copy of the letters machine-validated by LBP to credit employee's account of their salaries and other claims. Details are shown in Table 33.

14.12 The non-submission to the Audit Team of the bank-acknowledged and soft copy of PyRs casts doubt on the accuracy and validity of payments of the 154 payrolls totaling P55.367 million. Likewise, there was no assurance that the personnel named in the payroll were the same recipients of the amounts that were credited by LBP.

Table 33 - Payrolls Without Original Copy of Letters Machine-Validated by LBP

| Date | JEV No. | Particulars | Period | Gross amount | Letter date | Net amount |
|---------|--------------|---|--------------------|--------------------|----------------------|--------------------|
| 01/2015 | 503-1501-022 | RATA of Division Chief I | 11/2014 | P 5,000 | 01/05/15 | P 5,000 |
| 02/2015 | 503-1502-088 | OT services of Operations Branch personnel | 12/2014 | 8,724 | 02/27/15 | 8,287 |
| 07/2015 | 503-1507-348 | Salaries of officers and rank-and-file employees | 07/2015 | 2,195,631 | 07/13/15 07/29/15 | 421,632 464,814 |
| 07/2015 | 503-1507-349 | OT services of Operations Branch personnel | 04/2015 | 68,218 | 07/15/15 | 64,807 |
| 09/2015 | 503-1509-451 | Salary differential of Department Manager I | 07/16- 31/15 | 7,619 | 09/02/15 | 6,921 |
| 09/2015 | 503-1509-455 | Clothing/uniform allowance of Sr. Science Research Specialist and Science Research Specialist I | CY 2015 | 10,000 | 09/11/15 | 10,000 |
| 09/2015 | 503-1509-459 | OT services of Budget Division personnel | 07/01- 08/31/15 | 111,620 | 09/18/15 | 70,791 |
| | | | | P 2,406,812 | | P 1,052,252 |

Paid payrolls for salaries and wages for the first half of the month were the same set of payrolls processed and paid for the second half of the month -

14.13 Section 261, Article 8 of GAAM, Volume I, provides for the following guidelines to be observed in the preparation of payroll:

- a) For each month, the payroll shall be prepared in two (sets) - one (1) for the first half and one (1) for the second half.*
- b) The payroll for the first half of the month shall reflect the basic monthly salary, all allowances and itemized monthly deductions.*
- c) Net pay for the first half and second half shall be computed, as follows: Basic salary plus all allowances less total deductions divided by two (2).*

14.14 Review of payrolls revealed that the HRD prepared and generated only one set of payroll for each month, albeit payroll of officers is separated from that of rank and file employees. Hence, the paid payroll for the first half of the month was also the same copy of payroll processed and paid for the second half of the month.

14.15 Further review on the payroll for the second half of the month disclosed that several adjustments/alterations were made thereon due to last-minute accommodations of various changes in payroll such as refund or deduction of loans and other adjustments. Hence, total net pay for the first half would not equal to the second half of the month.

14.16 While reviewers had their initials affixed on the adjusted/altered net amounts on the last page of the payroll, said last-minute accommodation for changes indicated that the Management does not observe proper cut-off date in the preparation, review, and

processing of payrolls, thus, adjustments/alterations cast doubt on the accuracy and veracity of the payrolls.

Payrolls were not in accordance with the format prescribed under the NGAS Manual, Volume II –

14.17 Sector 48, Chapter 2 of the NGAS Manual, Volume II, prescribes templates and explains usage for accounting forms and reports, particularly general payroll, viz.;

General Payroll (GP). The General Payroll (Appendix 45) shall be used for the payment of salaries, wages, overtime pay, honoraria and other emoluments of government officers and employees.

14.18 Comparison of the total gross pay between payroll and JEV disclosed discrepancies in the total amount of P0.508, as shown in Table 34.

Table 34 – Difference in Gross Pay between JEV and Payroll

| Personnel | Period | Gross pay | | Difference |
|---------------|---------------------|---------------------|---------------------|--------------------|
| | | JEV | Payroll | |
| Rank and file | 12/01/15 - 12/31/15 | P 1,449,920 | P 1,455,198 | P (5,278) |
| RWOL* | 12/16/14 - 09/15/15 | 2,766,716 | 2,843,831 | (77,115) |
| Contractuals | 01/07/15 - 09/15/15 | 10,088,712 | 10,513,843 | (425,131) |
| | | P 14,305,348 | P 14,812,872 | P (507,524) |

*Regular without leave

14.19 Verification revealed that the said differences in the total gross pay were attributed to the cost of undertimes/absences incurred by employees concerned. The gross pay, per payroll, was stated at gross amount while per JEV, gross pay was already net of the aforesaid cost of undertimes/absences. While said undertimes/absences were presented in the payroll along with other deductions such as, withholding tax, GSIS, Philhealth, Pag-IBIG contributions, and amortizations of loans from the cooperative or other financial institutions, said deductions were not summarized and not classified as to nature/object of expenditures. It should be mentioned also that the payroll of PCA was presented in a format that was similar to that of individual employees' respective payslips instead of that prescribed under Appendix 45, as mentioned under Section 48, Chapter 2 of the NGAS Manual, Volume II. Hence, the total amount of undertimes/absences, among others, could not be easily determined, while comparison of total gross pay per payroll and per JEV could not be easily undertaken, thus accuracy and reliability of the recorded amounts could not likewise be easily established.

Payrolls were used for claims of single/individual payees -

14.20 Appendix 45, as provided under Section 48, Chapter 2 of the NGAS Manual, Volume II, prescribes template for GP to accommodate specifically a number of payees in a single disbursement.

14.21 Of the total payment of P55.599 million covering 173 payrolls for salaries and wages of CO personnel for the period January to December 2015, 21 payrolls aggregating to P225,677 pertained to claims of lone/individual payees, particularly, for

refunds, salary differentials, and overtime, among others. Said transactions for lone/individual payees could have been aptly facilitated with the use of DV instead of payroll.

Indexes of Payment were not maintained -

14.22 Sector 51, Chapter 2 of the NGAS Manual, Volume II, states that:

Index of Payments (IP). The Index of Payments (Appendix 48) shall be used to record payments made to each employee, supplier, and other agency creditors.

14.23 Also, Section 38, Chapter 3 or Accounting Systems of the NGAS Manual, Volume I, requires that payroll payment through bank shall also be recorded in the IP maintained by the Accounting Unit.

14.24 The Accounting Division does not maintain Indexes of Payments (IPs), showing all payments made to each employee. The Audit Team was instead provided with the Subsidiary Ledgers (SLs) which are, however, not updated and do not contain bank-payroll payments. Thus, monitoring of prior payments of the same claims could not be immediately determined and the incurrence of double payments for the same claims was probable.

Data entry and preparation of payrolls are being performed by the HRD -

14.25 Section 124 of PD No. 1445 states that:

It shall be the direct responsibility of the agency head to install, implement and monitor a sound system of internal control.

14.26 Segregation of duties is one of the most important features of an internal control plan. The fundamental premise of segregated duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. These are called incompatible duties when performed by the same individual or small group of individuals.

14.27 Annex D of the Governance Commission for Government-Owned or Controlled Corporations (GCG) Memorandum Order No. 2013-40 dated September 2, 2013, provides, among others, the staffing pattern of the HRD, which shall consist of six personnel, and its functional statements include establishment and maintenance of a computer-based Human Resources Information System.

14.28 As mentioned in Paragraph 14.10 hereof, HRD is the one responsible for the operation of the payroll system of PCA. Said responsibility specifically includes data entry, preparation, processing and computation of payroll for salaries and allowances, overtime pay, maternity, terminal leave benefits and other transactions pertaining to salary administration, benefits and services of the personnel. However, HRD also handles the time-keeping and leave administration, as well as recruitment, promotions and such other personnel records. As such, said functions are considered incompatible

and indications of a weakness in the internal control system because there is no check and balance of data entered into and processed from the payroll system.

14.29 Circumstances considered, the accuracy, validity, and reliability of the accounts affecting the payments of payrolls for the period January to December 2015 in the total amount of P55.599 million could not be ascertained, which could affect the fair presentation thereof in the FS.

14.30 We recommended that Management direct the:

a. Accountant to:

a.1 Certify the availability of cash, propriety, and completeness of supporting documents in the payrolls;

a.2 Ensure that the payroll is duly certified by the authorized signatory of the concerned office that the services are actually rendered and duly approved by the Agency Head or authorized representative;

a.3 Provide explanation on the non-submission of hard and soft copies of PyRs, and original copy of the machine-validated letters received by LBP, approved DV, and other supporting documents;

a.4 Maintain and update the IPs and SLs for every payment made to each employee; and

a.5 Establish/Strengthen internal control in the preparation and processing of payrolls as well as the preparation and issuance of letter of instruction/authorization to the bank to debit PCA's Current Account and credit to certain employee's account;

b. Payroll Clerk to:

b.1 Prepare two sets of payroll, one for the first half of the month and another one for the second half of the month and that the same are in the format prescribed under Manual on NGAS, Volume II; and

b.2 Set a cut-off date in the preparation and processing of payroll and avoid accommodation of last-minute changes affecting the net pay of the employees concerned.

14.31 No Management comment had been received as at June 17, 2016, the agreed last extension date of submission of comments and the date of preparation of this AAR.

15. Shares of municipalities/barangays from fees generated from the cutting of coconut trees accumulating to P12.656 million remained unremitted to the concerned local government units (LGUs), contrary to the provisions of RA No. 8048, thereby denying them with the immediate use of said funds for purposes embodied under the said Act.

15.1 Section 6 of RA No. 8048, also known as the Coconut Preservations Act of 1995, granted the exclusive authority to the PCA to grant permit for the cutting of coconut trees.

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

The applicant shall pay an application fee in the amount of One hundred pesos (P100.00) for every tree intended to be cut payable to the PCA, Forty pesos (P40.00) of the fee shall accrue in favor of the PCA, Forty pesos (P40.00) in favor of the municipal government concerned, and Twenty pesos (P20.00) in favor of the barangay unit concerned. xxx the fees allocated to the municipal/city government shall be used for the repair and rehabilitation of roads of the respective local government units [LGUs] which have been damaged by the continuous passage of heavy vehicles used for transporting coconut lumber.

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

15.3 Likewise, Section 34(c), Article VII of Administrative Order (AO) No. 1, series of 2013, otherwise known as the Revised IRR of RA No. 8048, as amended by RA No. 10593, provides:

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

15.4 As at December 31, 2015, the unremitted shares of municipalities/barangays from collections of RO Nos. IV-A and XIV on the granting of permit to cut coconut trees amounted to P12.551 million and P105,425, respectively, or totaling P12.656 million. Review disclosed that collections, which remained unremitted for over four years, were not yet reflected in the books as shares of the municipalities/barangays concerned since the Accounting Units are still determining from available documents the proper LGU recipients.

15.5 Inquiry with the Accountant of RO No. IV-A revealed that the required data received from the Provincial Coconut Development Managers (PCDMs) were only made in the later part of CY 2015. Due to the voluminous unreconciled entries between the records submitted by the PCDMs as against those maintained in the Accounting Unit, factual data as to the amount due for remittance to concerned LGUs were not immediately determined as at year-end, hence, shares remained unremitted.

15.6 The non-remittance of their shares denied the concerned LGUs the immediate use of the funds for their replanting program and the repair and rehabilitation of their roads which have been damaged by the heavy vehicles used for transporting coconut lumber.

15.7 **We recommended that Management require the concerned ROs to:**

- a. **Facilitate the reconciliation of records received from the PCDMs with the records of the Accounting Units and establish factual amount of concerned LGUs' shares from fees collected from cutting of coconut trees; and**
- b. **Promptly remit the shares to the concerned LGUs, to augment their financial needs for the replanting programs and repair/rehabilitation of their roads which have been damaged by the heavy vehicles used for transporting coconut lumber, in accordance with RA No. 8048.**

15.8 Management commented that while remittances were already made by RO No. XIV in April 2016, while a memorandum was issued to the PCDMs of Batangas/Cavite and Laguna/Rizal requiring them to remit promptly the concerned LGUs prior years' shares. As such, the Accounting Unit of RO No. IV-A is awaiting for the submission of vouchers thereof from Batangas/Cavite Province. Conversely, the Provinces of Quezon I and II had complied religiously in the submission of LGU shares.

16. Outstanding balances of other receivables and trust liabilities accumulating to P9.037 million and P3.134 million, respectively, have been non-moving/dormant for over 2 to 20 years. Also, said dormant trust liabilities for fund transfers received for the implementation of 15 projects remained unreturned to source agencies (SAs), thus, contrary to COA Circular Nos. 97-001 and 94-013, while transactions with aggregate amount of P12.449 million were not supported with duly-verified Report of Disbursements, hence, validity of which could not be ascertained.

16.1 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.

16.2 Also, Section III.A of the same Circular states that, when the accounts in the trial balance of a fund or funds are non-moving for five consecutive years, the Chief Accountant or other officials concerned shall, among others:

- a. Initiate/cause the verification of the nature or purpose of the fund;
- b. If upon verification, the purpose of the fund is found fully completed, discontinued and/or abandoned and no financial transactions are expected, conduct review, analysis, and reconciliation of the subject fund accounts, and determine their existence and validity; and
- c. Determine the proper disposition of reconciled and validated accounts such as settlement of all liabilities.

16.3 As at December 31, 2015, the Other Receivables account of P23.725 million include those maintained by seven ROs that have become dormant for at least 5 to more than 20 years accumulating to P9.037 million, as shown in Table 35.

Table 35 – ROs with Dormant Receivable Accounts as at December 31, 2015

| RO | No. of years dormant | Balance |
|-----------|-----------------------------|--------------------|
| IV-A | >5-10 | P 1,431,710 |
| V | >10 | 2,756,955 |
| VI | >5-10 | 16,635 |
| VII | >10 | 211,195 |
| X | > 5 | 1,356,638 |
| XII | >4-9 | 2,478,400 |
| XIII | >20 | 785,588 |
| | | P 9,037,121 |

16.4 Said receivables include loans to farmers and Small Coconut Farmers Organization (SCFO), under the National Coconut Intercropping Program (NCIP), which was launched during CY 1983. Management was unable to closely monitor and to initiate actions to enforce collection for over a long time; thus the same may no longer be collected.

16.5 On the other hand, Section 6 of COA Circular No. 94-013 dated December 13, 1994 provides the duties and responsibilities of Implementing Agency (IA), among which are the following:

Xxxx

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

6.5 Within ten (10) days after receipt from the AO, the Accountant shall verify the Reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the originals of vouchers/payrolls and all supporting documents to the IA Auditor. The Accountant shall ensure that only expenses for the project are included in the Reports. Xxx

Xxxx

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

16.6 The PCA, being the IA, has been a recipient of fund transfers from various SAs such as the Department of Agriculture (DA) - National Agricultural and Fishery Council (NAFC) and Bureau of Agricultural Research (BAR) and the Department of Science and Technology (DOST) - Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) and Philippine Council for Industry, Energy and Emerging Technology Research and Development (PCIEERD). The receipt and

utilization/liquidation of aforesaid funds were credited and debited, respectively, to the Due to Other National Government Agencies (NGAs) account.

16.7 As at December 31, 2015, the outstanding balances of 49 various projects that were implemented by PCA amounted to P37.303 million. Review, however, revealed that balances for 15 projects of P3.134 million have become dormant and non-moving for at least two to nine years or since CY 2006, inclusive of six projects, which total balances of P1.058 million had been reclassified to Accounts Payable (AP) account, as shown in Table 36.

Table 36 – Dormant/non-moving funds as at December 31, 2015

| Particulars | No. of programs/ projects | No. of years dormant/ non-moving | Amount |
|----------------------|------------------------------|-------------------------------------|--------------------|
| I. Due to other NGAs | | | |
| Dormant | 3 | 6 – 9 | P 1,208,226 |
| Non-moving | 6 | 2 – 5 | 867,520 |
| | 9 | | 2,075,746 |
| II. Accounts payable | | | |
| Dormant | 1 | 8 | 94,698 |
| Non-moving | 5 | 3 – 5 | 963,580 |
| | 6 | | 1,058,278 |
| | 15 | | P 3,134,024 |

16.8 Further review of the dormant/non-moving funds under the Due to Other NGAs account, which detailed composition is shown in Table 37, disclosed that notwithstanding prior years' audit observations, the same continue to exist such as that from DA-BAR and NAFC for the implementation of Coco Diesel Project and of Loay Plant, respectively. It was also noted that the outstanding liability to NAFC was due for return in August 2015; however, said transaction was subsequently cancelled in November 2015 without proper explanation/justification on the cause thereof in the JEV.

**Table 37 - Composition of Dormant/Non-moving Funds under
Due to other NGAs account as at December 31, 2015**

| SA | Program/project | No. of years dormant/ non-moving | Amount |
|-----------------------|--|--|--------------------|
| I. Dormant | | | |
| 1. DA - BAR | Coco Diesel Project | 9 | P 13,258 |
| 2. PCARDFI | PCARDFI | 9 | 110,306 |
| 3. NAFC | Loay Plant | 6 | 1,084,663 |
| | | | 1,208,227 |
| II. Non-moving | | | |
| 4. PCAARRD | Tropical Fruits and Biotech Program | 5 | 88,890 |
| 5. DA | High Value Commercial Crops (HVCC) Ginintuang Masaganang Ani (GMA) Brontispa Control Program P2 | 4 | 529,623 |
| 6. DA | Shallow Tube Well and Small Farms Reservoir | 4 | 38,574 |
| 7. DA | Priority Development Assistance Fund (PDAF) of Legislator | 3 | 103,383 |
| 8. DA-BAR | Financial Assistance to Research in-house Review | 3 | 105,649 |
| 9. PCAARRD | ICREDEP - Project 1 Albay Research Center (ARC) | 2 | 1,401 |
| | | | 867,520 |
| | | | P 2,075,747 |

16.9 Moreover, Table 38 showed the detailed composition of dormant/non-moving funds, which were reclassified to Accounts Payable account as the same were due to be

returned to the SAs. However, said funds remained unreturned/unremitted for at least three to eight years. Nonetheless, reclassification resulted in overstatement of Accounts Payable account by P1.058 million and understatement of Due to Other NGAs account by the same amount.

**Table 38 - Composition of Dormant/Non-moving Funds under A/P Account
As at December 31, 2015**

| SA | Program/project | No. of years dormant/ non-moving | Amount |
|-----------------------|--|---|--------------------|
| I. Dormant | | | |
| 1. DA-BAR | Institutional Development Grant | 8 | P 94,698 |
| II. Non-moving | | | |
| 2. PCIEERD | Hazard Control System on VCO | 5 | 8,487 |
| 3. DA | HVCC Program Management Office (PMO) & New Agribusiness Intercropping | 4 | 36,180 |
| 4. DA-BAR | Commercialization of High-Value Coconut Product | 3 | 599,899 |
| 5. DA-BAR | Development of Integrated Control Strategies Against Scale Insect and Mealy bug Infestation | 3 | 89,455 |
| 6. DA | HVCC PMO | 3 | 229,559 |
| | | | 963,580 |
| | | | P 1,058,278 |

16.10 Funds which have become dormant/non-moving and/or reclassified to Accounts Payable account are indications that projects have already been completed, hence, non-remittance thereof to SAs is contrary to COA Circular Nos. 97-001 and 94-013, which consequently cause a credibility concern to other stakeholders of PCA.

16.11 On the other hand, while funds received from SAs were recorded under Due to Other NGAs account of CO, projects were generally implemented by the ROs/Centers thereof. As such, funds were forwarded to the RO/Center concerned and fund utilizations/liquidations were communicated through the issuance of Debit/Credit Advices (DCAs) and duly-verified Report of Disbursements (RDs).

16.12 Review of the pertinent DCAs issued and recorded in the books of the CO in the total amount of P20.389 million, however, revealed that only an aggregate amount of P7.939 million were supported with duly-verified RDs. Consequently, absence of the duly-verified RDs for the remaining DCAs accumulating to P12.449 million, which represents 29.81 per cent of P41.766 million or outstanding balance of Due to Other NGAs account, casts doubt on the validity of the affected accounts in the books by the same amount.

16.13 We recommended that Management direct the Accountant to:

- a. Conduct review, analysis, and reconciliation of the subject other receivables and trust liability accounts, and determine their existence and validity;**
- b. Cause the remittance to SAs of the unexpended balances of dormant/non-moving funds for completed/abandoned projects, revert the unreturned amount of fund transfers to Due to Other NGAs account and provide adequate explanation/description in the JEVs; and**

c. Submit duly-verified RDs to support DCAs on the utilization/liquidation of fund transfer by RO/Center concerned, otherwise, require the latter to book up and maintain the Due to Other NGAs account.

16.14 No Management comment had been received as at June 17, 2016, the agreed last extension date of submission of comments and the date of preparation of this AAR.

17. The procedural guidelines and conditions for the grant of CNA incentives to PCA officers and employees for FY 2014 accumulating to P10.817 million were not fully observed and complied with, thus, contrary to DBM Budget Circular No. 2014-2 dated December 2, 2014.

17.1 DBM Budget Circular (BC) No. 2014-2 dated December 2, 2014 provides for the guidelines on the grant of the CNA incentives for FY 2014.

17.2 On July 2, 2012, a CNA was entered into by and between PCA and its Employees Association (PCA EA). The said agreement provides, among others, that the incentives to be granted and other provisions thereof shall be effective for a period of three years.

17.3 Total CNA incentives for CY 2014 paid by PCA in CY 2015 to its officers and employees in the CO and ROs/Centers amounted to P10.817 million.

Erroneous classification of CNA incentives –

17.4 Section 4.4.4 of the aforementioned DBM BC states that the amount paid as CNA Incentive shall be recorded in the agency books under the account code, "Collective Negotiation Agreement Incentive-Civilian."

17.5 Review, however, disclosed that CNA incentives of P10.817 million were charged to three different Personal Services (PS) expense accounts, thus, misstating the affected accounts. Details are summarized in Table 39.

Table 39 - CNA Incentives granted for CY 2014

| Account | RO/Center | Amount |
|------------------------------------|------------------------------|---------------------|
| Anniversary bonus | XII | P 400,000 |
| Performance Enhancement Incentives | IV-A, XI, and XIII, and ZRC | 2,247,500 |
| CNA | CO and all other ROs/Centers | 8,169,200 |
| | | P 10,816,700 |

17.6 Further review disclosed the following observations:

No written resolution signed by agency representatives from both labor and management -

17.7 As mentioned under Section 1.3 of DBM BC No. 2014-2 dated December 2, 2014, Section 71 of the General Provisions of RA No. 10633, also known as FY 2014 GAA, reiterates the basic provisions on the grant of CNA incentives, to wit:

Savings from allowable MOOE [Maintenance and Other Operating Expenses] allotments, generated out of cost-cutting measures undertaken by the agencies of the government and their respective personnel, which are identified in their respective CNA and supplements thereto may be used for the grant of CNA Incentives by agencies with duly executed CNAs: Provided, that the one-time annual payment of CNA Incentive shall be made through a written resolution signed by agency representatives from both labor and management, and approved by the agency head: xxx (Underscoring supplied)

17.8 Likewise, Section 5.16 of COA Circular No. 2012-001 dated June 14, 2012 prescribes, among others, the documentary requirements for the granting of CNA incentives, which includes a resolution signed by both parties incorporating the guidelines/criteria therefor.

17.9 No resolution was, however, signed and issued by agency representatives from both labor and management, and approved by the agency head. Rather, MC No. 10 dated November 9, 2015 was issued by the then PCA Administrator, prescribing the guidelines in the payment of the CY 2014 CNA incentives to all qualified employees of the PCA. As such, the absence of a resolution was inconsistent with Section 1.3 of DBM BC No. 2014-2 dated December 2, 2014, Section 71 of the General Provisions of RA No. 10633, and Section 5.16 of COA Circular No. 2012-001 dated June 14, 2012.

Determination as to whether PCA is qualified for the grant of CNA incentives and recommendations thereon were not made by the Employees' Organization-Management Consultative Committee -

17.10 Section 5.1 of the same DBM BC provides that:

An Employees' Organization-Management Consultative Committee or a similar body composed of representatives from management and the "negotiating agent" shall determine if the agency is qualified for the grant of the CNA Incentive based on compliance with requirements under this Circular. If qualified, the Committee shall review the agency's financial records, and submit recommendations xxx, for approval of the agency head xxx.

17.11 Section 1, Article VI of CNA, provides, among others, that the Employees Organization-Management Consultative Committee shall determine the amount of CNA incentives based on generated savings.

17.12 The recommendation for the grant of P25,000 CNA incentive per qualified employee was signed by the Deputy Administrator, Administrative and Finance Branch (AFB) and Department Manager, Administrative and General Services Division (AGSD), per undated joint memorandum of Acting Head Executive Assistant and the aforementioned recommendees to the then PCA Administrator. There was no information, however, whether the said signatories were then the incumbent members of the Employees Organization-Management Consultative Committee mentioned in Section

1, Article VI of CNA. However, the issuance of Special Order No. 157 by the then PCA Administrator on November 27, 2015, which caused the creation of the Employees Organization-Management Consultative Committee, is an indication that there was no previously-created Committee. Hence, the determination as to whether PCA is qualified for the grant of CNA incentives and recommendations thereon, which was made by a group of employees other than the Employees Organization-Management Consultative Committee, was not in accordance with Section 5.1 of DBM BC No. 2014-2 and Section 1, Article VI of CNA.

Absence of recommendations on the total amount of allowable MOOE allotments and apportionment thereof -

17.13 Section 5.1 of the same DBM BC further states that:

Xxx If qualified, the Committee shall review the agency's financial records, and submit recommendations on the following, for approval of the agency head:

5.1.1 The total amount of allowable MOOE in Item 4.3 hereof xxx;

5.1.2 The apportionment of the available amount identified in item 5.1.1 xxx;

Xxxx

17.14 Further review of the undated memorandum to the then PCA Administrator, however, disclosed that no recommendations were made pertaining to the allowable MOOE allotments and apportionment thereof. Also, in the Memorandum dated November 4, 2015 to the then PCA Administrator, the Technical Working Group (TWG) for the grant of CNA incentives did not provide the required recommendations, contrary to Section 5.1 of the same DBM BC.

Absence of Accomplishment Report (AcR) as at October 31, 2014 and inconsistency between CY 2014 MFOs reported high accomplishment of 73.45 per cent and low fund utilization rate of 32.24 per cent for the same period –

17.15 Section 4.1.3 of DBM BC No. 2014-2 states that:

The xxx GOCC [government-owned and controlled corporation] should have accomplished, by October 31, 2014, at least an average of 70% of its FY 2014 targets under the xxx MFOs as specified in Form A xxx of Memorandum Circular (MC) No. 2014-01 dated April 21, 2014, issued by the Inter-Agency Task Force xxx.

17.16 Among the documents submitted by the TWG to then PCA Administrator was the Interim Performance Evaluation System (PES) Form 3, which showed a total rating of 73.45 per cent. However, the reported accomplishment covered CY 2014 instead of the

three-quarter period or as at October 31, 2014, thus, not strictly in accordance with Section 4.1.3 of DBM Circular No. 2014-2. On the other hand, total accomplishment rating of 73.45 per cent was inconsistent with the low fund utilization rate of 32.24 per cent, thus, casting doubt on the accuracy and validity of the reported accomplishments.

Additional conditions required under Section 4.3.2 of DBM BC No. 2014-2 were not fully complied with –

17.17 Section 4.3.2 of DBM BC No. 2014-2 provides that:

The CNA incentive shall be sourced solely from savings in the MOOE items enumerated xxx, under their respective approved Corporate Operating Budgets (COBs), provided the following additional conditions are complied with:

a. Actual operating income at least meets the targeted operating income in the approved COB for the year. For GOCCs/xxx, which by the nature of their functions consistently incur operating losses, the current year's operating loss should have been minimized or reduced compared to or at most equal that of the prior year's level.

b. Actual operating expenses are less than the DBM-approved level of operating expenses in the COB as to generate sufficient source of funds for the payment thereof.

c. For income generating GOCCs, dividends amounting to at least 50% of their annual earnings have been remitted to the National Treasury in accordance with the provisions of xxx RA No. 7656 dated November 9, 1993.

17.18 Further, Section 4 of the Public Sector Labor-Management Council (PSLMC) Resolution No. 02 dated May 19, 2003 on the grant of CNA incentive for GOCCs, defines, among others, the following:

a. Xxxx

b. Actual operating income - refers to gross income/revenues generated from the exercise of the corporation's regular functions as mandated by law. This excludes revenues not recurring in nature, such as interest income, proceeds from the sale of scrap and/or obsolete equipment, materials and/or real estate assets, which sale is not the main function of the corporation.

c. Actual operating expenses - refer to all expenses incurred by the corporation in the conduct of its regular functions. This excludes non-cash items like allowance for bad debts, depreciation/depletion expense, losses from foreign exchange and similar expenses.

d. Operating loss - refers to the excess of actual operating expenses over actual operating income/revenue.

17.19 Examination of pertinent documents submitted by the TWG to the then PCA Administrator disclosed that the additional conditions required by the aforementioned provisions were not complied with, in view of the following observations:

- a. Actual operating income provided by TWG was inclusive of revenues generated from the exercise of non-regular functions of PCA -

Review disclosed that the total actual income was reduced only by income from donations and grants to arrive at the actual operating income. Revenues earned from rentals, interests, sale of assets, and other transactions which do not fall under the regular functions of PCA was included in the total actual operating income. Hence, the computation made was not only contrary to the definition of operating income, as provided under Section 4(b) of PSLMC Resolution No. 02 dated May 19, 2003, but also overstated the actual operating income by P35.442 million and P41.495 million for CYs 2013 and 2014, respectively, for purposes of determining whether the conditions set for the granting of CNA incentives were met. Shown in Table 40 is the comparison of computed actual operating income, per TWG and per audit for the aforementioned periods.

Table 40 – CYs 2013-2014 computed actual operating income

| | CY 2014 | | | CY 2013 | | |
|-----------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| | Per TWG | Per Audit | Overstatement | Per TWG | Per Audit | Overstatement |
| Total income | P 429,340,495 | P 429,340,495 | P - | P 421,921,716 | P 421,921,716 | P - |
| Less: Other revenues: | | | | | | |
| Business | | 28,154,499 | (28,154,499) | | 26,605,370 | 26,605,370 |
| Others | 40,591,654 | 53,932,610 | (13,340,956) | | 7,837,256 | 7,837,256 |
| | 40,591,654 | 82,087,109 | (41,495,455) | - | 34,442,626 | (34,442,626) |
| Net operating income | P 388,748,841 | P 347,253,386 | P 41,495,455 | P 421,921,716 | P 387,479,090 | P 34,442,626 |

- b. Actual operating Income was short by 17.91 per cent from the targeted operating income -

No report was made available to the Audit Team showing a comparison between targeted and actual operating income. Hence, a recomputation was instead made to ascertain whether the actual operating income met the targeted operating income, by deducting first the targeted business and other income from the total targeted corporate income before a comparison of comparative data was made. Result of the recomputation showed a negative variance of 17.91 per cent, as shown in Table 41.

Table 41 – Comparison of CY2014 targeted and actual operating income

| | Targeted | Actual* | Variance (Under)/Over | |
|-------------------------------|----------------------|----------------------|-----------------------|---------------|
| | | | Amount | % |
| Total corporate income | P 494,000,000 | P 429,340,495 | P (64,659,505) | -13.09 |
| Less: Other revenues: | | | | |
| Rental income | 26,000,000 | 28,154,499 | 2,154,499 | 8.29 |
| Other income | 45,000,000 | 53,932,610 | 8,932,610 | 19.85 |
| | 71,000,000 | 82,087,109 | 11,087,109 | 15.62 |
| Total operating income | P 423,000,000 | P 347,253,386 | P (75,746,614) | -17.91 |

* Per audit from Table 40

c. Doubtful accuracy and validity of net savings due to discrepancy in the reported total budgeted MOOE, unsupported actual MOOE, and inconsistency between MFO high accomplishment of 73.45 per cent and low fund utilization rate of 32.24 per cent –

i. A report on Comparison of Budget and Actual Expenses (net of project funds), certified correct by both the Budget Division and Accounting Division, showed net MOOE savings of P166.162 million, inclusive of savings of P117.338 million from five MOOE items, where the CNA incentive fund would be sourced from. However, documents supporting the aforementioned figures were neither attached to nor mentioned in the report. Hence, a comparison was instead made on the reported budgeted expense between that submitted by TWG and per CY 2014 COB, result of which showed a discrepancy of P64.297 million, as shown in Table 42. It appeared, thus, that the budgeted MOOE was increased so as to generate a higher amount of savings and justify the funding for the CNA incentives.

Table 42 – Comparative Budgeted MOOE for CY 2014

| | Amount |
|-------------------|---------------------|
| Per TWG | P 372,158,000 |
| Per CY 2014 COB | 307,861,000 |
| Difference | P 64,297,000 |

ii. On the other hand, there were no fund utilization reports to validate the reported actual expenses of P206.339 million. Nonetheless, to declare a savings of P166.162 million, when the reported high MFO accomplishment rate of 73.45 per cent was doubtful in view of low fund utilization rate of 32.24 per cent, would be premature considering also that the programs, projects, and activities (PPAs) of PCA for CY 2014 were continued in CY 2015 and funds thereof were reprogrammed in CY 2015. Thus, the aforementioned observations cast doubt on the accuracy and validity of the computed savings.

d. Operating loss was neither minimized/reduced nor at most equal that of prior year's level -

Notwithstanding the doubtful accuracy and validity of reported actual expenses of P206.339 million for CY 2014, which was included in the total operating expenses reported by TWG, the same figures and comparative data for CY 2013 were used to ascertain whether the operating loss of PCA were minimized/reduced or at most equal that of prior year's level. The recomputation made showed that the operating loss was neither minimized/reduced nor at most equal that of prior year's level increased in CY 2014 by P50,269 or 0.02 per cent compared to that in CY 2013, as shown in Table 43.

Table 43 - Comparison of CYs 2013-2014 Actual Operating Losses

| Particulars | CY 2014 | CY 2013 | Increase/(Decrease) | |
|---|----------------------|----------------------|---------------------|-------------|
| | | | Amount | % |
| Operating income (per audit, from Table 40) | P 347,253,386 | P 387,479,090 | P (40,225,704) | (10.38) |
| Operating expenses | 631,094,637 | 671,270,072 | (40,175,435) | (5.98) |
| Operating loss | P 283,841,251 | P 283,790,982 | P 50,269 | 0.02 |

e. Non-remittance of dividends -

No remittance of dividends amounting to at least 50 per cent of annual earnings was made by PCA to the National Government (NG). In its letter to the Audit Team dated May 6, 2014, Management averred that it is very impossible for PCA to recognize the liability for unpaid dividends as they have not recovered yet from their losses in view of negative balances incurred over the years, which caused PCA to become one of the heavily-subsidized corporations. Nevertheless, the Department of Finance enjoined PCA to settle its outstanding dividends, in its letter dated February 16, 2016, response to which, however, was not furnished by Management to the Audit Team despite prior request made. Despite that, non-remittance of dividends is contrary to RA No. 7656.

17.20 In view of the aforementioned observations, the CNA incentives granted to officials and employees of PCA in the total amount of P10.817 million is without legal basis and therefore, disallowable in audit.

17.21 We recommended that Management direct the concerned office/s to:

- a. Effect the necessary adjustments for the erroneous classification of CNA incentives in the books;**
- b. Submit duly-supported justification/s on the incomplete compliance with the procedural guidelines and conditions set forth under DBM BC No. 2014-2 dated December 2, 2014, and with the documentary requirements provided under COA Circular No. 2012-001 dated June 14, 2012;**
- c. Reconcile the inconsistency between CY 2014 MFOs reported high accomplishment of 73.45 per cent and low fund utilization rate of 32.24 per cent for the same period; and**
- d. Cause the recognition of liability on the unpaid dividend and its remittance to NG in accordance with RA No. 7656.**

17.22 Management commented that:

- a. The TWG Memorandum dated November 4, 2015 is already a resolution in substance since it was duly signed by PCA and PCAEA representatives while the Summary Disposition Form (SDF) contains the approval of the Head of the Agency. On the other hand, DBM BC No. 2014-2 also provides that an Employees Organization-Management Consultative Committee or a similar body composed of representatives from Management and negotiating agent shall

determine if the agency is qualified for the grant of CNA incentive. In this case, the TWG is such body;

b. Annex A of DBM BC No. 2014-2 is an attachment to the memo of TWG dated November 4, 2015. In this form, it is provided that total savings on MOOE amounted to P117.338 million. The maximum amount that can be given under CNA is P25,000 per employee;

c. With regard to the absence of AcR, the accomplishment rating of 73.45 per cent from its target was renegotiated with the GCG, which resulted in a validated final Performance Scorecard rating of 88.16 per cent. As regards low fund utilization, there is no statement in DBM BC No. 2014-2 that fund utilization should be proportionate to the AcR; and

d. Actual operating income, as defined by PSLMC, excludes revenues not recurring in nature. The operating income of PCA includes rent and interest as both are recurring in nature or part of the regular monthly income generated by PCA. On the other hand, operating loss was reduced by P7 million, per report of TWG.

17.23 In support to the above-mentioned comments of Management, they furnished the Team with Working Papers of the TWG for reference.

17.24 As a rejoinder, we maintain our recommendations in view of the following:

a. For a document to be considered a resolution, there should be a determination, decision, or motion for adoption thereof, which the TWG Memorandum dated November 4, 2015, however, does not possess. Rather, the signatories of the said Memorandum only submitted additional documents and presented a computation of net operating income for CYs 2013-2014 addressed to the PCA Administrator. Notwithstanding the doubtful validity of TWG Memorandum as a resolution in substance, it could not be ascertained whether the signatories were authorized representatives from labor and management or the incumbent members of the Employees Organization-Management Consultative Committee mentioned in Section 1, Article VI of CNA (as already mentioned under paragraph 17.12 hereof), as there was no document provided to validate the same. Further, the approval of the PCA Administrator in the SDF was not on the TWG Memorandum but rather on the guidelines on the payment of FY 2014 CNA;

b. While Annex A of DBM BC No. 2014-2 was one of the documents submitted by the TWG to the PCA Administrator, through Memorandum dated November 4, 2015, there were no recommendations made by the former to the latter on the same;

c. While we agree that there is no statement in DBM BC No. 2014-2 that fund utilization should be proportionate to the AcR, the high accomplishment rating was inconsistent with the low fund utilization rate of 32.24 per cent, which, as mentioned under Paragraph 17.16 hereof, casts doubt on the accuracy and validity of the reported accomplishments. Further, said accomplishment rating

pertained to the whole year of 2014 and not the cut-off date of as at October 31, 2014, as required under Section 4.1.3 of DBM BC No. 2014-2;

d. While rental and interest income may be recurring in nature, the same are not income/revenues generated from the exercise of the regular functions of PCA as mandated by law. Thus, appropriate exclusion of which from the actual operating income would no longer result in the reduction of the operating loss to P7 million but rather conversely increase by P50,269;

e. Review of the working papers of TWG disclosed the following: (i) total budgeted MOOE of P372.158 million, which was reported as net of project funds, was still inclusive of budget for various projects with total cost of P61.947 million; and (ii) total computed actual expenses of P1.869 billion was inconsistent with that reported in the audited CY 2014 Statement of Comparison of Budget and Actual Expenses of P1.886 billion or a difference of P0.017 billion; and

f. Other herein observations such as negative variance between targeted and actual operating income, discrepancy in the reported total budgeted MOOE, unsupported actual MOOE, absence of fund utilization reports, premature declaration of savings, and non-remittance of dividend to the NG have not been addressed by Management.

VALUE-FOR-MONEY

Yolanda Recovery and Rehabilitation Program (YRRP) - Special Audit for CY 2014 -

18. Rehabilitation projects under YRRP to address the widespread and severe damage of coconut trees and alleviate displaced coconut farmers' socio-economic conditions were not efficiently implemented due to inadequate planning, underspending and slow implementation as well as lack of monitoring and evaluation of the projects depriving the intended beneficiaries who are Typhoon 'Yolanda' victims of benefits derived therefrom.

Frequent revisions of Work and Financial Plan (WFP) due to realignment of budget allocations and reprogramming of balances indicate inadequate planning -

18.1 Review of the WFP and Physical Target and Budget Allocations submitted by PCA on December 20, 2013 to the DBM to support its request for budget which the DBM released on December 27, 2013 in the amount of P2.869 billion showed that the implementation of the rehabilitation projects shall be from December 2013 to October 2014 or to be completed in the third quarter of CY 2014. The biggest chunk of the fund was allocated for Fertilization Project while the smallest chunk was for Coconut Timber Disposal and Utilization (CTDU) project component, both under immediate plan, as shown in Table 44.

Table 44 - YRRP WFP for CYs 2013-2014 submitted to DBM

| Projects | CYs 2013-2014 Financial Performance Targets | | | | | Total |
|---------------|---|-----------------|-----------------|---------------|-----------------|-------|
| | CY 2013 | | CY 2014 | | | |
| | December | January-March | April-June | July-October | | |
| Immediate | | | | | | |
| CTDU | P 18,056,000 | P 128,221,000 | P 40,244,000 | P - | P 186,521,000 | |
| Fertilization | - | 841,085,000 | 841,085,000 | - | 1,682,170,000 | |
| | 18,056,000 | 969,306,000 | 881,329,000 | - | 1,868,691,000 | |
| Long Term | | | | | | |
| ILPDP* | - | 120,000,000 | 260,000,000 | 120,000,000 | 500,000,000 | |
| CPRP** | - | 133,960,000 | 236,400,000 | 129,640,000 | 500,000,000 | |
| | - | 253,960,000 | 496,400,000 | 249,640,000 | 1,000,000,000 | |
| Total | P 18,056,000 | P 1,223,266,000 | P 1,377,729,000 | P 249,640,000 | P 2,868,691,000 | |
| % to Total | 0.63% | 42.64% | 48.03% | 8.70% | | 100% |

* Intercropping and Livestock and Poultry Dispersal Project

** Coconut Planting and Replanting Project

18.2 Likewise, the rehabilitation projects would be implemented in three regions, with Region VIII getting the biggest chunk comprising 62.43 per cent of the total YRRP fund as the said Region was severely devastated by Typhoon 'Yolanda.' Budget allocation per Region is presented in Table 45.

Table 45 - Budget Allocations per Regions Submitted to DBM

| Project | Regions | | | Total |
|-------------------|----------------------|----------------------|------------------------|------------------------|
| | VI | VII | VIII | |
| CTDU | P 49,240,000 | P 4,924,000 | P 132,357,000 | P 186,521,000 |
| Fertilization | 592,900,000 | 110,005,000 | 979,265,000 | 1,682,170,000 |
| ILPDP | 140,000,000 | 35,200,000 | 324,800,000 | 500,000,000 |
| CPRP | 112,290,000 | 33,096,000 | 354,614,000 | 500,000,000 |
| Total | P 894,430,000 | P 183,225,000 | P 1,791,036,000 | P 2,868,691,000 |
| % to Total | 31.18% | 6.39% | 62.43% | 100% |

18.3 PCA issued Memorandum Circular (MC) No. 01 dated January 14, 2014, re: "Guidelines on the Rehabilitation Plan for Typhoon 'Yolanda' Affected Areas." The said PCA MC, however, changed the timelines of the implementation of the projects. Revision on WFP previously submitted to DBM was likewise made which was approved by the PCA Governing Board on January 27, 2014. It was further observed that there was subsequent revision of WFP on March 18, 2014, as shown in Table 46.

18.4 Further review disclosed that, the January 27, 2014 revised WFP showed that the timeline of the Fertilization Project became long-term which would start only in January 2014 and onwards, without definite date when the Project would end or "open-ended." As regards the ILPDP and CPRP, from long-term these became immediate with period of implementation from December 2013 to December 2014 or one year. Under March 18, 2014 revised WFP, the budget allocations for CTDU, ILPDP and CPRP were augmented from budget allocation of Fertilization Project. The realigned amount was utilized for the procurement of additional 293 chainsaws and 5 tractors to cater on the need for debris management and additional expenses for intercropping, planting and replanting activities. The realignment reduced the budget for Fertilization Project by P0.568 billion, from P1.682 billion to P1.114 billion or 33.77 per cent. Notwithstanding the realignment, the Fertilization Project still got the biggest chunk of the fund.

Table 46 – Revisions of the WFP and Projects' Timelines

| Projects (a) | Original - submitted to DBM on December 20, 2013 | | | January 27, 2014 | | | March 18, 2014 | | Amount Realigned (in millions) (j=h-f) |
|-----------------|---|--------------------------------|----------------------|-----------------------------------|--------------------------------|----------------------|--------------------------------|----------------------|---|
| | Timelines (mm/yy) (b) | Amount (in millions) (c) | % to Total (d) | Timelines (mm/yy) (e) | Amount (in millions) (f) | % to Total (g) | Amount (in millions) (h) | % to Total (i) | |
| CTDU | Immediate- 12/13 to 06/14 | P 186.521 | 6.50 | Immediate- 12/13 to 12/14 | P 186.521 | 6.50 | P 630.729 | 21.99 | P 444.208 |
| ILPDP | Long-term- 01/14 to 10/14 | 500.000 | 17.43 | Immediate- 12/13 to 12/14 | 500.000 | 17.43 | 540.290 | 18.83 | 40.290 |
| CPRP | Long-term- 01/14 to 10/14 | 500.000 | 17.43 | Immediate- 12/13 to 12/14 | 500.000 | 17.43 | 583.596 | 20.34 | 83.596 |
| Fertilization | Immediate- 01/14 to 06/14 | 1,682.170 | 58.64 | Long-term- 01/14 to onwards | 1,682.170 | 58.64 | 1,114.075 | 38.84 | (568.095)* |
| | | P 2,868.691 | 100.00 | | | P 2,868.691 | 100.00 | P 2,868.690 | 100.00 |
| | | | | | | | | P 0.001* | |

*There is a difference of P1,000 since the amount released by DBM was P2,868.690 million while the requested amount was P2,868.691 million

18.5 Moreover, there were subsequent revisions of WFP due to reprogramming of the YRRP fund. These were on September 10, 2014, November 27, 2014 and December 31, 2014 to provide additional budget for procurement of additional chainsaws, intercropping and coconut planting materials, among others, as shown in Table 47.

Table 47 – Revisions of WFP due to Reprogramming of YRRP Fund

| Project | Reprogrammed YRRP Fund | | | | | |
|------------------------------|------------------------|---------------|------------------------|------------|-------------------------|---------------|
| | September 10, 2014 | | November 27, 2014 | | December 31, 2014 | |
| | Amount | % to total | Amount | % to total | Amount | % to total |
| Immediate | | | | | | |
| CTDU | P 1,178,004,000 | 73.63 | P 808,660,110 | 66.82 | P 1,013,558,120 | 53.91 |
| ILPDP | 40,172,000 | 2.51 | 65,156,250 | 5.38 | 212,699,510 | 11.31 |
| CPRP | 182,756,000 | 11.42 | 156,227,980 | 12.91 | 171,523,640 | 9.12 |
| | 1,400,932,000 | 87.56 | 1,030,044,340 | 85.11 | 1,397,781,270 | 74.34 |
| Long term | | | | | | |
| Fertilization | 133,842,000 | 8.36 | 133,842,000 | 11.06 | 482,499,170 | 25.66 |
| Other MOOE and contingencies | 65,226,000 | 4.08 | 46,412,000 | 3.83 | - | - |
| | P 1,600,000,000 | 100.00 | P 1,210,298,340 | 100 | P 1,880,280,440* | 100.00 |

*With discrepancy of P51,977 as to the actual balance as at December 31, 2014 shown in Table 48

18.6 As shown in Table 47, out of the reprogrammed amount of P1.880 billion on December 31, 2014, P1.398 billion or 74.34 per cent was budgeted for CTDU, ILPDP and CPRP and only P0.483 billion or 25.66 per cent for Fertilization Project. The budget allocation for Fertilization Project had been significantly reduced from original amount of P1.682 billion to P0.483 billion or by P1.199 billion or 71.28 per cent, not because that the fund was utilized for fertilization, but due to reprogramming.

18.7 Likewise, as can be gleaned from Table 47, the reprogrammed balance on December 31, 2014 had increased compared with the amounts on September 10, 2014 and November 27, 2014 because of the cancelled purchase requests for coco "gro" fertilizers and banana for intercropping. Moreover, the reprogrammed balance of P1.880 billion on December 31, 2014 was included in the proposed COB of the PCA for CY 2015 which was submitted to the DBM on June 8, 2015. However, pending the approval

of the said COB, the balance of the YRRP fund in the amount of P1.585 million was again reprogrammed on February 27, 2015 due to allocation for fund transfers to LGUs of Samar and Biliran as partners for the implementation of YRRP.

18.8 In view of the foregoing revisions on WFP, specifically on the budget allocations and extension of timelines of the projects, the Agency's targets, programmed activities, as well as the budget for its rehabilitation program have not been meticulously and judiciously planned which adversely affected the completion of the projects and might cause loss of the Agency's credibility, being the sole government agency that is tasked to develop and improve the coconut industry.

The beneficiaries were deprived of the assistance and benefits derived from the rehabilitation projects due to underspending and slow implementation -

18.9 Of the P2.869 billion rehabilitation fund, only P0.989 billion was utilized, or having an unexpended balance of P1.880 billion as at December 31, 2014. As can be gleaned from Table 48, there was underspending of fund since only P0.989 billion or 34.45 per cent of the P2.869 billion was utilized as at December 31, 2014. Had the timelines of the implementation of the YRRP been adhered to, it should have been completed by the third quarter of CY 2014 and the funds could have been fully utilized. Thus, the YRRP was not efficiently implemented that resulted in a relatively low accomplishments and hindering timely attainment of the purposes of YRRP to the disadvantage of the coconut farmer-beneficiaries

Table 48 - Fund Utilization as at December 31, 2014

| Project | Original Budget submitted to DBM | Budget after realignment and reprogramming | Utilization | | | Balance as at December 31, 2014 | | |
|------------------|----------------------------------|--|----------------------|--|-----------------------|---------------------------------|--|-----------------------|
| | | | Amount | % over fund utilization (d=c/total fund utilization) | % over budget (e=c/b) | Amount | % over fund balance (g=f/total fund balance) | % over budget (h=f/b) |
| | (a) | (b) | (c) | | | (f=b-c) | | (h=f/b) |
| Immediate | | | | | | | | |
| CTDU | P 186,521,000 | P 1,511,847,242 | P 484,094,334 | 48.98 | 32.02 | P 1,027,752,908 | 54.66 | 67.98 |
| ILPDP | 500,000,000 | 365,100,375 | 155,195,972 | 15.70 | 42.51 | 209,904,403 | 11.16 | 57.49 |
| CPRP | 500,000,000 | 273,281,100 | 101,283,181 | 10.25 | 37.06 | 171,997,919 | 9.15 | 62.94 |
| | 1,186,521,000 | 2,150,228,717 | 740,573,487 | 74.93 | 34.44 | 1,409,655,230 | 74.97 | 65.56 |
| Long term | | | | | | | | |
| Fertilization | 1,682,170,000 | 718,461,283 | 247,784,096 | 25.07 | 34.49 | 470,677,187 | 25.03 | 65.51 |
| | P 2,868,691,000 | P 2,868,690,000 | P 988,357,583 | 100.00 | 34.45 | P 1,880,332,417* | 100.00 | 65.55 |

*Please see Note in Table 47

18.10 Further, review of the AcRs of the YRRP projects showed the following:

a. Coconut Timber Disposal and Utilization (CTDU)

a.1. The number of chainsaws initially targeted to be procured was only 947 units, however, as at December 31, 2014, the total actual number of chainsaws procured totaled 2,740 units. In addition, there were 13 units from the United Nations Development Programme (UNDP) and PCA Region XI which were also brought to Region VIII for use in the clearing operations. Table 49 shows accomplishments under CTDU in CY 2014.

Table 49 – Accomplishments under CTDU Project as at December 31, 2014

| Region | No. trees without chance of recovery | No. of coconut farmers affected | Target Areas (in hectares) | Accomplishments | | | Percentage of | | |
|--------|--------------------------------------|---------------------------------|----------------------------|--------------------------------------|---------------------------|------------------|-----------------------------------|--------------------------------|----------------------------------|
| | | | | No. of chainsaws used for operations | No. of farmers benefitted | No. of trees cut | Lumber processed (in board foot*) | Coconut trees cut over damaged | Farmers benefitted over affected |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h=f/a) | (i=e/b) |
| VI | 2,112,866 | 69,878 | 22,486 | 92 | 9,311 | 189,966 | 21,932,584 | 8.99 | 13.32 |
| VII | 177,973 | 46,921 | 1,779 | 36 | 3,929 | 179,147 | 26,584,143 | 100.66 | 8.37 |
| VIII | 13,905,778 | 339,445 | 139,060 | 2,625 | 15,716 | 3,821,398 | 381,939,820 | 27.48 | 4.63 |
| | 16,196,617 | 456,244 | 163,325 | 2,753 | 28,956 | 4,190,511 | 430,456,547 | 25.87 | 6.35 |

* One coconut tree equivalent to more or less 100 board feet of lumber

a.2. As can be gleaned from Table 49, despite the increase of 1,793 units in the number of chainsaws procured, the actual number of coconut trees cut was 4.191 million or only 25.87 per cent of the 16.197 million damaged trees. Likewise, the lumbers recovered were 430.457 million board feet or 26.57 per cent [430.457 million / (16.197 million x 100) x 100%] only of the expected lumbers from 16.197 million damaged trees and benefitting 28,956 or 6.35 per cent of the 456,244 coconut farmers affected by Typhoon 'Yolanda.' The above data showed that a very low number of affected farmers benefitted from the Project and minimal lumbers have been processed from damaged coconut trees. Management informed the Audit Team that felled coconut trees located in upland areas were not cut into lumbers because of inaccessibility and impracticality of transporting the chainsaws to said areas. Thus, there is a high risk for occurrence of beetle infestation, since felled coconut trees if not immediately disposed and cleared are potential breeding ground for pest infestation.

b. Coconut Planting and Replanting Project (CPRP)

b.1. Although the procurement and payment of coconut seedlings were made at the PCA ROs, review was conducted on the targets and accomplishments under CPRP. It was noted that there were revisions made on the targets as the number of targeted hectares for planting shown in the AcR were 774,783 hectares or more than the estimated hectares affected by the typhoon of only 444,438 hectares (damaged coconut trees of 44,443,805/100 trees per hectare). There was another revised target received by the Team on April 5, 2016 which showed that the targeted number of hectares to be planted was only 100,000 hectares. Details of targets and accomplishments under CPRP are shown in Table 50.

Table 50 – Targets and Accomplishments as at December 31, 2014

| Region | Initial targets based on P0.500 billion budget | | | Revised targeted no. of hectares based on | | Accomplishments based on AcR | | | | % of no. of hectares planted vs. targets |
|--------|--|----------------|------------------------------|---|------------------------------------|------------------------------|------------------|-----------|-----------------------------|--|
| | No. of hectares | No. of farmers | No. of seedling requirements | AcR | Revised Targets for CYs 2014-2016* | No. of hectares planted | No. of seedlings | | No. of farmer-beneficiaries | |
| | | | | | | | Distributed | Planted | | |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j=f/e) |
| I | 3,820 | 3,820 | 552,292 | 550,912 | 15,554 | 3,733.68 | 552,108 | 552,108 | 3,364 | 24.00 |
| II | 529 | - | 101,597 | 88,896 | 1,235 | 374.37 | 67,435 | 57,136 | 814 | 30.31 |
| III | 48,723 | 48,723 | 7,672,872 | 134,975 | 83,211 | 14,602.08 | 1,754,053 | 1,754,053 | 9,874 | 17.55 |
| | 53,072 | 52,543 | 8,326,761 | 774,783 | 100,000 | 18,710.13 | 2,373,596 | 2,363,297 | 14,052 | 18.71 |

*** as received by the Audit Team on April 5, 2016

b.2. The inconsistencies in the targets created doubt whether there was proper assessment of the baseline data for the number of damaged coconut trees as well as the number of hectares affected after the typhoon. Albeit, the inconsistencies, the Audit Team used the 100,000 hectares in computing the percentage of accomplishment *vis-a-vis* target which showed that the overall number of hectares planted/replanted was very low, since it registered only 18.71 per cent. Likewise, the number of farmers actually benefitted of coconut seedlings totaled 14,052 or only 26.74 per cent of the 52,543 initial target beneficiaries.

c. Intercropping and Livestock and Poultry Dispersal Project (ILPDP)

c.1. This consisted of six types of priority crops, one of which is the planting of assorted vegetable seeds (pinakbet seeds). This project included granting of fertilizers to the beneficiaries to help and maintain the plants in good health and maximize crop yields. Targets and accomplishment of assorted vegetable seeds are shown in Table 51.

**Table 51 – Targets and Accomplishments of Assorted Vegetable Seeds
As at December 31, 2014**

| Region | No. of coconut farmers affected | Target areas (in hectares) | Accomplishments - Vegetable seeds (in packs) | | | Total no. of beneficiaries | % of farmers benefited over affected |
|--------|---------------------------------|----------------------------|---|-------------|---------|----------------------------|--------------------------------------|
| | | | Procured/ Delivered | Distributed | Planted | | |
| | | | | | | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g=f/a) | |
| VI | 69,878 | 3,217.65 | 64,353 | 64,353 | 64,353 | 61,234 | 87.63 |
| VII | 46,921 | 440.50 | 8,810 | 8,810 | 8,810 | 8,293 | 17.67 |
| VIII | 339,445 | 7,318.25 | 146,370 | 146,365 | 126,958 | 77,829 | 22.93 |
| | 456,244 | 10,976.40 | 219,533 | 219,528 | 200,121 | 147,356 | 32.30 |

c.2. As can be gleaned from Table 51, notwithstanding that the number of farmers who were benefitted with vegetable seeds totalled 147,356 or 32.30 per cent of 456,244 affected farmers, analysis, however, showed that there were beneficiaries who received more than one pack which is inconsistent with the guidelines that each farmer shall receive only one pack of vegetable seeds. This deprived other affected farmers of the opportunity to receive seeds pack. Management explained that the beneficiaries of 50,000 vegetable seeds packs which contain lesser weight were distributed to 25,000 beneficiaries or at two packs per beneficiary while the 169,528 vegetable seeds packs were distributed at one pack per beneficiary. Nevertheless, distribution was not in accordance with the policy that each beneficiary would receive one pack, since the 219,528 vegetable seeds packs were distributed only to 147,356 affected farmers.

d. Fertilization Project

d.1. The Project involves rehabilitation of damaged coconut trees with relatively high chances of recovery thru application of coco “gro” fertilizers at six bags for every hectare with 100 bearing coconut trees. The number of damaged coconut trees targeted to be fertilized and actually fertilized is shown in Table 52.

**Table 52 – Targets and Accomplishments under Fertilization Project using Coco “Gro”
As at December 31, 2014**

| Region | Targeted no. of | | Accomplishments – Actual no. of | | | | % of coconut trees | |
|--------|---|------------------|---------------------------------|------------------|--|-------------------------------|-------------------------------------|------------------------|
| | Damaged coconut trees with chance of recovery | Coconut trees | Fertilizers (in bags) | Coconut trees | Fertilizers procured / distributed (in bags) | Fertilizers applied (in bags) | Target to be fertilized vs. damaged | Fertilized vs. damaged |
| | (a) | (b) | (c) | (d) | (e) | (f) | (g=b/a) | (h=d/a) |
| VI | 4,874,939 | 1,011,500 | 60,690 | 438,667 | 26,320 | 26,320 | 20.75 | 9.00 |
| VII | 1,233,725 | 449,000 | 26,940 | 438,500 | 26,310 | 26,310 | 36.39 | 35.54 |
| VIII | 20,038,624 | 4,539,500 | 272,370 | 1,708,333 | 35,000 | 21,589 | 22.65 | 8.53 |
| | 26,147,288 | 6,000,000 | 360,000 | 2,585,500 | 87,630 | 74,219 | 22.95 | 9.89 |

d.2 As shown in Table 52, as at December 31, 2014, notwithstanding that there were 26.147 million damaged coconut trees determined to have chance of recovery, only 6 million were targeted for fertilization or 22.95 per cent. Likewise, there were only 2.585 million which were actually fertilized or 9.89 per cent of the 26.147 million damaged coconut trees. This is an indication that fertilization was not efficiently implemented which hindered the fast and full recovery of the damaged coconut trees.

18.11 The foregoing accomplishments under the four projects showed that there was slow implementation of YRRP, thus hindering timely delivery of benefits and assistance to the displaced farmer-beneficiaries and rehabilitation of damaged coconut trees.

Lack of monitoring and evaluation of the projects under YRRP, thus status and progress of implementation thereof could not be ascertained -

18.12 PCA MC No. 01 dated January 14, 2014 provides different types of monitoring and evaluation that should be conducted to determine the progress of the rehabilitation projects, among which are shown in Table 53.

Table 53 – Types/Timelines of Monitoring/Evaluation of the Rehabilitation Projects

| Type | Timeline |
|--|--|
| Project Self-Review and Planning | Every end of each quarter |
| Financial Audit and Monitoring | Monthly |
| Field Visits and Monitoring | Monthly |
| Semestral Project Evaluation | At 6 th month of the year |
| Final Project Evaluation | At the end of the active period of project |
| Project Progress and Financial Reports | Every Monday of the Week to then Financial Services Branch |
| Project Quarterly Report | Every end of Quarter |
| Semestral Evaluation Report | End of Semester |
| End of Project Report | At the end of subproject |

18.13 Verification revealed that there are no reports on the results of the monitoring and evaluation of the projects under the YRRP, since PCA did not conduct the said activities, contrary to the requirement of PCA MC No. 01 dated January 14, 2014. Thus, the progress, status and impact of the implementation of rehabilitation projects could not be ascertained.

18.14 We recommended that Management:

- a. Meticulously and judiciously plan the undertakings and time table in the implementation of the projects to avoid frequent revisions of the WFP and ensure timely completion thereof;**
- b. Expedite the implementation of the rehabilitation projects; and**
- c. Require the concerned personnel to conduct monitoring and evaluation of the projects and submit reports thereon, and determine the reasons why the activities were not undertaken and hold them accountable, if found remiss in their duties.**

18.15 Management in its letter dated April 25, 2016 stated the following important events and decisions that would clearly show reasons for the alleged inadequate planning which led to the frequent revisions of the WFP. These events would also justify the initial difficulties and adjustments of program implementation which affected the delivery of services to the end beneficiaries. Inevitably, the pacing of the project was also unduly compromised.

- a. Implementation of the PCA Rationalization Plan (RATPlan) -**

Prior to the devastation of Typhoon 'Yolanda,' the RATPlan was approved in November 2013. The RATPlan in its initial stage was marked by confusing directives which adversely affected the already diminished workforce of the PCA. Of particular note, a Memorandum was issued directing the so-called "volunteers" of the RATPlan as affected employees to cease from doing their work and to simply wait for the incentives and benefits to be given them. Many of the implementers were among those "volunteers" including the Regional Manager of PCA RO No. VIII. Thus, at some point the herculean tasks of moving the massive rehabilitation efforts were relegated to a few employees. Unfortunately for the "volunteers," it was decided that they were not included in the RATPlan.

- b. Requirement to immediately prepare the YRRP WFP -**

The initial assessment made on Typhoon Yolanda's damage was incomplete and sketchy at best. During the month of November 2013, with the PCA RO/Provincial Office of Leyte badly damaged, with no electricity and communication lines and with a displaced regional and provincial workforce, the only source of information was two assessments made by PCA CO volunteers who came to the area through a difficult land travel as there were neither flight nor ship available. Thus, the only way to travel was through Matnog, Sorsogon. One can only imagine the chaos that ensued during those initial weeks of assessment. Likewise, the Department of Agriculture (DA) required the submission of a proposed WFP for coconut rehabilitation for submission to DBM, a comprehensive assessment of the Typhoon damage has not been made yet. As things tune out, more than 10 million trees were lost in the ensuing disaster.

The P3.972 billion allocation was made and requested through that incomplete reporting system. A lower allocation of P2.8 billion was approved by year-end of

2013. Noticeably, the smallest proportion of the budget was provided for debris management (P186 million) with the notion that PCA would only assist in the cutting and processing of a target of 500 million trees and that the rest would be taken care of by the LGUs with the assistance of Non-Governmental Organizations (NGOs). The budgets for planting and intercropping were also reduced by half.

c. Conduct of clearing operations -

Initially, to address the immediate concerns of affected coconut farmers, debris management operations were made in the interior areas. However, sometime in February 2014, the President inspected the areas and was dismayed to see that there were no appreciable on-going cutting operations by the roadside. Thus, it was the start of the series of management change in the operational implementation of the YRRP. The Director of the Bureau of Fisheries and Aquatic Resources (BFAR) was instructed through DA Special Order No. 134, series of 2014, to take over the operations of the typhoon rehabilitation.

The PCA Governing Board subsequently passed Board Resolution No. 056-2014 approving the guidelines and procedures in the implementation of a 90-day focused intervention in selected municipalities including Tacloban City.

d. Change of oversight and leadership from the DA to OPAFSAM -

In May 2014, the PCA was transferred to the OPAFSAM and another series of operational systems were implemented including the constant amendment of the WFP, amendment of the coconut cutting system, introduction of additional layers to monitoring (which subsequently was scrapped), downloading to the LGUs (which further delayed procurement), the review of contracts which led to re-bidding and the like. There were also frequent changes of management at the lower level, the regional as well as the central monitoring group.

18.16 As a rejoinder, we acknowledged the difficulties encountered by PCA in the initial assessment or evaluation of the devastation on the coconut trees caused by Typhoon 'Yolanda.' However, had Management conducted review or re-assessment of the damages after the condition or situation in affected areas had normalized, system should have already been put in place to ensure that the activities and timelines of the rehabilitation projects are efficiently implemented and funds are properly allocated.

19. Splitting of contracts for the procurements of 10 units of farm tractors and 219,533 sets of assorted vegetable seeds packs amounting to P34.725 million under emergency mode resulted in forgone discounts on volume purchases and circumvented control measures contrary to Section 54.1 of the IRR of RA No. 9184 and COA Circular No. 76-41 dated July 30, 1976.

19.1 Section 54.1 of the IRR of RA No. 9184 provides terms and conditions for the use of alternative methods:

Splitting of Government contracts is not allowed. Splitting of government contract 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.

19.2 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.

19.3 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 is resorted to under several circumstances, 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.

19.4 Moreover, Section 23.5.1.3 of the same IRR and Act provides that:

The prospective bidder must have completed, within the period specified in the Invitation to Bid, a single contract that is similar to the contract to be bid, and whose value, xxx, must be at least fifty percent (50%) of the ABC.

19.5 The procurement for the 10 farm tractors was composed of two contracts awarded to FTPI. For the 219,533 assorted vegetable seeds packs (pinakbet seed), the procurement was composed of three contracts, two of which were awarded to Ramgo International Corporation (RIC) and one contract to University of the Philippines Los Baños Foundation, Inc. (UPLBFI). As regards the procurement of 667,750 cacao seedlings, it was also composed on two contracts awarded to Coronado's Farm Plant Nursery (CFPN).

19.6 The vegetable seeds and cacao seedlings were distributed to the farmers affected by Typhoon 'Yolanda' for intercropping/planting to provide food supply and mitigate hunger while the farm tractors were used to dispose felled coconut trees which were cut into lumber. The details of the procurement are summarized in Table 54.

Table 54 – Schedule of Procurement of Farm Tractors, Assorted Vegetable Seeds Packs and Cacao Seedlings

| Supplier | Purchase Request | | | Contract | Contract Date | Days Interval | Date of | | Unit Cost | Quantity | Cost |
|--|------------------|------------|----------|-----------------|---------------|---------------|----------|----------|-------------|----------|--------------|
| | Date | No. | Quantity | | | | NOA | NTP | | | |
| Farm Tractors | | | | | | | | | | | |
| FTPI | 01-28-14 | 3-0142A-14 | 10 | 1 st | 03-07-14 | - | 03-06-14 | 03-10-14 | P 2,390,000 | 5 | P 11,950,000 |
| | | | | 2 nd | 03-21-14 | 14 | - | 03-24-14 | 2,390,000 | 5 | 11,950,000 |
| | | | | | | | | | | | |
| Assorted Vegetable Seeds Packs (Pinakbet Seed) | | | | | | | | | | | |
| UPLBFI | 01-28-14 | 4-0209-14 | 219,533 | 1 st | 02-14-14 | - | 02-11-14 | 02-14-14 | 42.00 | 50,000 | 2,100,000 |
| | | | | 2 nd | 02-21-14 | 7 | 02-19-14 | 02-21-14 | 47.75 | 70,000 | 3,342,500 |
| | | | | 3 rd | 03-24-14 | 31 | 03-14-14 | 03-27-14 | 54.08* | 99,533 | 5,382,745 |
| | | | | | | | | | | 219,533 | 10,825,245 |
| | | | | | | | | | | | P 34,725,245 |

* difference is due to rounding off of actual unit cost - P54.08

** payments to supplier were made by RO No. VIII

19.7 As can be gleaned from Table 54, the total quantities of farm tractors and vegetable seeds were requested under one Purchase Request. However, the procurement of farm tractors was composed of two contracts, wherein the second contract was awarded after 14 days from execution of first contract. As to assorted vegetable seeds, there were three contracts awarded to two different suppliers where the dates of the first and second contracts have only seven days interval. For the third contract, it was awarded after 31 days from the second contract, but to the same supplier. 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.

19.8 The procurements of farm tractors and vegetable seeds either in the second or third contract cannot be considered as a repeat order since no public bidding was undertaken for the first contracts. It should be noted that:

- a. The five farm tractors procured under the second contract is 100 per cent of the first contract, thus exceeding the allowable limit of 25 per cent of the first contract by 75 per cent.
- b. The 70,000 sets of assorted seeds under the second contract was awarded to a different supplier, while 99,533 sets under third contract which was also awarded to the supplier of second contract is 42.19 per cent higher than that of the second contract. Also, the unit prices under the three contracts differed.

19.9 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.

19.10 We recommended that Management hold the concerned officials and employees 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 justifiable.

19.11 Management commented that there was no splitting of contracts in the procurement of 10 farm tractors and 219,533 sets/packs of assorted pinakbet seeds. All purchases were done thru negotiated procurement as allowed under emergency cases as provided for under Section 53.2 of the IRR of RA No. 9184 and GPPB Resolution No. 34-2013.

19.12 Management further explained that they opted to procure the 10 farm tractors in staggered basis due to the following reasons:

- a. Considering that all the areas for intercropping and coconut planting are not yet cleared from fallen coconut trees and other debris as the focus of the CTDU was concentrated initially in the Province of Leyte and RO No. VI and to facilitate land preparation of areas that have already been cleared for intercropping and coconut planting, the initial five units were purchased for RO No. VI and Province of Leyte. It must be stressed that the CTDU operation is the most complicated component of the YRRP because of the technical, logistics and manpower

requirements to accomplish the tasks. Thus, operational activities were prioritized on a per focused area;

b. There was apparent risks and security problem that may be encountered due to unavailability of infrastructures to serve as garage for the said farm tractors. Thus, procuring all the 10 farm tractors will cause big problem to Management on how to secure and utilize them as areas for land preparation were not yet fully cleared during that time and there were no available infrastructures, particularly in Samar provinces and Northwestern Leyte to serve as garage of the farm tractors; and

c. The additional five tractors were procured only after the assessment of the PCA ROs concerned that considerable areas have already been cleared and ready for land cultivation under intercropping and coconut planting. Other information on the availability of storage/garage for the tractors was also received to serve as basis for the procurement of the additional tractors.

19.13 With regard to the procurement of 219,533 assorted vegetable seeds packs, Management explained that it was also made in staggered basis in view of the following reasons:

a. Due to the urgency to immediately respond to the needs of the affected farming families and enhance food security as well as mitigating the hunger in the typhoon affected areas, the first 50,000 seeds sets were procured to benefit 25,000 individual farmers;

b. The unavailability of warehouse/storage facilities that can be rented out to temporarily store the vegetable seeds prior to distributions to the affected coconut farmer-recipients, risks of pilferages/losses as well as the readiness of the areas for the intercropping have tremendously affected their decision to procure the vegetable seeds on staggered deliveries, as the need arises;

c. Vegetable seeds must be stored in a place where these cannot absorb moisture as they could easily germinate especially when exposed to moisture;

d. During the aftermath of the typhoon, sourcing of vegetable seeds was difficult since all other assisting agencies recognized that the provisions of vegetable seeds are among the quick response actions that can be undertaken. A quick survey showed that the UPLBFI has ample supply of vegetable seeds, thus initial procurement was made therein;

e. In the ensuing days, weeks and months, when new areas for cultivation were available, the 169,533 seeds packs were procured. This time wider selection list of suppliers has been made available. The result of the second and third contracts were awarded to RIC; and

f. The procurement of vegetable seeds was cheaper and advantageous, although the prices *vis-à-vis* the weight of each type of seed is different. The prices differed because of weight contents and delivery points. The 50,000 seeds packs procured from UPLBFI have lesser weight and were delivered in CO, Quezon City while the 70,000 seeds packs from RIC have bigger weight and

were delivered in RO Nos. VI, Iloilo City and VIII, Tacloban City and the 99,533 seeds packs were delivered in CO, Quezon City. Details are shown in Table 55.

Table 55 – Prices and Weight of Vegetable Seeds

| Type of seed | Unit Price | | | Weight (in grams) | |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| | UPLBFI | | RIC | UPLBFI | RIC |
| | 1 st contract | 2 nd contract | 3 rd contract | 1 st contract | 2 nd & 3 rd contracts |
| Pole sitao | P 42.00 | P 54.08 | P 42.00 | 2.5 | 15.0 |
| Eggplant | | | | 0.2 | 1.5 |
| Squash | | | | 1.0 | 5.0 |
| Okra | | | | 2.5 | 15.0 |
| Ampalaya | | | | 1.0 | 3.0 |

19.14 As a rejoinder, the Audit Team acknowledged the necessity of farm tractors in the disposal and hauling of lumber produced from felled coconut trees and vegetable seeds would give benefits to the farmer-recipients since these are quick to sow and provide food sufficiency as harvests of the produce may take only for a few months. However, the Team maintains that since the total requirements or quantities were already determined, the procurement should have been consolidated for availing big discounts due to bulk purchases. The period of deliveries of goods should have been scheduled on staggered basis instead of splitting the procurements.

20. The delivery periods of coco “gro” fertilizers ranged from 60 days to 166 days, thus defeating the sense of urgency to warrant resorting to emergency mode of procurement of said agricultural input costing P87.630 million.

20.1 Section 53.2 of the 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.

20.2 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.

20.3 During CY 2014, fertilizers costing P87.630 million were procured and paid by PCA CO through emergency mode of procurement for the rehabilitation projects of areas affected by Typhoon Yolanda. These agricultural inputs consisted of 87,630 bags of coco “gro” fertilizers procured at Atlas Fertilizer Corporation with Contract date on February 24, 2014.

20.4 As shown in Table 56, the 87,630 bags of fertilizers were initially allocated to RO Nos. VI and VII to be delivered within April 1-30, 2014 or 30 days only from the NTP which was received on February 28, 2014 by the supplier. Subsequently, PCA in its letter dated March 31, 2014 amended the delivery period of 45,000 bags to RO Nos. VI, VII and VIII within April 1-30 and 42,630 bags to RO Nos. VI and VII within May 1-20, 2014 or the amended number of delivery period was for a total of 50 days. It appeared

that PCA followed the delivery dates proposed by the supplier. However, the actual delivery of 20,250 bags of fertilizer to RO Nos. VI, VII and VIII was from April 1 to 30, 2014. The second delivery of 17,764 bags was from May 1 to 20, 2014 while the last delivery of 49,616 bags from May 21, 2014 to September 13, 2014. Thus, the actual number of days of staggered delivery period ranged from 60 days to 166 days from the NTP, notwithstanding that the procurement was considered emergency in nature.

Table 56 – Delivery Periods per Agreement and Actual Delivery

| Region | Number of bags of fertilizers | | | | | | | | | |
|--------|-----------------------------------|---------------|---------------------------------------|---------------|---------------|-------------------------------|------------------|---------------|-------------------------|--------|
| | Delivery period per NTP/agreement | | | | | Actual delivery period | | | | |
| | Per NTP | | Amended per PCA letter dated 03/31/14 | | | Per Sales Order Packing Slips | | | No. of days of delivery | |
| | 04/01-30/14 | 04/01-30/14 | 05/01-20/14 | Total | 04/1-30/14 | 05/1-20/14 | 05/21-09/13/14** | Total | Amended | Actual |
| | | | | | | | | | | |
| VI | 60,690 | 5,000 | 21,320 | 26,320 | 7,300 | 14,474 | 4,546 | 26,320 | 50 | 86 |
| VII | 26,940 | 5,000 | 21,310 | 26,310 | 5,000 | 2,290 | 19,020 | 26,310 | 50 | 166 |
| VIII | - | 35,000 | - | 35,000 | 7,950 | 1,000 | 26,050 | 35,000 | 30 | 60 |
| | 87,630 | 45,000 | 42,630 | 87,630 | 20,250 | 17,764 | 49,616 | 87,630 | | |

** Date of last receipt: RO No. VI-6/25/14, RO No. VII-9/13/14 and RO No. VIII-5/30/14

20.5 Also, the supplier in its letter dated August 13, 2014 certified that the fertilizers were ready for pick-up at the supplier's warehouses on the dates shown in Table 57 and such availability of stocks was certified by the concerned PCA Regional Managers. The said dates are the completion dates of deliveries of fertilizers by the supplier since the agreement between PCA and supplier provides that the fertilizers should be picked up at the supplier's warehouses.

Table 57 – Periods the Fertilizers Ready for Pick-up at Supplier's Warehouses

| Date | No. of Bags | | | |
|----------------|---------------|---------------|---------------|---------------|
| | RO No. VI | RO No. VII | RO No. VIII | Total |
| April 2, 2014 | 630 | - | - | 630 |
| April 14, 2014 | 25,690 | - | - | 25,690 |
| April 30, 2014 | - | 5,000 | - | 5,000 |
| May 20, 2014 | - | 21,310 | - | 21,310 |
| May 28, 2014 | - | - | 35,000 | 35,000 |
| | 26,320 | 26,310 | 35,000 | 87,630 |

20.6 The agreed specific timeframe of staggered deliveries as well as the late withdrawal of fertilizers from supplier's warehouses indicated that the procurement was not an emergency case.

20.7 Had public bidding been conducted and had the earliest possible time for action on procurement activities been strictly observed, PCA would have been assured of obtaining a competitive cost.

20.8 **We recommended that Management meticulously and judiciously plan the delivery periods of the items to be procured, taking into consideration the emergency nature, if any, of the procurement.**

20.9 Management commented, among others, that the Port of Ormoc City was incapable of accepting large vessel, since it was also destroyed by Typhoon 'Yolanda.' Hence, the supplier was constrained to deliver the fertilizers in a staggered basis through loose cargo shipments. Also, transportation facilities in RO Nos. VI, VII and VIII were very limited at that time and were very difficult and costly to contract. This was because of the distance and condition of the roads as an aftermath of Typhoon 'Yolanda.' Moreover, the PCA ROs concerned have experienced difficulty in looking and contracting forwarding companies that can deliver the goods to the designated drop-off-points (DOPs) as the delivery also were alongside the massive deliveries of goods and services to the Typhoon 'Yolanda' affected areas by other National Government Agencies, NGOs and even private institutions working for the rehabilitation of the affected areas.

20.10 Likewise, delivery of fertilizers was held back due to impassable roads as most of the project sites were situated in remote areas and in island Municipalities of Cebu, where the only mode of transportation is motorized banca that could hardly load 100 bags of fertilizers. The unfavorable weather conditions also attributed further delays in transporting fertilizers due to the occurrence of tropical depressions/typhoons in March 2014, since sea vessels were prohibited to travel.

20.11 Management further explained that the procurement of said volume of fertilizers using the emergency measures was meant to expedite service delivery to the affected coconut farmers. However, there were unforeseen events and factors that were beyond their control that affected execution of their plan. Despite the problems encountered, the fertilizers were delivered and distributed to the farmers in time for the rainy season from June to September 2014 which was an ideal time for the application of fertilizers.

20.12 As a rejoinder, Management should have carefully planned the procurement activities taking into consideration the actual situation in February 2014 or three months after Typhoon 'Yolanda' when there were some roads still impassable and ports incapable for large vessels, making the deliveries difficult. Also, it seemed that Management did not consider that the best time for application of fertilizers into coconut trees is during rainy season, from June to September of the year. Thus, it appeared that the procurement was done in haste as it seemed to be not an emergency in nature.

21. There is no assurance that the 120,000 sets of assorted vegetable seeds packs costing P5.443 million procured in CY 2014 through emergency mode were of good quality due to absence of Certification from the National Seed Quality Control Services (NSQCS) of the Bureau of Plant Industry (BPI) that the suppliers are accredited seed growers and seeds have passed the quality test and standards.

21.1 Annex A of COA Circular No. 2012-003 dated October 29, 2012 enumerates cases that are considered irregular expenditures or uses of government funds, among which is Item 14.2, viz.:

14.2 Acceptance of seeds and other articles/goods without passing the required quality test by the responsible government entity such as the Bureau of Plant Industry, in case of seeds.

21.2 Item 1.1.5 of Administrative Order (AO) No. 10, series of 1994, dated August 29, 1994 issued by the DA states:

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

21.3 As discussed in the previous paragraphs, the 120,000 assorted vegetable seeds packs (pinakbet seed) amounting to P5.443 million were procured from UPLBFI and RIC and thru emergency mode of procurement and paid in the PCA CO.

21.4 Verification showed that there is no certification from the NSQCS of the BPI that the aforementioned suppliers are accredited vegetable seed growers/producers and that vegetable seeds delivered were certified/passed the quality testing standards. A copy of Certification from Philippine Seed Industry Association, Inc. dated January 20, 2014 that RIC is an agricultural company engaged in the importation, marketing and distribution of vegetable seed products sold to government and local farmers, among others, was submitted to the Audit Team instead of the Certification issued by BPI. As regards to the seeds supplied by UPLBFI, the contract showed that the seeds were sourced from the Institute of Plant Breeding, Crop Science Cluster under the UPLB College of Agriculture (UPLB-CA).

21.5 Absence of the Certification from BPI casts doubt on the quality of the vegetable seeds which may result in low germination.

21.6 We recommended that Management submit for audit purposes the Certifications from NSQCS of the BPI that the suppliers are accredited seed growers/producers and vegetable seeds delivered have passed the required quality standards.

21.7 Management submitted copy of Certification dated January 22, 2014 issued by BPI that RIC is an accredited supplier/dealer of locally produced and imported seeds in the Philippines. Also, Management submitted copy of letters of even dates issued by BPI on the results of laboratory analyses conducted by NSQCS which showed germination rates of the seeds ranged from 89 per cent to 99 per cent. Details are shown in Table 58.

Table 58 – Results of Laboratory Analyses Conducted by NSQCS on the Seeds

| Type of seed | Lot No. | Weight (in kilograms) | Germination Rate (%) | Date Tested |
|------------------------|----------------|-----------------------|----------------------|-------------|
| Squash Rizalina | SR ALR 18397 | 250.00 | 99 | 07/30/13 |
| Okra-Smooth Green | OSG ALR 19236 | 123.19 | 89 | 11/21/13 |
| Ampalaya-Sta. Isabelle | ASI JAN 201308 | 250.00 | 98 | 10/14/13 |
| Pole Sitao-Sandigan | PSS ALR 19128 | 500.00 | 96 | 11/21/13 |
| Eggplant | ECLP JANN 3274 | 230.00 | 90 | 11/21/13 |

21.8 In addition, Management informed that germination tests were conducted by RO Nos. VII and VIII which showed that the seeds are comparatively good having an average germination rate of 85.93 per cent as shown in Table 59.

Table 59 - Germination Tests conducted by RO Nos. VII and VIII

| Type of seed | Germination Rate (%) | | Average |
|---------------------|-----------------------------|--------------------|----------------|
| | RO No. VII | RO No. VIII | |
| Pole sitao | 90.00 | 85.00 | 87.50 |
| Eggplant | 60.00 | 88.89 | 74.45 |
| Squash | 80.00 | 86.67 | 83.34 |
| Okra | 95.00 | 92.00 | 93.50 |
| Ampalaya | 90.00 | 91.67 | 90.84 |
| Average | 83.00 | 88.85 | 85.93 |

21.9 As a rejoinder, the Certification dated January 22, 2014 that RIC is an accredited supplier/distributor of locally produced and imported seeds was issued by BPI as bidding requirement of the DBM. Therefore, it appeared that the said Certification was not intended for PCA; nevertheless, it showed that RIC has an accreditation with the BPI as a seed supplier.

21.10 With regard to seeds which were sampled for laboratory analyses conducted by NSQCS with germination rates shown in Table 58 which ranged from 89 per cent to 99 per cent, the Audit Team, however, could not ascertain whether the seeds delivered by RIC to PCA were part of the sample lots. The Team could not validate the lot numbers, since these were not indicated or shown in the delivery receipts or sales invoices nor any documents for the procurement of 70,000 vegetable seeds packs from RIC. Likewise, the germination tests conducted by RO Nos. VII and VIII, albeit showed that the seeds were suitable for planting for these have an average germination rate of 85.93 per cent, but could not provide assurance that the seeds were of good quality since the tests should have been undertaken by NSQCS, being the sole government agency required to conduct seed testing.

21.11 On the other hand, the 50,000 vegetable seeds packs from UPLBFI, although supplied by UPLB-CA should have also passed the quality testing of NSQCS to be assured of good quality.

YRRP - CY 2015 Audit -

22. Full evaluation of the implementation of the YRRP could not be easily undertaken in view of absence of Fund Utilization Report (FUR) and Detailed AcRs while inter-fund transfers of YRRP funds to finance non-YRRP projects totaling P395.546 million, deprived the beneficiaries of the timely assistance and benefits due them, and consequently, contributed to the delay in the attainment of the objectives of YRRP.

22.1 As discussed in Paragraph 18.1 that the YRRP Fund in the amount of P2.869 billion, was covered by SARO No. F-13-01327 dated December 27, 2013 and it had a balance in the amount of P1.880 billion as at December 31, 2014, details of which are shown in Table 48.

22.2 The said SARO provides:

The allotments herein authorized shall be used solely for the purposes indicated and disbursements therefrom shall be made in accordance with existing budgeting, accounting and auditing rules and regulations. It is the primary responsibility of the head of the xxx to keep expenditures within the limits of the amount allotted.

Absence of FUR and Detailed AcRs -

22.3 As shown in Table 46, the timelines for the implementation of the first three of the four YRRP projects covered the period December 2013 to December 2014, while the Fertilization project would start in January 2014, however, the targeted completion date was not disclosed. On the other hand, the latest available WFP for YRRP reprogrammed fund of P1.585 billion, which was approved by the PCA Governing Board on February 27, 2014, per Board Resolution (BR) No. 040-2015, showed that the covering period for all YRRP projects would be for CY 2015. In view of the data inconsistencies in the implementation period and reprogrammed fund, the Audit Team obtained a copy of 2015 Performance Agreement, which was executed, pursuant to the Performance Evaluation System for the Government-Owned and Controlled Corporation (GOCC) Sector, between the Governance Commission for GOCCs (GCG) and PCA. Albeit unsigned by PCA, the said Agreement, which was transmitted by GCG to the Office of the Presidential Assistance for Food Security and Agricultural Modernization (OPAFSAM) and the PCA on August 10, 2015, was published in the PCA website. As stated under the Strategic Initiative 1 of Strategic Initiatives Profile or Annex B of the said Agreement, the budget of YRRP amounted to P1.584 billion while the latest targeted completion date would be in December 2015 for the identified activities under the CY 2015 YRRP milestones, as summarized in Table 60.

Table 60 – CY 2015 YRRP Milestones

| Activities | Timeline | | Status* |
|--|----------|----------|-----------------------------|
| | Start | End | |
| 1. Mapping of remaining damaged areas (after CY 2014 CTDU) | January | March | Done |
| 1.1 Listing of farmer-beneficiaries | | | |
| 1.2 Review of action plan | | | |
| 1.3 Clearing operation | | | |
| 1.4 Conduct of training on Integrated Rhino Beetle Control Program | | | |
| 1.5 Establishment of log trap to designated areas | | | |
| 2. Management of the Rehabilitation Program | April | December | On-going |
| 2.1 Planting/replanting | | | |
| 2.2 Coconut fertilization | | | |
| 2.3 Coconut intercropping and animal dispersal | | | |
| 2.4 Conduct of appropriate training | | | |
| 3. Procurement of agri-inputs | April | December | Prepared supplemental APP** |
| 4. Delivery of inputs to farmers | April | December | On-going |
| 5. Monitoring and evaluation | April | December | On-going |

* unknown date but could be as at date of the Performance Agreement Negotiation, which was on May 5, 2015, or as at date of transmittal of CY 2015 Performance Agreement, which was on August 10, 2015

** Annual Procurement Plan

22.4 On the other hand, the CY 2015 PCA Performance Scorecard or Annex A of the aforementioned Agreement disclosed targets for the completion of the YRRP interventions while a CY 2015 Monitoring Report of Performance Targets, which was

also downloaded from the website of PCA, showed the corresponding accomplishments. Comparison of targets and accomplishments disclosed variances, as shown in Table 61.

Table 61 – CY 2015 YRRP Targets and Accomplishments

| Measure | Unit of Measure | Target | Accomplishment | Variance | |
|---|-----------------|--------|----------------|-------------|----------|
| | | | | Figure | Per cent |
| a. Intercropping and livestock integration | hectare (ha.) | 40,000 | 22,612.16 | (17,387.84) | (43.47) |
| b. Fertilization | ha. | 22,322 | 2,879.30 | (19,442.70) | (87.10) |
| c. Biological control (biocontrol) agents applied | kg. | 7,000 | 15,635 | 8,635 | 123.36 |

22.5 Review of records further disclosed the following:

a. Comparison between the reported CY 2014 YRRP fund balance of P1.880 billion and the: (i) reprogrammed fund of P1,584.616 million, per BR No. 040-2015 and per CY 2015 Performance Agreement; (ii) reprogrammed fund of P1,880.280 million, per CY 2015 COB; and (iii) cash balance of P1,886.173 million, net of payables, per CY 2014 YRRP Trial Balance (TB), showed unaccounted differences of P295.716 million; P51,967; and P5.840 million, respectively, thus casting doubt on the validity and accuracy of the reported balances.

b. No CY 2015 YRRP FUR was submitted, despite repeated requests of the Audit Team for Management to submit a report on actual expenditures/utilization per project *vis-a-vis* CY 2015 COB with analysis on the variance thereof. Absence of CY 2015 YRRP FUR precluded the Audit Team from fully evaluating the financial performance *vis-a-vis* the physical accomplishments of the YRRP projects.

c. Comparison of the fertilizers supplies expense reported in the YRRP TB, between CY 2014 and CY 2015 disclosed that the cost of fertilizer per tree was significantly higher in CY 2014 than that in CY 2015 by P72.39 or a total higher cost of P187.152 million for 2,585,500 trees, as shown in Table 62. Had PCA incurred fertilizers at P0.91 per tree in CY 2014, a total amount of P2.353 million would have been spent only instead of P189.505 million. It appeared, thus, that the implementation of fertilization project in CY 2014 was not economical compared to that in CY 2015.

Table 62 – Comparison of Cost of Fertilizers in CYs 2014 and 2015

| Particulars | | CY 2014 | CY 2015 | Decrease |
|---|---------------|---------------|-----------|---------------|
| No. of trees fertilized* | (a) | 2,585,500 | 287,930 | 2,297,570 |
| Total cost of fertilizers | (b) | P 189,504,900 | P 260,895 | P 189,244,005 |
| Cost of fertilizer/tree | (c)=(b)/(a) | 73.30 | 0.91 | 72.39 |
| Total cost of fertilizers at P0.91/tree | (d)=(a)xP0.91 | 2,352,805 | | |
| Difference | (e)=(b)-(d) | 187,152,095 | | |

* 100 trees per hectare

d. On the contrary, comparison of cost of fertilization project between the actual fund utilization in CY 2014 and the remaining fund balance to be utilized in CY 2015 *vis-a-vis* actual number of trees fertilized in CY 2014 and targeted number of trees to be fertilized in CY 2015 disclosed that the targeted cost per tree for CY 2015 was significantly higher than the cost per tree actually incurred in CY 2014, as shown in Table 63. Although the realignment, per BR No. 040-

2015, had reduced the targeted cost to P183.33 per tree, the second realignment had increased the total targeted cost to P467.781 million and consequently, increased the targeted cost per tree to P209.56, which is still significantly higher than the actual cost incurred in CY 2014. There was no information to justify the said inconsistency and the increased targeted cost, hence, an indication that planning, including cost allocation of projects, was not properly undertaken by PCA, thereby tainting the efficient and economical performance in implementing the YRRP.

Table 63 – Comparison of Cost of Fertilization Project in CYs 2014 and 2015

| | CY 2014 | CY 2015 realignment | | | Increase/ (Decrease) | | |
|--|---------------|---------------------|---------------|---------------|----------------------|---------------|---------------|
| | | Prior to | 1st | 2nd | Prior to | 1st | 2nd |
| Actual no. of trees fertilized | 2,585,500 | | | | | | |
| Targeted no. of trees to be fertilized | | 2,232,200 | 2,232,200 | 2,232,200 | (353,300) | (353,300) | (353,300) |
| Actual utilization | P 247,784,096 | | | | | | |
| Remaining fund balance | | P 482,499,170 | P 409,230,567 | P 467,780,567 | P 234,715,074 | P 161,446,471 | P 219,996,471 |
| Actual cost | 95.84 | | | | | | |
| Targeted cost per tree | | 216.15 | 183.33 | 209.56 | 120.31 | 87.49 | 113.72 |

e. The remaining number of damaged trees with chances of recovery of 23.562 million as at December 31, 2014 was reduced only by 1.22 per cent or 287,930 actual number of trees fertilized in CY 2015. It is worthy to mention that there were only 2.232 million targeted trees to be fertilized in CY 2015 or 9.47 per cent of the remaining number of trees with chances of recovery as at December 31, 2014. Consequently, as at December 31, 2015, there were only a total of 2.873 million trees fertilized, representing 10.99 per cent of 26.147 million total number of damaged trees with chances of recovery, as assessed in CY 2013. Table 64 showed the number of damaged trees *vis-a-vis* number of trees fertilized in CYs 2014 and 2015. Notwithstanding the absence of information as to the status of recovery of the fertilized trees, non-application of fertilizers to the remaining 89.01 per cent of damaged trees poses risk of low survival rate, thus, rendering the fertilization project ineffective.

Table 64 – Number of Damaged Trees *vis-a-vis* number of Trees Fertilized in CYs 2014 and 2015

| Particulars | Number of trees | Per cent | |
|---|-----------------|----------|--------|
| | | (a) | (b) |
| Damaged trees with chances of recovery | 26,147,288 | 100.00 | |
| Less: Fertilized in CY 2014 | 2,585,500 | 9.89 | |
| Remaining unfertilized, damaged trees with chance of recovery | 23,561,788 | | 100.00 |
| Targeted to be fertilized in CY 2015 | 2,232,200 | | 9.47 |
| Fertilized in CY 2015 | 287,930 | 1.10 | 1.22 |
| Fertilized in CYs 2014-2015 | 2,873,430 | 10.99 | |

(a) Number of trees fertilized / Number of damaged trees with chances of recovery

(b) Targeted/actual number of trees fertilized in CY 2015 / Remaining number of unfertilized, damaged trees with chance of recovery

f. Monitoring Report of Performance Targets has no supporting details to ascertain the extent of activities accomplished as at December 31, 2015. It should be noted that Management did not submit a quarterly accomplishment report, despite the recommendation of the Audit Team for the submission of the same, per AOM No. 2015-014 dated September 30, 2015.

g. Comparison of targets between Monitoring Report of Performance Targets and Performance Agreement disclosed discrepancies of 692 and 10,000 has. for intercropping and livestock integration and fertilization projects, respectively, which cast doubt on the accuracy and validity of the Monitoring Report. Table 65 shows the aforementioned discrepancies.

**Table 65 – Comparison of Targets
between Monitoring Report of Performance Targets and Performance Agreement**

| | Per Monitoring Report of Performance Targets | | | | | Per Performance Agreement | Difference |
|---|--|--------|-------|--------|--------|---------------------------------|------------|
| | Quarter | | | | Total | | |
| | 1st | 2nd | 3rd | 4th | | | |
| a. Intercropping and livestock integration (in ha.) | 0 | 5,000 | 0 | 34,308 | 39,308 | 40,000 | 692 |
| b. Fertilization (in ha.) | 0 | 10,000 | 0 | 22,322 | 32,322 | 22,322 | (10,000) |
| c. Biocontrol agents applied (in kg.) | 1,750 | 1,750 | 1,750 | 1,750 | 7,000 | 7,000 | 0 |

h. It could not be ascertained whether the activity, “Establishment of log trap to designated areas”, stated under the Strategic Initiative 1 of Strategic Initiatives Profile or Annex B of the Performance Agreement, includes application of biocontrol agents, as mentioned under Performance Scorecard or Annex A of Performance Agreement and Monitoring Report of Performance Agreement, as there was no information thereon. It appeared that there exists an inconsistency between documents, thus, casting doubt on its accuracy and validity.

Utilization of YRRP funds for non-YRRP projects –

22.6 The P2.867 billion YRRP fund received from DBM, through the BTr, was placed by PCA in a separate LBP bank account, which was opened and maintained for YRRP purposes. As at December 31, 2015, the outstanding cash balance of YRRP fund amounted to P961.233 million.

22.7 Audit of the utilization of the YRRP fund revealed that, during CY 2015, YRRP fund aggregating to P395.546 million was transferred to Agency’s Corporate Fund bank account, details of which is summarized in Table 66.

Table 66 – Summary of Transfers from YRRP Fund to Corporate Fund in CY 2015

| Month | JEV No. | Date of letter of authority to LBP | Purpose of transfer | Amount |
|-----------|-----------------|------------------------------------|--|----------------------|
| July | 503-1507-052A-Y | 07/28/15 | To cover 50 per cent of the cost of fertilizers, in view of the Agency’s implementation of the catch-up plan and the non-release of Notice of Cash Allocation (NCA) by the DBM for CY 2015 locally-funded projects | P 145,546,104 |
| September | 503-1509-065Y | 09/24/15 | For the implementation of locally-funded projects | 250,000,000 |
| | | | | P 395,546,104 |

22.8 Management in its letter-reply dated March 17, 2016 explained that the decision to borrow from the YRRP fund was made to prevent the depletion of the working fund in view of the non-release of NCA by the DBM in addition to the previously-released amount of P70.750 million, as the fund level then was still high. Moreover, Management

informed that DBM reiterated the “One Fund Concept” and insisted that the total available fund be utilized by PCA for project implementation. Management further explained that the PCA Governing Board had already approved the procurement of fertilizers, hence, the need to pay the procurement agent, to which P93.549 million of the total amount would be sourced out from the YRRP fund. Also, Management signified intent to return all its borrowings from YRRP fund once an NCA from unfunded SAROs has been received from DBM, which, however, remained unrealized, as at audit date.

22.9 Said inter-fund transfers, however, deprived the beneficiaries of the timely assistance and benefits from the YRRP projects due them, thereby, delaying the attainment of the objectives of the YRRP.

22.10 Notwithstanding the above-cited observations, it was also observed that each fund transfer was:

- a. Neither covered with a DV but instead directly recorded under JEV and supported with a letter of then PCA Administrator and Chief of Collection and Disbursement Division to the Manager of LBP, authorizing the latter of the transfer; and
- b. Nor approved by the PCA Governing Board, being primary responsible for the governance of PCA.

22.11 Management commented that the transactions were merely fund transfers and not a disbursement for settlement of obligation or payment of expenses. On the other hand, the approval by the Governing Board for the aforesaid procurement did not include the approval for the fund source. As such, the fund transfers were considered unauthorized.

22.12 **We recommended that Management direct the:**

- a. **Operations Branch to fast track the implementation of YRRP projects and activities, and submit annual AcR for YRRP and justifications for the following:**
 - a.1 **Higher cost of fertilizer per tree actually incurred in CY 2014 as compared to that in CY 2015;**
 - a.2 **Higher targeted cost of fertilizer per tree for CY 2015;**
 - a.3 **Low targeted and actual number of trees fertilized in CY 2015 and as at December 31, 2015;**
 - a.4 **Discrepancies between Monitoring Report of Performance Targets and Performance Agreement for the targeted number of hectares benefited by the intercropping and livestock integration and fertilization projects;**
 - a.5 **Inconsistency of Strategic Initiative 1 of Strategic Initiatives Profile or Annex B of the Performance Agreement with the**

Performance Scorecard or Annex A of Performance Agreement and Monitoring Report of Performance Agreement; and

b. Finance Department to:

b.1 Submit FUR for YRRP;

b.2 Reconcile the noted differences between the reported CY 2014 YRRP fund balance of P1,880.332 million and the reprogrammed funds of P1,584.616 million per BR No. 040-2015, P1,880.280 million per CY 2015 COB and cash balance of P1,886.173 million per CY 2014 YRRP TB;

b.3 Submit justification on the inter-fund transfers without approval from the Governing Board; and

b.4 Ensure that all fund disbursements are covered with duly certified and approved DVs.

22.13 No Management comment had been received as at June 17, 2016, the agreed extension date of submission of comments and the date of preparation of this AAR.

23. Affected farmers of the Typhoon ‘Yolanda’ in the municipalities of Northern Cebu had not been paid of total benefits/incentives of P13.741 million due to late submission of the Inspection and Evaluation Reports, tedious claims review processing, and lack of personnel, thereby, defeating the objectives of the YRRP.

23.1 In the pursuit of the immediate rehabilitation and recovery of areas affected by Typhoon ‘Yolanda’ in the Visayas Regions and to ensure that affected coconut farmers will have an alternative source of livelihood and to make sure that food security and sufficiency would soon be stabilized in their areas, PCA implemented YRRP, which component projects include the following:

a. Coconut replanting involves the replacement of totally damaged coconut trees through grant-in-kind and labor assistance of P3,000 per hectare;

b. Intercropping aims to augment income of coconut farmers, enhance food supply and mitigate hunger. Intercropping shall be implemented in newly planted or replanted coconut farms using short gestation; and

c. Coconut fertilization involves rehabilitation of slightly, moderately and severely damaged coconut trees, with relatively high chances of recovery, thru the application of appropriate inorganic coconut fertilizers and labor assistance of P2,500 per hectare.

23.2 Review on the extent of implementation of the component projects in 17 typhoon-affected municipalities in Region VII disclosed that there were still claims by participating coconut farmers from different municipalities in northern Cebu that were not yet paid or granted the monetary rewards or incentives due them as their claims are still under process in RO No. VII or in Cebu PrO, as the case may be. Of the 51 claims/payrolls

totalling P23.055 million, under the different YRRP component projects submitted for processing during CY 2014 by the different municipalities, only 18 or 35 per cent of the 51 claims/payrolls were completed and paid amounting to P9.314 million, thus leaving an unpaid balance of P13.741 million as at year-end, as listed under Table 67.

Table 67 – List of Municipalities with Unpaid Claims/Incentives to Farmers

| Municipality | YRRP component project | | | Total |
|---------------------|-------------------------------|-----------------------------|---------------------------|---------------------|
| | Coconut fertilization | Banana intercropping | Coconut replanting | |
| Bantayan | - | P 193,000 | P 572,970 | P 765,970 |
| Madridejos | - | 678,325 | 349,950 | 1,028,275 |
| Sta. Fe | - | 340,000 | 297,840 | 637,840 |
| Pilar | - | 330,000 | 138,000 | 468,000 |
| Poros | - | 543,750 | 50,370 | 594,120 |
| San Francisco | - | 705,750 | 57,630 | 694,455 |
| Tudela | - | - | 54,000 | 759,750 |
| Bogo City | - | - | 120,000 | 120,000 |
| Borbon | - | 598,750 | 60,000 | 658,750 |
| Catmon | - | 997,750 | 57,600 | 1,055,350 |
| Daanbantayan | P 1,666,675 | 2,138,175 | 296,220 | 4,101,070 |
| Medellin | - | - | 123,780 | 123,780 |
| San Remegio | - | 261,500 | 210,000 | 471,500 |
| Sogod | - | 221,425 | 57,600 | 279,025 |
| Tabogon | - | 598,875 | 120,000 | 718,875 |
| Tabuelan | - | 152,500 | 135,000 | 287,500 |
| Tuburan | - | 876,475 | 100,200 | 976,675 |
| | P 1,666,675 | P 9,273,100 | P 2,801,160 | P 13,740,935 |

23.3 The non-payment of benefits to farmers is attributed to the following:

- a. Late submission by the Coconut Development Officers (CDOs) of the Inspection and Evaluation Reports to the PrO for review and preparation of required documents necessary for payment;
- b. Tedious process in the review of claims by the Cebu PrO, Technical and Accounting staff, and
- c. Lack of personnel.

23.4 It is noteworthy to mention that the different project schemes were completed by the typhoon-affected coconut farmers in CY 2014, which is more than a year already.

23.5 The foregoing condition deprived the farmers of the benefits due them and likewise defeating the objectives of the YRRP which is to ensure that affected coconut farmers will immediately have an alternative source of livelihood and to make sure that food security and sufficiency would soon be stabilized in their areas.

23.6 **We recommended that Management:**

- a. **Require the CDOs to submit immediately to the Cebu PrO the required Inspection and Evaluation Report;**

b. Require the Cebu PrO and RO No. VII concerned personnel to fast track the processing of claims; and

c. Hire additional job order personnel and assign them in Cebu PrO to assist in the processing of claims.

23.7 Management acknowledged the value of the audit observation as well as the recommendations as they find the same as vital to their operations. However, Management explained that:

a. On coconut fertilization: Review of the technical documents showed numerous discrepancies/deficiencies that need to be complied by the concerned CDO, who is also handling regular projects other than YRRP. Nevertheless, as at February 2016, P1.244 million had already been paid out of the unpaid balance of P1.667 million;

b. On banana intercropping and coconut replanting: Payment could not be made in CY 2014 as funds were downloaded to the RO only in October 2015 and the vouchers were forwarded to the RO only in December 2015 due to lack of personnel who are responsible for document preparation at the PrO level and the delayed submission thereof by the Contractual CDOs. As at February 2016, about 50 per cent of the unpaid incentives and 7.5 per cent of unpaid labor assistance for banana intercropping and coconut replanting, respectively, have already been settled; and

c. As regards hiring of additional personnel, a request for authority to hire YRRP additional personnel had already been prepared especially that the bulk of inputs to be delivered for CY 2016 will be twice the allocation made in CY 2014.

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24. The existence and transfer of accountability of the chemical pesticides, materials, and tools/equipment totalling P62.123 million could not be ascertained in view of: (a) absence of a certification by the agency head to the effect that the work has been performed in accordance with contract's terms and duly inspected and accepted, (b) inconsistencies on the dates between that in the certificates and reports of inspection and acceptance, (c) absence of notification of the scheduled deliveries, contrary to COA Circular No. 96-010 dated August 15,1996, and (d) absence of proof of transfer of accountability, thereby casting doubt as to whether the quantity of items procured were utilized according to their intended purpose.

24.1 An undated contract, which was notarized on June 26, 2014, was entered into by and between PCA and Leads Agricultural Products Corporation (LAPC, for brevity) for the procurement of chemical pesticides stipulated, among others, that payment to the supplier shall be made only upon a certification by the HOPE to the effect that the work has been performed in accordance with the terms of the Contract and has been duly inspected and accepted.

24.2 Payment to LAPC was not, however, supported with a certification by the Head of the Procuring Entity (HOPE) to the effect that the work has been performed in accordance with the terms of the Contract. Further, while the corresponding Certificates of Acceptance and Inspection (CAIs) were issued by authorized officials of PROs for the purpose, no document was presented that the authority to issue the CAIs was already delegated by the HOPE.

24.3 Item A.2 of COA Circular No. 96-010 dated August 15, 1996 requires notification to the Audit Team that:

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

24.4 The Audit Team was not at all notified of the scheduled deliveries of 1,300 cartons of chemical pesticides costing P37.700 million, contrary to Item A.2 of COA Circular No. 96-010 dated August 15, 1996. Hence, the existence of the items delivered could not be ascertained.

24.5 Also, inconsistencies were noted in the actual delivery dates stated in the Inspection and Acceptance Reports (IARs) and/or CAIs for 850 cartons of chemical pesticides received by the PCA valued at P24.650 million (850 x P29,000/carton) out of the total cost of P37.700 million. Apparently, the IARs and/or CAIs were issued one to three days prior to the date of actual receipt of goods. The errors cast doubt as to whether the said chemical pesticides were actually received and applied to the scale-infested coconut trees.

24.6 On the other hand, Section 11 of PCA MC No. 5, series of 2014, dated June 20, 2014 provides that:

It shall be understood that in the treatment protocol particularly leaf pruning and trunk injection operations, the Service Provider shall contract the farmers or skilled operators.

24.7 Likewise, as stated in Protocols A and A.1, the procedures in the conduct of insecticide treatment include those listed in Table 68.

Table 68 – Excerpt of Procedures in the Application of Chemical Insecticides

| Procedure | To be conducted by |
|---|---------------------------|
| Mix the formulated product (25g in 200 ml water good for 5 trees) | Service provider |
| Insert the nozzle of the syringe into the holes and apply the chemical solution | BBW*/farmer |

* Barangay-based worker

24.8 Another undated contract, which was also notarized on June 26, 2014, was entered into by and between PCA and the Philippine Association of Certified Pesticide Applicators Inc. (PACPA), as the service provider for the supply of skilled labor, technicians, tools, auxiliary equipment, supervision and trainings with contract costs of P37.700 million and P116.480 million, respectively, or a total of P154.180 million for the field treatment of about 1.3 million CSI-infested trees.

24.9 Review of records disclosed that there was no document presented on the transfer of accountability for said insecticides from issuance thereof by PCA to PACPA and eventually to BBWs/farmers. Further, the forms prescribed under PCA MC No. 5 dated June 20, 2014 only accounts for the quantity of treated trees and amounts paid to BBW/farmers, among others. There was no information as to the actual quantity of chemicals applied to the infested trees, thereby casting doubt as to whether the total quantity of items procured were utilized according to their intended purpose.

24.10 Moreover, Section 9.2 of Revised Documentary Requirements for Common Government Transactions, as prescribed under COA Circular No. 2012-001 dated June 14, 2012, provides for the basic requirements common to all purchases under alternative mode, which includes the IAR signed “Inspected by” by the authorized agency inspector and signed “Accepted by” by the authorized end-user to whom the item was delivered.

24.11 Section 1(c) of the contract dated June 26, 2014 entered into by and between PCA and PACPA provides that among the documents that formed part of the contract was the submitted proposal of the supplier. Under Annex A of the said document, PACPA proposed to provide various materials and tools/equipment with a total cost of P24.423 million, as shown in Table 69.

Table 69 – Composition of materials and tools/equipment as proposed by PACPA

| Item | Quantity | Unit Cost | Total Cost |
|---|-----------------|------------------|---------------------|
| Manual hand drills | 1,300 | P 1,200 | P 1,560,000 |
| Drill bits measuring 3/8 to ½ inch | 26,000 | 600 | 15,600,000 |
| Safety harness | 800 | 1,500 | 1,200,000 |
| Scythe | 1,000 | 1,000 | 1,000,000 |
| Bamboo poles | 1,000 | 1,000 | 1,000,000 |
| Safety goggles | 1,200 | 100 | 120,000 |
| Dust mask with active carbon | 1,200 | 50 | 60,000 |
| Safety gloves | 1,200 | 100 | 120,000 |
| 40ml. syringes | 10,000 | 50 | 500,000 |
| 0.25m ½ inch hoses | 156,000 | 5 | 780,000 |
| 2.5 gallons water containers for pesticides | 120 | 100 | 12,000 |
| 2.5 gallons water containers for drinking water | 120 | 100 | 12,000 |
| Paint brushes for marking trees | 1,200 | 24.75 | 29,700 |
| Paint brushes for marking trees | 1,200 | 24.75 | 29,700 |
| Gallons of enamel paint for marking trees | 4,000 | 600 | 2,400,000 |
| | | | P 24,423,400 |

24.12 However, no IAR was issued to acknowledge receipt/existence of said items and whether the specifications of which were in accordance with the proposal and acceptable quality. In the letter dated June 15, 2015 of PCA in response to the letter dated May 27, 2015 of the Audit Team, it was informed that the contract did not require for the conduct of inspection and acceptance of materials and tools/equipment procured by the supplier. But Section 5 of the contract states that:

The SUPPLIER agrees to furnish the PCA all such documents, data and information as may be necessary arising from the delivery and receipts of the services by PCA as may be required, for the purpose of monitoring and ensuring that deliveries and acceptance have been complied with in accordance with the Protocol and with the terms and conditions of the Contract to the satisfaction of all parties and to facilitate the timely

payment of the Contract Price or part thereof due and demandable thereon;

24.13 Said provision was not, therefore, enforced. As such, it could not be established whether the materials and tools/equipment valued at P24.423 million, which represented 20.97 per cent of the contract cost of P116.480 million, were actually provided by PACPA. Hence, validity of payment made to PACPA was considered doubtful.

24.14 We recommended that Management:

- a. Direct the concerned personnel to: (i) submit a justification for the incomplete compliance with the provisions of the contract and of COA Circular No. 96-010 dated August 15, 1996; (ii) reconcile the inconsistencies between the IAR and CAI; and (iii) obtain proof of procurement made by PACPA on the materials and tools / equipment provided to PCA;**
- b. Impose disciplinary actions to all concerned who had been remiss in the discharge of their duties; and**
- c. Henceforth, ensure strict compliance with Item A.2 of COA Circular No. 96-010 dated August 15, 1996.**

24.15 Management submitted copies of 26 Acknowledgment Receipts (AkRs) signed by PACPA representatives to acknowledge receipt from Batangas-Cavite PO of 575 boxes of chemical pesticides costing P16.675 million.

24.16 As a rejoinder, a total of 1,300 cartons/boxes of chemical pesticides amounting to P37.700 million were procured and received by PCA from LAPC based on the issued CAIs and IARs. Thus, there appeared to be a discrepancy of 725 cartons (1,300-575) that were unissued to PACPA, thereby, unaccounted for. Further, of the 1,300 cartons, only 350 cartons were received by Batangas-Cavite PrO, based on the IARs and CAIs issued by the PCDM thereat. But the 575 boxes/cartons issued by the same PrO to PACPA exceeded the 350 cartons received by the former from the supplier by 225 cartons. In view of the foregoing and of the other observations that were not commented on, our recommendations herein remain.

25. The efficient, effective, and economic 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 P116.480 million in view of: (a) only a few number of targeted farmers/workers were provided with trainings; (b) specifications/ quantity of hand drills and syringes of P17.660 million were not in accordance with the protocols while the specifications of other materials and tools/equipment of P5.899 million were not indicated in the proposal; and (c) materials and tools/equipment of P24.348 million were unaccounted for.

25.1 The budgetary requirement of PACPA for the supply of skilled labor, technicians, tools, auxiliary equipment, and trainings to undertake field treatment of about 1.3 million CSI-infested trees amounted to P116.480 million, as shown in Table 70.

**Table 70 – Composition of the Contract Cost Based on
1.3 Million Targeted Number of Trees**

| | Rate per tree | Total amount |
|---|----------------------|----------------------|
| Farmer/BBW (average rate) | P 50 | P 65,000,000 |
| Pest Control Operator | 10 | 13,000,000 |
| PACPA – inclusive of the following expenditures: | 20 | 26,000,000 |
| Materials and tools/equipment | P 24,423,400 | |
| Project coordination and management* | 1,576,000 | |
| Contract cost, exclusive of expanded value added tax (EVAT) | 80 | 104,000,000 |
| EVAT (12 per cent x contract cost) | 9.60 | 12,480,000 |
| | P 89.60 | P 116,480,000 |

* Computed by deducting the cost of materials and tools/equipment of P24,423,400 from the total cost allocated to PACPA of P26,000,000

Only a few number of targeted farmers/workers were provided with trainings -

25.2 Section 10 of the PCA MC No. 05 dated June 20, 2014 states that trainings shall be coordinated with the PCA and/or the service provider.

25.3 One of the documents that formed part of the contract with PACPA, as per Section 1(c) thereof, was its submitted proposal. Under the Scope of Work of the said document, it was stated that:

Training will be conducted to ensure that all are informed on the procedures on tree preparation and trunk injection. The PCA personnel shall preside on the training on tree preparation while the Supervisor shall be in charge of lecturing on the trunk injection phase of the work. Training will be conducted as follows:

- Training will be made at the PCA Provincial field office for the Province in order for the PCA personnel and the Supervisors to be familiar with the Project. This will also enable the Supervisor to be acquainted with his PCA counterpart; and,*
- Training will be conducted prior to the start of work on a Barangay or whenever new farmers or barangay based workers [BBWs] are hired.*

25.4 The cost specifically allocated for training expenses was not, however, disclosed in the said document. Nonetheless, the conduct of training is essential in the successful implementation of the contract, particularly on the treatment of CSI-infested trees.

25.5 The AcR for the CY 2014 showed that a total of 8,745 affected coconut farmers had been benefited by the treatment operations while 27,134 BBWs had been paid for the services rendered thereon. In the letter dated May 27, 2015 of the Audit Team to Management, documents were requested to be provided such as AcRs and/or supporting attendance sheets as proof of actual conduct of trainings, field orientation, action planning sessions, briefings, as well as, establishment of farm field schools.

25.6 Despite the commitment of Management, the aforesaid documents were not provided to the Audit Team. Hence, a review was conducted instead on the 29

attendance sheets attached to DV No. 503-1506-1538 in the net amount of P5.066 million, covering payment of the retention fee to PACPA. The following are the audit exceptions noted:

- a. Five (5) activities for the briefing on CSI infestation and control protocols
 - Conducted by PCA, PACPA, and a chemical supplier, on June 9-19, 2014, or at least seven days prior to June 26, 2014 or the date of issuance of NTP and notarization of contract with PACPA;
 - Conducted only in 12 barangays in the Province of Laguna instead of in every affected barangay of respective provinces; and
 - Attended, among others, by 58 participants, whose respective participation in the CSIEAP were not clearly identified.
- b. Coconut-based farmer field school
 - One (1) activity was conducted on June 9, 2014, or 17 days prior to June 26, 2014 or the issuance date of NTP and contract notarization date with PACPA and held in Pitogo, Quezon;
 - Three (3) activities, which were conducted sometime on July 1-15, 2014, were held only in Perez, Quezon;
 - Attended by a total of 219 participants, whose respective participation in the CSIEAP were not clearly identified; and
 - Topics discussed and speakers in the said activities were not disclosed in any of the enclosed documents.
- c. Twelve (12) activities for the information dissemination of CSI (Scale Insect Comprehensive Action Program)
 - Conducted on June 4-20, 2014, or at least six days prior to June 26, 2014 or the date of issuance of NTP and notarization of contract with PACPA and held only in 10 barangays in Pitogo, Quezon;
 - Two (2) activities, which were conducted sometime on July 7-20, 2014, were held only in two barangays in Macalelon, Quezon; and
 - Attended, among others, by a total of 36 participants, whose respective participations in the CSIEAP were not clearly identified.
- d. One (1) regular meeting, which agenda was not disclosed and conducted on July 14, 2014 in Barangay San Vicente, Macalelon, Quezon, was attended only by 16 participants, whose participation in the CSIEAP were not clearly identified.

e. Seven (7) unidentified activities were attended only by a total of 170 participants. Of which, four activities were conducted sometime on May 18-24, 2013 and on May 7-15, 2014, which were more than a year and 42-50 days, respectively, prior to June 26, 2014 or the date of issuance of NTP and notarization of contract with PACPA. Three other activities were undated.

25.7 Based on the aforementioned observations, notwithstanding that there were activities which were conducted prior to the start of the contract implementation, the actual number of participants did not even approximate the number of farm workers and BBWs disclosed in the AcR. As such, accepting the training services of PACPA as completed is considered of doubtful validity.

Specifications/quantity of hand drills and syringes proposed by supplier costing P17.660 million were not in accordance with the protocols while the specifications of other materials and tools/equipment costing P5.899 million were not indicated in the proposal –

25.8 Items II.b(1) to (4) of Protocols A and A.1 state that:

- (1) The climber shall drill 2 holes, of about 100 mm in depth, into the trunk at xxx at 45 angle using a battery-operated hand drill. Xxx Use a hand drill with 3/8" bit, about ½ inch in diameter and 5" in length.*
- (2) The climber shall insert the nozzle of the syringe into the holes and apply the 20ml chemical solution per hole.*
- (3) The climber shall remove the plunger of the syringe and let the solution drip until fully delivered. Remove the barrel of the syringe but leave the nozzle on the trunk. Close the nozzle.*
- (4) The service provider shall mark the treated trees with white paint around the trunk xxx (using a 3" paintbrush). Xxx. (Underlining supplied)*

25.9 Comparison of the quantities and specifications of the materials and tools/equipment proposed, as shown in Table 71, with that stated in the Protocols disclosed discrepancies/inconsistencies accumulating to P23.559 million.

25.10 While the protocols did not specifically state that 2.6 million units of 20 ml. syringes would be used, the same suggests that the ratio of syringe per tree would have to be 2:1 as one syringe would be used per hole for the two holes drilled per tree. What remains of the syringe after treatment would have been considered useless and could no longer be reused to another tree since its nozzle would be left on the trunk after removing its barrel. Hence, 2.6 million units (1.3 million x 2 units) of syringes would have to be used instead of 10,000 units or a discrepancy of 2.590 million units to treat a targeted number of 1.3 million CSI-infested trees. On the contrary, the proposed 40ml. capacity of a syringe was twice the capacity for a 20ml chemical solution requirement,

which cost must be lower than that of the former, thereby the cost difference per unit is considered an unnecessary expense.

Table 71 – Comparison of Quantities and Specifications of Selected Materials and Tools/Equipment as Proposed by the Supplier *vis-à-vis* that Prescribed in the Protocol

| Per supplier | Per protocols | Total cost |
|--|--------------------------------------|---------------------|
| I. Specifications not in accordance with the Protocols | | |
| Manual hand drills | Battery-operated hand drill | P 1,560,000 |
| Drill bits measuring 3/8 to 1/2 inch | 3/8" bit | 15,600,000 |
| 10,000 units of 40ml. syringes | 2.6 million units of 20 ml. syringes | 500,000 |
| | | 17,660,000 |
| II. Specifications of the supplier unknown <i>vis-à-vis</i> that in the protocols | | |
| Paint brushes for marking trees | 3" paintbrush | 59,400 |
| Gallons of enamel paint for marking trees | White paint | 2,400,000 |
| III. Specifications of the supplier unknown for items not found in the protocols | | |
| Safety harness | | 1,200,000 |
| Scythe | - | 1,000,000 |
| Bamboo poles | - | 1,000,000 |
| Safety goggles | - | 120,000 |
| Safety gloves | - | 120,000 |
| | | 5,899,400 |
| | | P 23,559,400 |

25.11 Similarly situated was the drill bit size which should have been 3/8" only instead of 3/8 to 1/2 inch. On the other hand, the manual hand drills, instead of battery-operated ones, were provided, which must have made the work of the BBWs/farmers harder and longer for a measly actual fee of P40 only per tree. It should be noted also that drilling of trunk and injection take about 30 minutes based on the protocol, which specifically requires the use of battery-operated hand drills.

25.12 Further, there were other materials and tools/equipment included in the proposal of PACPA, as shown in the preceding table, which specifications were not disclosed with total amount of P5.899 million, hence, cost reasonableness of which could not be ascertained.

25.13 The aforementioned discrepancies and omission are indications of inadequate, if not lack of, evaluation of materials and tools/equipment proposed by the supplier *vis-à-vis* the protocols/quality standards, thereby, resulting in possible wastage of government funds.

Materials and tools/equipment with total cost of P24.348 million were unaccounted for -

25.14 The contract for the field treatment of CSI-infested trees was executed by and between PCA and PACPA for the latter to supply not only the skilled labor, technicians, supervision, and trainings, but also tools and auxiliary equipment. Further, Sections 7, 12, and 13 of the same contract state that:

7. xxx Five (5%) percent [sic] of the amount of each payment shall be retained by the Procuring Entity to cover the Supplier's warranty obligations under this Contract. The retention money shall be released

upon certification of the head of the Procuring Entity to the effect that the SUPPLIER has fulfilled its obligations under this contract.

12. All tools, auxiliary equipment and materials shall be turned over to PCA upon the completion of this project.

13. If the SUPPLIER fails to satisfactorily perform the work within the period and in accordance with the terms of the Contract, PCA shall, without prejudice to its other remedies under applicable law, deduct from the Contract Price, as liquidated damages, the applicable rate of one tenth (1/10) of one percent (1%) of the cost of the unperformed portion for every day of delay until actual delivery or performance. The maximum deduction shall be ten percent (10%) of the amount of the Contract. Once the maximum is reached, the PCA shall rescind the Contract on the ground of default and/or non-performance, without prejudice to the other causes of action and remedies available to it. (Underlining supplied)

25.15 The retention fee in the amount of P5.066 million, which was previously deducted from the progress billings, was released to PACPA on June 26, 2015, per DV No. 503-1506-1538 and Check No. 1351841. Thus, total payments, inclusive of retention fee, made to PACPA amounted to P94.982 million, net of e-VAT. The completed treatment was approved and confirmed by the PCA Governing Board on September 10, 2014, per Board Resolution No. 106-2014. It was only six months thereafter or on March 11, 2015 that RO No. IV-A received from PACPA, through the Property Division of CO, various materials and tools/equipment, which when compared with the proposed items disclosed discrepancies accumulating to P24.348 million, as summarized in Table 72.

**Table 72 – Comparison of Materials and Tool/Equipment Turned Over
vis-à-vis that Proposed by the Supplier**

| Item | Quantity | | Difference | |
|---|-------------|-------------|------------|---------------------|
| | As proposed | As returned | Quantity | Total cost |
| Manual hand drills | 1,300 | - | 1,300 | P 1,560,000 |
| Drill bits measuring 3/8 to 1/2 inch | 26,000 | 121 | 25,879 | 15,527,400 |
| Safety harness | 800 | - | 800 | 1,200,000 |
| Scythe | 1,000 | - | 1,000 | 1,000,000 |
| Bamboo poles | 1,000 | - | 1,000 | 1,000,000 |
| Safety goggles | 1,200 | - | 1,200 | 120,000 |
| Dust mask with active carbon | 1,200 | 48 | 1,152 | 57,600 |
| Safety gloves | 1,200 | - | 1,200 | 120,000 |
| 40 ml. syringes | 10,000 | - | 10,000 | 500,000 |
| 0.25m 1/2 inch hoses | 156,000 | - | 156,000 | 780,000 |
| 2.5 gallons water containers for pesticides | 120 | - | 120 | 12,000 |
| 2.5 gallons water containers for drinking water | 120 | - | 120 | 12,000 |
| Paint brushes for marking trees | 1,200 | - | 1,200 | 29,700 |
| Paint brushes for marking trees | 1,200 | - | 1,200 | 29,700 |
| Gallons of enamel paint for marking trees | 4,000 | - | 4,000 | 2,400,000 |
| Bit brace (manual hand drill)* | - | 136 | (136) | - |
| Modified bit brace (t-wrench type)* | - | 50 | (50) | - |
| | | | | P 24,348,400 |

* Not found in the list of proposed tools/equipment

25.16 As the materials and tools/equipment were not inspected and accepted by PCA when the same were procured/provided by PACPA, the former should have, at least, demanded from the latter the immediate return of/turnover, and should have accounted

all of said items or empty containers, if any, thereof prior to the release of the retention fee. Consequently, such omission was contrary to the provisions of the contract.

25.17 We recommended that Management:

- a. Submit a duly-supported justification as to why the services of PACPA were accepted as completed and payment was thereafter made thereto despite the noted deficiencies/inconsistencies; and**
- b. Conduct an investigation and hold liable all officers and employees who had been remiss in the discharge of their duties.**

25.18 Management commented that the requirement for an outsource entity for the treatment of the CSI in the CALABAZON area is necessitated by several factors, which include the following:

- a. Treatment will entail a wide area of coverage, encompassing several municipalities and provinces under diverse terrain and weather conditions;
- b. The detailed scope of work is also considerable as it will involve procurement, immediate hiring of supervisors, training, consultation with stakeholders, treatment and monitoring of infested areas in four provinces given a very limited timeline; and
- c. PCA cannot be burdened further with attending to the multiple functions of treatment and monitoring of the CSI infested areas by hiring and supervising field personnel tasked with the leaf pruning and trunk injection.

25.19 Management further commented that the Agency during the time, and pursuant to EO No. 169, has taken cognizance that there is an urgent need to locate an outsource firm to conduct treatment to address the widespread treatment operations. Thus, the mode of procurement was made through negotiated bidding. The contract scope by itself is pioneering considering the areas to be covered and the timelines that need to be adhered to. It may be emphasized that there were improvements and adjustments made to fast track operational efficiency which the outsourced firm made. This includes the shift of use from manual treatment to use of generator set to further hasten trunk injection.

25.20 In addition, Management submitted documents supporting turnover of the equipment used by PACPA in the operations. Accordingly, they have also informed the firm of the need to return to PCA the remaining expandable materials, if any. As regards trainings, Management explained that actual trainings were conducted on-site for greater efficiency and practicality considering that the treatment period stipulated in the contract was limited only to 60 days.

25.21 As a rejoinder, the necessity for contracting with an outsourcing entity and considering the same as pioneering in scope do not justify giving leeway to the service provider in undertaking its services without due regard whether or not the same were in accordance with the provisions of the contract. Moreover, the turnover documents submitted by PACPA were exactly the same set of documents evaluated by the Audit Team, the result of which was already discussed in the preceding paragraphs and

presented in Table 73 hereof. Further, while we acknowledge that the on-site conduct of trainings is more efficient and practical, said activities were either not documented or tainted with documentary deficiencies/inconsistencies. Furthermore, other observations such as non-compliance with the protocol as to technical specifications of materials and tools/equipment were not at all addressed by the Management. Thus, we maintain our recommendation that Management conduct an investigation and hold liable all personnel who had been remiss in the discharge of their duties.

Table 73 – Reported Number of Treated Trees

| I. Leaf Pruned | | | | | | | | | | |
|-----------------------|------------------|-------------------------------------|--------------------------------|------------------|-------------------|----------------|---------------|---------------|---------------|-----------------|
| | Per AcR | Per Certification of RO IV-A | Per Accounting Division | Per PACPA | Difference | | | | | |
| | (a) | (b) | (c) | (d) | (e)=(a) - (b) | (f)=(a) - (c) | (g)=(a) - (d) | (h)=(b) - (c) | (i)=(b) - (d) | (j)=(c) - (d) |
| Batangas | 531,200 | 531,298 | 517,742 | 531,298 | (98) | 13,458 | (98) | 13,556 | - | (13,556) |
| Cavite | 114,727 | 114,727 | 111,949 | 114,727 | - | 2,778 | - | 2,778 | - | (2,778) |
| Laguna | 252,000 | 251,906 | 233,508 | 251,906 | 94 | 18,492 | 94 | 18,398 | - | (18,398) |
| Quezon | 433,252 | 432,317 | 408,419 | 432,961 | 935 | 24,833 | 291 | 23,898 | (644) | (24,542) |
| CALABAZON* | 45,259 | - | - | - | 45,259 | 45,259 | 45,259 | - | - | - |
| | 1,376,438 | 1,330,248 | 1,271,618 | 1,330,892 | 46,190 | 104,820 | 45,546 | 58,630 | (644) | (59,274) |

| II. Trunk Injected | | | | | | | | | | |
|---------------------------|------------------|-------------------------------------|--------------------------------|------------------|-------------------|---------------|---------------|---------------|---------------|-----------------|
| | Per AcR | Per Certification of RO IV-A | Per Accounting Division | Per PACPA | Difference | | | | | |
| | (a) | (b) | (c) | (d) | (e)=(a) - (b) | (f)=(a) - (c) | (g)=(a) - (d) | (h)=(b) - (c) | (i)=(b) - (d) | (j)=(c) - (d) |
| Batangas | 531,200 | 531,298 | 523,344 | 531,298 | (98) | 7,856 | (98) | 7,954 | - | (7,954) |
| Cavite | 114,727 | 114,727 | 116,051 | 114,727 | - | (1,324) | - | (1,324) | - | 1,324 |
| Laguna | 252,000 | 251,906 | 233,723 | 251,906 | 94 | 18,277 | 94 | 18,183 | - | (18,183) |
| Quezon | 433,252 | 432,317 | 426,625 | 432,961 | 935 | 6,627 | 291 | 5,692 | (644) | (6,336) |
| CALABAZON* | 17,349 | - | - | - | 17,349 | 17,349 | 17,349 | - | - | - |
| | 1,348,528 | 1,330,248 | 1,299,743 | 1,330,892 | 18,280 | 48,785 | 17,636 | 30,505 | (644) | (31,149) |

* Buffer zone

26. Efficiency and effectiveness of the chemical treatment on CSI-infested trees could not be established due to the discrepancy in the reported number of treated trees between AcRs and billings, among others, as well as, absence of proof of assessment on the effect after treatment.

Discrepancy in the number of treated trees ranged from 644 to 48,785 between the AcRs, billings, and summary of payments, among others -

26.1 Examination of documents revealed that the reported number of treated trees in Cavite, Laguna, Batangas, and Quezon (CALABAZON) areas varied between that in the AcR of CSIEAP Task Force and OPAFSAM Operations, certification of accomplishment of RO No. IV-A, summary of payments of Accounting Division, and billing statement of PACPA. Variances ranged from 644 to 48,785 trees particularly for trunk injected trees, as shown in Table 73 above.

26.2 Further review showed that the number of treated trees reported in the summary of payments did not tally with that in the DVs and in the IPs, all of which were prepared

and maintained by the Accounting Division. Variances ranged from 245 to 99,059, as shown in Table 74.

Table 74 – Number of Treated Trees, as Reported by Accounting Division

| | Per summary (a) | Per DVs (b) | Per IP (c) | (d)=(a)-(b) | Difference (e)=(a)-(c) | (f)=(b)-(c) |
|----------------|--------------------|----------------|---------------|-------------|---------------------------|-------------|
| Leaf pruned | 1,271,618 | 1,271,012 | 1,370,071 | 606 | (98,453) | (99,059) |
| Trunk injected | 1,299,743 | 1,299,988 | 1,370,071 | (245) | (70,328) | (70,083) |

26.3 The aforementioned inaccuracies and inconsistencies, thus, cast doubt on the reliability and validity of records and reports maintained by PCA.

There appeared to be a deviation from the dosage of chemicals prescribed in the protocol for the treatment of CSI-infested trees, which could have rendered the treatment less effective -

26.4 The protocols recommended the application of 5 grams (g) of systemic insecticide, through trunk injection, per one CSI-infested tree. Hence, to treat the targeted number of 1.3 million CSI-infested trees, PCA procured 6.5 million g (1.3 million x 5g) or 260,000 sachets (at 25g per sachet divided by 5 trees x 1.3 million) of pesticides for the total cost of P37.700 million.

26.5 Except for the records of the Accounting Division, different trunk injections of 1,330,248, 1,330,892, and 1,348,528 trees (Table 73) were reported in CALABAZON areas, which figures exceeded the 1.3 million targeted number of trees to be treated with 6.5 million grams of procured chemical pesticides by 30,248, 30,892, and 48,528 trees, respectively. As such, 6.5 million grams of chemical pesticides were distributed to as many as 1,348,528 trees, such as that reported in the AcR, resulting in a ratio of 4.82g instead of 5g per tree, thereby deviating from the protocol and could have rendered the treatment less effective. It should be noted that the reported treatment effectivity rate of CSI-infested trees was only 89.11 per cent (1,186,242 recovered trees over 1,331,179 treated trees), per accomplishment report, thus, short of 10.89 per cent which could be caused by the aforementioned deviation from the protocol.

Effectiveness of the insecticides on the CSI mitigation could not be established as there was no proof of monitoring/assessment made on its effects on the infected coconut trees within 30 and 60 days after treatment -

26.6 The general and specific protocols for the area-wide control of the CSI provide, among others, that the population of CSI will be monitored 30 and 60 days after treatment (DAT) to assess the need for follow-up treatment and the impact of the treatment, respectively. Also, the letters inviting the suppliers to submit proposals require, among others, that the warranty should be 90 days visible sign of recovery.

26.7 Likewise, Sections 11 and 8 of respective contracts with LAPC and PACPA provide, among others, that the supplier warrants full compliance with the Protocol and

terms and conditions of the contract. Should it be established that coconut tree(s) already injected with insecticide show(s) no sign of improvement due to non-compliance with the protocol, the same treatment shall be repeated at no cost to PCA. Further, under Section 8 of the contract with PACPA, said repeated treatment shall, in no case, exceed 30 days from receipt of notice from PCA.

26.8 Examination of CSI Treatment Operations Monitoring (CTOM) forms filled up and signed by the farm owners, as well as, representatives of PACPA, PCA, and LGU, disclosed that the exact date of treatment for each activity, particularly, pruning and chopping, trunk injection, and spraying could not be ascertained as usually, period covered instead of specific date was indicated thereon for each of the activities undertaken in the treatment.

26.9 For instance, it was noted that the earliest treatment date was for the period June 21, 2014 to July 3, 2014 covering the pruning/chopping and trunk injection of the respective bases of 2,637 coconut trees. As such, the actual date of, say, trunk injection and, likewise, the supposed 30 and 60 DAT monitoring date could not be ascertained. Granting, however, that the treatment was made on July 3, 2014 or the last day of the period June 21, 2014 to July 3, 2014, monitoring of 30 and 60 DAT would have been set on August 2, 2014 and September 2, 2014, respectively. However, there was no monitoring report 30 and 60 DAT that was provided to the Audit Team. Thus, absence of which is an indication that monitoring may not have been conducted at all.

26.10 On the other hand, the AcR as at December 31, 2014 disclosed the quantity of treated trees vis-à-vis quantity of recovered trees or trees with significantly reduced CSI population due to treatment, as summarized in Table 75.

Table 75 - Number of Treated Trees vis-à-vis Number of Recovered Trees or Infested Trees with Significantly Reduced CSI Population due to Treatment

| Province | Treated* (a) | Recovered* (b) | Difference | |
|----------|------------------|-------------------|---------------------|-------------------------------|
| | | | Qty. (c)=(a)-(b) | Per cent (d)=[(c)/(a)x100] |
| Batangas | 531,200 | 487,415 | 43,785 | 8.24 |
| Cavite | 114,727 | 108,264 | 6,463 | 5.63 |
| Laguna | 252,000 | 178,646 | 73,354 | 29.11 |
| Quezon | 433,252 | 411,917 | 21,335 | 4.92 |
| | 1,331,179 | 1,186,242 | 144,937 | 10.89 |

* excluding buffer zone

26.11 Without prejudice to the effect of other observations discussed hereof, perusal of the data presented in Table 75 showed that the percentage of trees which CSIs were not significantly reduced had ranged from 4.92 to 29.11 per cent. As such, there was no information provided as to the cause thereof like non-compliance with the protocol so as to warrant a follow-up treatment without cost to the PCA.

26.12 The absence of monitoring/assessment report 30 and 60 DAT had caused PCA to lose the opportunity of ascertaining immediately the effectiveness of the treatment and to avail of the cost-free follow-up treatment provided in the contract.

26.13 **We recommended that Management submit the following:**

- a. Reconciliation report on the discrepancies noted in the reported number of treated trees; and**
- b. Proof of monitoring/assessment made on the effects of chemical treatment on the CSI-infested trees within 30 and 60 days after treatment, otherwise, submit a justification for the non-conduct of the aforementioned activities.**

26.14 Management commented that there was no deviation from the protocol on the recommended application rate of 5g of systemic insecticide through trunk injection. As projected, a total of 1.3 million trees were treated with the procured chemicals. Indeed, the billings of PACPA were more than 1.3 million trees or an excess of about 33,000 trees. The additional treatment was an adjustment to the implementation plan of prioritizing the buffer zones to prevent further spread. The chemicals used for this adjustment were in addition to the original 260,000 sachets delivered. Management also submitted a Rapid Ground Assessment as its proof of the success of the treatment operations.

26.15 As a rejoinder, there was no proof presented that procurement was made in addition to the 260,000 sachets of chemical pesticides previously procured as the same was neither disclosed in the CY 2014 AcR nor recorded in the books. Further, granting that there was indeed additional procurement of chemicals for the treatment of the excess number of trees from the targeted 1.3 million CSI-infested trees to be treated, it, however, runs counter to the explanation of Management that only 1.3 million trees were targeted to be treated to maintain the ecological balance with the biological control agents. On the other hand, the Rapid Ground Assessment submitted did not provide for the proof of monitoring/assessment made on the effects of treatment on the CSI-infested trees within 30 and 60 days after treatment, hence, our recommendation on the same remains.

27. Monitoring and evaluation of actual treatment period rendered by the service provider *vis-a-vis* the approved work plan could not be established in view of the absence of report on the outcome thereof, thus, resulting in inadequate/inaccurate basis for granting an extension period of 10 days and computation of liquidated damages of P14,980, thereby depriving the PCA from recovering the correct equivalent monetary compensation as a result of unnecessary delay.

Daily and weekly monitoring of number of treated trees could not be ascertained in view of the absence of report and evaluation thereon vis-à-vis the work plan of the service provider and filled up CTOM forms –

27.1 Sections 13 and 14 of PCA MC No. 05, series of 2014, dated June 20, 2014 provide that:

13. Reporting on the number of trees treated, xxx shall be made on a daily basis thru Short Messaging System (SMS) or text transmittal to the Command Center at PCA Central Office through the PCDM [Provincial Coconut Development Manager] and the RM [Regional Manager]. Daily and weekly reports shall then be consolidated for submission to the Administrator. Three telephone lines shall be assigned to facilitate daily submission of reports from field personnel.

14. Reporting shall be done on a weekly basis using the attached monitoring form (CTOM) Form 1 xxx. The field personnel shall submit their daily report to be consolidated and submitted by their respective PCDM to the regional office every Friday. The regional office shall consolidate all provincial reports and shall submit to the Field Operations Branch on a weekly basis. Similarly, the weekly consolidated reports shall then be submitted to the Office of the Administrator.

27.2 One of the documents which formed part of the contract entered into by and between PCA and PACPA was the Work Schedule. Examination showed that instead of a Work Schedule, Work Plan was among the documents submitted by Management to the Audit Team. Its attached untitled document disclosed that there were a total of 1,237,060 projected number of trees to be treated for eight weeks at six days per week or a total of 48 days, as summarized in Table 76.

Table 76 – Projected Number of Trees to be Treated in 48 days

| Week | No. of Days (a) | Projected Number of Trees | |
|--------------|--------------------|---------------------------|-----------------------------|
| | | Per Day (b) | Per Week (c) = (a) x (b) |
| 1 | 6 | 10,000 | 60,000 |
| 2 | 6 | 20,000 | 120,000 |
| 3 | 6 | 30,000 | 180,000 |
| 4 | 6 | 29,235 | 175,412* |
| 5 | 6 | 29,235 | 175,412* |
| 6 | 6 | 29,235 | 175,412* |
| 7 | 6 | 29,235 | 175,412* |
| 8 | 6 | 29,235 | 175,412* |
| Total | 48 | 206,175 | 1,237,060 |

* + 2 trees

27.3 Notwithstanding the discrepancy between the contract and the aforementioned untitled document as to the total number of trees to be treated and the total treatment days, the PCA reported that 1,376,438 and 1,348,528 CSI-infested trees in CALABAZON were leaf pruned and trunk injected, respectively, under the CSIEAP as at December 31, 2014 (Table 73). On May 27, 2015, the Audit Team requested submission of documents relevant to CSIEAP, among which were the proof of reporting made on a daily basis through Short Messaging System (SMS) duly supported by consolidated daily and weekly reports. In response, PCA requested, in its letter dated June 15, 2015, that the requested documents be submitted a week after as they were collating the voluminous documentary requirements on quarantine measures. But said documents remained unsubmitted as at audit date.

27.4 On October 2, 2015, the Audit Team issued Audit Query Memorandum (AQM) No. 2015-02(CSIEAP) inquiring on whether a report or any document of similar nature, was prepared to show that the reported number of treated trees as provided for in the daily and weekly monitoring reports were in accordance with the Work Plan, as well as, filled up CTOM forms; and respective references were made on the CTOM filled up forms in the preparation and validation of the daily and weekly monitoring reports. Management, however, did not respond to the said AQM.

27.5 Consequently, absence of the aforementioned documents is not only contrary to the provisions of PCA MC No. 05 dated June 20, 2014 but also cast doubt on the existence thereof, which is an indication of inadequate monitoring, particularly on whether the actual treatment schedule was in accordance with the Work Plan.

Inadequate basis of granting the extension period to PACPA -

27.6 In its unsigned one-page letter dated August 22, 2014, PACPA requested from PCA for an extension period of 10 days citing the weather disturbances as the cause of the delay in the treatment of CSI-infested trees. In the said request, reference was made on the periodic report dated August 1, 2014 and on Weather Situation Report of the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAG-ASA), which was not, however, provided to the Audit Team.

27.7 Moreover, in the Memorandum dated August 22, 2014 of the then Acting Attorney VI of PCA Legal Affairs Services, he correctly stated that the 60-day contract between PCA and PACPA calls for the treatment commencing June 27, 2014 but he erroneously cited August 27, 2014 as the ending date or 62nd day from June 27, 2014. Nonetheless, he opined that the aforementioned request was with merit and, thus, could be granted. He further quoted provisions on force majeure under Section 18 of the General Conditions of the Contract (GCC) which, accordingly, formed part of the agreed contract. The copy of the contract submitted to the Audit Team was, however, neither supported with a copy of the GCC nor mentioned any explicit provision that the GCC was among the documents that formed part thereof.

27.8 In a letter dated August 22, 2014, the PCA Administrator informed PACPA of the approval of the request for a 10-day extension of treatment. However, the said letter stated September 6, 2014 instead of September 4, 2014 as the 10th day of the extension period from August 25, 2014.

27.9 Hence, the Audit Team issued AQM No. 2015-01(CSIEAP) dated October 2, 2015 inquiring on whether the aforementioned inconsistencies had been corrected and on whether PCA granted PACPA with an additional extension period of treatment, duly supported with pertinent documents including copies of the following: GCC duly signed by PCA and PACPA, Periodic Report of PACPA dated August 1, 2014; Weather Situation Report of PAG-ASA, and signed letter of PACPA dated August 22, 2014. Said query and requested documents, however, remained unanswered and unsubmitted, respectively, to the Audit Team.

27.10 Notwithstanding the effect of doubtful existence and validity of the requested documents, it should be noted that PCA was not able to provide a proof that consolidated daily and weekly reports have been prepared and have been in accordance

with the Work Plan and duly supported with filled up CTOM forms. Hence, to grant PACPA the extension period without evaluating first whether actual treatment schedule was in accordance with the Work Plan prior to the typhoon period, would be premature, and therefore short of basis.

Erroneous computation of liquidated damages -

27.11 Section 68 of the IRR of RA No. 9184 provides:

All contracts executed in accordance with the Act and this IRR shall contain a provision on liquidated damages which shall be payable by the contractor in case of breach thereof. For the procurement of goods, xxx, the amount of the liquidated damages shall be at least equal to one-tenth of one percent (0.1%) of the cost of the unperformed portion for every day of delay. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount of the contract, the procuring entity shall rescind the contract, without prejudice to other courses of action and remedies open to it. (Underlining supplied)

27.12 Sections 1 and 2 of the contract with PACPA state that:

1. *The following shall form part of this Contract: Xxx; j. Work Schedule*
2. *The **SUPPLIER** shall perform the Work in accordance with the Work Schedule prescribed within Sixty (60) days from the receipt by PACPA of the Notice to Proceed.*

27.13 Also, Section 13 of the contract provides that the PCA shall deduct from the contract price the liquidated damages computed for every day of delay until actual delivery or performance.

27.14 The NTP dated June 26, 2014 stated that the delivery of the services under the contract shall commence immediately upon receipt by PACPA thereof, which was on June 27, 2014.

27.15 Liquidated damages accumulating to P14,980 were deducted from the progress payments made to PACPA. Computation was based on the cut-off date of September 10, 2014, which did not coincide with the extension end date of September 6, 2014 approved by the PCA Administrator but with the date of the approval and confirmation by the Governing Board of the completed treatment of PACPA, per Board Resolution No. 106-2014 dated September 10, 2014.

27.16 Notwithstanding the inconsistency, liquidated damages should have been determined starting on June 28, 2014 or the day after the onset of the treatment of June 27, 2014 considering that PACPA proposed a Work Plan showing how many trees are targeted to be treated on a daily, as well as, weekly basis. Such proposal formed part of the contract agreed by and between the parties involved. The Accounting Division should have used the consolidated daily and weekly reports *vis-a-vis* the Work Plan as basis in computing the amount of liquidated damages that would have been charged

against the progress billings of PACPA, otherwise, computation would be erroneous and amount of liquidated damages would be incorrect.

27.17 We recommended that Management submit the following:

- a. Recomputation of liquidated damages and proof of demand/collection of the amount of difference, should it be established that PACPA was undercharged of the liquidated damages; and**
- b. Duly supported report and evaluation on the number of treated trees *vis-à-vis* the work plan of the service provider and filled up CTOM forms.**

27.18 We also recommended that Management hold liable the concerned personnel who had been remiss in the performance of their duties.

27.19 Management commented that the complex operations necessitated several adjustments over the plan submitted by PACPA during the bidding, which primarily should be considered as indicative to guide operations. Needless to say, the stipulated number of coconut trees was treated within the 60-day period with negligible slippage brought about by the effects of typhoon “Glenda.” An extension was sought and liquidated damages, computed after the extension period, was also collected from PACPA.

27.20 As a rejoinder, PACPA had already anticipated the obstacles in the implementation of the contract and formulated solutions thereof as laid out in its Action Plan, which was among those documents that were included in its submitted proposal and formed part of the contract. In view of the foregoing, the other observations that were not commented on and duly justified by Management, and absence of valid documents as bases for the correct computation of liquidated damages, our recommendations herein remain.

28. Presenting the same CSI Treatment Operations Monitoring (CTOM) Form 1 twice resulted in double payment of claims by at least P232,120 while some documents were found out to be of dubious validity, which are indications that review of documents was not properly conducted, thereby resulting in wastage of government funds.

28.1 Section 28 of the NGAS Manual, Volume I, provides for the basic requirements applicable to all types of disbursements, among which are existence of a valid obligation certified by the Chief Accountant/Head of Accounting Unit; legality of transactions and conformity with laws, rules and regulations; and the submission of proper evidence to establish the claim.

28.2 Provided as annexes of PCA MC No. 05, series of 2014, dated June 20, 2014 were CTOM Form 1 and Acknowledgment Receipts (AkRs) which are used to monitor and control treatment operations of CSI-infested trees and payment of replacement income of participating barangay-based workers (BBWs), respectively.

28.3 Said MC also provides for the guidelines and procedures for the payment of services in the CSI treatment operations. Section B of which states that:

The billing documents submitted by the service provider to the PCA Central Office for payment shall be properly reviewed by the authorized PCA representative of the municipality where the CSI treatment had been done xxx. The billing documents shall be supported by the following: xxx
3. *Acknowledgment Receipt of Laborer (Witness by PCA Authorized representative in the Municipal.)*

28.4 Further, Section C(1) and (2) of said MC required the review of the documentary requirements supporting billings received from PACPA, as follows:

The authorized PCA staff per municipality shall review and summarize the submitted billing documents of the service provider and ensure that all required signatures are in order.

The billing documents forwarded to the regional office should be properly reviewed by the Regional Technical Staff before endorsing to the Regional Manager for submission to the Central Office Finance Department.

28.5 Total payments made by PCA to PACPA amounted to P94.982 million, covering 127 checks for the period July 23, 2014 to June 26, 2015. Documents supporting 12 out of 25 DVs for the months of July and August 2014 include the following documents covering 103,997 leaf-pruned and 105,125 trunk-injected trees:

- a. One hundred eighty three (183) Inspection and Acceptance Reports (IARs);
- b. Two hundred ten (210) AkRs, supporting payments made by PACPA to BBWs in the total amount of P4.077 million, representing replacement income of the latter for the services rendered; and
- c. Five hundred five (505) CTOM Form 1.

Twenty eight (28) filled up CTOM Form 1 covering leaf-pruned and trunk-injected 3,316 trees were presented twice, which resulted in double payment of P232,120 –

28.6 Records showed that 28 filled up CTOM forms, covering 3,316 leaf-pruned and trunk-injected trees in Quezon Province, were presented twice to support payments made to PACPA. As such, PACPA was paid twice by P232,120 (3,316 trees x P70 rate per tree), exclusive of EVAT, as summarized in Table 77.

28.7 Consequently, presenting the same supporting document more than once is not only contrary to Section 28 of the Manual on NGAS, Volume I, but also resulted in wastage of government funds.

Table 77 – Filled up CTOM forms Presented Twice Supporting Claims Against PCA Funds

| Quezon Province | | Quantity of CTOM forms presented twice under DV No. / Check No. / Date | | | Quantity of leaf-pruned and trunk- injected trees | Amount doubly paid (quantity of trees x P70 rate per tree) |
|-----------------|----------|---|--|--|--|---|
| Municipality | Barangay | 503-1408-2041/ 1231886/ 08/13/14 | 503-1408-2114/ 1231946/ 08/18/14 | 503-1408-2155/ 1232044/ 08/27/14 | | |
| Sampaloc | Banot | | 11 | 11 | 1,722 | P 120,540 |
| Sampaloc | Bilucao | | 4 | 4 | 506 | 35,420 |
| Mauban | Liwayway | | 6 | 6 | 549 | 38,430 |
| Lucban | Abang | 7 | 7 | | 539 | 37,730 |
| | | 7 | 28 | 21 | 3,316 | P 232,120 |

One hundred twenty nine (129) IARs were issued prior to the completion of treatment activity and/or prior to the payment by PACPA to BBWs of replacement income for the cost of the services rendered –

28.8 Section A or the guidelines and procedures for the payment of services in the CSI treatment operations provided under PCA MC No. 5, series of 2014, dated June 20, 2014 states that:

In case treatment procedure is made by a service provider, payment to farmers/farm workers of replacement income xxx shall be subject to monitoring and review of concerned PCA officers and employees.

28.9 Moreover, one of the supporting billing documents required under PCA MC No. 5, series of 2014, dated June 20, 2014, particularly in Section B of the guidelines and procedures for the payment of services in the CSI treatment operations, was the IAR signed by the authorized municipality representative and the Provincial Coconut Development Manager (PCDM).

28.10 Likewise, Section 10 of the contract with PACPA provides that:

The SUPPLIER shall be responsible for the engagement of farmers and farm workers under this program. Xxx.

28.11 Also, among the documents that formed part of the contract was the submitted proposal of the supplier, as per Section 1(c) thereof. Under the Budget Requirement of the said document, it was stated that the farmer/BBW will be paid upon completion of the harvesting, pruning, chopping, and pesticide application.

28.12 Review of 129 IARs or 70.49 per cent of the 183 total sample IARs, signed by the respective PCDMs of Cavite, Laguna, Batangas and Quezon (CALABAZON) provinces for accepting the services rendered by PACPA, disclosed the following:

- a. Ninety two (92) IARs were dated prior to the receipt by BBWs of the replacement income for the cost of their services rendered, as shown in the ARs;
- b. Two (2) IARs were dated prior to the stated finish date of operations, as reported in CTOM forms; and

- c. Thirty five (35) IARs were dated not only prior to the completion of the treatment activity but also prior to the receipt by BBWs of the payment of services rendered.

28.13 The pre-issuance by PCA of IARs to PACPA provides no assurance, among others, that the latter settled its obligations to the BBWs, thus, precluding proper review and monitoring thereof. It appeared that the concerned PCDMs signed the IARs without verifying whether PACPA had actually fully rendered the services, as required in the contract and in PCA MC No. 5, series of 2014, dated June 20, 2014. Hence, doubt is raised as to propriety of the IARs and AkRs, as well as, regularity and validity of the claims.

Five (5) AkRs, covering payment made by PACPA to BBWs of replacement income amounting to P123,240 for the treatment of 3,081 scale-infested coconut trees, were not in the format prescribed under PCA MC No. 05 dated June 20, 2014 and payment of which were received either by respective Team Leaders or PCA/PACPA representatives while 6 and 3 AkRs were without and with dubious signatures of 10 and 12 BBWs for the amounts of replacement income received of P19,080 and P16,880, respectively –

28.14 Among those attached in DV No. 503-1407-1690 and Check No.1231547 dated July 23, 2014, covering first payment made to PACPA in the amount of P241,550, were five AkRs, supporting payment made by PACPA to BBWs accumulating to P123,240 for the treatment of 3,081 scale-infested coconut trees in five barangays in Laguna, as summarized in Table 78.

Table 78 - Summary of AkRs which were Handwritten in Yellow Paper and not in the Prescribed Form

| Barangay/Municipality/ City in Laguna | No. of treated trees | Paid by PACPA to BBWs | | Amount paid by PCA to PACPA |
|--|-------------------------|--|------------------|--------------------------------|
| | | Received by | Amount | |
| San Pablo City: | | I. Team Leader | | |
| Brgy. Sta. Cruz Putol, | 1,225 | Rodrigo Aracena | P 49,000 | P 85,750 |
| Brgy. Santisimo Rosario | 537 | Archie Bundalian | 21,480 | 37,590 |
| San Pablo City | 100 | Archie Bundalian | 4,000 | 7,000 |
| | 1,862 | | 74,480 | 130,340 |
| | | II. PCA/PACPA | | |
| Brgy. San Crispin, San Pablo City | 420 | Emerson Sabornido, CCDO, San Pablo City, Laguna (PCA) | 16,800 | 29,400 |
| Brgy. Ildefonso, Alaminos | 799 | Ronald M. Quiampo, Supervisor, Paete, Laguna (PACPA-Total Farm Care Agri-products) | 31,960 | 55,930 |
| | 1,219 | | 48,760 | 85,330 |
| Total | 3,081 | | 123,240 | 215,670 |
| Add 12% VAT | | | | 25,880 |
| Total | 3,081 | | P 123,240 | P 241,550 |

28.15 It was noted, however, that said AkRs were handwritten in a yellow paper and not in the format required under PCA MC No. 05, series of 2014, dated June 20, 2014. The required data such as name and signature of, and amount and date received by, each of the concerned BBWs were not disclosed, such that the amounts of replacement income paid by PACPA to BBWs totalling P123,240 were received either by the respective Team Leaders or PCA/PACPA representatives.

28.16 Moreover, review of 210 AkRs showed that receipt of replacement income totaling P19,080 in six AkRs were not signed as received by 10 BBWs. Notwithstanding the absence of signatures of 10 BBWs, the subject ARs were signed by: (a) PCA representatives to certify that said document was true and correct; (b) PACPA representatives/supervisors and representatives from the Local Government Unit to attest the payment; and (c) PCDM to approve the payment, and noted by the Regional Manager.

28.17 On the other hand, among the attachments in DV No. 503-1408-2112 and Check No. 1231943 dated August 20, 2014 were 24 AkRs, 6 of which were for the payment made by PACPA to a group composed of 9 to 13 BBWs in the total amount of P138,640. It was noted, however, that the authenticity of signatures appearing under the names of 12 BBWs ranging from 1 to 3 signatures per BBW were considered dubious due to the following observations: (a) different signature strokes of the same BBW in different AkRs and/or (b) similar signature strokes of BBWs with the same surname but different first names.

28.18 Hence, validity of the aforesaid AkRs, which are not in the prescribed format, could not be established while absence of or dubious signatures of BBWs on AkRs or AkRs signed by persons other than BBWs cast doubt as to whether the replacement income was actually received by the rightful recipients, as intended by the CSIEAP.

One hundred twenty one (121) AkRs were altered, which resulted in a net discrepancy of P192,679 from the original amounts –

28.19 Section C(3) of PCA MC No. 05, series of 2014 dated June 20, 2014 also provides that:

The PCA provincial and regional offices shall ensure that all erasures are properly countersigned by the authorized representatives.

28.20 Records showed that the amounts of replacement income received by BBWs in 121 AkRs or 57.62 per cent of 210 total sample AkRs were altered using correction tape. Comparison between altered and original amounts of replacement income in 25 AcRs disclosed a net difference of P192,679 such that the alterations in:

- a. Seventeen (17) AkRs were P267,025 more than the original amounts; and
- b. Eight (8) AkRs were P74,346 less than the original amounts.

28.21 While alterations were properly countersigned by the authorized representatives, said act creates doubt as to whether the BBWs actually received the higher replacement income, as altered, and not the lower amount, as originally written down in the AkRs.

28.22 The aforementioned observations are indications that proper review, as stipulated in PCA MC No. 5, series of 2014, dated June 20, 2014, was not aptly performed by the concerned personnel which resulted in wastage of government funds.

28.23 We recommended that Management direct the concerned personnel to immediately perform the following:

- a. Review thoroughly the documents supporting payments made to PACPA;**
- b. Recompute the total amount that should have been paid to PACPA; and**
- c. Demand refund from PACPA, should it be established that an overpayment was made in addition to the double payment of P232,120.**

28.24 We also recommended that Management hold liable all officers and employees who had been remiss in the conduct of their duty.

28.25 Management commented that:

- a. In compliance with Notice of Disallowance (ND) No. 2016-10 dated January 12, 2016, the double payment of P232,120 was deducted from the settlement of outstanding claims of PACPA, per Check No. 1396014 dated April 12, 2016;
- b. The handwritten AkRs in a yellow paper were allowed initially as the CTOM forms were still in the printing process then and that BBWs demanded immediate settlement of their claims, otherwise, field workers of the service provider would be barred from gaining access to the barangay;
- c. As regards the erasures/alterations on the amounts paid to BBWs and the AkRs marked with different signature strokes of BBWs, the same were returned to the PrO concerned for countersignature of the PCDM and LGU representative as proof that the amounts were actually paid to BBWs. As noted in the summary of CTOMs, there were deletions and exclusions in the claims of PACPA; and
- d. The daily monitoring was required by texting to the authorized officials of PCA the number of trees leaf pruned and trunk injected and the number of BBWs hired by PACPA and PCA field staff. PACPA and PCA harmonized the data weekly through the CTOM before it will be submitted to PCA by PACPA

28.26 As a rejoinder, a review will be made to ascertain the validity of settlement made by PCA on ND No. 2016-010 dated January 12, 2016 considering that there were other deficiencies noted in the implementation of contract with PACPA. As regards the non-availability then of the printed forms, Management could have still followed the prescribed format, be it in the yellow paper or otherwise, such that the required data, i.e., name and signature of, and amount and date received by, each of the concerned BBWs are aptly disclosed. On the other hand, the countersignatures of PCDM and LGU representatives are not assurance that the altered amounts were actually received by BBWs and that the different signature strokes of BBWs were valid. As such, **we further recommended that Management require the concerned BBWs to countersign on**

the altered replacement income as proof of their actual receipt of the same and confirm from BBWs the authenticity of their signatures in the subject.

29. Validity of budget utilization for quarantine checkpoints/surveillance under the CSIEAP accumulating to P20.732 million could not be established due to absence of proof that required activities were actually implemented, hence, indicating inappropriate use of government resources.

29.1 Salient provisions of Administrative Order (AO) No. 01 dated July 11, 2014, otherwise known as the IRR of Executive Order (EO) No. 169, series of 2014, re “Establishing Emergency Measures to Control and Manage the Spread and Damage of *Aspidiotus Rigidus* in the Philippines and designating the PCA as the Lead Agency for the Purpose,” include the following:

Rule III, Section 1. Authority to Inspect Coconut Farms. All coconut farms shall be inspected for possible or potential insect infestation xxx. A written report of the inspection xxx shall be made to the Office of the PCA Administrator.

Rule IV, Section 1. General Guidelines. The following guidelines shall govern the issuance of Permit to Transport of fresh “buko” intended for commercial purposes and coconut seedlings: xxx. (c) All transporters must apply for a Domestic Permit to Transport xxx from any of the deputized personnel of the PCA. (d) In cases of commercial transporters/trader of fresh “buko”, a filled-up application form xxx for domestic permit to transport shall be filed together with the PCA Certificate of Registration as a “Buko” Trader with the issuing office. Xxx. (e) In cases of transport of coconut seedlings, a filled-up application for Permit to Transport xxx together with the PCA Certificate of Registration as Coconut Grower or as a PCA Accredited Nursery Operator shall be filed to the nearest issuing office. xxx

Rule VI, Section 1. The following guidelines shall govern the interception of prohibited materials: xxx (b) The carrier/owner shall be directed to return prohibited materials to its origin, otherwise the DPQIs [Deputized Plant Quarantine Inspectors] will confiscate and destroy said materials. If the owner/transporter agrees to the confiscation, he/she must sign the interception report xxx.

Rule VII, Section 1. Proper Disposition. Commodities confiscated or abandoned shall be properly disposed of xxx by the PCA DPQI.

Rule VIII, Section 1. Reporting of Applications for Permit to Transport. The PCA shall provide the concerned PQS [Plant Quarantine Service] Station with the bi-monthly documentary report of those who applied for a Permit to Transport xxx.

Section 2. Reporting of Commodities Subjected to Treatment. The PCA DPQI shall provide the concerned PQS Station with the bi-monthly

documentary report of commodities of transport that were subjected to treatment.

Section 3. Interception Report. The PCA DPQI at the checkpoint shall provide the concerned PQS Station with the bi-monthly interception report xxx.

Section 4. Consolidation and Report to PCA Central Office. The respective xxx PQS in Basilan, Batangas, Cavite, Laguna, and Quezon shall consolidate the submitted reports for further submission to the PCA Central Office.

29.2 The CSIEAP AcR for the CY 2014, prepared by CSIEAP Task Force and the OPAFSAM Operations, showed that expenditures accumulating to P177.087 million had been incurred, 11.71 per cent of which or P20.732 million was spent for the quarantine checkpoints/surveillance operations. Review of the Report of Disbursements (RD) on CSIEAP as at December 31, 2014, however, disclosed that only a total amount of P311,875 had been disbursed for quarantine while there was none for surveillance and quick response operations, thus, there exists a discrepancy of P20.420 million, as shown in Table 79.

Table 79 – Summary of Expenditures on Quarantine/Checkpoint/Surveillance Operations

| | Amount |
|-------------------|---------------------|
| Per RD: | |
| Training expenses | P 121,000 |
| Other supplies | 190,875 |
| | <u>311,875</u> |
| Per AcR | 20,731,800 |
| Difference | P 20,419,925 |

29.3 Nonetheless, in the letter dated May 27, 2015 of the Audit Team to the PCA, copies of documents, including the following, were requested:

- a. List of Deputized Personnel or DPQI, their position/designation and the agencies they are attached/connected with;
- b. All pre-numbered Domestic Permit to Transport issued by the DPQI (including all unissued and pre-numbered domestic permit to transport);
- c. All accomplished application forms for permit, together with PCA Certificate of Registration as "Buko" Trader or Coconut Grower or as a PCA Accredited Nursery Operator;
- d. All interception reports;
- e. Report and proof of proper disposition of confiscated or abandoned commodities;

- f. Bi-monthly documentary reports of those who applied for a permit to transport following the inspection report and the logbook where such report was recorded;
- g. Bi-monthly documentary reports of commodities of transport that were subjected to treatment;
- h. Bi-monthly interception reports and the logbook where such report was recorded; and
- i. Consolidated reports of the PQS in Basilan, Batangas, Cavite, Laguna, and Quezon submitted to PCA Central Office.

29.4 In response to the aforementioned request, the PCA, in its letter dated June 15, 2015, requested that the documents would be submitted a week after as voluminous documentary requirements on quarantine measures were then being collated. Said documents were not, however, submitted on the specified date.

29.5 Hence, validity of the budget utilization for quarantine checkpoints / surveillance under the CSIEAP accumulating to P20.732 million could not be established.

29.6 **We recommended that Management direct the concerned personnel to:**

- a. **Reconcile the discrepancy in the reported expenditures, including that of quarantine and checkpoints/surveillance operations, between RD and AcR; and**
- b. **Submit duly-supported and duly-summarized proof that activities required under AO No. 01 dated June 9, 2014 were actually implemented.**

29.7 Management submitted the following documents: Department of Agriculture (DA) Special Order (SO) Nos. 834 and 835, series of 2014, designating/deputizing personnel from LGU and provincial and municipal agriculturists as DPQI of the Bureau of Plant Industry (BPI); location map indicating the establishment of checkpoints at the CALABAZON, checkpoint locations and list of deputized quarantine officers; and CYs 2014 and 2015 CSI checkpoint report for CALABAZON. Management further offered to provide the Audit Team with individual interception reports gathered from the different checkpoints in the Southern Tagalog area if the same will be required. Also, Management commented that the expenses, per RDs, pertained only to that of the CO while, expenses of P20.732 million, per AcR, was accounted as allotments released to concerned regional offices, which actual expenses amounted only to P11.293 million.

29.8 As a rejoinder, there were only 46 LGUs and 67 Philippine National Police (PNP) personnel who were designated/deputized as DPQI of the BPI, as per aforesaid DA SOs. Compared with the 280 LGUs and 309 PNP personnel disclosed in the CY 2014 AcR, there appeared to be 234 LGUs and 242 PNP personnel who were not authorized to act as DPQIs. Also, other documents such as interception reports were requested for over six months already, however, the same have not been provided by PCA. Further, accounting of unutilized Disbursement Acceleration Program (DAP) fund showed that reported expenses of regional offices amounted only to P11.210 million and not P11.293

million. Hence, we maintain our recommendation that discrepancy in the reported expenditures be aptly reconciled.

30. Efficiency and effectiveness of organic treatment application of organic farms could not be established in view of the absence of information thereon, which is an indication that organic farms were not among those prioritized in the implementation of the CSIEAP.

30.1 Section 4 of the PCA MC No. 05, series of 2014, dated June 20, 2014 states that:

Some target areas which are certified organic farms shall be identified for organic treatment application using the oil-based/botanicals sprayables certified by the Fertilizer and Pesticide Authority (FPA).

30.2 It was observed that no information was provided in the CSIEAP AcR for CY 2014 on the identification of certified organic farms and the organic treatment application thereof. In a letter dated May 27, 2015, the Audit Team made a request to the PCA for the submission of documents, including the list of certified organic farms infested with scale insect identified for organic treatment application using oil-based/botanicals sprayables certified by the FPA and AR on such operation. Management was not, however, able to submit the requested documents on the specified commitment date, which was on the 3rd week of June 2015.

30.3 In the absence or non-availability of information relative to the organic treatment application of organic farms, it appeared that said component in the CSIEAP was not prioritized, considering that organic farming is gaining popularity not only in the local market but also in the international arena as well.

30.4 We recommended that Management immediately submit a duly-supported, detailed information/justification on the compliance or non-compliance with the provision under Section 4 of PCA MC No. 5, series of 2014, dated June 20, 2014, particularly on the identification of organic farms and on the organic treatment application thereof.

30.5 Management commented that they have provided the avenue during the consultations and meeting conducted with the stakeholders to highlight the importance of organic treatment in CSI-infested areas. However, due to consideration of practicality (the coconut trees need to be sprayed from the top) and costs (as the operations will entail the use of volume of water in spraying of the substance to the coconut trees), they deemed it proper and practical to encourage organic farmers to utilize their resources in implementing that part of the protocol.

30.6 As a rejoinder, the issues on propriety and practicality could not be given due course as PCA allotted a significant chunk of its budget for the chemical treatment of CSI-infested trees and even hired a service provider for the purpose. Nonetheless, to validate the comment of Management that organic farmers were encouraged to utilize their resources in implementing that part of the protocol, **we further recommended that Management identify the CSI-infested organic farms which use organic treatment**

application particularly the oil-based/botanicals sprayables certified by the FPA and submit a report thereon to the Audit Team.

31. Rehabilitation of CSI-infested areas through fertilization, replanting and coconut-based diversified farming system under the CSIEAP was not implemented at all, hence, the specific objectives of CSIEAP had not been fully attained. Notwithstanding the non-implementation, budget allocation amounted only to P4.384 million for fertilization of 121,790 trees out of the 1.3 million CSI-infested trees while no budget allocation was provided for other rehabilitation components, an indication that the same was not considered a priority activity in the implementation of CSIEAP.

31.1 The specific objectives of CSIEAP, under PCA MC No. 05, series of 2014, dated June 20, 2014, include the following:

4. To rehabilitate the affected areas through fertilization, replanting and coconut-based diversified farming system.

31.2 Further, Sections 17 and 18 of the said MC provide the following salient provisions in implementing the fertilization and nutritional support component of the program, viz:

17. Due to the effects of pest sucking coconut scale insects to the physiology of the plant, causing dehydration and loss of chlorophyll, the need to provide nutritional support through fertilization must be addressed.

18. All infested/pruned trees shall be fertilized with 1.5 kg of Ammonium sulphate (21-0-0) plus 1kg of Salt fertilizer for a period of one year. This can be applied at 0.75kg of Ammonium sulphate plus 0.5kg of salt fertilizer every 6 months. (Underscoring supplied)

31.3 Review of the approved WFP for CY 2014 on calamity-related/rehabilitation projects and other priority projects, which includes CSIEAP, showed that a budget had been provided for the fertilization component of CSIEAP in the amount of P4.384 million. Said budget was, however, allotted only to 121,790 targeted number of CSI-infested trees to be fertilized, representing merely 9.37 per cent out of the 1.3 million targeted number of trees to be treated through leaf pruning and trunk injection, thus, contrary to Sections 17 and 18 of PCA MC No. 05, series of 2014, dated June 20, 2014 that all infested/pruned trees shall be fertilized to address the need to provide nutritional support thereon.

31.4 Notwithstanding the minimal budget for the fertilization component of the project, it was observed that the same was not utilized at all except for an expenditure of P9,500 charged against Agricultural Supplies (Fertilizers) account, per Report of Disbursement as at December 31, 2014. Said transaction, however, pertained to the 50 ml syringe procured for the operation of trunk injection in the implementation of CSIEAP in Basilan and not at all related to the application of fertilizers.

31.5 Further, no budget allocation had been provided for other rehabilitation component of CSIEAP, particularly replanting and coconut-based diversified farming system. It should be noted also that, while rehabilitation of CSI-infested areas, which is one of the specific objectives of CSIEAP, as expressly stipulated under PCA MC No. 5, series of 2014, dated June 20, 2014, the guidelines and procedures for the implementation of which, except for fertilization and nutritional support, were not at all provided in the said MC.

31.6 In a letter dated June 15, 2015 of the PCA, in response to the letter dated May 27, 2015 of the Audit Team, inquiring on the causes for unutilized allotment in the fertilization and nutritional support component of CSIEAP, it was explained that:

Xxx there were unutilized allocation of the CSI funds in 2014 since the Authority [PCA] was constrained to utilize said funding due to the decision of the Supreme Court on the DAP [Disbursement Acceleration Program] of which CSI funding was derived. These funding allocation include funds for fertilization xxx.

31.7 Said explanation was, however, inconsistent with the observation discussed under paragraphs 5.1 to 5.10 of Part II of the 2014 AAR on the PCA. In the said AAR, it was noted that expenses 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. The aforementioned expenses included that of CSIEAP in the aggregate amount of P11.665 million, which none, however, pertained to expenditures in the implementation of the fertilization and nutritional support component thereof. Further, despite the non-utilization of funds and the assertion of Management that they did not have any inkling that the source was DAP funds, budget allocation was limited only to P4.384 million for the fertilization of 121,790 trees or 9.37 per cent out of 1.3 million targeted number of CSI-infested trees to be treated under CSIEAP while none was provided for replanting and coconut-based diversified farming system, as discussed under the preceding paragraphs.

31.8 It is worthy to note that PCA MC No. 8, series of 2015, dated July 29, 2015, otherwise known as the amendment to the guidelines and instruction on the implementation of the CSIEAP, already includes a provision on agricultural intercropping and/or livestock raising. However, instruction on planting/replanting activities was specifically mentioned only for Basilan while none was for Regions IV-A and IX, casting doubt on whether farmers in the aforesaid regions will be among the targeted beneficiaries of the said rehabilitation component of CSIEAP.

31.9 Nevertheless, review of the AcR for CY 2014 disclosed that, the next steps to be performed by PCA in CY 2015 would be to fertilize 1.3 million trees in April to May and in September to October and to intercrop 13,000 hectares of cocoland in January to December while there was no provision for livestock raising. Said schedule was, however, inconsistent with the 2015 Work Plan which showed that the bidding and procurement, and not the distribution, of fertilizers, intercrops, and livestock in Regions IV-A, IX, and XIV will be conducted in the last quarter of 2015. Hence, fertilization, among others, is expected to be implemented starting in CY 2016 yet or more than a year after treatment, through leaf pruning and trunk injection, was made to the CSI-infested trees. With over a year interval, the Audit Team is concerned that, trees might

be already dehydrated and lost its chlorophyll, thus, provision of nutritional support may no longer be considered timely.

31.10 In view of the aforementioned observations, the specific objective of CSIEAP of rehabilitating, through fertilization, replanting and coconut-based diversified farming system, the areas affected by CSI had not been fully attained.

31.11 We recommended that Management:

a. Issue a specific policy and procedural guidelines for the implementation of the rehabilitation component of CSIEAP; and

b. Henceforth, ensure that the objectives identified in the projects, programs and activities, including that of CSIEAP, have been fully attained.

31.12 Management commented that ample amounts have been allocated for the components of the rehabilitation program of the CSI-affected areas in the CALABAZON, to wit: P109.8 million, P37.0 million, and P22.1 million for fertilization, intercropping, and planting/replanting, respectively. Accordingly, agricultural inputs for the intercropping components, which are pegged at P5.14 million, are presently being distributed to address the livelihood and food security concerns of affected farmers and members of their households.

31.13 As a rejoinder, the aforementioned allocations pertained to CY 2015 and not CY 2014, as validated from the CY 2015 WFP, which was received by the Audit Team only on December 4, 2015. Further, despite inclusion of the rehabilitation component in CY 2015 WFP, no procurement relative thereto was, however, actually made in CY 2015, based on the list of Board Resolutions approved as at September 24, 2015, as provided to the Audit Team. Furthermore, the issue on the absence of specific policy and procedural guidelines for the implementation of the rehabilitation component of CSIEAP was not addressed by Management. Hence, our recommendation thereon remains.

CSIEAP - CY 2015 Audit -

32. Effectiveness, efficiency, and economy in the field treatment of coconut scale-infested trees under CSIEAP in Isabela City, Basilan, could not be established due to absence of a detailed AcR and inconsistencies of information in the planning documents and in the reported accomplishments. Also, the lack of sense of urgency, significant number of untreated trees, non-rehabilitation of CSI-infested areas, and non-enforcement of liquidated damages on delayed delivery of pesticides are indications of inefficient implementation of the program.

Inconsistencies of information in the planning documents and absence of CY 2015 AcR -

32.1 The CSIEAP AcR for CY 2014 provides for the nine next steps to be undertaken by the PCA to achieve identified targets/objectives, which specific activities and/or schedules were, however, inconsistent with those indicated in the CY 2015 Workplan. Further, the scheduled treatment of CSI-infested trees in Basilan from September to

October, as disclosed in the CY 2015 Workplan, coincided with the months subsequent to the actual receipt of chemicals pesticides procured from the supplier, which is an indication that the CY 2015 Workplan was prepared in the latter part of CY 2015 and thus, based on actual progress of events. As such, it appeared that there was a delayed implementation of activities as the schedules in the CY 2015 Workplan were generally delayed compared to that shown in the CY 2014 AcR.

32.2 Furthermore, the Audit Team of CO had not been provided with a detailed CY 2015 AcR on almost all of the projects, including CSIEAP, as well as, fund utilization thereof with a variance analysis on the CY 2015 COB *vis-à-vis* actual expenditures/ utilization by source of fund, by project, and by expense item, despite repeated requests. As such, a Monitoring Report of Performance Targets for CY 2015 was instead obtained by the Audit Team from the website of PCA. However, no details were presented therein as to whether the next nine steps identified in the CY 2014 AcR were actually undertaken to achieve a 100 per cent reported actual accomplishment *vis-à-vis* targeted 90 per cent recovery of CSI-infested trees. In the absence of the foregoing, evaluation and validation could not be conducted as to whether the overall implementation of CSIEAP was effective, efficient, and economical.

32.3 As mentioned in Paragraph 12.3 and shown in Table 31, a contract agreement dated July 22, 2015 was entered into by and between the PCA and Leads Agricultural Products Corporation (LAPC) for the supply and delivery of 143,000 sachets of chemical pesticides in the amount of P20.735 million for the field treatment of more or less 500,000 and 215,000 scale-infested coconut trees in Cavite, Laguna, Batangas, and Quezon (CALABAZON) provinces and Isabela City, Basilan, respectively. The procurement was originally conducted through alternative mode, particularly, negotiated procurement under emergency case. However, the BAC decided, after the pre-bid conference was held on March 18, 2015, to conduct competitive bidding instead since the infestation in CALABAZON was no longer considered at the outbreak level.

32.4 As also discussed under Observation No. 12 above, review of documents disclosed that procurement was improperly/inadequately planned in view of the following:

- a. It could not be ascertained whether the procurement of chemical pesticides with estimated cost of P20.735 million was included in the APP since there were no details supporting thereof. The APP, which was approved by the Governing Board through BR No. 014-2015 dated January 21, 2015, only showed, among others, the procurement of agricultural supplies amounting to P133.182 million and sourced from supplemental budget for the implementation of CSIEAP;
- b. The supplemental APP approved by the Governing Board through BR No. 100-2015 dated June 22, 2015, or three months after the invitation to bid was issued, included bidding for the procurement of systemic chemicals for trunk injection of only 562,240 CSI-infested trees in RO No. IX amounting to P16.327 million was insufficient for the actual procurement of chemical pesticides amounting to P20.735 million for 715,000 CSI-infested trees in Basilan;
- c. The PPMP and minutes of pre-procurement conference, if any, were not provided to the Audit Team despite repeated requests;

d. Purchase Request (PR) was prepared five days after the conduct of pre-bid conference on March 18, 2015 (under negotiated procurement emergency cases);

e. The procurement activities commenced only in March 2015 thereby creating delay on the scheduled treatment of the remaining 652,612 scale-infested coconut trees by February to April as identified in the CY 2014 AR under the next steps to be undertaken; and

f. Notwithstanding the absence of documents supporting the changes pertaining to delivery of all the 143,000 sachets of chemical pesticides in Zamboanga City PrO, it seemed that the assessment of the actual status of CSI infestation was inadequate considering that Management was not able to forecast the significant improvement in CALABAZON *vis-a-vis* the worsening condition of Basilan, which could have been immediately addressed at the planning stage of the procurement.

32.5 As such, the improper/inadequate planning affected the efficient implementation of the CSIEAP.

Lack of sense of urgency in the treatment of CSI-infested trees -

32.6 Review of records disclosed that the earliest date which marked the start of the procurement through competitive bidding was on March 21, 2015 or the date of posting advertisement in a newspaper in general circulation, PhilGEPS website, and PCA website while the delivery was completed only on September 17, 2015. The lead time from the advertisement of invitation to bid until the completion of delivery was a total of 180 days or six months, such that, the targeted number of CSI-infested trees to be treated in Basilan had increased from 215,000 to 715,000 trees or more than thrice its original number. Said lengthy lead time is an indication of lack of sense of urgency in the field treatment of CSI-infested trees.

Inconsistencies of information between the accomplishment and financial reports –

32.7 Among the expenses incurred by RO No. IX for its CSI-infested activities was the labor cost or replacement income of farmers which amounted to P20 for leaf-pruning and P24 for chemical injection per tree and recorded under the general services (GS) account.

32.8 For CY 2015, RD showed that only P8.870 million or 34.98 per cent of the total allocation of P25.362 million was utilized by RO No. IX for the treatment of 140,230 CSI-infested trees or 18.51 per cent of the targeted number of 757,561 trees as at December 31, 2015. Of the utilized amount of P8.870 million, P6.170 million represented GS. On the other hand, Basilan sub-office reported to have pruned 426,896 and trunk-injected 615,738 CSI-infested trees.

32.9 Review, however, disclosed the following observations that cast doubt on the accuracy and validity of the AcR:

a. There were discrepancies between the data presented in the RD and AcR, particularly on the reported number of trunk-injected trees of 475,508 and reported cost of general services of P17.133 million, as summarized in Table 80. Based on the actual funds disbursed as replacement income of laborers for leaf pruning and trunk injection amounting to P6.170 million, it appeared that only 140,230 trees were actually treated contrary to the reported 615,738 treated trees, hence, the discrepancy of 475,508 trees;

Table 80 – Discrepancy in the Reported Number of Treated Trees and in the Labor Cost for Treatment made in Isabela City

| | No. of trees | | | Cost per tree (d) | Total cost | | |
|----------------|--------------|------------|------------------------|-------------------|---------------------|--------------------|------------------------|
| | Per AcR (a) | Per RD (b) | Difference (c)=(a)-(b) | | Per AR (e)=(a)x(d) | Per RD (f)=(b)x(d) | Difference (g)=(e)-(f) |
| Pruned | 426,254 | 140,230 | 286,024 | P 20 | P 8,525,080 | P 2,804,600 | P 5,720,480 |
| Trunk-injected | 615,738 | 140,230 | 475,508 | 24 | 14,777,712 | 3,365,520 | 11,412,192 |
| | | | | | P 23,302,792 | P 6,170,120 | P 17,132,672 |

b. In determining the number of farmers benefited by the treatment, as reported in the AcR, the total quantity of chemicals delivered and distributed to the farmers was used as the basis and not on the actual application/treatment made. It should be noted that the chemicals delivered to PCA were good for 715,000 trees but the reported treatment, per RD and AcR, covered 140,230 and 615,738 trees only, thus, there were discrepancies in the number of treated trees of 574,770 and 99,262, respectively; and

c. The validity of the reported 615,738 treated coconut trees could not be established because of the absence of proof that the required activities were actually implemented.

32.10 Further, the reported treatment of 140,230 CSI-infested trees for CY 2015 represents only a partial figure of the 179,620 coconut trees that were left untreated in CY 2014. As such, there appeared to be a zero accomplishment on the 576,941 additional number of CSI-infested trees in CY 2015 and still escalating all over Basilan peninsula. As at December 31, 2015, 816,429 trees in Isabela City, Basilan were already infested with CSI, which is an indication that PCA failed to address the infestation thereat.

32.11 Management alleged that the responsibility to prune and inject trees were already turned over to ARMM officials but this allegation could not be supported with documents (e.g. certified copy of payrolls) to validate the accomplishment thereof.

Non-rehabilitation of CSI-infested areas -

32.12 Rehabilitation of CSI-infested areas through fertilization, replanting and coconut-based diversified farming system under the CSIEAP was not implemented at all; hence, the specific objectives of CSIEAP had not been attained.

32.13 The lack of technical know-how, skilled labor, technicians, tools, auxiliary equipment, supervision and trainings in countering CSI contributed much in the slow implementation of the CSIEAP. Delay in the treatment rehabilitation of CSI-infested coconut trees will endanger other areas and will greatly affect the livelihood of significant number of farmers who are dependent on the coconut industry.

32.14 The program initiated to counter the wide spread affected areas infected with CSI may not be effectively achieved without the full support of the government in fighting the epidemic. Without full cooperation from respective regions over the managing areas of jurisdiction handled by Region IX and the areas being managed by Autonomous Region in Muslim Mindanao (ARMM), the project may be futile and the public interest especially the farmers affected will suffer the consequence.

32.15 In view of the foregoing observations, RO No. IX did not achieve the expected output in addressing the problem of CSI escalating in the Isabela City, Basilan, thus efficiency and effectiveness in the implementation of the CSIEAP were not attained.

Significant number of scale-infested coconut trees in Basilan Province remained untreated as at year-end -

32.16 In view of the widespread infestation of scale insect “Aspidiotus rigidus” or locally known as “Cocolisap” which posed a very serious threat to the coconut industry in the Philippines, the Basilan Province was the most affected area in the ARMM after the outbreak occurred in CALABARZON. Thus, RO No. XIV or ARMM was tasked to implement formulated measures in treating, managing and eventually eradicating said infestation being the ancillary office of the CO.

32.17 As at December 31, 2015, about 2,649 farmers among the 84 barangays of the Basilan Province including Isabela City were seriously affected by the infestation of the scale-insect with a cumulative number of 1,359,625 coconut trees which were subjected for treatment based under the CSIEAP in RO No. XIV. Relatively, about 1,011,557 trees or 74.40 per cent of said targeted scale-infested coconut trees were treated, of which 179,741 trees were trunk injected. However, it was observed that 348,068 or 25.60 per cent of the targeted infested coconut trees were still untreated, which seemed to be significant in number, and could affect the overall treatment of said infestation considering that proliferation of the said scale insect is very fast. It was also revealed during one of site inspections conducted by the Audit Team that one of the contributory factors that resulted in non-treatment of some scale-infested coconut trees in the affected areas of the Basilan Province was due to refusal of some farmers to avail of the PCA program, particularly in Barangay Switch Yakal, Lantawan Municipality.

32.18 Thus, the probability that infestation may recur and evolve again is high due to considerable number of untreated infested coconut trees and the non-participation of some farmers with the PCA program.

32.19 Moreover, no ground progress/assessment report was submitted to the Audit Team as to the actual result of the CSI treatment within 30 and 60 days after treatment as at December 31, 2015, thus resulting in the inadequacy of information for evaluation of results compared with the expected output to be attained as considered in the approved emergency action plan.

Non-charging of liquidated damages amounting to P221,937 -

32.20 Section 3.1 of Annex D of the IRR of RA No. 9184 and Section 9 of the Contract state that liquidated damages shall be deducted by PCA from the contract price if the supplier fails to satisfactorily deliver the goods within the delivery period. The amount of which shall be equivalent to one-tenth (1/10) of one per cent of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered by the supplier and accepted by PCA.

32.21 Also, forming part of the contract was a Statement of Conformity to the Schedule of Requirements and Technical Specifications submitted by LAPC, which states, among others, that the period for delivery of 143,000 sachets of chemical pesticide shall be 10 days upon receipt of the NTP.

32.22 The NTP dated July 24, 2015 was received by LAPC on July 30, 2015. As such, the chemical pesticides were expected to be delivered on or before August 9, 2015 or 10 days after July 30, 2015; however, no deliveries were made until the said date.

32.23 Subsequently, a written notice dated August 6, 2015 was issued by PCA to LAPC, pursuant to Section 4 of the Contract of Agreement relative to the changes in DOPs in view of the assessment on the reduction from 57 to one hotspot-municipality in CALABAZON. The changes mentioned therein were accepted by LAPC through a letter dated September 3, 2015. Of the said written communications and other documents attached in DVs, none, however, pertained to any extension granted for the delivery period of chemical pesticides. Hence, deliveries were delayed by three to 39 days.

32.24 Consequently, PCA was deprived from recovering the damage caused by the delayed delivery. Hence, LAPC is liable for liquidated damages amounting to P221,937 which was, however, not billed and deducted by PCA from the payments made nor from the refund of performance security. Computation of liquidated damages and details relative to the delays committed by LAPC in the delivery of the chemical pesticides at PCA Zamboanga City PrO are summarized in Table 81.

Table 81 – Computation of Liquidated Damages due to Delayed Delivery

| LAPC Delivery Receipt (DR) | | | Received and accepted by Zamboanga City PrO | | Cost of delayed goods | No. of days delayed | Amount of liquidated damages |
|-----------------------------------|-------------|---------------------------|--|-----------------|------------------------------|----------------------------|-------------------------------------|
| No. | Date | Quantity Delivered | Date | Quantity | | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g)=(d)-08/09/15* | (h)=0.1% \times (f) \times (g) |
| 33514 | 07/30/15 | 112,400 | 08/12/15 | 143,000 | P 20,735,000 | 3 | P 62,205 |
| 33526 | 09/04/15 | 30,600 | 09/07/15 | 30,600 | 4,437,000 | 36 | 159,732 |
| | | 143,000 | | | | | P 221,937 |

*expected delivery date or 10 days after July 30, 2015 (date of receipt of NTP)

32.25 **We recommended that Management direct the:**

a. Operations Branch to submit:

a.1 Assessment report on the reduction in the number of hotspot-municipality in CALABAZON as well as the CY 2015 AcR; and

a.2 Reconciliation report for the discrepancy between the reported expenditures of RO No. IX and the AcR of Isabela City Field Office, duly supported with documents, such as certified copy of payrolls, to prove that said activities were actually implemented.

b. Finance Department to:

b.1 Submit variance analysis report on the CY 2015 COB vis-à-vis actual expenditures/ utilization by source of fund, by project, and by expense item; and

b.2 Demand recovery from LAPC or deduct from its outstanding balance, if there are still any, the liquidated damages.

32.26 We also recommended that Management:

a. Instruct the PCDMs of Basilan and Isabela City PrO to communicate with the officers of LGU in encouraging all coconut farmers with infested coconut trees to cooperate in the treatment process to avoid further escalation of infestation; and

b. Impose administrative sanctions to those personnel who had been remiss in the discharge of their duties.

32.27 Management commented that:

a. There are indeed variances in the planning and implementation of the activities relevant to CSI control in two areas of infestation, i.e., Region IV-A and Basilan for CYs 2014-2015. Efforts were largely focused in CALABAZON where infestation was seriously affecting four coconut producing provinces which include Quezon and Batangas. Efforts were also exerted in Basilan albeit in much limited coverage due to the peace and order situation on the island; and

b. The reason for the discrepancy between the reported activities conducted as against the reported expenses incurred was because it was RO No. XIV, being the recipient of the program fund, which shouldered the cost of the pruning and injection activities, although RO No. IX was responsible for implementing the actual pruning and trunk injection on infested coconut trees. Moreover, Management submitted payrolls for payment of laborers to the Audit Team as proof that said activities were conducted by RO No. IX.

32.28 As a rejoinder, our herein recommendations remain in view of the following:

a. The Audit Team acknowledges that it is difficult to implement a program in a site where peace and order is a major problem. However, Management should have already considered that widely-known issue. Hence, **we further recommended that Management be judicious and realistic in formulating its work plan;** and

b. While the Audit Team had already received the payrolls submitted by RO No. IX showing a total of 92,865 pruned and 606,148 trunk-injected trees for a

total labor costs of P1.857 million and P11.364 million, respectively, to be paid by RO No. XIV, evaluation/validation of which is still in process.

**Participatory Coconut Planting Project
(PCPP) - CY 2015 Audit -**

33. Efficient and effective implementation of PCPP could not be ascertained in view of absence of any proof of land ownerships and approved masterlists; farmer-participants' lands agronomic suitability and their interests were not determined at the onset due to non-conduct of survey; lack of adequate knowledge and skills due to non-conduct of crash training; and monthly monitoring and evaluation was not undertaken, thus validity of farmer-participants' incentives of P107.743 million was questionable.

33.1 The objective of PCPP is to sustain coconut planting and replanting of coconut farms for ensuring long-term reliability of the supply of coconuts in the country. It promotes participatory and incentive based system approach to encourage coconut farmers and would-be coconut farmers to plant more coconut trees. It involves two Options and the amount of incentives is P40 per tree. Under Option 1, the incentives shall be paid in two tranches: Phase I, when the farmers have produced their own seednuts at the nursery until the seedlings grow to at least one foot high with full developed leaves; and Phase II, when the farmers have transplanted and stabilized the seedlings on the ground for about three to four months. Under Option 2, the registered farmer-participants have good quality seedlings sourced from PCA accredited nursery and transplanted and stabilized the seedlings on the ground for about three to four months and the incentive that the farmer shall get is P40 per seedling. Payments of incentives are illustrated in Table 82.

Table 82 - Incentives under Options 1 and 2

| Option/Phase | Quantity of seedlings (in pieces) | | Cost/unit | Total Amount | |
|--------------------|-----------------------------------|----------|-------------|----------------|----------------|
| | 0.5 ha. | 1.0 ha.* | | 0.5 ha. | 1.0 ha. |
| Option 1 | | | | | |
| I (Nursery) | 50 | 100 | P 18 | P 900 | P 1,800 |
| II (Transplanting) | 50 | 100 | 22 | 1,100 | 2,200 |
| | | | 40 | P 2,000 | P 4,000 |
| Option 2 | | | | | |
| II (Stabilized) | 50 | 100 | P 40 | P 2,000 | P 4,000 |

*Farmer-participants allowable incentive is equivalent to P4,000 or 100 coconut seedlings per hectare @ P40

33.2 During CY 2015, the total incentives paid by five ROs to farmer-participants of the PCCP amounted to P107.743 million, shown in Table 83.

Table 83 – Incentives paid to Farmer-Participants of PCPP for CY 2015

| RO | Amount |
|--------|----------------------|
| I-IV-B | P 40,369,418 |
| VII | 27,033,580 |
| VIII | 11,454,200 |
| XI | 1,272,600 |
| XIII | 27,612,720 |
| | P 107,742,518 |

Non-conduct of survey and assessment on lands identified for planting that cast doubt on the lands agronomic suitability for coconut trees -

33.3 Section 2.1 of the General Provisions of PCA MC Nos. 04, series of 2012, dated January 29, 2012 and 06, series of 2015, dated May 22, 2015 provides:

As a precondition for participation to the project, farmers must have the land for planting properly verified, inspected and documented by the PCA Agriculturist. The land must be assessed according to agronomic suitability factors using the standard Farmers' Interest and Farm Suitability Survey Form (FIFSSF).

33.4 Verification in RO Nos. I-IV-B showed that there are no farmer-participants' FIFSSFs since there were no surveys conducted. The Agriculturist-in-Charge explained that the assessment on the suitability of the farms was shown in the Nursery Operations and Evaluation Reports (NOERs). However, review of the NOERs showed that they do not contain information on agronomic factors such as land elevation, geographical location, soil drainage/texture/depth, land topography as well as farmer-participants' interest but only the result on the assessment and evaluation on the nursery operations of the coconut seed nuts/seedlings.

33.5 Moreover, ocular inspection conducted on February 18, 2016 in the Municipality of Umingan, Pangasinan showed that the 1,300 coconut seedlings planted by three farmer-participants who received incentives accumulating to P52,000 have very low survival rate. The reasons cited by the Agriculturist among which, are the hot climate and lack of soil drainage.

33.6 Thus, non-conduct of survey provides no assurance that the farmer-participants are interested and their farms are suitable for planting coconut trees.

No approved masterlists, any proof of ownerships or information as to tenurial status of the farmer-participants -

33.7 Section 4(6) of PD No. 1445 states:

Claims against government funds shall be supported with complete documentation.

33.8 Section 4 of PCA MC No. 06, series of 2015, dated May 22, 2015 states that the farmer-participants must submit any of the following documents as proof of land ownership:

- Original Certificate of Title (OCT);
- Transfer Certificate of Title (TCT);
- Certificate of Land Transfer (CLT);
- Tax Declaration (TD);
- Torrens Title (TT);
- Homestead Patent (HP);
- Letter of Consent from the Land Owner for the Tenant/Administrator;
- Certificate of Land Ownership Award (CLOA) for Agrarian Reform Beneficiaries (ARBs);
- Certificate of Stewardship Contract (CSC) for ISFA Beneficiaries;
- Barangay Certification (BC) issued by the Barangay Captain or Chairman as attested by either the Small Coconut Farmers Organization (SCFO) President or Barangay Agrarian Reform Community (BARC) Chairman.

33.9 Also, Section 4.3 of the same PCA MC provides that the Final Masterlist of Farmer-Participants (FMFP) of the project should contain basic information among which, are the farmer-participants' tenurial status whether they are landowner, tenant or administrator and farmer-participants' land areas.

33.10 Test of transactions disclosed that incentives of the farmer-participants aggregating P12.717 million were paid without any proof of land ownership or lack of basic information on farmer-participants' tenurial status and land areas, as summarized in Table 84.

Table 84 - Payment of Cash Incentives not Supported with Proof of Land Ownership

| RO | Amount |
|-----------|---------------------|
| I-IV-B | P 5,782,060 |
| VIII | 1,081,700 |
| XI | 1,272,600 |
| XIII | 4,580,146 |
| | P 12,716,506 |

Note: No amount indicated for incentives paid at RO No. VII

33.11 In RO Nos. I-IV-B, the incentives of P5.782 million were paid to the farmer-participants of the Provinces of Pangasinan, Ilocos Norte and Palawan, as shown in Table 85.

Table 85 - Payments of Incentives in RO Nos. I-IV-B without any Proof of Land Ownership and Basic Information on Tenurial Status and Land Areas

| Province/ Municipality | Land Area (in has.) | No. of Seednuts Sown / Seedlings Transferred / Stabilized | | | | | | | | | | Total |
|----------------------------------|---------------------------|---|------------|-------------|----------|---------|-------------|-------------|-------------|-----------|-------------|-------|
| | | No. of Farmer-Participants | | | | | | Incentives | | | | |
| | | Option 1 | | | Option 1 | | | Option 1 | | | | |
| | | Phase 1 | Phase 2 | Option 2 | Phase 1 | Phase 2 | Option 2 | Phase 1 | Phase 2 | Option 2 | | |
| Pangasinan | | | | | | | | | | | | |
| Aguilar | 8.50 | 3 | 4 | - | 850 | 800 | - | P 15,300 | P 17,600 | P - | P 32,900 | |
| Umingan | 96.00 | 26 | 26 | - | 9,600 | 9,600 | - | 172,800 | 211,200 | - | 384,000 | |
| San Quintin | 20.00 | 4 | 4 | - | 2,000 | 2,000 | - | 36,000 | 44,000 | - | 80,000 | |
| | 124.50 | 33 | 34 | - | 12,450 | 12,400 | - | 224,100 | 272,800 | - | 496,900 | |
| Ilocos Norte | | | | | | | | | | | | |
| Adams | 166.18 | 91 | 91 | 2 | 15,963 | 15,963 | 655 | 287,334 | 351,186 | 26,200 | 664,720 | |
| Pagudpud/ Badua/ Dampig | 209.09 | 56 | 56 | 13 | 16,181 | 16,181 | 4,728 | 291,258 | 355,982 | 189,120 | 836,360 | |
| Dumalneg/ Bangui/ Currimao | 3.39 | 3 | 3 | - | 339 | 339 | - | 6,102 | 7,458 | - | 13,560 | |
| | 378.66 | 150 | 150 | 15 | 32,483 | 32,483 | 5,383 | 584,694 | 714,626 | 215,320 | 1,514,640 | |
| Palawan | | | | | | | | | | | | |
| Narra | 247.50 | 222 | 222 | - | 24,750 | 24,750 | - | 445,500 | 544,500 | - | 990,000 | |
| Espanola | 226.88 | 189 | 189 | - | 22,688 | 22,688 | - | 408,384 | 499,136 | - | 907,520 | |
| Taytay | 176.00 | 136 | 136 | - | 17,600 | 17,600 | - | 316,800 | 387,200 | - | 704,000 | |
| El Nido | 171.00 | 171 | 171 | - | 17,100 | 17,100 | - | 307,800 | 376,200 | - | 684,000 | |
| San Vicente | 36.00 | 24 | 24 | - | 3,600 | 3,600 | - | 64,800 | 79,200 | - | 144,000 | |
| Balabac | 45.00 | 25 | 25 | - | 4,500 | 4,500 | - | 81,000 | 99,000 | - | 180,000 | |
| Roxas | 40.25 | 49 | 49 | - | 4,025 | 4,025 | - | 72,450 | 88,550 | - | 161,000 | |
| | 942.63 | 816 | 816 | - | 94,263 | 94,263 | - | 1,696,734 | 2,073,786 | - | 3,770,520 | |
| | 1,445.79 | 999 | 1,000 | 15 | 139,196 | 139,146 | 5,383 | P 2,505,528 | P 3,061,212 | P 215,320 | P 5,782,060 | |

33.12 Review of payments to farmer-participants in the Municipalities/Provinces listed in Table 85 showed the following:

a. Municipality of Umingan, Pangasinan

i. Four (4) of the 26 farmer-participants without tenurial status indicated in the Masterlist of Farmer-Participants (MLFP) received incentives aggregating P72,000;

ii. Seven (7) of the 25 farmer-participants who replaced the original farmers listed in the MLFP and received incentives totaling P88,000, but their land areas were not indicated in the requests for replacement, albeit approved by the RO; and

iii. Four (4) of the 25 farmer-participants with land areas aggregating 11 hectares were paid incentives in the amount P76,000, (Phases I and II for P34,200 and P41,800, respectively) for 1,900 coconut seedlings sown. They should have sown only 1,100 coconut seedlings (11 hectares @ 100 coconut seedlings) or paid incentives in the amount of P44,000 (Phases I and II P19,800 and P24,200), thus, payment was excessive by P32,000.

b. Ilocos Norte

i. Twenty (20) farmer-participants in the Municipalities of Pagudpud, Baduang, Dampig, Dumalneg, Bangui and Currimao did not submit any

proof of land ownerships but were paid incentives in the total amount of P93,528 for 5,196 coconut seednuts/seedlings sown/planted;

ii. Ninety (90) farmer-participants in the Municipalities of Adams, Pagudpud, Baduang and Dampig submitted Barangay Certificates but the same were not attested by either the SCFO President or BARC Chairman;

iii. Thirteen (13) farmer-participants from Adams and Pagudpud, Ilocos Norte with land areas aggregating 25.21 hectares were paid incentives in the amount of P195,914 for 5,045 coconut seedlings sown, (Phases I and II in the amount of P84,924 and P110,990, respectively). They should have only sown 2,521 coconut seedlings (25.21 hectares @ 100 seedlings) or paid incentives in the total amount of P97,528, thus payment was excessive by P98,386;

iv. Forty (40) farmer-participants in the Municipalities of Adams, Pagudpud, Dumalneg, Bangui and Currimao were listed in the MLFP as landowners but they are not the owner appearing in the OCT, TD and Certificate of Stewardship (COS); and

v. Certificate of Payment, Payroll and Acknowledgment Receipt (CPPAR) for incentives under Phase I showed that 11 farmer-participants from Municipality of Adams acknowledged their incentives amounting to P21,566 by affixing thumb marks. However, the CPPAR for Phase II showed signature of the said farmer-participants for receiving incentives amounting to P26,114.

c. Palawan

i. Three hundred sixty four (364) farmer-participants in the Municipalities of Narra, Espanola, Taytay, El Nido, Balabac and Roxas did not submit any proof of land ownership but were paid incentives in the total amount of P1.656 million for 41,400 coconut seednuts/seedlings sown/planted;

ii. Nine (9) farmer-participants from Taytay and Roxas with land areas aggregating 4.91 hectares for 950 coconut seednuts/seedlings sown were paid incentives amounting to P38,000 (Phases I and II in the amount of P17,100 and P20,900, respectively). They should have sown only 491 coconut seedlings (4.91 hectares @ 100 seedlings) or paid incentives in the total amount of P19,640, thus payment was excessive by P18,360; and

iii. Seven (7) farmer-participants in the Municipality of Taytay who were paid incentives in the total amount of P40,000 for 1,000 coconut seedlings sown, but their lands are either residential, rice lands or cashew lands.

33.13 In RO No. XI, review of available records showed that the registration of farmer-participants under Option 1 from three areas within Davao City, specifically, Paquibato, Toril and Tugbok with 517 farmer-participants disclosed the following:

a. There is no masterlist for 517 farmer-participants duly approved by the Regional Manager;

- b. Incentives of P454,000 were paid to 161 farmer-participants without any proof of land ownership;
- c. Incentives of P147,600 were paid to 91 farmer-participants who submitted barangay certification but not attested either by SCFO President or BARC Chairman;
- d. Incentives of P84,600 paid to farmer-participants but numbers of hectares or land areas were not stated in the barangay certification;
- e. Incentives of P63,900 paid to farmer-participants who have no consent or authority from the land owner to use the land where the coconut seedlings are sown;
- f. There were inconsistencies in the names of 28 farmer-participants appearing in the payroll against names reflected in the proofs of ownership; and
- g. Checks were released to CDOs who are job order employees and distributed the checks to the farmer-participants. However, receipt could not be validated due to non-attachment of proof of identification on the payroll.

33.14 Likewise, in RO No. XIII, payments of incentives in the amount of P4.580 million were not supported with any proof of ownership. On the other hand, payments made by RO XIII to farmer-participants/tenants were either not supported with documents, with incomplete documents, or with documentary deficiencies, such as the following:

- a. Barangay certifications were signed by either the Barangay Chairman only or with the Municipal Agriculturist, or with the landowner;
- b. Absence of written consent from the landowners (for payments made to tenants);
- c. Claims exceeded the no. of hectares indicated in the titles;
- d. Land titles and TDs were in the name of persons other than the claimants;
- e. Indorsement signatures at the back of the checks were different from the signatures in the payrolls;
- f. TDs showed that parcels of land were rice lands and not coco lands; and
- g. Farmer-beneficiaries who were not included in the Masterlist were paid while some of those in the Masterlist were not paid.

33.15 In view of the foregoing observations, there was no assurance that the farmer-participants are legitimate or qualified to participate in the PCPP, thus, affecting the success and effective implementation of the project. Also, validity of the payments of incentives was questionable.

Farmer-participants have no adequate knowledge and skills due to non-conduct of crash training which may result in improper selection of seed nuts and care of coconut seed nuts/seedlings sown -

33.16 Section 2.4 of the General Provisions of the PCA MC Nos. 04, series of 2012 and 06, series of 2015 provides:

The participants must undergo the required crash training to be conducted by the PCA Agriculturists/CDOs (Coconut Development Officers) on seednuts selection, nursery establishment and operations, transplanting and care and maintenance of young palms, among others at the barangay or municipality where they reside.

33.17 Also, Section 8.3 of PCA MC No. 04, series of 2012, dated January 29, 2012 states:

Prior to the start of the implementation of the project for the year, the Agriculturists/CDOs shall invite all qualified participants for 1-2 days crash training on coconut planting/replanting techniques and procedures that will be followed for the PCPP. The objective of the training is to provide the participants with knowledge and skills on coconut planting/replanting and also to familiarize them with basic guidelines of project implementation.

33.18 In RO Nos. I-IV-B, the required crash training for farmer-participants was not conducted due to limited funds released by the CO while in RO No. XI, there were no training reports submitted despite request made. However, Management of RO No. XI stressed that trainings were conducted during monthly/special meetings with SCFOs and that the attendance sheets are filed with PrOs.

33.19 In the absence of training, the farmer-participants have no adequate technical knowledge and skills on coconut planting which may result in improper selection of seednuts and care of sown/transplanted seedlings.

Monthly monitoring and evaluation (M & E) not undertaken, thus precluding Management in keeping track of the progress and status of the project –

33.20 Section 16 of PCA MC No. 04, series of 2012, dated January 29, 2012 provides Monitoring and Evaluation System (MES) to enable the different implementing units of PCA to keep track of the progress and status of the project. The monitoring and evaluation shall be conducted monthly and reported using the prescribed forms shown in Table 86.

Table 86 – Types of Monthly Monitoring Reports on the PCPP

| Level Activity | Monitoring Forms |
|--|---|
| Phase I | |
| Nursery establishment, seednuts setting and seedlings production | Nursery Operations Report |
| Payment of incentives | Status of Payment of Farmers' Incentive |
| Phase II | |
| Transplanting of coconut seedlings and field inspection and evaluation | Field Planting Report |
| Payment of incentives | Status of Payment of Farmers' Incentive |

33.21 The concerned CDOs of RO Nos. I-IV-B were not preparing and submitting the above stated reports which clearly showed that the required monitoring and evaluation was not undertaken, thereby precluding determination of the status of seedlings planted/transplanted and whether incentives were received by the right farmer-participants.

33.22 We recommended that Management direct Regional Managers to:

- a. Conduct investigation to determine cause/s of:**
 - a.1. Non submission of any proof of ownership, non-approval of the masterlists, non-conduct of survey on farmers' interest and farms suitability, crash training, and monthly monitoring and evaluation and hold the concerned personnel responsible as the case may be;**
 - a.2. Allowing farmer-participants in Adams, Ilocos Norte to receive incentives under Phase I thru thumb marks while under Phase II by signing in the CPPAR;**
 - a.3 Excessive payments of incentives to farmer-participants who planted more than 100 pieces allowed for every hectare in the Provinces of Pangasinan, Ilocos Norte and Palawan; and**
 - a.4. Tenurial status as well land areas were not indicated in the MLFP/Letter for Replacement.**
- b. Henceforth, ensure that all stakeholders down to the implementers should comply with MC Nos. 04, series of 2012 and 06, series of 2015 to ensure that all documentary and procedural requirements are complied with in the implementation of PCPP.**

33.23 RO Nos. I-IV-B justified that their CDOs have conducted crash trainings. These are not the formal type like classroom-type lectures and/or Farmer's Field School which required big amount of training funds. As an alternative, they conducted house to house (question and answer type) lectures, actual demonstrations on the farmers' farm locations and on a per case-to-case basis since only very few farmer-participants are new to coconut planting. Further, CDOs usually schedule training whenever there is an invitation from the LGUs and other partner-conduits, i.e. barangay council meetings, meeting with Sangguniang Bayan/Province agricultural council meeting.

33.24 Moreover, RO Nos. I-IV-B commented that the customary practice of the provincial personnel is to include the MES forms in the submission of the DVs for payment of incentives instead of monthly submission. However, they assured to abide the monthly submission of the MES forms.

33.25 Further, Management explained that the CDO assigned in Umingan, Pangasinan, inadvertently overlooked and missed to fill-out the land tenurial status in the MAPs while the requests for change of participants and replacements were approved by the regional office since the transfer was within the same province and municipality without having to exceed what has been approved earlier. In Ilocos Norte, the Barangay Certificates were not attested by the BARC Chairmen since they are also the Barangay Chairmen while the names of owners in submitted copies of proof of land titles differ with the actual recipients of incentives as they are still unable to transfer the properties under their names. With regard the land areas which are not proportionate to the number of seedlings planted, these are due to innovations on planting method and distance such as two to three seedlings per hill, *8x8 meters* or *9x9 meters* which can accommodate more seedlings per hectare. As to the farmers who acknowledged the incentives under Phase 1 thru thumbmarks, they were encouraged by the CDOs to affix their signatures instead in claiming incentives under Phase 2.

33.26 The Acting Project Development Officer (PDO) III of RO No. XI admitted the unavailability of the approved masterlist of farmer participants for PCPP Option 1. He also claimed that the CDOs are aware of the guidelines requiring the attestation of the SCFO president or BARC chairman on the barangay certifications and the need for consent or authority for use of the land by other than the land owner. The Acting PDO III however stressed that the role of the SCFO was only to recommend a list of potential farmers for enrollment in the projects of the PCA.

33.27 Additionally, he claimed that the proofs of ownership are still being collated in the field by the CDOs. In the case of farmer-participants under the Toril area, they asserted that the proofs of ownership were already submitted to the regional office, however, these were withdrawn for correction of deficiencies in the barangay certification.

33.28 They also emphasized that the basis for payments of cash incentives of farmer-participants was the actual number of good seedlings at two (2) feet tall on the date on inspection. Further, he asserted that they require proof of identification upon release of check payments and check releases are done in the presence of a barangay official.

33.29 On the other hand, the PCDMs of PrOs in RO No. VIII explained that the:

- a. Supporting documents may have been detached unintentionally and misplaced due to the series of persons who checked the documentation;
- b. Tenants were not able to secure authority from the landowners considering that most of them reside in far-flung areas or in foreign countries;
- c. Different farmers use different planting methods and the hectareage/area computations were based on the number of seedlings planted, which sometimes did not reconcile with the area requirement in the guidelines;

d. Land titles and TDs were not yet transferred to the concerned heirs who till the coconut land for their livelihood;

e. The farmers' names in the payroll have clerical errors as compared with their valid IDs and these farmers were forced to have their checks encashed by friends and/or relatives, while others have authorized their family members to receive their payments;

f. Farmer-participants had partially diverted the rice land to coco land due to absence of water supply to the field, the area is rain fed, and they have no money to pay for the conversion; and

g. Farmer-beneficiaries were approved after the cleansing of the Masterlist per municipality. Those who meet the number of seed nuts sown (150/has.) upon inspection were included and those who did not were eliminated as long as the number of beneficiary per municipality is not exceeded.

33.30 In RO No. XIII, Management assured to implement the recommendation and requested to give them ample time to produce the lacking documents needed for attachment of the previous releases.

33.31 As a rejoinder, validation showed that there were no M & E forms in RO Nos. I-IV-B but only the Status of Payment of Farmer's Incentives that are attached to the DVs. As to payments of incentives to the farmer-participants not proportionate to their land areas, it did not only deviated from the guidelines but unfair to those farmer-participants who were given only the allowable incentives. On the other hand, the land classification must be appropriate for coconut plantation. The conversion from rice land to coco land should be approved by proper authorities and not merely dependent on the decision of the landowners. The financial distress due to the devastation caused by Typhoon 'Yolanda' is not an excuse for circumventing laws, rules and regulations. Thus, we maintain our stand that Management direct the concerned Regional Managers to strictly follow the guidelines to ensure effective and efficient implementation of PCPP.

***Coconut Seedlings Dispersal Project
(CSDP) – CY 2015 Audit -***

34. Successful attainment of the objective of CSDP to provide good quality of coconut seedlings to farmers may not be realized due to documentary deficiencies in the registration and selection of farmer-participants and delayed implementation of the project coupled with late deliveries of coconut seedlings by the suppliers/LGUs.

34.1 PCA MC No. 02 dated January 9, 2012, prescribing the guidelines on the Implementation of the CSDP, states that:

xxx The Philippine Coconut Authority shall implement the Coconut Seedlings Dispersal Project (CSDP) aimed at making readily available to the coconut farmers and would be coconut farmers good quality seedlings for planting in their farm.

34.2 The same MC also provides the following:

- a. Strategies shall be adopted as strategic approach to identifying and prioritizing areas for coconut planting and replanting;
- b. Beneficiaries shall be, among others, small landholders, regardless of tenure, provided that, if any working arrangement exists, the consent of the owner is obtained; and
- c. As illustrated in Table 87, the Monitoring and Evaluation System (MES) is designed to enable the different implementing units of PCA to keep track of the progress and status of the project.

Table 87 – CSDP MES

| Level / Activity | Monitoring Forms | Documentary Requirements |
|--|--|---|
| Distribution of Seedlings and Transplanting of Seedlings | Field Planting Report (CSDP) 2012 / Form 02) Frequency: Monthly | Masterlist of Farmer – Participants Who Have Actually Planted the Seedlings (MAPAPS) and Acknowledgement Receipt (AR) (CSDP2012/Doc.02) Frequency: once Summary MAPAPS / AR (CSDP2012/Doc.02) Frequency: once |

34.3 Moreover, PCA MC No. 06 dated May 22, 2015, prescribing the amended guidelines on the Implementation of the Accelerated Coconut Planting and Replanting Project (ACPRP) states, among others, the following:

- a. As a precondition for participation to the project, farmers must have the land for planting properly verified, inspected and documented by the PCA Agriculturist. The land must be assessed according to agronomic factors using the standard Farmers' Interest and Farm Suitability Survey form;
- b. Individual farmer-participants of the CSDP shall enter into MOA with the PCA collectively or through its organization or cooperative;
- c. The Regional Technical Staff should provide the Regional Accountant and the Auditor of the acceptance and field planting reports for proper accounting of seed nuts/seedlings delivery; and
- d. 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.

34.4 RO No. XI entered into a MOA with various suppliers/LGUs for the delivery of 1.341 million coconut seedlings with a total cost of P37.355 million for distribution to their respective localities. Details are found in the Table 88.

Table 88 - Procurement of Coconut Seedlings under CSDP of RO No. XI

| Supplier | Batch (CY) | Procured | | Delivered as of December 31, 2015 | | Undelivered as of December 31, 2015 | |
|--------------------------------|------------|------------------|---------------------|-----------------------------------|--------------------|-------------------------------------|---------------------|
| | | Pieces | Cost | Pieces | Cost | Pieces | Cost |
| LGU-Davao Oriental | 2013 | 42,520 | P 1,275,600 | 42,520 | P 1,275,600 | - | P - |
| LGU-Panabo | 2013 | 13,000 | 390,000 | 13,000 | 390,000 | - | - |
| Guia Agriculture Venture | 2013 | 169,560 | 5,085,104 | 104,800 | 3,142,952 | 64,760 | 1,942,152 |
| Green Asia Agri Ventures | 2013 | 162,850 | 4,861,073 | 61,600 | 1,838,760 | 101,250 | 3,022,313 |
| Dayot Plant Nursery | 2014 | 247,500 | 6,732,000 | - | - | 247,500 | 6,732,000 |
| Kilambay Farms Agri Buy N Sell | 2014 | 337,600 | 9,013,920 | - | - | 337,600 | 9,013,920 |
| Corrine's Garden | 2015 | 367,600 | 9,997,720 | 70,000 | 1,904,000 | 297,600 | 8,093,720 |
| | | 1,340,630 | P 37,355,417 | 291,920 | P 8,551,312 | 1,048,710 | P 28,804,105 |

34.5 As can be gleaned from Table 88, only 291,920 or 21.77 per cent of the 1.341 million coconut seedlings were delivered, or there were 1.049 million coconut seedlings which remained undelivered as of December 31, 2015.

34.6 Inquiry with the Head, BAC Secretariat disclosed that delays in the implementation of the CSDP were due to late transfers of funds from CO. Advices for sub-allotments were received only in August to October 2015 and subject to the instructions from the CO on when to commence procurement process for CSDP.

34.7 Moreover, veracity of information of the number of coconut seedlings that should be given per farmer-participant could not be ascertained in the absence of proof of the number of hectares applied for the project by each beneficiary.

34.8 Further, review of the registration and selection process of farmer-participants disclosed the following:

- a. Strategic identification of priority areas as provided in the guidelines was not conducted to provide basis for the distribution of coconut seedlings;
- b. Proof of ownership was not required from the prospective farmer-participants, as according to the Project Development Officer (PDO), such proof was not a requirement in the guidelines for CSDP;
- c. No duly-accomplished Participants' Interest and Farm Suitability Assessment (PIFSA) form was presented as proof that an inspection and assessment were conducted by concerned personnel of the PCA;
- d. Coconut seedlings were distributed to farmer-participants without the requisite MOA between individual farmer-participants or collectively through its organization or cooperative;
- e. Field Planting Reports for proper accounting of seednuts delivery have not been submitted to the Regional Accountant and/or the Audit Team. While the Regional Accountant averred that Field Planting Reports are directly submitted to the CO, the PDO conversely admitted that submission of the report to the Regional Accountant and the Audit Team was overlooked;
- f. Absence of the Masterlist of Approved Participants (MAPs) and other supporting documents for Batch 2013; and

g. There were significant delays in the implementation of the project. As shown in Table 89, project implementation should have started in CY 2013 since the guidelines for CSDP was already effective in CY 2013, however, the procurement processes had commenced only in the last quarter of CY 2014 and awarding had started in January 2015;

Table 89 – Procurement under CSDP for CYs 2013-2015

| Batch | Procurement process commenced | Awarded to winning bidder |
|--------------|--------------------------------------|----------------------------------|
| CY 2013 | October 2014 | January 2015 |
| CY 2014 | July 2015 | October 2015 |
| CY 2015 | July 2015 | September 2015 |

34.9 The Acting PDO averred that:

- a. MAPs for CSDP Batch 2013 were not turned over by the former PDO, who had already retired from the service;
- b. He is not aware of the guidelines on the strategic identification and prioritization of areas for replanting of coconut seedlings;
- c. PIFSAs are not prepared and it has been the practice even from previous PDOs. Likewise, he maintained that the MAPs for Batch 2013 were not turned over by the previous PDO who had already retired; and
- d. CDO relied on the list provided by the SCFO of prospective farmer-participants and inspects the site applied for by the prospective farmer participant in the list and conducts assessment to determine whether the selection criteria were met.

34.10 The proof of ownership is a vital document for the determination of allocation of coconut seedlings for each farmer-participant based on the actual land area applied and enrolled for the project. The absence of the PIFSA and the lack of expertise of the CDO in establishing the parameters of the land being enrolled to the project put into question the veracity of the claims that an inspection and assessment were actually performed.

34.11 The delayed implementation as well as deliveries of coconut seedlings deprived the intended beneficiaries of the benefits from the project. In addition, the deficiencies in the registration and selection process of farmer-participants and the evident disregard of the guidelines affected the efficiency and effectiveness of the project implementation which may result in non-attainment of CSDP's objectives.

34.12 We recommended that Management direct the Regional Manager of RO No. XI to:

- a. **Ensure that all personnel concerned comply with the provisions of MC Nos. 02 and 06 dated January 9, 2012 and May 22, 2015, respectively;**
- b. **Commit to undertake remedial actions to comply with the documentary requirements in the selection and registration of qualified farmer-participants and timely implementation of the project;**

c. Ensure that permanent files such as MAPs and proof of ownership of farmer-participants are maintained and turned-over by outgoing to incoming PDOs to establish accountability; and

d. Enforce the provisions of the MOAs entered into with partner LGUs particularly on the delivery of coconut seedlings to their respective localities.

34.13 Management commented that they have already issued a memorandum to all personnel concerned to review the relevant PCA issuances related to the implementation of the CSDP and to strictly follow the guidelines stipulated therein. Management also committed to address the audit observations and is currently undertaking remedial actions for the proper implementation of the projects.

***Salt Fertilization Project (SFP) - Special
Audit for CYs 2008-2014 -***

35. Attainment of the objectives of SFP to increase coconut productivity and improve coco resistance to pest and diseases could not be ascertained in view of the absence of periodic coconut yield assessments and evaluation after fertilization as the RO Nos. I-IV-B did not collect coconut yield prior to fertilization from CYs 2008 to 2012 for benchmarking purposes. Results of inspection showed that 152 bags salt fertilizers found at Brgy. Calima, Pola, Oriental Mindoro remained unutilized.

35.1 The 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.

35.2 PCA issued Guidelines on Salt Fertilization under various series of MCs which provide the following:

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

For purpose of monitoring, the RM [Regional Manager] shall submit a regular report indicating the total number of bags received by destination, the total quantity delivered to the final municipalities and farmer-participants, and the balance on hand. Xxx. After all the fertilizers had been delivered, a terminal report should be submitted to the OFAD [Office of the Administrator] by the RM.

All RM must include in their monthly report, the quantity of fertilizer applied for the month by province against the quantity received.

35.3 Under the SFP, a total of 261,961 bags at 50 kgs./bag of agricultural salt fertilizers in the aggregate amount of P74.638 million were distributed from CYs 2008 to 2014 for the fertilization of 63,666.75 hectares of coconut land and benefiting 52,872 coconut farmers in RO Nos. I-IV-B, covering 14 provinces. Details are shown in Table 90.

Table 90 - Agricultural salt fertilizers distributed in RO Nos. I-IV-B for CYs 2008-2014

| CY | Quantity (in bags) | Amount | Area (in hectares) | No. of Farmer- Participants |
|-----------|-------------------------------|---------------------|-------------------------------|--|
| 2008 | 22,077 | P 6,954,864 | 5,520.00 | 4,374 |
| 2009 | 14,216 | 4,541,106 | 3,554.00 | 2,195 |
| 2010 | 32,054 | 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 |
| | 261,961 | P 74,637,596 | 63,666.75 | 52,872 |

35.4 RO Nos. I-IV-B has 175 sample farms identified in the 16 provinces, however, the identification started only in CY 2012, thus gathering of coconut yield for benchmarking also started during CY 2012. Of the 175 sample farms, 28 were located at Oriental Mindoro and Palawan (14 each).

35.5 The Audit Team was provided with Summary of SFP Periodic Yield Assessment Review Monitoring Sheets (PYARMS) and review was made, notwithstanding the said report is unsigned, which showed that the coconut yields for benchmarking were gathered only starting CY 2012 and 2013 from 175 sample farms. The PYARMS also provide limited information since results of yield assessments pertain only to the number of assessments conducted. Information showing whether there was an increase in number of coconut yields and improvement as to coconut thickness after salt fertilization were not indicated at all.

35.6 Also, the Audit Team reviewed the Individual Periodic Yield Assessment Monitoring Sheets (IPYAMS) of the 28 sample farms located at Oriental Mindoro and Palawan for evaluation conducted on the 6th month after fertilization as shown in Table 91. The said IPYAMS showed that the gathering of coconut yields for benchmarking was conducted from the period April 2013 to October 2013. Thus, for samples gathered during April 2013, three periodic assessments should have already been conducted, first was on the 6th month or in October 2013, second on first year or in April 2014 and third on the second year or in April 2015.

35.7 As can be gleaned from Table 91, on the 6th month after application of 2 kilograms of salt fertilizers per tree at 28 sample farms located at Oriental Mindoro and Palawan, 9 or 32.14 per cent have an average increase in number of coconut yield which ranged from 1.10 to 8.40 nuts; 15 or 53.57 per cent have an average increase which ranged from 0.10 to 0.90 nuts and 4 or 14.29 per cent have no increase at all since it registered negative results. As regards the improvement of coconut meat thickness, of the 28 sample farms, 21 or 75.00 per cent have an average increase which ranged from 0.13 centimeters (cm.) to 6.83 cm while 7 or 25.00 per cent have no increase as to the thickness since it registered also negative results. The Regional Technical Staff explained that the decrease in coconut yield and meat thickness could

be possibly due to the quality of soil which maybe deficient in nutrients such as nitrogen or potassium.

**Table 91 - Results of Periodic Yield Assessment Monitoring and Evaluation
Conducted on the 6th Month after Application for Salt Fertilizers**

| Owner of sample farms | Benchmark per coco tree | | | Yield assessment per coco tree | | | Increase/(Decrease) | |
|-------------------------|-------------------------|-------------------|---------------------------------------|--------------------------------|-------------------|---------------------------------------|---------------------|---------------------------------------|
| | Date collected | Average nut yield | Average fresh meat thickness (in cm.) | Date Conducted | Average nut yield | Average fresh meat thickness (in cm.) | Average nut yield | Average fresh meat thickness (in cm.) |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h=f-c) | (i=g-d) |
| Oriental Mindoro | | | | | | | | |
| 1. Yolanda Mendoza | 09/16/13 | 14.80 | 11.31 | 03/17/14 | 14.80 | 11.56 | - | 0.25 |
| 2. Edgar Arenillo | 09/18/13 | 14.40 | 11.50 | 03/17/14 | 14.80 | 11.63 | 0.40 | 0.13 |
| 3. Hill Bae | 09/09/13 | 14.70 | 11.50 | 03/14/14 | 15.10 | 11.81 | 0.40 | 0.31 |
| 4. Teodoro Florida | 09/13/13 | 15.70 | 12.00 | 03/14/14 | 13.80 | 11.87 | (1.90) | (0.13) |
| 5. Potencio Lumangla | 10/01/13 | 13.10 | 11.10 | 03/28/14 | 14.00 | 11.63 | 0.90 | 0.53 |
| 6. Angel Lat | 10/01/13 | 12.80 | 10.87 | 03/28/14 | 13.10 | 11.19 | 0.30 | 0.32 |
| 7. Fortunato Mendoza | 09/25/13 | 11.80 | 11.50 | 03/21/14 | 12.50 | 12.00 | 0.70 | 0.50 |
| 8. Bienvendio Castillo | 09/30/13 | 11.60 | 11.30 | 03/21/14 | 12.70 | 11.56 | 1.10 | 0.26 |
| 9. Rico Hermoso | 09/05/13 | 13.60 | 11.50 | 03/12/14 | 13.20 | 11.94 | (0.40) | 0.44 |
| 10. Ruberto Francisco | 09/06/13 | 14.00 | 11.48 | 03/12/14 | 14.40 | 11.63 | 0.40 | 0.15 |
| 11. Virgilio Diona | 10/01/13 | 14.20 | 12.75 | 03/10/14 | 14.30 | 12.43 | 0.10 | (0.32) |
| 12. Nestor Alvarez | 10/01/13 | 13.00 | 12.66 | 03/10/14 | 13.10 | 12.31 | 0.10 | (0.35) |
| 13. Michael Morada | 10/02/13 | 12.60 | 12.31 | 03/12/14 | 12.80 | 12.06 | 0.20 | (0.25) |
| 14. Lucila Fradera | 10/02/13 | 14.60 | 12.63 | 03/12/14 | 14.30 | 12.37 | (0.30) | (0.26) |
| Palawan | | | | | | | | |
| 15. Rufino Bundac | 03/12/13 | 14.70 | 04.30 | 09/18/13 | 16.00 | 11.13 | 1.30 | 6.83 |
| 16. Ismael Mandaui | 03/12/13 | 15.30 | 10.88 | 09/16/13 | 15.70 | 12.13 | 0.40 | 1.25 |
| 17. Teresita Zabala | 03/11/13 | 13.50 | 12.00 | 09/09/13 | 11.50 | 10.00 | (2.00) | (2.00) |
| 18. Alfredo Adila | 03/11/13 | 12.80 | 04.20 | 09/09/13 | 14.40 | 10.75 | 1.60 | 6.55 |
| 19. Arnold Gallaza | 03/12/13 | 13.00 | 11.70 | 01/20/14 | 21.40 | 12.13 | 8.40 | 0.43 |
| 20. Mercelito Akong | 03/13/13 | 09.60 | 10.50 | 01/13/14 | 17.90 | 12.38 | 8.30 | 1.88 |
| 21. Elsa Lacaste | 04/15/13 | 16.70 | 11.75 | 02/21/14 | 18.40 | 12.25 | 1.70 | 0.50 |
| 22. David Cayabo | 04/12/13 | 16.60 | 11.50 | 02/14/14 | 19.60 | 12.00 | 3.00 | 0.50 |
| 23. Jakaria Yan | 04/18/13 | 16.50 | 11.88 | 03/14/14 | 18.80 | 12.25 | 2.30 | 0.37 |
| 24. Ariane Querie | 04/18/13 | 16.00 | 11.63 | 03/12/14 | 16.80 | 11.25 | 0.80 | (0.38) |
| 25. Arthur Elmar | 03/19/13 | 15.20 | 10.63 | 03/08/14 | 15.60 | 11.31 | 0.40 | 0.68 |
| 26. Jolie Aplao | 03/19/13 | 15.30 | 10.31 | 03/08/14 | 15.60 | 11.56 | 0.30 | 1.25 |
| 27. Jeffrey Cinco | 03/07/13 | 20.00 | 12.37 | 09/26/13 | 20.80 | 12.50 | 0.80 | 0.13 |
| 28. Nida Yurag | 03/06/13 | 16.70 | 11.60 | 09/25/13 | 18.60 | 12.00 | 1.90 | 0.40 |

35.8 The IPYAMS for the 2nd and 3rd evaluation were not submitted to the Audit Team which indicates that the required subsequent assessments were not conducted. Thus, the results of salt fertilization whether effective could not be established due to absence of periodic assessments.

35.9 Moreover, survey was conducted in May 2015 through administering questionnaires to 146 of the 2,078 farmer-participants or 7.03 per cent who were given salt fertilizers in Oriental Mindoro and Palawan. Results of the survey are tabulated in Table 92, which shows that 129 and 98 farmer-respondents or 88.36 and 67.12 per cent of 146, respectively, answered that the salt fertilization has increased the production of coconut and helped fight against pests and diseases. However, this positive result needs further assessments to determine whether SFP is effective. Further, 30 farmer-respondents replied no or not sure on the positive effect of fertilization while 35 have no reply.

35.10 Further, result of ocular inspection conducted by the Audit Team on May 7, 2015 showed that 152 bags salt fertilizers of the 531 bags at 50 kgs./bag or 28.63 per cent

allocated in Brgy. Calima, Pola, Oriental Mindoro were found unutilized. The Weekly Fertilizer Delivery and Distribution Status Report/Terminal Report (WFDDSR) and Weekly Fertilizer Application Report/Terminal Report (WFAR) for Oriental Mindoro showed that all fertilizers allocated to farmer-participants were distributed and applied by the farmers. Likewise, the Acknowledgment Receipt and Certificate of Distribution of Agricultural Salt Fertilizer (ARCDASF) showed that the salt fertilizers were acknowledged by the farmer-participants of Brgy. Calima, Pola, Oriental Mindoro.

Table 92 - Results of Survey Administered in Oriental Mindoro and Palawan

| | No. of Respondents | | | Per cent |
|----------------------------------|--------------------|-----------|------------|---------------|
| | Oriental Mindoro | Palawan | Total | |
| Increase coconut production | | | | |
| Yes | 59 | 70 | 129 | 88.36 |
| No | 2 | - | 2 | 1.37 |
| Not sure | 9 | - | 9 | 6.16 |
| No answer | 5 | 1 | 6 | 4.11 |
| | 75 | 71 | 146 | 100.00 |
| Effective against pests/diseases | | | | |
| Yes | 57 | 41 | 98 | 67.12 |
| No | 5 | 3 | 8 | 5.48 |
| Not sure | 9 | 2 | 11 | 7.54 |
| No answer | 4 | 25 | 29 | 19.86 |
| | 75 | 71 | 146 | 100.00 |

35.11 RO Nos. I-IV-B commented that, in the early years of project implementation, the prescribed guidelines did not specify the conduct of benchmarking and gathering of data thru Periodic Yield Assessment (PYA), hence the same was not implemented but in CY 2013, they have been strictly implementing the provisions of PCA MC No. 04, series of 2013. Given the huge project targets and areas of coverage of the CDOs which can be attributed to limited manpower, it is probable that lapses really happen.

35.12 Further, Management informed that they will conduct investigation on the unutilized salt fertilizers found in Calima, Pola, Oriental Mindoro and any personnel found to be remiss in the discharge of their duties shall be subject to sanctions provided by the Civil Service Commission.

35.13 We recommended that Management direct the Regional Manager of RO Nos. I-IV-B to:

- a. Require the concerned PCDM and the CDO to conduct periodic yield assessment monitoring and evaluation of coconut to determine the effectiveness of SFP and henceforth, strictly observe the provisions of the Guidelines on SFP under various series of MCs; and**
- b. Conduct investigation and submit to the Audit Team report on non-distribution/application of 152 bags salt fertilizers.**

35.14 Management of RO Nos. I-IV-B explained that in the prescribed guidelines for SFP under PCA MC No. 03, series of 2008, the conduct of benchmarking and gathering of data thru PYA was not specified, hence, the same was not implemented. Also, they informed that they have been complying with the requirements of PCA MC No. 04, series of 2013. While they know the fact that it should not be a reason for an excuse, but given the huge project targets and areas of coverage of their CDOs, it is probable

that lapses may happen which can be attributed to limited manpower resources. Management acknowledged this oversight and assured that they will strictly implement and monitor the compliance to the PYA of the SFP from hereon.

35.15 Management submitted the report on the results of investigation conducted on November 11, 2015 for 152 bags salt fertilizers which showed that the said fertilizers pertained to CY 2012 allocation of the 10 beneficiaries located in Brgy. Calima, Pola, Oriental Mindoro. The reasons cited by the concerned farmer-participants for unable to utilize or apply the fertilizers, among others, were that their farms are located far away from the DOPs, farms are sloppy, wherein walking and using wicker baskets is the only way of transporting the fertilizers.

35.16 As a rejoinder, considering that the PCA has already spent millions of pesos for salt fertilization of coconut trees, assessment on the effectiveness of SFP should be taken seriously and extensively to avoid wastage of government funds. Management should strictly require the concerned regional offices to conduct benchmarking and monitor yields assessments on the results of salt fertilization. Also, Management of RO Nos. I-IV-B should see to it that allocations of salt fertilizers were actually received and applied by the farmer-participants and that monitoring of reports and validating them be strictly enforced.

***Kasaganahan Sa Niyugan ay Kaunlaran
ng Bayan [KAANIB] Development Project
(KEDP) - Special Audit for CYs 2012-2014***

36. Problems encountered by seven Coconut-Based Organizations (CBOs) in RO Nos. I-IV-B in the implementation of KEDP, i.e., livestock integration, intercropping and operation of briquetting and decorticating machines, deliveries of coffee seedlings as well as stability of CBOs were not addressed due to lack of regular monitoring and evaluation and late deliveries of coffee seedlings that may result in wastage of government funds and non-attainment of the main objective of KEDP of increasing the income of coco farmers.

36.1 The monitoring and evaluation of the impact of KEDP is provided under Section XIV of PCA MC 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.

36.2 In RO Nos. I-IV-B, 47 CBOs were selected in the provinces of Isabela, Bataan, Romblon, Aurora, Cagayan, Palawan, Occidental and Oriental Mindoro which were granted Coconut-Coffee Based Enterprise Development Project (COCOBED) and Processing and Marketing of High Value Products. COCOBED consisted of arabica and robusta coffee seedlings; intercropping of high value crops e.g. pineapple slips, banana suckers, cacao seedlings, jackfruits, rambutan, lanzones, mangosteen, mangoes, corn, ube and vegetable seeds and livestock integration consisting of carabao, goats, chicken, sheep, piglets and buffalo. Processing and marketing of high value products consisted of equipment such as looming machines, apiculture sets, charcoal kiln, briquettor, decorticating/shredder machines, twinning and weaving machines, charcoal grinder/mixer, copra dryer and honey extractor.

36.3 Evaluation revealed that RO Nos. I-IV-B had not regularly received accomplishment reports from their PrOs relative to the monitoring of the status of the projects granted to the 47 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 implementation of the livelihood projects at any given period.

36.4 The following observations were further noted in the survey conducted in RO Nos. I-IV-B particularly in the provinces of Oriental Mindoro and Palawan:

- a. Machinery and equipment for processing and marketing of high value products granted to GMM SCFO and Calasaguen Shore CBO amounting to P0.611 million are either non-operational or unutilized due to problems shown in Table 93. The agency claimed that the non-operational looming, decorticating and shredding machines are attributable to market requirements for bulk commodities. Since there are no bulk commodities to market, CBOs lost interest to proceed in the production of coir and its by-products. The Regional Technical Staff are instructed to immediately conduct inspection and recommend appropriate actions. For the apiculture project, the machinery has become non-operational as the project needs a skilled bee keeper. Without skilled bee keepers, the bees especially the queens look for better colonies to hive. The loss of the queens resulted in abandonment of the colony. The CBOs-in-Charge are doing their best to revive and/or transfer the colonies.

**Table 93 – Status of Machine and Equipment for Processing of High Value Products
Granted to two CBOs located in Palawan**

| CBOs | Machinery/ Equipment | Pieces | Amount | Status/problems encountered |
|----------------------|---------------------------------|---------------|------------------|--|
| GMM SCFO | Apiculture set | 1 | P 85,000 | Not operational since the machine is not suitable in the area |
| | Looming machines | 5 | 31,000 | Standby due to lack of raw materials |
| | Shredder machines | 1 | 146,000 | Operational but no buyer of products |
| | Decorticating machines | 2 | 198,000 | Operational but fibers produced are of low quality |
| | Copra Dryer | 1 | 25,000 | Operational but machine needs repair |
| | Honey Extractor | 2 | 20,000 | Not operational as bee colonies transferred to wild environment |
| Calasaguen Shore CBO | Apiculture set | 1 | 85,800 | Not operational since the machine is not suitable in the area |
| | Honey Extractor | 2 | 20,000 | Not operational as there is no good source of pollen for better honey bee extraction |
| | | 15 | P 610,800 | |

b. Arabica and robusta coffee seedlings consisting of 125,000 pieces procured from Angelita Amat Plant Nursery and Agri-Trading and Nestle Philippines, Incorporated (NPI) with aggregate cost of P3.206 million granted to five CBOs in Oriental Mindoro and Palawan have high mortality rate, as shown in Table 94.

Table 94 – Coffee seedlings with Low Mortality Rate to Five CBOs

| CBO | Coffee seedlings | No. Pieces | Cost | Remarks |
|--|-------------------------|-------------------|--------------------|-----------------------|
| Oriental Mindoro | | | | |
| Sta. Isabel CBO | Arabica | 25,000 | P 662,500 | High mortality rate |
| Bambanin CBO | Arabica | 25,000 | 662,500 | High mortality rate |
| Samahan ng Magniniyog ng Barangay Aurora | Arabica | 25,000 | 662,500 | High mortality rate |
| | | 75,000 | 1,987,500 | |
| Palawan | | | | |
| Langogan CBO | Robusta | 25,000 | 609,000 | 50% mortality rate |
| Valma MPC | Robusta | 25,000 | 609,000 | 99.90% mortality rate |
| | | 50,000 | 1,218,000 | |
| | | 125,000 | P 3,205,500 | |

36.5 According to the OIC-PCDM of Oriental Mindoro, the high mortality rate of coffee seedlings delivered by Angelita Amat Plant Nursery and Agri-Trading was due to the “El Nino Phenomenon” at the time of delivery at the designated drop-off points. The delivery time as stipulated in the contract was from April 8, 2014 to May 23, 2014. The OIC-PCDM, Oriental Mindoro requested for extension of the delivery time to May 16, 2014 to June 29, 2014 on the grounds that the delivery time was in the middle of summer, acceptance of deliveries would entail additional burden and maintenance cost to the farmer-recipients and farms were not yet ready. The extension of delivery was approved by the Regional Manager of RO Nos. I-IV-B and confirmed by the supplier. Despite the extension of delivery period, the dry season had affected the survival rates of the coffee seedlings.

36.6 The 50,000 robusta coffee seedlings were part of 200,000 pieces procured from NPI costing P4.872 million. According to the OIC-PCDM of Palawan, there was high mortality rate since seedlings were damaged during deliveries. The deliveries were affected by rough seas during typhoon “Glenda”, since the seedlings came from outside Palawan, and excessive heat caused by drought. Management informed that the damaged seedlings were already replaced by NPI. Notwithstanding the replacement, the timely planting of the coffee seedlings was affected.

36.7 Likewise, of the 200,000 coffee seedlings to be delivered by NPI, 20,000 pieces remained undelivered as of October 2015, despite the extension of delivery time given to supplier since their facilities at Lipa Integrated Coffee Center including the seedlings allocated for delivery to RO Nos. I-IV-B were significantly damaged or destroyed due to “Typhoon Glenda” in July 2014. The coffee seedlings are still nurtured in the supplier’s nursery to avoid transport shock and as of audit date no payments have been made to NPI. In a letter dated August 29, 2014, the Regional Manager of RO Nos I-IV-B had notified NPI that liquidated damages shall be imposed on undelivered portion effective September 1, 2014.

36.8 The Audit Team was furnished by Management of RO No. IV-A with copies of the Individual Accomplishment Reports of some KAANIB CBOs for the 2nd and 3rd quarters of CY 2013 and the consolidated AcR for CY 2013 for all the CALABARZON (Cavite, Laguna, Batangas, Rizal and Quezon) KAANIB sites. However, said reports refer only to the period when the projects were distributed to the recipient CBOs. No data were indicated as to the actual status of the implementation of the projects as regards the capability of the livelihood projects to increase the income of the farmer-recipients.

36.9 The foregoing observations indicate that the concerned PCA personnel are remiss in the regular monitoring of the KEDP which may lead to wastage of government 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.

36.10 We recommended that Management:

- a. Provide in the guidelines a provision on the imposition of administrative sanctions/penalties in case the concerned employees are remiss of their duties in the strict monitoring and evaluation of the livelihood projects; and**
- b. Require the Regional Manager of RO Nos. I-IV-B to:**
 - b.1. Comply strictly with the provisions of PCA MC No. 03, series of 2013, on the monitoring of KAANIB 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;**
 - b.2. Schedule judiciously the procurement to ensure that the delivery time and distribution periods of the coffee seedlings to the**

beneficiaries will be during rainy season for good vegetative growth and development of coffee seedlings; and

b.3. Impose liquidated damages against NPI for late deliveries, require the said supplier to immediately complete the delivery of coffee seedlings.

36.11 Management of RO Nos. I-IV-B assured to conduct inspection of the projects and hold the employees accountable if found remiss of their duties. They explained that the non-timely monitoring and evaluation of the livelihood projects was due to financial constraint. In order not to waste government resources and for machineries to produce high quality coconut fibers that can give added value to products as well as income to coconut-beneficiaries, they will coordinate with PCA Zamboanga Research Center for the repairs of said machineries and provide trainings for farmer-recipients. They also informed that although they have planned the timely distribution of the seedlings, the same was not delivered on time because of the tedious bidding procedures. Also, the approval and confirmation of the PCA Governing Board is required before contract is awarded to the winning bidder/supplier and the unpredictable and unfavorable weather conditions brought about by climate change. This created problem on the delivery of seedlings on the part of the supplier. Nonetheless, they assured to schedule judiciously the delivery and distribution time for the coffee seedlings in the future.

36.12 Likewise, the implementation of the Rationalization Plan adversely contributed to the regular flow of activities of the Provincial Offices. There were 20 CDOs assigned as KANIB Community Coordinators affected by Rationalization Plan. Contractual employees were hired to replace the CDOs. This transition period affected the momentum of the CBOs and created adjustments albeit temporary in the implementation and monitoring of the KANIB activities.

36.13 As a rejoinder, the Audit Team noted Management's justification but nevertheless reiterated the importance of actual monitoring in the implementation of the projects to ensure that these are actually on course as planned to achieve the end goals and that funds are expended economically and are not wasted.

37. Splitting of requisitions, purchase orders and disbursement vouchers for the procurement of livestock, agro-inputs and planting materials with aggregate amount of P18.027 million resulted in foregone discounts on volume purchases and circumventing control measures contrary to Section 54.1 of IRR of RA No. 9184 and COA Circular No. 76-41 dated July 30, 1976.

37.1 Sections 10 of the IRR of RA No. 9184 provides:

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

37.2 Also, Section 54.1 of the IRR of RA No. 9184 states:

Splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GOP contracts into smaller quantities and amounts, or dividing contract implementation into

artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and its IRR, especially the necessity of public bidding and the requirements for the alternative methods of procurement.

37.3 Item 2 of Annex H of the IRR of RA No. 9481 provides the threshold of small value procurement for government owned and controlled corporations in the amount of P0.500 million.

37.4 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.

37.5 PCA Corporate Order No. 01, series of 2001, dated March 19, 2001 provides the threshold of signing and approving authority of the Regional Managers in the disbursement vouchers (DVs) not exceeding P0.500 million.

37.6 The livelihood projects granted by RO Nos. I-IV-B are as follows:

- Intercropping which involves giving high value crops to qualified CBOs for replanting aim to augment the income of the coconut farmer-participants;
- Coconut-Coffee Based Enterprise Development Project (COCOBED) consisting of arabica and robusta coffee seedlings;
- Livestock Integration which involves giving of livestock and poultry such as cattle, goat, swine, chicken to farmer-participants to augment the income of the family and make them food secure; and

37.7 For CYs 2012 to 2013, RO Nos. I-IV-B procured various planting materials, livestock, machineries and equipment through shopping and public bidding in the amount of P3.427 million and P14.601 million, respectively, or totaling P18.027 million. Details are in Table 95.

37.8 Splitting of POs and DVs were observed since the dates of the POs and DVs were made at about same time or of minimal interval as shown in Table 95. Likewise, RO Nos. I-IV-B resorted to splitting of DVs since payments have already exceeded the threshold of the signing authority of the Regional Manager in the amount of P0.500 million provided under PCA Corporate Order No. 1, series of 2001, dated March 19, 2001. Thus, RO was not only deprived of discounts on volume purchases but also the assurance that the items were obtained at the most advantageous prices and procured from eligible or capable suppliers.

Table 95 – Splitting of Requisitions and Payments

| | Items procured | Disbursement vouchers | | Purchase orders / Contract | | Amount |
|---|--|-----------------------|----------|-------------------------------|----------|---------------------|
| | | No. | Date | No. | Date | |
| Procurement through shopping | | | | | | |
| Angelita Amat Plant Nursery & Agri-Trading | Coffee Seedlings | 12-12-2654 | 12/19/12 | 2012-10-35 | 12/12/12 | P 120,000 |
| | | 12-12-2657 | 12/19/12 | 2012-10-33 | 12/12/12 | 120,000 |
| | | 12-12-2660 | 12/19/12 | 2012-10-34 | 12/12/12 | 120,000 |
| | | 12-12-2661 | 12/24/12 | 2012-12-41 | 12/22/12 | 175,000 |
| | | | | | | 535,000 |
| Erasto Gabutero | Cattle | 12-12-2637 | 12/20/12 | 2012-12-32 | 12/12/12 | 300,000 |
| | | 12-12-2638 | 12/20/12 | 2012-12-31 | 12/12/12 | 300,000 |
| | | | | | | 600,000 |
| Lord Elyn Merchandise | Cattle | 12-12-2769 | 12/26/12 | 2012-12-08 | 12/26/12 | 275,000 |
| | | 12-12-2770 | 12/26/12 | 2012-12-09 | 12/26/12 | 270,000 |
| | | | | | | 545,000 |
| Aurelio Escala Plant Nursery | Assorted fruit bearing Seedlings | 12-21-2733 | 12/21/12 | 2012-12-53 | 12/17/12 | 105,340 |
| | | 13-01-70 | 12/28/12 | 2012-12-56 | 12/20/12 | 99,176 |
| | | 13-01-71 | 12/28/12 | 2012-12-57 | 12/20/12 | 436,807 |
| | | | | | | 641,323 |
| Jesus Dimapilis | Assorted fruit bearing Seedlings | 13-01-76 | 12/28/12 | 2012-12-61 | 12/20/12 | 148,500 |
| | | 13-01-77 | 12/28/12 | 2012-12-59 | 12/20/12 | 248,238 |
| | | 13-01-78 | 12/28/12 | 2012-12-60 | 12/20/12 | 198,701 |
| | | | | | | 595,439 |
| Luis Castillet, Sr. | Assorted fruit bearing Seedlings | 13-01-72 | 12/28/12 | 2012-12-58 | 12/20/12 | 11,900 |
| | | 13-01-73 | 12/28/12 | 2012-12-54 | 12/19/12 | 99,484 |
| | | 13-01-74 | 12/28/12 | 2012-12-55 | 12/19/12 | 398,546 |
| | | | | | | 509,930 |
| | | | | | | 3,426,692 |
| Procurement through public bidding | | | | | | |
| Ed Ranch | Cattle | 13-12-2371 | 12/05/13 | | 10/29/13 | 999,960 |
| | | 14-01-26 | 01/17/14 | | | 902,000 |
| | | | | | | 1,901,960 |
| Ed Ranch | Cattle | 14-03-522 | 03/31/14 | | 12/16/13 | 884,090 |
| | | 14-03-523 | 03/31/14 | | | 984,700 |
| | | 14-03-524 | 03/31/14 | | | 961,800 |
| | | 14-03-525 | 03/31/14 | | | 916,000 |
| | | 14-03-625 | 04/08/14 | | | 564,880 |
| | | 14-03-626 | 04/08/14 | | | 554,994 |
| | | | | | | 4,866,464 |
| Ed Ranch | Cattle | 14-03-391 | 03/04/14 | | 12/12/13 | 523,900 |
| | | 14-03-392 | 03/04/14 | | | 523,900 |
| | | 14-03-393 | 03/04/14 | | | 523,900 |
| | | | | | | 1,571,700 |
| Gaudencio Kasilag Cattle Trading | | 14-07-1120 | 07/07/14 | | | 979,960 |
| | | 14-08-1401 | 08/07/14 | | | 58,998 |
| | | | | | | 1,038,958 |
| Aurelio B. Escala Plant Nursery | Cacao Seedlings | 14-01-24 | 01/17/14 | | 10/29/13 | 747,000 |
| | | 14-01-24 | 01/17/14 | | | 747,000 |
| | | | | | | 1,494,000 |
| GMG Agri-Farm Products | Coffee Seedlings | 14-02-309 | 02/17/14 | | 11/12/13 | 645,859 |
| | | 14-02-310 | 02/17/14 | | | 530,141 |
| | | | | | | 1,176,000 |
| Aurelio B. Escala Plant Nursery | Coffee Seedlings | 14-8-1402 | 08/07/14 | | 12/22/13 | 729,000 |
| | | 14-8-1403 | 08/07/14 | | | 729,000 |
| | | 14-8-1404 | 08/07/14 | | | 729,000 |
| | | 14-8-1405 | 08/07/14 | | | 364,500 |
| | | | | | | 2,551,500 |
| | | | | | | 14,600,582 |
| | | | | | | P 18,027,274 |

37.9 On the other hand, 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, splitting of procurement is not allowed. In this case, however, it should be

pointed out that splitting the procurement had consequently resulted in foregone discounts on volume purchases.

37.10 We recommended that Management hold the concerned officials and employees of RO Nos. I-IV-B 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, 12.1 and 51 of the IRR of RA No. 9184.

37.11 Management of RO Nos. I-IV-B, on the other hand, explained that they have considered the provision of Section 9 of PCA MC No. 01, series of 2011 wherein the purchases of agro-inputs were delegated to the provincial offices. The procurement of inputs was based on the approved Project Implementation Plan which was also the KANIB site members' preference. The procurement was based on fund released by Central Office thru tranches either quarterly or semi-annually. They also called the attention of the Government Procurement Policy Board for clarification on the matter which advised that procurement could be done by quarter if it would be necessary.

37.12 Also, they explained that the PCDMs were given the authority to conduct the procurement. Since the first tranche of funds remained unutilized at the time the second tranche was received, they resorted to one-time procurement with different Purchase Requests (PRs), POs and payments. The provincial offices also lack regular personnel and do not have the capability to conduct public bidding. Thus, the procurement of agro-inputs was made by KANIB sites, with this, they felt that there was no splitting. The process of procurement was done in good faith and it was not their intention to violate the rules of public bidding.

37.13 Likewise, they explained, that the basis used by the Regional Manager of Regions I-IV-B in signing DVs and checks that already exceeded the threshold as provided under PCA Corporate Order No. 1, series of 2001 was the increase of the bond of the Regional Manager in the amount of P1 million as a result of the Aurora Province Coconut Development Center civil works that took effect on December 15, 2009. Moreover, they submitted the Memorandum dated September 17, 2013 of the former PCA Administrator requesting authority from the Governing Board for the Regional Managers/OIC to procure planting materials, livestock, machineries and equipment under KEDP thru competitive bidding and consequently to sign contracts, disbursement vouchers and checks of not more than P2 million. This Memorandum was made an integral part of Board Resolution No. 090-2013 dated October 29, 2013. Thus, they believe there is an expressed grant of authority for the Regional Managers/OIC to sign contracts, disbursement vouchers and checks of not more than P2 million.

37.14 As a rejoinder, the Audit Team maintains that there was splitting in the procurement and payments. Evaluation of the procedures in the procurement of goods for the KEDP was made by the Audit Team based on the reports and disbursement vouchers submitted. There were lapses in complying with the provisions of RA No. 9184 and its IRR which could not be discounted to ensure transparency in the procurement process as well as making certain that prices of the goods procured are at the most advantageous to the government. Although, the Memorandum dated September 17, 2013 of the former PCA Administrator which was made an integral part of Board Resolution No. 090-2013 dated October 29, 2013 requested the Governing Board for authority for the Regional Manager to award and sign contracts up to P2 million, the said

Board Resolution does not mention that the Regional Manager is authorized to sign DVs and checks of not more than P2 million. The increase in the fidelity bond of the Regional Manager is not tantamount to an increase in the signing authority given to him. It is also worthy to mention that Notices of Disallowances have already been issued for splitting of payments. It is worthy to mention that the total amount of P18.027 million has already been disallowed in audit.

GENDER AND DEVELOPMENT (GAD)

38. There was no proof that the Gender and Development (GAD) Plan and Budget (GPB) for CY 2015 with approved budget amounting to P340.005 million was duly reviewed and thereafter endorsed by Philippine Commission on Women (PCW); hence, validity of the GPB could not be established. Also, the CY 2015 GAD Accomplishment Report (AcR) of CO was not provided to the Audit Team, thus, precluding the audit thereof, while no corresponding GAD budgets were allocated to RO Nos. VII, IX, and XIV, which consequently resulted either in utilization of budget from other activities or non-conduct of GAD activities at all.

Absence of proof of duly reviewed and endorsed GPB –

38.1 Among the pertinent provisions of Joint Circular (JC) 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 DBM, superseding the DBM-NEDA-NCRFW JC No. 2004-1 dated April 5, 2004, state that:

- a. 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.

38.2 The PCA was previously classified as an attached agency of the DA by virtue of Executive Order (EO) No. 116 dated January 30, 1987. On May 5, 2014, EO No. 165 and Memorandum Order No. 70 were both signed, transferring the PCA from the DA to the Office of the President (OP) and appointing the Presidential Assistant for Food Security and Agricultural Modernization (PAFSAM), whose functions include exercising oversight over PCA, among others, respectively.

38.3 The Audit Team requested, through a letter dated January 27, 2016, for the submission of a copy of the PCW-endorsed CY 2015 GPB, which the Management has not been able to comply with, to date. The Audit Team resorted instead to retrieve from the CY 2015 COB of PCA, a copy of CY 2015 GPB, which was signed as prepared by the Deputy Administrator, Operations Branch, and concurrently, Chairperson, GAD Focal Point; and approved by the then PCA Administrator. There is no indication, however, that the aforesaid document was: (a) duly reviewed by the Office of PAFSAM (OPAFSAM), being the mother office of PCA; and, (b) thereafter endorsed by PCW, as also observed in the review of CY 2014 GPB.

38.4 In its Agency Action Plan and Status of Implementation (AAPSI) dated October 28, 2015 on the CY 2014 AAR, Management disclosed its commitment to present the CY 2015 GPB to the PCA Governing Board to ensure approval of the OPAFSAM and endorsement of the same to the PCW. It could not be ascertained, however, whether or not the said action plan was implemented in view of the non-submission of duly-reviewed and endorsed CY 2015 GPB. Hence, validity of the 2015 GPB could not be established.

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

Cause of gender issue not clearly identified in the GPB -

38.6 Section 5.1 of PCW-NEDA-DBM JC 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.

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

- a. Client-focused:
 - i. Kasaganaan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project;
 - ii. Coconut Planting/Replanting Project (or Accelerated Coconut Planting and Replanting Project - ACPRP);
 - iii. Coconut Fertilization Project or Salt Fertilization Project (SFP); and
 - iv. Search for Outstanding Gawad Saka Coco Farmers.
- b. Organization-focused:
 - i. Promotion of gender-responsive governance; and
 - ii. Personnel welfare development

38.8 In response to the same observation previously noted in CY 2014 GPB, Management clarified that gender issues were presented in Column 2 instead of Column 1 of the GPB, which, however, overwrite the required information on the causes thereof. Consequently, 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.

Incomplete sex-disaggregated data to support the GPB –

38.9 Section 5.1 of PCW-NEDA-DBM JC No. 2012-01 further provides that the GAD agenda shall be the basis for the annual formulation of programs, projects, and activities (PPAs) to be included in the GPB. Among the bases for priority gender issues or the GAD agenda is the result of gender analysis using sex-disaggregated data or information from major programs or services of the agency for its clients.

38.10 Notwithstanding the observation discussed in the preceding paragraphs hereof, Table 96 shows the excerpts of the CY 2015 GPB on client-focused activities, particularly on three of the major projects of PCA.

Table 96 – Excerpts of CY 2015 GPB on Three Major Projects

| Gender Issue and/or GAD Mandate | Cause of the Gender Issue | GAD Result Statement / GAD Objectives | GAD Activity | Output Indicator and Target | Performance |
|--|--|---|---|---|--------------------|
| KAANIB | Limited access of female farmers to trainings and livelihood opportunities | To increase access of women coconut farmers to trainings and livelihood opportunities | Conduct of skills training and value formation and availment of livelihood projects | Some 200 trainings conducted and 20,000 women coconut farmers benefited by livelihood projects by December 2015 | |
| ACPRP | Low participation of women coconut farmers because of physical labor requirement | To increase access of women coconut farmers | Planting/replanting of coconut seedlings in open and suitable areas by women coconut farmers | Planted/replanted coconuts to 22,500 hectares by 22,500 women coconut farmers by end of December 2015 | |
| SFP | | | Fertilization of existing coconut trees using salt and/or organic fertilizer by women coconut farmers | Fertilized some 27,000 hectares with salt and/or organic fertilizer by 27,000 women coconut farmers | |

38.11 Records showed that, except for the ACPRP, the CY 2014 masterlists of beneficiaries for the two other major projects of PCA, provided to the Audit Team and posted in the PCA website, are incomplete. In particular, the partially-submitted masterlist on SFP does not have sex-disaggregated data while that of the KANIB was not summarized at all. Hence, review could not be facilitated so as to ascertain the validity of targeted number of women to be benefited by the implementation of the aforesaid projects.

GAD considered invisible in five of the six major projects of PCA -

38.12 Section 6.4 of the PCW-NEDA-DBM JC 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 97.

Table 97 - 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 |

38.13 Likewise, Section 3.6 of the PCW Memorandum Circular (MC) No. 2013-01 dated January 15, 2013, reiterating the deadlines and procedures in the preparation of the CY 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.

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

Mainstreaming gender perspectives in agency PAPs 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. Xxxx (Emphasis ours)

38.15 The CY 2015 budget of PCA, as provided for in its CY 2015 COB, amounted to P8.658 billion. However, only 3.93 per cent of which or P340.005 million had been allocated to CY 2015 GAD, thus, below the minimum allocation requirement of five per cent and therefore, not compliant with the provision of PCW-NEDA-DBM JC No. 2012-01.

38.16 Further, it was observed that the CY 2015 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 six projects of PCA, as identified in the CY 2015 GAA. The result of the comparison is summarized under Table 98.

38.17 Only the activity in the implementation of KANIB project was considered as gender sensitive while GAD was considered invisible in five other major projects of PCA, as illustrated in Table 98. It should be noted that, among the three major projects implemented in CYs 2013 and 2014, only the KANIB project and SFP, respectively, were considered gender sensitive, as shown in Table 99. Thus, it appeared that the

GAD budget allocation on the major projects of PCA for CYs 2013-2015 did not address gender sensitivity.

Table 98 - Comparison of GAD Budget to total budget of three major projects and HGDG Score of PCA for CY 2015

| Projects | In million pesos | | Per cent of GAD to Total Project Budget (c) = (a) x (b) x 100% | HGDG | |
|----------|------------------|----------------------|---|-----------|------------------|
| | GAD Budget | Total Project Budget | | Score | Description |
| | (a) | (b) | | | |
| KAANIB | 164.000 | 420.649 | 38.99 | 8.0-14.9 | Gender sensitive |
| ACPRP | 112.500 | 837.795 | 13.43 | Below 4.0 | GAD is invisible |
| SFP | 54.000 | 423.958 | 12.74 | Below 4.0 | GAD is invisible |
| | 330.500 | 1,682.402 | 19.64 | | |
| SOPDP | - | 47.370 | 0.00 | Below 4.0 | GAD is invisible |
| KCAIHP | - | 308.000 | 0.00 | Below 4.0 | GAD is invisible |
| IPMC | - | 250.000 | 0.00 | Below 4.0 | GAD is invisible |
| | - | 605.370 | 0.00 | | |
| | 330.500 | 2,287.772 | 14.45 | | |

SOPDP – Smallholders Oil Palm Plantation Development Project; KCAIHP – KANIB Coconut Agro-Industrial Hub Project; IPMC – Integrated Pest Management and Control

Table 99 - Comparison of per cent of GAD Budget to total budget of three major projects of PCA for CYs 2013-2015

| Projects | Per cent of GAD to Total Project Budget | | | HGDG | | | | | |
|----------|---|-------|-------|-----------|-----------|-----------|------------------|------------------|------------------|
| | | | | Score | | | Description | | |
| | 2013 | 2014 | 2015* | 2013 | 2014 | 2015* | 2013 | 2014 | 2015* |
| KAANIB | 82.51 | 9.66 | 38.99 | 8.0-14.9 | Below 4.0 | 8.0-14.9 | Gender sensitive | GAD is invisible | Gender sensitive |
| ACPRP | 10.00 | 1.36 | 13.43 | Below 4.0 | | | GAD is invisible | | |
| SFP | 10.00 | 43.70 | 12.74 | Below 4.0 | 8.0-14.9 | Below 4.0 | GAD is invisible | Gender sensitive | GAD is invisible |

* from Table 98

Inclusion of activities not justified as clearly addressing a specific gender issue –

38.18 One of the provisions of Guide in Completing the GPB Template or Annex A of PCW-NEDA-DBM JC No. 2012-01, states that, among the expenses that may not be charged to the GAD budget unless they are justified as clearly addressing a specific gender issue are the following: (a) physical, mental and health fitness; and (b) social, rest and recreation activities.

38.19 Table 100 shows an excerpt of CY 2015 GPB, which budget allocation for the personnel welfare development of PCA amounted to P3.7 million or 43.02 percent of P8.6 million total budget for the organization-focused activities on GAD. Team-building activities, physical fitness, health and wellness training, values formation, retreat/recollection, lakbay aral, and family day were considered as GAD-related activities/matters, however, the same were not justified as clearly addressing a specific gender issue. Said activities were also observed to be included in the GAD AcRs for the

past few years. As such, budgets and actual expenditures on the aforesaid activities are not compliant with the provisions of PCW-NEDA-DBM JC No. 2012-01.

Table 100 – Excerpt of CY 2015 GPB on organization-focused activities of PCA

| Gender Issue and/or GAD Mandate | Cause of the Gender Issue | GAD Result Statement / GAD Objectives | GAD Activity | Output Performance Indicator and Target |
|--|---|---|--|--|
| Personnel Welfare Development | Absence of personnel welfare and development programs | To institutionalize the staff development programs of employees related to GAD activities | Formulation and implementation of staff development program in GAD-related activities/matters such as: team-building activities, physical fitness, health & wellness training, values formation, retreat/recollection, lakbay aral, and family day | All PCA women and employees or at least representative/s from Central Office and Regional Offices participated in other GAD-related activities/matters |

Non-submission of GAD AcR –

38.20 Section V of COA Circular No. 2014-001 dated March 18, 2014, in line with Section 10.1 of PCW-NEDA-DBM JC No. 2012-01, states that the audited agency shall submit to the COA Audit Team a copy of GAD AcR within five working days from the end of January of the subsequent year.

38.21 The Audit Team of CO was not provided by Management with a duly-supported CY 2015 GAD AcR, which would have included the following: brief summary of the reported program or project, copies of reported policy issuances, results of HGDG tests, if any, and detailed schedules supporting the consolidated report. As such, the Audit Team is precluded from evaluating whether the accomplishments are in accordance with the PCW-NEDA-DBM JC No. 2012-01, and other laws, rules, and regulations on GAD.

38.22 In RO Nos. VII, IX, and XIV, it was observed that no corresponding funds were allocated thereat. Consequently, RO No. VII utilized a portion of the available funds while RO No. XIV reported utilizations of P159,790 for organization-focused activities. On the other hand, RO No. IX did not conduct any GAD activities at all, thus, failing to fully advance women's empowerment and effectively address gender issues.

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

38.24 Management commented that:

- a. The following circumstances did not facilitate the approval of the GPB: implementation of Rationalization Plan, compliance with the requirements of the typhoon Yolanda Rehabilitation efforts, ensuing transfer of PCA to OPAFSAM since the focus of the new administration was on CSI and the supposed "housecleaning efforts", and transfer of GAD Focal Point person to the OIC-Administrative and Finance;

b. A request for the extension of deadline for the submission of CYs 2015-2017 GPBs and CY 2015 AcR was sought from the PCW, per letter of PCA dated April 18, 2016. However, in the emailed letter-reply dated April 26, 2016 of PCW, said request was disapproved; and

c. Included in the GAD Work and Financial Plan (WFP) is an indicator on the “cause of the gender issue.” The inputs for the consolidated program were secured from the different field offices including the Central Office wherein the point persons were provided with the necessary training and/or insights on gender issues. Inasmuch as the COA finds the presentation inadequate, Management resolves to exercise due diligence in ensuring that future analysis and submissions are more incisive and critical of the gender issues in the coconut sector.

38.25 Management also submitted to the Audit Team the following: (a) CY 2015 AcR; (b) CY 2016 GPB; (c) sex-disaggregated data on the major projects/programs of PCA for CY 2015, such as: SFP, CSDP and PCPP; and, (d) gender-age profile of the regular employees and supervisors of PCA. Accordingly, the data shall form the basis for crafting future programs and activities on GAD.

38.26 As a rejoinder, we maintain our stand that the provisions of PCW-NEDA-DBM JC No. 2012-01, COA Circular No. 2014-01, and other laws, rules and regulations on GAD be complied with, in view of the following:

a. The intervening circumstances could not be considered valid grounds for disregarding the pertinent laws, rules, and regulations as the appointment of GAD Focal Point is intended to ensure that a group of people within the agency is responsible for advocating, coordinating, guiding and monitoring the development and implementation of the agency’s GAD plan and GAD-related PPAs, pursuant to Section 3.2(e) of DBM-NEDA-NCRFW JC No. 2004-1 dated April 5, 2004;

b. The request for the extension of the deadline for the submission of the GPB and AcR to PCW was made more than two years and almost three months after the scheduled deadlines set under PCW MC Nos. 2013-02 and 2015-04 dated September 25, 2013 and September 30, 2015, respectively, hence, the disapproval thereof was aptly justified;

c. Notwithstanding the non-submission of a copy of the WFP to the Audit Team, the cause of the gender issue should have been expressly identified in the column provided in the GPB, as required under Section 5.1 of PCW-NEDA-DBM JC No. 2012-01;

d. The non-submission of documents supporting the CY 2015 AcR precluded the Audit Team from validating the data presented thereon while as regards sex-disaggregated data on the major projects/programs of PCA for CY 2015, it could not be ascertained whether the same are valid in view of absence of signatures of authorized officials and date of preparation/signing, and non-posting thereof to the website of PCA; and

e. All other aforementioned audit issues such as the invisibility of GAD in five of the six major projects of PCA and unjustified inclusion of organization-focused activities as clearly addressing a specific gender issue have not been addressed by Management.

COMPLIANCE WITH TAX LAWS

39. PCA has been regularly deducting taxes from salaries and other benefits due from its employees as well as from cost of goods and services procured and has aptly remitted the same to the Bureau of Internal Revenue.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES AS AT DECEMBER 31, 2015

40. Table 101 shows the summary of unsettled audit suspensions, disallowances, and charges as at December 31, 2015. Details and status are shown in Annex B of this Report.

**Table 101 - Unsettled Suspensions, Disallowances and Charges
As at December 31, 2015**

| Office/RO/Center | Suspensions | Disallowances | Charges |
|-------------------------|---------------------|----------------------|------------------|
| CO | P 14,128,622 | P 3,625,006 | P - |
| I-IV-B | 246,475 | - | - |
| VII | 96,930 | 4,000 | - |
| IX | - | 10,311,742 | - |
| XI | - | - | 170,750 |
| ZRC | 540,757 | - | - |
| | P 15,012,784 | P 13,940,748 | P 170,750 |

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

Of the 66 audit recommendations embodied in the previous years' Annual Audit Reports (AARs), 13 were fully implemented, 24 were partially implemented and 29 were not implemented.

| Observations and Recommendations | Actions Taken / Comments |
|--|---|
| <u>CY 2014 AAR</u> | |
| <p>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.</p> <p>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.</p> | <p>Reiterated in Part II - Observation and Recommendation No. 3 of this report.</p> <p>Not Implemented.</p> |
| <p>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</p> | <p>Reiterated in Part II - Observation and Recommendation No. 5 of this report.</p> |

| Observations and Recommendations | Actions Taken / Comments |
|--|---|
| <p>inventory reports; inclusion of unserviceable and disposed property; and non-capitalization of building renovation of P1.498 million.</p> <p>We recommended that Management:</p> | |
| <p>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;</p> | Partially Implemented. |
| <p>b. Create a Disposal Committee to expedite the disposal of unserviceable property to avoid exposing the same to further deterioration;</p> | Partially Implemented. |
| <p>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</p> | Partially Implemented. |
| <p>d. Require the Accounting and Property Divisions to provide updated and accurate reconciliation between the physical count and book balances of PPE account.</p> | Partially Implemented. |
| <p>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);</p> | <p>Related discussion in Part II - Observation and Recommendation No. 3 of this report.</p> |

| Observations and Recommendations | Actions Taken / Comments |
|---|---|
| <p>and the incomplete/unsigned documents supporting various transactions of P11.715 million.</p> | |
| <p>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:</p> | |
| <p>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;</p> | Not Implemented. |
| <p>b. Timely recording of intra-agency transactions prior to the preparation of the year-end reports;</p> | Not Implemented. |
| <p>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</p> | Not Implemented. |
| <p>d. Submission of complete and valid documents supporting intra-office transactions, e.g., duly verified RDs and signed DCAs, among others.</p> | Not Implemented. |
| <p>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.</p> | Reiterated in Part II - Observation and Recommendation No. 16 of this report. |
| <p>We recommended that Management:</p> | |
| <p>a. Require the concerned personnel to exert efforts in collecting the long-outstanding receivables from farmers</p> | Partially Implemented. |

| Observations and Recommendations | Actions Taken / Comments |
|---|--|
| <p>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;</p> | |
| <p>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</p> | Partially Implemented. |
| <p>c. Provide information as to the status of latest actions taken on the dormant/non-moving accounts of PCA.</p> | Partially Implemented. |
| <p>We further recommended 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.</p> | Partially Implemented. |
| <p>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.</p> | |
| <p>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.</p> | <p>Not Implemented.</p> <p>Issued Notices of Disallowance to PCA CO and RO No. IX in the amount of P1.420 million and P10.312 million, respectively.</p> |

| Observations and Recommendations | Actions Taken / Comments |
|---|--|
| <p>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.</p> | <p>Reiterated in Part II - Observation and Recommendation No. 12 of this report.</p> |
| <p>We recommended that Management:</p> | |
| <p>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</p> | <p>Not Implemented.</p> |
| <p>b. Consider imposing sanctions to those concerned personnel who deviated from relevant provisions of the IRR of RA No. 9184.</p> | <p>Not Implemented.</p> |
| <p>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.</p> | <p>Reiterated in Part II - Observation and Recommendation No. 20 of this report.</p> |
| <p>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.</p> | <p>Not Implemented.</p> |
| <p>8. Splitting of contracts for the procurements of 24,667 bags of mung bean seeds costing P37 million under the</p> | <p>Reiterated in Part II - Observation and Recommendation Nos. 19 and 37 of this report.</p> |

| Observations and Recommendations | Actions Taken / Comments |
|---|---|
| <p>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.</p> | <p>Not Implemented.</p> |
| <p>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.</p> | <p>Notices of Disallowance in the total amount of P28.080 million had already been issued for procurement made by Region IV-A under KEDP.</p> |
| <p>To validate, however, the comment of Management on the prevailing circumstances, we further recommended 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.</p> | <p>Not Implemented.</p> |
| <p>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</p> | |

| Observations and Recommendations | Actions Taken / Comments |
|--|---|
| <p>contract prices are the most advantageous to the government.</p> | |
| <p>We recommended that Management:</p> | |
| <p>a. Instruct concerned officials involved in the procurement activities to refrain from conducting pre-negotiations with the suppliers; and</p> | Fully Implemented. |
| <p>b. Hold concerned officials and employees accountable and responsible for awarding the procurement to the said favored suppliers.</p> | Not Implemented. |
| <p>We further recommended 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.</p> | Partially Implemented. |
| <p>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.</p> | Reiterated in Part II - Observation and Recommendation No. 22 of this report. |
| <p>We recommended that Management:</p> | |
| <p>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;</p> | Not Implemented. |
| <p>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</p> | Not Implemented. |

| Observations and Recommendations | Actions Taken / Comments |
|---|---|
| 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. | Not Implemented. |
| 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. | Reiterated in Part II - Observation and Recommendation No. 25 of this report. |
| 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. | Not Implemented. |
| We further recommended that Management impose administrative sanctions to those personnel who are remiss in the discharge of their duties. | Not Implemented. |
| 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. | |
| We recommended that Management require the concerned Regional Managers to: | |
| a. Conduct investigation to determine what caused the non-conduct of market | Partially Implemented. |

| Observations and Recommendations | Actions Taken / Comments |
|--|---|
| <p>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 may be;</p> | |
| <p>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 KANIB sites/CBOs; and</p> | <p>Partially Implemented.</p> |
| <p>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.</p> | <p>Partially Implemented.</p> |
| <p>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.</p> | <p>Reiterated in Part II - Observation and Recommendation No. 36 of this report.</p> |
| <p>We recommended that Management require the Regional Manager of Region IV-A to:</p> | |
| <p>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</p> | <p>Not Implemented.</p> <p>No documents/data were submitted to the Audit Team to prove compliance to this recommendation.</p> |

| Observations and Recommendations | Actions Taken / Comments |
|--|--------------------------|
| <p>b. Comply strictly with the provisions of PCA Memorandum Circular No. 03, on the monitoring of KAANIB 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.</p> | Not Implemented. |
| <p>We further recommended 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.</p> | Not Implemented. |
| <p>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.</p> | |
| <p>We recommended that Management direct the concerned Regional Managers to:</p> | |
| <p>a. Require the ZRC to immediately complete the installation of the equipment to prevent from further exposing the same to various unfavorable conditions;</p> | Fully Implemented. |

| Observations and Recommendations | Actions Taken / Comments |
|--|--------------------------|
| b. Impose liquidated damages against the supplier on the late deliveries of coffee seedlings; | Fully Implemented. |
| 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; | Fully Implemented. |
| 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; | Fully Implemented. |
| 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; | Fully Implemented. |
| f. Require the concerned PCA Region IX officials/employees to accept only delivery of coffee seedlings with tags and labels; | Fully Implemented. |
| g. Hold responsible the personnel in charge for delayed distribution of coffee seedlings and organic fertilizer; and, | Fully Implemented. |
| 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. | Fully Implemented. |
| 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 | |

| Observations and Recommendations | Actions Taken / Comments |
|--|--|
| the supplier. | |
| 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 | <p>Not Implemented.</p> <p>On April 20, 2015 PCA RO No. I-IV-B informed the supplier that effective April 1, 2015 all deliveries will not be accepted and gave the supplier seven days to show cause why the contract should not be terminated. However, due to the recommendation of the OIC-PCDM, Aurora Province Coconut Development Center for the resumption of deliveries, the Notice of Contract Rescission was only issued on September 8, 2015 which was received by the supplier on October 6, 2015.</p> |
| b. Disqualify the supplier of coco seedlings from future biddings. | <p>Not Implemented.</p> <p>Disqualification of the supplier was not effected due to the issuance of Delisting Order No. 01 by the former PCA Administrator.</p> |
| We further recommended 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. | <p>Not Implemented.</p> <p>Blacklisting Order No. 1 dated September 30, 2015 was issued by the former PCA Administrator and received by the supplier on October 6, 2015, however Delisting Order No. 01 was also issued. Thus, the Blacklisting Order has become moot and academic.</p> |
| 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, | |

| Observations and Recommendations | Actions Taken / Comments |
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| <p>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.</p> | |
| <p>We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the:</p> | |
| <p>a. Concerned Coconut Development Officers (CDOs) to:</p> | |
| <p>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;</p> | Partially Implemented. |
| <p>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</p> | Fully Implemented. |
| <p>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.</p> | Fully Implemented. |
| <p>We further recommended 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.</p> | Fully Implemented. |

| Observations and Recommendations | Actions Taken / Comments |
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| <p>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.</p> | <p>Reiterated in Part II - Observation and Recommendation No. 38 of this report.</p> |
| <p>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.</p> | <p>Not Implemented.</p> |

CY 2013 AAR

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| <p>18. 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>Reiterated in Part II - Observation and Recommendation No. 4 of this report.</p> |
| <p>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>Partially Implemented.</p> |
| <p>19. 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</p> | <p>Reiterated in Part II - Observation and Recommendation No. 8 of this report.</p> |

| Observations and Recommendations | Actions Taken / Comments |
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| <p>Niyugan ay Kaunlaran ng Bayan (KAANIB) Project accumulating to P31.702 million and unpaid costs of undelivered agricultural inputs of P8.350 million were treated as outright expenses, thus, overstating the Agricultural and Marine Supplies Expense account and Donations account by P31.702 million and P8.350 million, respectively, while overstating the Accounts Payable account by P40.052 million.</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.</p> | <p>Not Implemented.</p> |
| <p>20. 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.</p> | <p>Reiterated in Part II - Observation and Recommendation No. 15 of this report.</p> |
| <p>We recommended that Management require the concerned ROs to:</p> | |
| <p>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;</p> | <p>Partially Implemented.</p> <p>The PROs were not able to comply with the requirement to submit the SPCI on a monthly basis due to the retirement</p> |

| Observations and Recommendations | Actions Taken / Comments |
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| | of the personnel in charge of the preparation of the said report. |
| b. Use the duly-accomplished SPCI, instead of IRF, as basis for recording liabilities for the LGUs' shares; and | Partially Implemented. |
| 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. | Partially Implemented. Subsidiary ledger is already prepared and updated on a regular basis. Reconciliation is on-going. |
| 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. | Partially Implemented. |
| 21. 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. | |
| We 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. |
| 22. 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. | |

| Observations and Recommendations | Actions Taken / Comments |
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| <p>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.</p> | Partially Implemented. |
| <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> | Not Implemented. |
| <p>23. 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> | Reiterated in Part II - Observation and Recommendation No. 35 of this report. |
| <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> | Partially Implemented. |
| <p>b. Direct the Regional Manager of RO No. I-IV-B to require the:</p> | Partially Implemented. |
| <p>b.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> | |

| Observations and Recommendations | Actions Taken / Comments |
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| b.2 Project Coconut Development Officer (PCDO) assigned in the RO to review and reconcile the Masterlists Summary, MLFP and ARCDA submitted by the POs to ensure completeness and accuracy of reports. | Fully Implemented. |
| 24. There was no assurance that the total incentives of P54.543 million were paid to bonafide farmer-participants of the Participatory Coconut Planting Project (PCPP)-Phase II considering that there was no proof that they were required to present during registration any of the documents as proof of their identity or land ownership prescribed under PCA MC No. 4, series of 2012, dated January 9, 2012. | Reiterated in Part II - Observation and Recommendation No. 33 of this report. |
| We recommended that Management direct the concerned Regional Managers to immediately submit 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. | Partially Implemented. Management submitted proof of land ownership such as duplicate copy of land titles and tenancy contract but submission was not yet completed. |
| We further recommended that Management submit proof that identities or ownerships of land of PCPP farmer-beneficiaries for CY 2013 were presented during registration. | Partially Implemented. The required documents were already attached to the disbursement vouchers for PCPP claims. |

CY 2012 AAR

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| 25. Recoverability of long outstanding Accounts Receivable – PCA fees aggregating P30.963 million was uncertain because these pertained to the accounts of oil millers with cases pending in court, ordered archived by court or referred to PCA Legal Department for filing of cases. | Reiterated in Part II - Observation and Recommendation No. 6 of this report. |
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| Observations and Recommendations | Actions Taken / Comments |
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| <p>We reiterated our recommendations that Management:</p> | |
| <p>a. Exert more efforts to recover/collect long outstanding accounts receivables, to include:</p> | Not Implemented. |
| <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> | Not Implemented. |
| <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> | Not Implemented. |
| <p>26. 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 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.</p> | Partially Implemented. |

**Audit Observations on the Procurement of Goods/Items through Public Bidding
Under the Yolanda Recovery and Rehabilitation Program (YRRP), Coconut Scale Insect Emergency Action Program (CSIEAP)
and Kasaganaan sa Niyugan ay Kaunlaran ng Bayan [KAANIB] Enterprise Development Project (KEDP)
For the Calendar Year 2015**

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| Preparation of Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) | <p>Section 7.2 provides that no procurement shall be undertaken unless it is in accordance with an approved Annual Procurement Plan (APP) of the procuring entity.</p> <p>Sections 7.3.2 and 7.3.4 state that the end-user units of the procuring entity shall prepare their respective PPMP for their different programs, activities, and projects and for consolidation into the APP.</p> | <p><i>Absence of PPMP -</i></p> <p>The PCA Governing Board, through Board Resolution No. 014-2015 dated January 21, 2015, approved the APP for the CY 2015. The APP downloaded from the website of Government Procurement Policy Board (GPPB), includes bidding for the procurement of agricultural supplies amounting to P133.182 million sourced from supplemental budget for the implementation of CSIEAP. However, as no supporting details were made available for verification/validation, it could not be ascertained whether the procurement of agricultural supplies included that of chemical pesticides with estimated cost of P20.735 million. In particular, the PPMP was not provided to the Audit Team despite repeated requests, thus, casting doubt on its existence and validity.</p> <p>The Governing Board also approved the supplemental APP through its Board Resolution No. 100-2015 dated June 22, 2015, or three months after the invitation to bid was issued. Said APP included bidding for the procurement of systemic chemicals for trunk injection of 562,240 CSI-infested trees specifically in RO No. IX in the amount of P16.327 million. Said provision, however, was insufficient since the actual procurement of chemical pesticides amounted to P20.735 million only for 715,000 CSI-infested trees in Basilan or short of P4.408 million for 152,760 trees.</p> |
| Invitation to Observers | <p>Sections 13.1 and 13.2 provide that, in addition to the representative of COA, at least two other observers shall be invited by the BAC to sit in its proceedings in all stages of the procurement process to enhance transparency. One of these observers shall come</p> | <p><i>Absence of invitation to all observers for every stage of the procurement process conducted, and observers from a duly recognized private group in a sector or discipline relevant to the procurement at hand -</i></p> <p>The contract agreement dated July 22, 2015 was entered into by and between the CO and</p> |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| | <p>from a non-governmental organization (NGO) and at least one shall come from a duly recognized private group in a sector or discipline relevant to the procurement at hand, such as a specific relevant chamber-member of the Philippine Chamber of Commerce and Industry (PCCI). The observers shall come from an organization duly registered with Securities and Exchange Commission (SEC) or the Cooperative Development Authority (CDA).</p> <p>Also, Section 13.2 of the same IRR and RA states that observers shall be invited at least three calendar days before the date of procurement stage/activity.</p> | <p>LAPC for the supply and delivery of 143,000 sachets of chemical pesticides in the amount of P20.735 million for the field treatment of more or less 500,000 and 215,000 scale-infested coconut trees in Cavite, Laguna, Batangas, and Quezon (CALABAZON) provinces and Isabela City, Basilan, respectively.</p> <p>The procurement was originally conducted through alternative mode, particularly, negotiated procurement under emergency case. However, the BAC decided, after the pre-bid conference was held on March 18, 2015, to conduct competitive bidding instead since the infestation in CALABAZON was no longer considered at the outbreak level.</p> <p>Under negotiated procurement, the pre-bid conference and opening of bids were scheduled on March 18, 2015 and March 20, 2015, respectively. After the mode of procurement was changed to competitive bidding, the pre-bid conference was again conducted on March 26, 2015 while the opening of bids on March 20, 2015 was cancelled and rescheduled to April 8, 2015.</p> <p>Based on the copy of the invitations obtained by the Audit Team, the following observers, in addition to the Audit Team, were invited to the March 18, 2015 pre-bid conference and March 20, 2015 opening of bids: PCCI; Office of the Ombudsman; PCA Employees Association, Inc.; Coalition Against Corruption; Transparency International Philippines; and Fertilizer and Pesticide Authority (FPA).</p> <p>On April 29, 2015, the Audit Team received a notice of BAC Meeting for post-qualification process on the bid of LAPC to be conducted on May 4, 2015. However, through a phone call received on May 4, 2015, a then member of the BAC Secretariat informed the Audit Team that the scheduled meeting for the post-qualification was postponed and that the latter will be notified of the rescheduled date.</p> <p>Review of records disclosed the following:</p> <ol style="list-style-type: none"> a. No invitations were received by the Audit Team to act as observer in the pre-procurement conference and in the rescheduled post-qualification process; b. The Audit Team received on March 17, 2015 the invitation to attend the pre-bid |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| | | <p>conference (under negotiated procurement – emergency case) on March 18, 2015, which was contrary to Section 13.3 of IRR of RA No. 9184 that invitation should be made at least three calendar days before the procurement;</p> <p>c. It was not specified in the invitation to PCCI that the representative thereof should be a chamber-member relevant to the procurement at hand and should have knowledge, experience or expertise in procurement or in the subject matter of the contract to be bid;</p> <p>d. Invitations were still made to NGOs, particularly, Coalition Against Corruption and Transparency and Accountability Network, which representatives have not been attending the procurement activities for a couple of years already;</p> <p>e. It could not be ascertained whether the same set of observers, other than the Audit Team, were invited to the pre-bid conference (under competitive bidding) on March 26, 2015; opening of bids on April 8, 2015; and rescheduled post-qualification process as no proof thereof was provided to the Audit Team.</p> <p>In view of the foregoing, transparency was not achieved throughout the procurement activities.</p> |
| Pre-Procurement Conference | <p>Section 20.1 states that a pre-procurement conference shall be called for by the Bids and Awards Committee (BAC) to undertake activities, such as: a) confirm the description and scope of the contract, the Approved Budget for the Contract (ABC); b) ensure that the procurement is in accordance with the project and APPs; c) determine readiness of the procurement at hand; d) review, modify and agree on the criteria for eligibility screening, evaluation, and post qualification; and e) review and adopt the procurement schedule, including deadlines and timeframes for the different activities.</p> | <p><i>No minutes of pre-procurement conference -</i></p> <p>None of the documents presented and submitted to the Audit Team pertained to the minutes of pre-procurement conference or any evidence for the procurement of chemical pesticides. Absence of the aforesaid documents casts doubt as to the actual occurrence of pre-procurement conference and the preparedness of the BAC to undertake the procurement.</p> |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| Contents of the Invitation to Bid | <p>Section 21.1 states that the Invitation to Bid shall provide prospective bidders the following information, among others: a) a general statement on the criteria to be used by the procuring entity for the eligibility check, the examination and evaluation of bids, post-qualification, and award; b) the date, time and place of the deadline for the submission and receipt of the eligibility requirements, the pre-bid conference, the submission and receipt of bids, and the opening of bids; c) ABC to be bid; d) source of funding; and e) Contract duration or delivery schedule.</p> | <p><i>Insufficient disclosures in the invitation to submit proposal and invitation to bid -</i></p> <p>In separate letters both dated March 17, 2015, the former BAC Chairman invited Leads Agricultural Products Corporation (LAPC) and and Biostadt Philippines, Inc. to submit bid proposals, under negotiated procurement, for the supply and delivery of chemical pesticides. However, the following information were not disclosed in the said invitation:</p> <ul style="list-style-type: none"> a. A general statement on the criteria to be used by the procuring entity for the eligibility check, examination and evaluation of bids, post-qualification, and award; b. ABC to be bid; and c. Contract duration or delivery schedule. <p>Likewise, the following information were not disclosed in the invitation to bid, which was posted in newspaper of general circulation, Philippine Government Electronic Procurement System (PhilGEPS) website, PCA website and conspicuous places in the building of PCA:</p> <ul style="list-style-type: none"> a. Place and deadline for the submission and receipt of the eligibility requirements, the pre-bid conference if any, the submission and receipt of bids, and the opening of bids; b. Source of funding; and c. Contract duration or delivery schedule. <p>In the absence of the aforementioned information, there was no assurance that the Agency had obtained competitive offer from prospective suppliers.</p> |
| Bid Evaluation | <p>Section 23.1.a (vi), as amended by GPPB Resolution No. 20-2013 dated July 30, 2013, requires the prospective bidders to submit its computation of Net Financial Contracting Capacity (NFCC).</p> | <p><i>Acceptance of Credit Line Certificate (CLC) in lieu of NFCC since the bidder's NFCC could not be computed as its current liabilities is more than the current assets -</i></p> <p>Review of the contract with Nestlé Philippines, Inc. for the procurement of cacao seedlings disclosed that the said bidder did not submit its NFCC. Rather, it submitted a CLC issued</p> |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| | <p>Section 23.5.1.4 states that the computation of a bidder's NFCC must be at least equal to the ABC to be bid.</p> <p>GPPB Board Resolution No. 20-2013 dated July 30, 2013 provides that the CLC shall no longer be accepted as an alternative to the prospective bidder's computation of NFCC.</p> | <p>by the Bank of the Philippine Islands in the amount of P2.625 million which was available within 120 days after receipt by the bidder of the Notice of Award (NOA) and such line of credit shall be maintained until the delivery of the goods is completed within 90 days from date of NTP or the expiry of the credit line, whichever comes first.</p> <p>Meanwhile, the bidder's NFCC could not be computed because its current liabilities was more than the currents assets by P9.631 million based on the CY 2013 Statement of Financial Position.</p> <p>The requirement of having an NFCC of at least equivalent to the ABC of the subject procurement could not be substituted with a CLC as it is no longer allowed, hence, the supplier should have been declared ineligible and not qualified to enter into contract with PCA.</p> |
| | <p>Section 23.1.a(iii) requires submission of: a) Statement of the prospective bidder of all its on-going 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; and, b) 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 the IRR, within the relevant period as provided in the Bidding Documents in the case of goods.</p> | <p><i>Statement of on-going and completed contracts which are similar in nature submitted by suppliers either does not disclose any on-going and/or private contracts or illustrates that the bidder is not technically qualified -</i></p> <p>Among the eligibility documents submitted by LAPC was a statement of on-going and completed contracts which are similar in nature with the procurement at hand. While the said statement identified its contract during CY 2014 with PCA as its largest completed contract similar to the contract to be bid, the same statement, however, does not disclose on-going government and/or 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. In the absence of said information, the Audit Team is precluded from validating the accuracy of the computed NFCC.</p> <p>Meanwhile, the statement of completed government and private contracts which are similar in nature to the subject procurement, which was submitted by GMG Agri-Farm Products, showed that the same supplier was awarded with a contract on February 3, 2014 for duration of 90 days upon receipt of the NTP. However, the deliveries were completed only on May 11, 2015, or after 400 days. Instead of rescinding the contract due to negative slippage, another contract was awarded despite non-compliance with procurement regulations.</p> |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| | Section 23.1.a(v) requires submission of the prospective bidder's audit 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, or the preceding calendar year which should not be earlier than two years from the date of bid submission. | <p><i>The bidder's FS showed its inventories were insufficient to supply and deliver the required number of cacao seedlings –</i></p> <p>Coronado's Farm Plant Nursery was awarded to supply cacao seedlings covered by two contracts with a total costs of P15.358 million. Evaluation of its balance sheet showed that it has inventories in the amount of only P178,940 which indicated that it has no stock equivalent to the amount of the procurement at hand.</p> |
| Post-qualification | Section 34 states that the post qualification shall verify, validate and ascertain all statements made and documents submitted by the bidder with the Lowest Calculated Bid using non-discretionary criteria. | <p><i>Laxity in conducting post-qualification resulted in awarding the contract to an ineligible and unqualified bidder -</i></p> <p>Among the technical documents submitted by GMG Agri-Farm Products were the Affidavits of Commitment from three local producers which indicated that it does not carry the items on stock and, therefore, not technically qualified for the procurement of 869,600 coconut seed nuts.</p> |
| | <p>Section 34.2 [As amended by GPPB Resolution No. 21-2013 dated July 30, 2013] provides that within three calendar days from receipt by the bidder of the notice from the BAC that the bidder has the Lowest Calculated Bid, the bidder shall submit the following documentary requirements to the BAC: a) Latest income and business tax returns; b) Certificate of PhilGEPS [Philippine Government Electronic Procurement System] Registration; and c) Other appropriate licenses and permits required by law and stated in the Bidding Documents.</p> <p>Section 34.8 states that the post-qualification process shall be completed in not more than seven calendar days from the determination of the Lowest Calculated Bid/Highest Rated Bid. In exceptional cases, the post-qualification period may be extended</p> | <p><i>Absence of post-qualification documents and delayed completion of the post-qualification process -</i></p> <p>The post-qualification report prepared by BAC for the bid of LAPC was dated May 14, 2015 or 36 days after the opening of bids on April 8, 2015, when it was determined that only LAPC submitted the bid. Of the documents submitted to the Audit Team, none, however, pertained to extending the period of post-qualification. Nonetheless, the date indicated in the post-qualification report was six days beyond the allowable maximum of 30 calendar days to complete the post-qualification process.</p> <p>More so, the following post-qualification documents mentioned in the post-qualification report were neither attached thereto nor thereafter submitted to the Audit Team:</p> <ol style="list-style-type: none"> Business Tax Returns for 3rd and 4th Quarters of CY 2014; Quarterly Value-Added Tax (VAT) Declaration for 3rd quarter of CY 2014 with filing Reference No. 101400009854189; |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
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| | by the Head of the Procuring Entity, but in no case shall the aggregate period exceed 30 calendar days. | <p>c. Quarterly VAT Declaration for 4th quarter of CY 2014 with filing Reference No. 101500010426248;</p> <p>d. Emergency use permit issued by FPA dated March 25, 2015;</p> <p>e. FPA Certificate of Product Registration (Registration No. 099-373-1591 valid until April 11, 2016);</p> <p>f. Income Tax Return (ITR) for CY 2013 and Annual ITR for CY 2013 filed through Electronic Filing and Payment System (EFPS) with filing Reference No. 121400008844463;</p> <p>g. Certification of PhilGEPS Registration (Certification No. 2013-109774 valid until July 4, 2015); and</p> <p>h. FPA license to operate as importer/indentor/distributor (License No. 02-0614-181 valid until June 18, 2015).</p> <p>As such, validity and reliability of the post-qualification report could not be established.</p> |
| Award of Contract | <p>Section 37.1.6 states that the NOA shall be posted by BAC, through its Secretariat, within three calendar days from its issuance, in the PhilGEPS, the website of the procuring entity, and any conspicuous place in the premises of the procuring entity.</p> <p>Also, Section 37.4.1 states that the procuring entity shall issue the NTP together with a copy of the approved contract to the successful bidder within three calendar days from the date of approval of the contract by the appropriate government approving authority.</p> | <p><i>Delayed issuance to the winning bidder of the NTP together with the approved contract and posting of NOA to PhilGEPS and PCA websites –</i></p> <p>The NOA dated July 6, 2015 was received by LAPC on July 15, 2015; however, the same was not signed while the Conforme portion of the NOA was signed by LAPC on July 20, 2015.</p> <p>Verification of postings of NOA in the PhilGEPS and PCA websites, disclosed that the NOA was posted only on July 30, 2015, or:</p> <p>a. Twenty four (24) days after the date of NOA;</p> <p>b. Fifteen (15) days after the date indicating receipt by LAPC of NOA; and</p> |

| Procurement Process | Requirements under IRR of RA No. 9184 | Audit Observations |
|---------------------|---|--|
| | | <p>c. Ten (10) days after the date of Conforme by LAPC with the NOA.</p> <p>On the other hand, the PCA Governing Board approved the contract on July 2, 2015, through Board Resolution No. 100-2015, while the NTP dated July 24, 2015, attached with the copy of the approved contract was stamped received by LAPC on July 30, 2015. Thus, the NTP, together with the approved contract, was issued 22 days and 28 days after the approval of the Governing Board, based on the date of the NTP and on the date the same was marked received by LAPC, respectively.</p> <p>The delayed issuance of the NTP together with the approved contract to the winning bidder and delayed posting of NOA to PhilGEPS and PCA websites deprived the public of the timely information on awarded contract from the stand point of transparency.</p> |
| Award of Contract | <p>Section 54.1 states that splitting of Government Contracts is not allowed. Splitting of Government Contracts means the division or breaking up of GOP contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of law and this IRR, especially the necessity of public bidding and the requirements for the alternative methods of procurement.</p> | <p><i>Splitting of contracts, which were awarded to the same supplier within a span of 19 days -</i></p> <p>The procurements of 167,750 and 500,000 pieces of cacao seedlings costing P3.858 million and P11.500 million, respectively, were separately bid and both were awarded to Coronado's Farm Plant Nursery in two separate contracts within a span of 19 days, thus, resulting in splitting of contracts thereby circumventing control measures, foregone discounts on bulk purchases, and duplicated procurement activities and expenses.</p> |

Details and Status of Unsettled Audit Suspensions, Disallowances and Charges As at December 31, 2015

I. Notices of Suspension (NSs)

| NS No./Date | Positions/ Designations of Persons Responsible | Nature | Amount | Status |
|--|--|---|----------------------|--|
| Central Office 2015-001/ July 24, 2015 | Former Officer-In-Charge (OIC) - Finance Department (FD); Former Division Chief (DC) III; Former OIC - Budget Division (BD); and Former Administrator | Incomplete documents supporting payment of Value Added Tax (VAT) arrearages for the calendar years (CYs) 2008-2009 | P 5,025,866.28 | Settled per Notice of Settlement of Suspensions, Disallowances, and Charges (NSSDC) No. 2016-005 dated March 11, 2016. |
| 2015-002/ July 24, 2015 | Former OIC - FD; Former OIC - Accounting Division (AD); Former OIC - BD; Deputy Administrator | Incomplete documents supporting payment of VAT arrearages for CY 2010 | 2,825,636.64 | Settled per NSSDC No. 2016-003 dated March 11, 2016. |
| 2015-003/ July 24, 2015 | Former OIC - FD; Former OIC - AD; Former OIC - BD; Former Administrator | Incomplete documents supporting payment of VAT arrearages for CYs 2011-2012 | 6,277,118.88 | Settled per NSSDC No. 2016-004 dated March 11, 2016. |
| | | | 14,128,621.80 | |
| <u>Regions I-IVB</u> | | | | |
| 11-004-503/ September 5, 2011 | Accountant III; and 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 | Settled per NSSDC No. 16-001 dated February 26, 2016. |
| <u>Region VII</u> | | | | |
| 11-003-101(11)/ July 15, 2011 | Regional Manager (RM); Accountant II; and Administrative Officer III | Lack of documents supporting payment of Staple Food Allowance for the first quarter of 2011. | 65,000.00 | For issuance of ND. |

| 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 (PCDMs)- 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 November 12, 2013. For issuance of ND. |
| 13-002-101-(13)/ November 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 | |
| Zamboanga Research Center | | | | |
| 2015-001(2015) September 28, 2015 | OIC-Department Manager (DM) III; Accountant III; DM III; Two Senior Research Specialists; DC; SRS; and Two Support Staff | Lack of documents supporting the payment of honoraria of officials and employees assigned to special projects | 540,757.00 | Settled per NSSDC No. 2016-001 dated March 28, 2016. |
| Total | | | P 15,012,783.77 | |

II. Notices of Disallowance (NDs)

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|---|---|--|---------------|--|
| Central Office 09-01-503 (95)/ August 18, 2009 | President, Peace Foundation; Project Manager- NFDPI; Manager, then Financial Management and Services Department (FMSD); and Former Administrator | NFDPI 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 | Settled per NSSDC No. 2016-001 dated January 7, 2016. |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|--|---|---|---------------|---|
| 10-02-503 (09)/ February 16, 2010 | Former members of PCA Governing Board (GB) | Excessive payment of food expenses. | 1,949.25 | Persons liable were no longer connected with PCA at the time of service of COA Order of Execution (COE) on March 18, 2014. |
| 10-09-503 (99)/ June 3, 2010 | Former members of PCA GB; and Corporate Secretary Staff | Excessive payment of food expenses. | 8,244.00 | With COE dated April 4, 2014. Reported full settlement subject for verification pending submission of complete documents. |
| 10-25-503/ July 9, 2010 | Manager, Corporate Planning Office | Excessive payment of plane fare and boarding pass. | 5,418.56 | -do- |
| 10-28-503/ September 9, 2010 | Former members of the PCA GB | Payment of productivity enhancement incentive for CY 2009. | 47,875.71 | Persons liable were no longer connected with PCA at the time of service of COE on March 27, 2014. |
| 2012-005-503/ October 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. |
| 2013-006- 503(2012)/ July 12, 2013 | Contractual Employee, Field Services Branch (FSB); Former DM, then FMSD; and DA, FSB | Payment of travel insurance premium. | 511.00 | Settled. For issuance of NSSDC. |
| 2013-030-503/ October 17, 2013 | Project Development Officer III, Field Operations Division (FOD); DM II, FMSD; and DA, FSB | Payment of travel insurance premium and seat selector fee. | 1,050.00 | Settled per NSSDC No. 2016-002 dated February 18, 2016 |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|------------------------------------|---|--|---------------|--|
| 2014-002-503/ February 24, 2014 | Payee; DM II, FMDS; DA, CSB/ Chairman, Bids and Awards Committee (BAC); DA, Research, Development and Extension Branch (RDEB)/ Member, BAC; OIC- DC II, Legal Affairs Office/ Member, BAC; OIC-DC III, Administrative and General Services Department (AGSD)/ Member, BAC; DA,FSB/ Member, BAC; Former Administrator; Members of PCA GB; and Chairman of PCA GB | Excessive payment of security services. | 194,373.50 | With appeal from ND before the Office of CGS- Cluster 5 Director. |
| 2014-003-503/ December 9, 2014 | Agriculturist I DM II, FD; and 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 | With COE dated February 3, 2016. |
| 2015-001/ July 23, 2015 | Payee; Former Administrator; Former DA, RDEB; Former OIC, FMDS; and Former DC III, Collection and Disbursement Division (CDD) | Failure of the persons responsible to fully comply with the requirements of NS No. 02-09-503(01) dated June 17, 2002. Also, full advance payment of services not yet rendered and equipment not yet delivered. | 1,909,600.00 | With appeal from ND before the Office of CGS- Cluster 5 Director. |
| 2015-02/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB | Payment of the safety gears out of the DAP Fund. | 184,320.00 | -do- |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|----------------------------------|---|---|---------------|---------------|
| 2015-03/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; Former OIC, AGSD; DC III, CDD; and Former OIC, Administrative and Finance (AdFin) Branch | Payment of newspaper publication out of the DAP Fund. | 48,292.80 | -do- |
| 2015-04/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; Former OIC, AGSD; DC III, CDD; and Former OIC, AdFin Branch | Payment of newspaper publication out of the DAP Fund. | 51,744.00 | -do- |
| 2015-05/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB | Payment of manual hand drills out of the DAP Fund. | 345,866.00 | -do- |
| 2015-06/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; DA, OB; Former OIC, AGSD; and Former OIC, AdFin Branch | Payment of PCA quarantine forms out of the DAP Fund. | 94,500.00 | -do- |
| 2015-07/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB | Payment of meals served during the seminars conducted out of the DAP Fund. | 121,000.00 | -do- |
| 2015-08/ November 27, 2015 | OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB | Payment of 250 units syringe for use in trunk injection operation out of the DAP Fund. | 9,500.00 | -do- |
| 2015-09/ November 27, 2015 | Administrator; DM II, FD; DC III, AD BO III, BD; DC III, CDD; DA, OB | Procurement of 20 units Samsung Tablets not used in the intended purposes. | 230,200.00 | -do- |
| | | | 3,625,005.62 | |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|--|--|---|---------------|--|
| Region VII | | | | |
| 13-002-101(13)/ Nov. 7, 2013 | Various Coconut Development Officers (CDOs) | Travelling expenses of various CDOs. | 4,000.00 | For issuance of Notice of Finality of Decision (NFD). |
| Region IX | | | | |
| 2015-501- 01(2014)/ December 28, 2015 | Ralph S. Hamoy/ Regional Manager | Payment of various expenses of the DAP Fund. | 4,420,761.10 | ND served in March 2016. Within the reglementary period to file an appeal. |
| 2015-501- 02(2014)/ December 28, 2015 | Efren P. Carba/ PCDM | Payment of various expenses out of the DAP Fund. | 4,866,864.39 | -do- |
| 2015-501- 03(2014)/ December 28, 2015 | Ferdinand Acaylar/ PDO III | Payment of various expenses incurred out of the DAP Fund. | 15,309.85 | -do- |
| 2015-501- 05(2014)/ December 28, 2015 | Celedonia Palomar/CSI Coordinator | Payment of various expenses incurred out of the DAP Fund. | 13,738.00 | -do- |
| 2015-501- 05(2014)/ December 28, 2015 | Frigediano E. Arcamo/ PCDM | Payment of various expenses incurred out of the DAP Fund. | 151,334.59 | -do- |
| 2015-501- 06(2014)/ December 28, 2015 | Junrie Beradio/ Accounting Clerk | Payment of travel expenses out of the DAP Fund. | 5,180.00 | -do- |
| 2015-501- 07(2014)/ December 28, 2015 | John Paul B. Lagot/ CCDO | Payment of travel expenses out of the DAP Fund. | 2,660.00 | -do- |
| 2015-501- 08(2014)/ December 28, 2015 | Ariel Z. Tomong/ CPRO III | Payment of travel expenses out of the DAP Fund. | 5,180.00 | -do- |
| 2015-501- 09(2014)/ December 28, 2015 | Joselino L. Mirabuena/ CCDO | Payment of travel expenses out of the DAP Fund. | 6,590.00 | -do- |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|--|--|--|---------------|---------------|
| 2015-501-10(2014)/ December 28, 2015 | Rogelio R. Flores/ CCDO | Payment of travel expenses out of the DAP Fund. | 4,000.00 | -do- |
| 2015-501-11(2014)/ December 28, 2015 | Vergel Butch U. Alay/ CCDO | Payment of travel expenses out of the DAP Fund. | 4,000.00 | -do- |
| 2015-501-12(2014)/ December 28, 2015 | NYKAR Enterprises | Payment of construction materials out of the DAP Fund. | 28,166.40 | -do- |
| 2015-501-13(2014)/ December 28, 2015 | Turismo Insular Leisure & Travel | Payment of travel expenses out of the DAP Fund. | 102,104.64 | -do- |
| 2015-501-14(2014)/ December 28, 2015 | Maria Nenita F. Dionio/CCDO | Payment of travel expenses out of the DAP Fund. | 1,604.00 | -do- |
| 2015-501-15(2014)/ December 28, 2015 | Elizabeth S. Bentulan/ Lab Aide encoder | Payment of travel expenses out of the DAP Fund. | 1,265.00 | -do- |
| 2015-501-16(2014)/ December 28, 2015 | Abraham L. Guerzon /CCDO | Payment of travel expenses out of the DAP Fund. | 14,272.27 | -do- |
| 2015-501-17(2014)/ December 28, 2015 | Myrna M. Jugalbot/ Farmer | PCPP (Option 1) chargeable against the CSIEAP. | 2,200.00 | -do- |
| 2015-501-18(2014)/ December 28, 2015 | Jesusima Dagpin/Cashier | Payment of travel expenses out of the DAP Fund. | 61,962.75 | -do- |
| 2015-501-19(2014)/ December 28, 2015 | ZC Unicon Enterprises | Payment of materials purchased out of the DAP fund. | 19,449.11 | -do- |
| 2015-501-20(2014)/ December 28, 2015 | Pacific Hardware Enterprises | Payment of farm equipment /facilities out of the DAP Fund. | 7,666.07 | -do- |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|--|--|---|---------------|---------------|
| 2015-501-21(2014)/ December 28, 2015 | MC Hardware Enterprises | Payment of travel expenses out of the DAP Fund. | 85,314.85 | -do- |
| 2015-501-22(2014)/ December 28, 2015 | Computer Expertech & Tech. Services | Payment of office supplies out of the DAP Fund. | 2,952.85 | -do- |
| 2015-501-22(2014)/ December 28, 2015 | A.L. Gonzalez and Sons Inc. | Payment of farm facilities out of the DAP fund. | 2,186.24 | -do- |
| 2015-501-23(2014)/ December 28, 2015 | Pagadian Bodega ng Bayan | Payment of farm equipment /facilities out of the DAP Fund. | 27,168.00 | -do- |
| 2015-501-24(2014)/ December 28, 2015 | Guadalupe A. Calunod | Payment of travel expenses out of the DAP Fund. | 436.00 | -do- |
| 2015-501-25(2014)/ December 28, 2015 | The Manila Times Publishing Corp. | Payment of newspaper publication relative to the operation of CSIEAP out of the DAP Fund. | 19,845.00 | -do- |
| 2015-501-26(2014)/ December 28, 2015 | Dennis Hardware Enterprises | Payment of farm equipment out of the DAP Fund. | 24,715.98 | -do- |
| 2015-501-27(2014)/ December 28, 2015 | Rudy B. Corsame/CCDO | Payment of travel expenses out of the DAP Fund. | 14,365.63 | -do- |
| 2015-501-28(2014)/ December 28, 2015 | Nelson S. Chua/ Sr. Agriculturist | Payment of travel expenses out of the DAP Fund | 20,213.54 | -do- |
| 2015-501-29(2014)/ December 28, 2015 | Crown Paper & Stationeries Supply | Payment of office supplies out of the DAP Fund. | 3,901.18 | -do- |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|---|---|---|---------------|---------------|
| 2015-501-31(2014)/ December 28, 2015 | DES Appliance Plaza Inc. | Payment of office supplies out of the DAP Fund. | 21,673.20 | -do- |
| 2015-501-32(2014)/ December 28, 2015 | LB Homemate Furniture | Payment of office supplies out of the DAP Fund. | 7,155.46 | -do- |
| 2015-501-33(2014)/ December 28, 2015 | Nationwide Appliances Center of Zamboanga City | Payment of office supplies out of the DAP fund. | 3,956.07 | -do- |
| 2015-501-34(2014)/ December 28, 2015 | Rushdi A. Amain/ Deputized Plant Quarantine Inspector (DPQI) | Payment of wages of laborers relative to the operation of CSIEAP out of the DAP Fund. | 20,301.22 | -do- |
| 2015-501-35(2014)/ December 28, 2015 | Keacy Joy Alviar/ DPQI | Payment of wages of laborers relative to the operation of CSIEAP out of the DAP Fund. | 12,229.98 | -do- |
| 2015-501-36(2014)/ December 28, 2015 | Merla C. Pagaduan/PDO | Payment of travel expenses out of the DAP fund. | 6,170.00 | -do- |
| 2015-501-37(2014-15)/ December 28, 2015 | Illuminado L. Cadungog Jr./Driver II | Payment of travel expenses out of the DAP Fund. | 10,320.00 | -do- |
| 2015-501-38(2014)/ December 28, 2015 | Lino A. Quilaton/DPQI | Payment of travel expenses out of the DAP Fund. | 6,544.54 | -do- |
| 2015-501-39(2014)/ December 28, 2015 | Aldrin B. Duhaylungsod/ DPQI | Payment of travel expenses out of the DAP fund. | 4,000.00 | -do- |
| 2015-501-40(2014)/ December 28, 2015 | LM Enterprises | Payment of laboratory supplies out of the DAP Fund. | 7,793.84 | -do- |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|--|--|--|---------------|---------------|
| 2015-501-41(2014)/ December 28, 2015 | Davao Photo-Digi Corp. | Payment of office supplies out of the DAP Fund. | 13,155.35 | -do- |
| 2015-501-42(2014)/ December 28, 2015 | Gessil G. Torres/ Project Employee | Payment of travel expenses out of the DAP Fund. | 7,272.72 | -do- |
| 2015-501-43(2014)/ December 28, 2015 | Benhar S. Muksan/ Project Employee | Payment of travel expenses out of the DAP Fund. | 7,700.00 | -do- |
| 2015-501-44(2014)/ December 28, 2015 | Domingo S. Zanduetta/ Agriculturist II | Payment of lubricant expenses relative to the operation of CSIEAP out of the DAP Fund. | 6,400.00 | -do- |
| 2015-501-45(2014)/ December 28, 2015 | Danilo B. Bendanillo/ Agriculturist I / Supply Officer | Payment of fuel expenses out of the DAP Fund. | 7,895.00 | -do- |
| 2015-501-46(2014)/ December 28, 2015 | Alberto C. Dalis/ Polinator | Payment of wages of laborers relative to the operation of CSIEAP out of the DAP Fund. | 9,071.60 | -do- |
| 2015-501-47(2014)/ December 28, 2015 | Carlos C. Palomar/ Emasculator | Payment of wages of laborers relative to the operation of CSIEAP out of the DAP Fund. | 9,071.60 | -do- |
| 2015-501-48(2014)/ December 28, 2015 | Andrea Mikaeli L. Seldora/ Field Employee | Payment of wages of laborers relative to the operation of CSIEAP out of the DAP Fund. | 12,161.00 | -do- |
| 2015-501-49(2014)/ December 28, 2015 | Font Restaurant | Payment of catering services relative to the operation of CSIEAP out of the DAP Fund. | 34,485.00 | -do- |
| 2015-501-50(2014)/ December 28, 2015 | Norbin A. Mandi/ DPQI | Payment of wages of laborers relative to the operation of CSIEAP out of the DAP Fund. | 3,549.37 | -do- |

| ND No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|--|--|---|------------------------|---------------|
| 2015-501-51(2014)/ December 28, 2015 | Jay-Ar S. Sagaysay/ Project Employee | Payment of travel expenses out of the DAP Fund. | 7,680.00 | -do- |
| 2015-501-52(2014)/ December 28, 2015 | Larry E. Herla/ CCDO | Payment of travel expenses out of the DAP Fund. | 4,150.00 | -do- |
| 2015-501-53(2014)/ December 28, 2015 | Jessie G. Patcho/CCDO | Payment of travel expenses out of the DAP Fund. | 3,540.00 | -do- |
| 2015-501-54(2014)/ December 28, 2015 | Berovan Marketing, Inc. | Payment of laboratory supplies relative to the operation of CSIEAP out of the DAP Fund. | 3,645.00 | -do- |
| 2015-501-55(2014)/ December 28, 2015 | Zamboanga Medika Integrated industries, Inc. | Payment of laboratory supplies relative to the operation of CSIEAP out of the DAP Fund. | 1,060.00 | -do- |
| 2015-501-56(2014)/ December 28, 2015 | Evergreen Enterprises | Payment of Chemicals Supply relative to the operation CSIEAP out of the DAP Fund. | 139,153.87 | -do- |
| 2015-501-57(2014)/ December 28, 2015 | Romeo Tigoy/ Agriculturist I | Payment of fuel expenses relative to the operation of CSIEAP out of the DAP Fund. | 2,200.00 | -do- |
| 2015-501-58(2014)/ December 28, 2015 | Adelina P. Undag/ CDO | Payment of travel expenses out of the DAP Fund. | 2,200.00 | -do- |
| 2015-501-59(2014)/ December 28, 2015 | Anecito T. Pagsiat/ CDO/ PCMARS | Payment of fuel expenses relative to the operation of CSIEAP out of the DAP Fund. | 1,800.00 | -do- |
| | | | 10,311,742.26 | |
| | | | P 13,940,747.88 | |

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 | For issuance of NFD. |
| 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 | -do- |
| 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 | Settled per NSSDC No. 2016- 01 dated June 15, 2016. |
| 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 | -do- |
| 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 | -do- |
| 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 | -do- |
| 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 | -do- |
| 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 | For issuance of NFD. |
| 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 | -do- |

| NC No./Date | Positions/ Designations of Persons Liable | Nature | Amount | Status |
|---|---|---|---------------------|---------------|
| 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 | -do- |
| 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 | -do- |
| 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 | -do- |
| Total | | | P 170,750.00 | |