

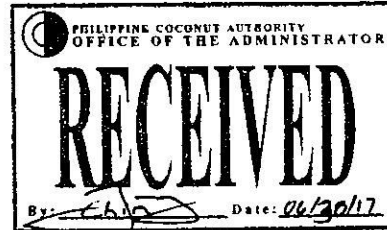


Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

**CORPORATE GOVERNMENT SECTOR**  
**Cluster 5 – Agricultural and Natural Resources**

June 30, 2017

**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 (PD) 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, 2016.

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 Annex.

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

1. The non-recording of deliveries and distribution of fertilizers, as well as, interest income earned on fund transfers and expenses incurred on the procurement services due to non-liquidations by the Philippine International Trading Center (PITC) of the fund transfers resulted in overstatement of Due from Government Owned and Controlled Corporations (GOCCs)-PITC account by P238.765 million and understatement both of the Inventories and Expense accounts by P136.398 million and P102.367 million, respectively.
2. The accuracy, completeness, reliability and existence of the Property, Plant and Equipment (PPE) with a total carrying amount of P636.145 million could not be established in view of unaccounted discrepancies aggregating P56.261 million due to noted errors in the beginning balances of subsidiary ledgers (SLs) carried forward since calendar year (CY) 2012 and variance between general ledgers (GLs) and Report on the Physical Count of PPE (RPCPPE), misclassification of buildings and parcels of land totaling P102.891 million as PPE instead of Investment Property, thereby overstating and understating, respectively, the said accounts; absence of SLs for PPE items totaling

P81.092 million; and overstatement of PPE at least P6.734 million for items acquired in prior years with unit costs less than the capitalization threshold of P15,000 due to non-classification to Semi-expendable inventory account.

3. Liabilities of Central Office (CO) and RO Nos. I-IV-B aggregating P343.104 million were overstated by P205.650 million representing accruals of personnel benefits and prior year's expenses with no valid basis due to absence of supporting documents.

4. The balance of Due to National Government Agencies (NGAs) account amounting to P38.523 million representing fund transfers from different source agencies (SAs) or the implementation of 41 programs/projects was doubtful due to late or non-submission of Report of Disbursement (RD), inconsistent presentation of fund utilization/liquidation in the Statement of Cash Flows (SCF), and unreconciled net discrepancies of P21.301 million between the records of PCA and SAs.

We were unable to obtain sufficient appropriate audit evidence about the balances of the PPE, Accounts Payable and Due to NGAs and other affected accounts as at December 31, 2016 due to inadequacy of the records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

1.1 Direct the Operations Department to hasten the distribution of the fertilizers to the intended beneficiaries and submit the following documents for audit purposes:

- a. Reconciliation statement on the discrepancy noted between the number of bags of Agricultural Grade Salt Fertilizer (AGSF) per contract against actual deliveries at the DOPs; and
- b. Status report on the procurement of Multi Nutrient Fertilizer (MNF) for Coconut Scale Insect infestation and typhoon Pablo rehabilitation projects.

1.2 Direct the Accounting Division to:

- a. Demand from PITC liquidation reports and supporting and proof of demand from government procurement agent for the monthly and/or full liquidation of fund transfer;
- b. Prepare adjusting entries to record the deliveries and distribution of AGSF, as well as, the Service Fee (SF) and interests earned on the fund transfer and the expense incurred on the procurement services; and
- c. Demand from PITC the immediate refund of unexpended balance of fund transferred for procurement of AGSF and the interest earned on the fund transfer and negotiate for the possible recovery of a portion of the paid SF in view of the delay incurred in the procurement.

2.1 Direct the Accounting Division of CO and Accounting Units of the concerned ROs to:

- a. Prepare and maintain complete SL for all PPE accounts under various funds;

- b. Examine and reconcile the discrepancies noted: (i) between the GLs and SLs balances; and (ii) CY 2012 beginning SLs balance against recomputed beginning balances;
- c. Prepare the necessary adjusting entries to reclassify items with unit cost of P15,000 and below to semi-expendable inventories, and land and buildings or portions thereof under operating lease or intended to be leased out to IP account and corresponding accumulated depreciations of the affected accounts;
- d. Adopt strictly the decentralized accounting system by aptly transferring the recording of land to the books of accounts of the RO No. IV-A; and
- e. Record the two transferred motor vehicles in the books of RO No. VI.

2.2 Administrative and General Services Division (AGSD), CO and Property Unit of concerned ROs to provide adequate measures in the inventory count and safeguard on PPE by :

- a. Preparing, submitting and reviewing RPCPPE timely to ensure it is free from mathematical errors, and that account titles, description, and composition of PPE are compatible with the Accounting Division to facilitate reconciliation with property and accounting records; and
- b. Preparing timely Inventory and Inspection Report of Unserviceable Property (IIRUP) to facilitate disposal of unserviceable properties.

3.1 Require the Accounting Division, CO and Accounting Unit, RO Nos. I-IV-B to prepare the necessary adjustments in the AP account and refrain from recording transactions, including claims, which are not valid and not supported with complete and proper documentation including goods/services that have not been received and accepted.

4.1 Require the Division Chief III, CO Accounting Division to:

- a. Prepare and submit separate RD on the expenditures incurred by CO, require Accountants of concerned RO and Center to submit their respective RDs to support timely liquidations of fund transfers to SAs;
- b. Conduct regular and periodic verification and analysis of fund transfers to ensure that outstanding balances are reconciled with SAs' records and utilizations are correctly and properly presented in the SCF; and

4.2 Direct the concerned RO/Center and Office, CO to implement strictly the programs/projects in accordance with the agreed timelines to avoid delay in the implementation of the programs/projects.

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

5. The grant of Collective Negotiation Agreement (CNA) incentives to officers and employees for Fiscal Year (FY) 2015 accumulating to P11.475 million was not fully compliant with the pertinent procedural guidelines and conditions prescribed under DBM Budget Circular (BC) No. 2015-2 dated November 23, 2015, thus considered irregular expenses.

5.1 We recommended that Management submit a justification as to why the payment of FY 2015 CNA incentives in the total amount of P11.475 million should not be disallowed in audit, duly supported with, but not limited to, the following:

- a. Proof that efforts in renegotiation or concluding a new CNA were undertaken prior to the expiration of the current CNA pursuant to Public Sector Labor Management Council (PSLMC) Resolution No. 1 dated March 14, 2014;
- b. Copy of CSC Certificates of Registration of: (i) PCA Employees Association prior to the execution of CY 2012 CNA; and (ii) CY 2012 CNA prior to the payment of FY 2012 CNA;
- c. Documents showing the rates of FY 2015 CNA incentives and payment thereof sourced from the allowable MOOE allotments, as determined and approved, respectively, by the DBM; and
- d. FURs for CYs 2014-2015 and every year thereafter.

5.2 We further recommended that Management direct the Accountants of RO No. IX and ZRC and Division Chief III of CO Accounting Division to:

- a. Effect the necessary adjustments for the overstatement of Other Bonuses and Allowances-CNA and Accounts Payable-Unliquidated Obligation-Personal Services accounts, as well as, the net understatement of Due from RO account in the books; and
- b. Furnish the Audit Team of a copy of the duly-issued Journal Entry Vouchers on the adjustments made.

6. Government resources allotted for the Yolanda Recovery and Rehabilitation Program (YRRP) amounting P2.453 billion were not properly accounted for and safeguarded due to: a) absence of fund utilization reports (FUR); b) prioritization of other projects over YRRP projects; c) utilization of YRRP fund for non-YRRP activities; d) availment of the services of PITC, as procurement agent, and non-provision in the MOA of specific timelines in the procurement; e) lack of monitoring in the implementation of projects with partner agencies; and f) poor planning which consequently resulted in delayed implementation and low implementation rate of projects, thus, deprived the intended beneficiaries of the timely benefits that should have been derived from these projects. In addition, payments of cash for work incentives by RO Nos. VII and VIII amounting P0.130 million and P5.814 million, respectively, or totaling P5.944 million were highly questionable since the recipients farmer-beneficiaries are dubious.



6.1 We recommended that Management:

- a. Stop charging expenses for non-YRRP projects/activities against the YRRP fund;
- b. Direct the Accounting Division of the CO to prepare/submit the following:
  - b.1. Detailed FUR for YRRP fund;
  - b.2. Status reports on the borrowings of P795.546 million from YRRP fund;
  - b.3. Accomplishment Reports for CY 2016 and service contracts for the month of July 2016 of the 11 project personnel whose professional service expenses were charged to YRRP fund;
  - b.4. Proof of monitoring of liquidations of fund transferred to the PGs of Biliran and Samar pursuant to COA Circular No. 94-013;
  - b.5. RDs and other pertinent documents for the liquidations of funds transferred to PGs of Biliran and Samar;
- c. Require the Operations Department to:
  - c.1. Fast track the full implementation of YRRP and set specific timelines for the implementation of fertilization component of YRRP;
  - c.2. Submit status report on the procurement of MNF from PITC; and
- d. Direct the Regional Manager of RO Nos. VII and VIII to conduct investigation to determine: (i) the cause/s of the irregularities in the payments of cash for work incentives as well as distribution of fertilizers and (ii) employees/personnel who participated in the irregularities and file appropriate charges against them, if warranted.

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 19, 2017 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  
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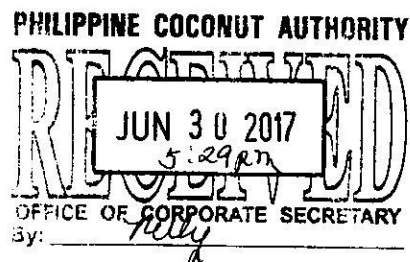


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**CORPORATE GOVERNMENT SECTOR**  
**Cluster 5 – Agricultural and Natural Resources**

June 30, 2017

**THE GOVERNING BOARD**  
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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 19, 2017 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the Report.

In our transmittal letter of even date, we request the OIC-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 of the Report.

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

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**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

# **ANNUAL AUDIT REPORT**

**on the**

**PHILIPPINE COCONUT AUTHORITY  
(PCA)**

**For the Year Ended December 31, 2016**

## 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. On June 30, 2016, pursuant to EO No. 01, the PCA is among the 12 agencies placed under the supervision of the Office of the Cabinet Secretary. The declaration of supervision of the Agency was enacted to develop and evaluate poverty reduction programs.

The corporate powers and functions of the Authority are vested in and exercised by the Board of Directors chaired by the Cabinet Secretary with six members, all from the private sector. 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

	2016
Total assets	6,083.069
Total liabilities	1,757.762
Equity	4,325.307

#### II. Statement of Financial Performance

	2016
Total revenue	430.078
Current operating expenses	2,230.830
Deficit from current operation	1,800.752
Subsidy from national government	1,250.875
Other non-operating income	61.678
Deficit	488.199

### III. Comparison of CY 2016 Budget and Actual Amount

	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final and Actual
	Original	Final		
Services and business income	411.000	411.000	430.078	(19.078)
Subsidy from national government	1,287.887	1,287.887	1,250.875	37.012
Other non-operating income	132.500	132.500	61.678	70.822
Total receipts	1,831.387	1,831.387	1,742.631	88.756
Personnel services	476.201	403.074	376.112	26.962
Maintenance & other operating expenses	4,796.260	5,704.070	1,788.640	3,915.430
Capital outlay	924.373	2,549.586	99.169	2,450.417
Total payments	6,196.834	8,656.730	2,263.921	6,392.809
Net payments	4,365.447	6,825.343	521.290	6,304.053

### SCOPE OF AUDIT

Our audit covered the operations of PCA for Calendar Year (CY) 2016. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures 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.

### AUDITOR'S OPINION

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

1. The non-recording of deliveries and distribution of fertilizers, as well as, interest income earned on fund transfers and expenses incurred on the procurement services due to non-liquidations by the Philippine International Trading Center (PITC) of the fund transfers resulted in overstatement of Due from Government Owned and Controlled Corporations (GOCCs)-PITC account by P238.765 million and understatement both of the Inventories and Expense accounts by P136.398 million and P102.367 million, respectively.
2. The accuracy, completeness, reliability and existence of the Property, Plant and Equipment (PPE) with a total carrying amount of P636.145 million could not be established in view of unaccounted discrepancies aggregating P56.261 million due to noted errors in the beginning balances of subsidiary ledgers (SLs) carried forward since calendar year (CY) 2012 and variance between general ledgers (GLs) and Report on the Physical Count of PPE (RPCPPE), misclassification of buildings and parcels of land totaling P102.891 million as PPE instead of Investment Property, thereby overstating and understating, respectively, the said accounts; absence of SLs for PPE items totaling P81.092 million; and overstatement of PPE at least P6.734 million for items acquired in prior years with unit costs less than the capitalization threshold of P15,000 due to non-classification to Semi-expendable inventory account.

3. Liabilities of Central Office (CO) and RO Nos. I-IV-B aggregating P343.104 million were overstated by P205.650 million representing accruals of personnel benefits and prior year's expenses with no valid basis due to absence of supporting documents.

4. The balance of Due to National Government Agencies (NGAs) account amounting to P38.523 million representing fund transfers from different source agencies (SAs) for the implementation of 41 programs/projects was doubtful due to late or non-submission of Report of Disbursement (RD), inconsistent presentation of fund utilization/liquidation in the Statement of Cash Flows (SCF), and unreconciled net discrepancies of P21.301 million between the records of PCA and SAs.

We were unable to obtain sufficient appropriate audit evidence about the balances of the PPE, Accounts Payable and Due to NGAs and other affected accounts as at December 31, 2016 due to inadequacy of the records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

## **SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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

1.1 Direct the Operations Department to hasten the distribution of the fertilizers to the intended beneficiaries and submit the following documents for audit purposes:

- a. Reconciliation statement on the discrepancy noted between the number of bags of Agricultural Grade Salt Fertilizer (AGSF) per contract against actual deliveries at the DOPs; and
- b. Status report on the procurement of Multi Nutrient Fertilizer (MNF) for Coconut Scale Insect infestation and typhoon Pablo rehabilitation projects.

1.2 Direct the Accounting Division to:

- a. Demand from PITC liquidation reports and supporting and proof of demand from government procurement agent for the monthly and/or full liquidation of fund transfer;
- b. Prepare adjusting entries to record the deliveries and distribution of AGSF, as well as, the Service Fee (SF) and interests earned on the fund transfer and the expense incurred on the procurement services; and
- c. Demand from PITC the immediate refund of unexpended balance of fund transferred for procurement of AGSF and the interest earned on the fund transfer and negotiate for the possible recovery of a portion of the paid SF in view of the delay incurred in the procurement.



2.1 Direct the Accounting Division of CO and Accounting Units of the concerned ROs to:

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- b. Examine and reconcile the discrepancies noted: (i) between the GLs and SLs balances; and (ii) CY 2012 beginning SLs balance against recomputed beginning balances;
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- e. Record the two transferred motor vehicles in the books of RO No. VI.

2.2 Administrative and General Services Division (AGSD), CO and Property Unit of concerned ROs to provide adequate measures in the inventory count and safeguard on PPE by :

- a. Preparing, submitting and reviewing RPCPPE timely to ensure it is free from mathematical errors, and that account titles, description, and composition of PPE are compatible with the Accounting Division to facilitate reconciliation with property and accounting records; and
- b. Preparing timely Inventory and Inspection Report of Unserviceable Property (IIRUP) to facilitate disposal of unserviceable properties.

3.1 Require the Accounting Division, CO and Accounting Unit, RO Nos. I-IV-B to prepare the necessary adjustments in the AP account and refrain from recording transactions, including claims, which are not valid and not supported with complete and proper documentation including goods/services that have not been received and accepted.

4.1 Require the Division Chief III, CO Accounting Division to:

- a. Prepare and submit separate RD on the expenditures incurred by CO, require Accountants of concerned RO and Center to submit their respective RDs to support timely liquidations of fund transfers to SAs;
- b. Conduct regular and periodic verification and analysis of fund transfers to ensure that outstanding balances are reconciled with SAs' records and utilizations are correctly and properly presented in the SCF; and

4.2 Direct the concerned RO/Center and Office, CO to implement strictly the programs/projects in accordance with the agreed timelines to avoid delay in the implementation of the programs/projects.

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

5. The grant of Collective Negotiation Agreement (CNA) incentives to officers and employees for Fiscal Year (FY) 2015 accumulating to P11.475 million was not fully compliant with the pertinent procedural guidelines and conditions prescribed under DBM Budget Circular (BC) No. 2015-2 dated November 23, 2015, thus considered irregular expenses.

5.1 We recommended that Management submit a justification as to why the payment of FY 2015 CNA incentives in the total amount of P11.475 million should not be disallowed in audit, duly supported with, but not limited to, the following:

- a. Proof that efforts in renegotiation or concluding a new CNA were undertaken prior to the expiration of the current CNA pursuant to Public Sector Labor Management Council (PSLMC) Resolution No. 1 dated March 14, 2014;
- b. Copy of CSC Certificates of Registration of: (i) PCA Employees Association prior to the execution of CY 2012 CNA; and (ii) CY 2012 CNA prior to the payment of FY 2012 CNA;
- c. Documents showing the rates of FY 2015 CNA incentives and payment thereof sourced from the allowable MOOE allotments, as determined and approved, respectively, by the DBM; and
- d. FURs for CYs 2014-2015 and every year thereafter.

5.2 We further recommended that Management direct the Accountants of RO No. IX and ZRC and Division Chief III of CO Accounting Division to:

- a. Effect the necessary adjustments for the overstatement of Other Bonuses and Allowances-CNA and Accounts Payable-Unliquidated Obligation-Personal Services accounts, as well as, the net understatement of Due from RO account in the books; and
- b. Furnish the Audit Team of a copy of the duly-issued Journal Entry Vouchers on the adjustments made.

6. Government resources allotted for the Yolanda Recovery and Rehabilitation Program (YRRP) amounting P2.453 billion were not properly accounted for and safeguarded due to: a) absence of fund utilization reports (FUR); b) prioritization of other projects over YRRP projects; c) utilization of YRRP fund for non-YRRP activities; d) availment of the services of PITC, as procurement agent, and non-provision in the MOA of specific timelines in the procurement; e) lack of monitoring in the implementation of projects with partner agencies; and f) poor planning which consequently resulted in delayed implementation and low implementation rate of projects, thus, deprived the intended beneficiaries of the timely benefits that should have been derived from these projects. In addition, payments of cash for work incentives by RO Nos. VII and VIII amounting P0.130 million and P5.814 million, respectively, or totaling P5.944 million were highly questionable since the recipients farmer-beneficiaries are dubious.

6.1 We recommended that Management:

- a. Stop charging expenses for non-YRRP projects/activities against the YRRP fund;
- b. Direct the Accounting Division of the CO to prepare/submit the following:
  - b.1. Detailed FUR for YRRP fund;
  - b.2. Status reports on the borrowings of P795.546 million from YRRP fund;
  - b.3. Accomplishment Reports for CY 2016 and service contracts for the month of July 2016 of the 11 project personnel whose professional service expenses were charged to YRRP fund;
  - b.4. Proof of monitoring of liquidations of fund transferred to the PGs of Biliran and Samar pursuant to COA Circular No. 94-013;
  - b.5. RDs and other pertinent documents for the liquidations of funds transferred to PGs of Biliran and Samar;
- c. Require the Operations Department to:
  - c.1. Fast track the full implementation of YRRP and set specific timelines for the implementation of fertilization component of YRRP;
  - c.2. Submit status report on the procurement of MNF from PITC; and
- d. Direct the Regional Manager of RO Nos. VII and VIII to conduct investigation to determine: (i) the cause/s of the irregularities in the payments of cash for work incentives as well as distribution of fertilizers and (ii) employees/personnel who participated in the irregularities and file appropriate charges against them, if warranted.

**SUMMARY OF UNSETTLED AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS AS AT DECEMBER 31, 2016**

The unsettled audit disallowances, charges and suspensions as at December 31, 2016 amounted to P65.614 million, P10,000 and P1.191 million, respectively. Details are shown in Annex B, Part IV of this Report.

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the 133 audit recommendations embodied in the previous years' Annual Audit Reports, 24 were fully implemented, 57 were partially implemented and 52 were not implemented. Details are presented in Part III of this Report.

## TABLE OF CONTENTS

	<b>Page</b>
<b>PART I - AUDITED FINANCIAL STATEMENTS</b>	
Independent Auditor's Report	1
Statement of Management's Responsibility for Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets/Equity	7
Statement of Cash Flows	8
Statement of Comparison of Budget and Actual Amounts	9
Notes to Financial Statements	10
<b>PART II - OBSERVATIONS AND RECOMMENDATIONS</b>	32
<b>PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS</b>	146
<b>PART IV - ANNEX</b>	
A – Details and Status of Unsettled Audit Disallowances, Charges & Suspensions	181



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, 2016, and the statement of financial performance, statement of changes in net assets/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 basis for our adverse audit opinion.

### ***Basis for Adverse Opinion***

The non-recording of deliveries and distribution of fertilizers, as well as, interest income earned on fund transfers and expenses incurred on the procurement services due to non-liquidations by the Philippine International Trading Center (PITC) of the fund transfers resulted in overstatement of Due from Government Owned and Controlled Corporations (GOCCs)-PITC account by P238.765 million and understatement both of the Inventories and Expense accounts by P136.398 million and P102.367 million, respectively.

The accuracy, completeness, reliability and existence of the Property, Plant and Equipment (PPE) with a total carrying amount of P636.145 million could not be established in view of unaccounted discrepancies aggregating P56.261 million due to noted errors in the beginning balances of subsidiary ledgers (SLs) carried forward since calendar year (CY) 2012 and variance between general ledgers (GLs) and Report on the Physical Count of PPE (RPCPPE), misclassification of buildings and parcels of land totaling P102.891 million as PPE instead of Investment Property, thereby overstating and understating, respectively, the said accounts; absence of SLs for PPE items totaling P81.092 million; and overstatement of PPE at least P6.734 million for items acquired in prior years with unit costs less than the capitalization threshold of P15,000 due to non-classification to Semi-expendable inventory account.

Liabilities of Central Office and Regional Office Nos. I-IV-B aggregating P343.104 million were overstated by P205.650 million representing accruals of personnel benefits and prior year's expenses with no valid basis due to absence of supporting documents.

The balance of Due to National Government Agencies (NGAs) account amounting to P38.523 million representing fund transfers from different source agencies (SAs) for the implementation of 41 programs/projects was doubtful due to late or non-submission of Report of Disbursement, inconsistent presentation of fund utilization/liquidation in the Statement of Cash Flows, and unreconciled net discrepancies of P21.301 million between the records of PCA and SAs.

We were unable to obtain sufficient appropriate audit evidence about the balances of the PPE, Accounts Payable and Due to NGAs and other affected accounts as at December 31, 2016 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 Basis for Adverse Opinion section of our report, the financial statements do not present fairly, in all material respects, the financial position of **PCA** as at December 31, 2016, 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**

OIC-Supervising Auditor

Audit Group C

Cluster 5 - Agricultural and Natural Resources

Corporate Government Sector

June 27, 2017



## **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The management of the **Philippine Coconut Authority** is responsible for all the information and representations contained in the accompanying Statement of Financial Position as of **December 31, 2016** and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Asset/ Equity and the Notes to Financial Statements for the period then ended. The Financial Statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and Generally Accepted State Accounting Principles, and reflect amounts that are based on the best estimates and informed judgment of management with the appropriate consideration of materiality.

In this regard, the management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that the transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**EDUARDO F. SUAREZ**

Manager II, Finance Department

  
**GLENN B. SANTOS**

Officer-In-Charge, Administrator

  
**LEONCIO B. EVASCO JR.**

Chairman, Governing Board

**PHILIPPINE COCONUT AUTHORITY**  
**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2016  
(In Philippine Peso)

	Note	2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4	1,303,511,527
Receivables - net	5	3,362,329,692
Inventories	6	52,555,580
Other assets	10	6,059,342
		4,724,456,141
<b>Non-current assets</b>		
Investments	7	88,515
Property, plant and equipment - net	8	636,145,117
Biological assets	9	2,539,557
Other assets	10	719,840,095
		1,358,613,284
<b>TOTAL ASSETS</b>		<b>6,083,069,425</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities	11	694,478,868
Inter-agency payables	12	96,646,981
Intra-agency payables	13	867,835,157
Trust liabilities	14	14,765,522
Other payables	15	61,716,653
		1,735,443,181
<b>Non-current liabilities</b>		
Deferred credits/unearned income	16	22,318,593
		22,318,593
<b>TOTAL LIABILITIES</b>		<b>1,757,761,774</b>
<b>NET ASSETS (Total assets less total liabilities)</b>		<b>4,325,307,651</b>
<b>NET ASSETS/EQUITY</b>		
Equity		4,325,307,651
<b>TOTAL NET ASSETS/EQUITY</b>		<b>4,325,307,651</b>

*The notes on pages 10 to 31 form part of these Financial Statements*

**PHILIPPINE COCONUT AUTHORITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
For the Year Ended December 31, 2016  
(In Philippine Peso)

	<b>Note</b>	<b>2016</b>
<b>REVENUE</b>		
Service and business income	19	430,078,293
		430,078,293
<b>CURRENT OPERATING EXPENSES</b>		
Personnel services	20	376,111,562
Maintenance and other operating expenses	21	1,788,640,016
Financial expenses	22	300
Non-cash expenses	23	66,078,282
		2,230,830,160
<b>DEFICIT FROM CURRENT OPERATIONS</b>		<b>1,800,751,867</b>
Assistance and subsidy - subsidy from national government	24	1,250,875,000
Other non-operating income	25	61,677,992
		1,312,552,992
<b>DEFICIT FOR THE PERIOD</b>		<b>488,198,875</b>

*The notes on pages 10 to 31 form part of these Financial Statements*

**PHILIPPINE COCONUT AUTHORITY**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
For the Year Ended December 31, 2016  
(In Philippine Peso)

	Accumulated Surplus (Deficit) Note 18	Government Equity Note 17	Total
<b>BALANCE AS AT JANUARY 1, 2016</b>	<b>6,035,715,212</b>	<b>1,194,597,704</b>	<b>7,230,312,916</b>
<b>ADJUSTMENTS:</b>			
Add/(Deduct):			
Changes in accounting policy	(10,705,399)	-	(10,705,399)
Prior period errors	(2,413,748,811)	-	(2,413,748,811)
<b>RESTATED BALANCE AT JANUARY 1, 2016</b>	<b>3,611,261,002</b>	<b>1,194,597,704</b>	<b>4,805,858,706</b>
<b>CHANGES IN NET ASSETS/EQUITY</b>			
Add/(Deduct):			
Surplus/(deficit) for the period	(488,198,875)	-	(488,198,875)
Appraisal capital	-	(242,000)	(242,000)
Purchase or construction of property, plant and equipment	-	6,300,634	6,300,634
Donations	-	1,562,763	1,562,763
Disallowance and other payments	-	26,423	26,423
<b>BALANCE AT DECEMBER 31, 2016</b>	<b>3,123,062,127</b>	<b>1,202,245,524</b>	<b>4,325,307,651</b>

*The notes on pages 10 to 31 form part of these Financial Statements*

**PHILIPPINE COCONUT AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016  
(In Philippine Peso)

	Note	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Receipt of notice of cash allocation		1,250,875,000
Collection of income/revenues		352,229,538
Receipt of assistance/subsidy		567,201,463
Collection of receivables		127,092,028
Receipt of inter-agency fund transfers		89,929,695
Receipt of intra-agency fund transfers		77,413,547
Trust receipts		73,839,791
Other receipts		8,471,044
Adjustments		78,916,395
		2,625,968,501
<b>Cash Outflows</b>		
Payment of expenses		1,578,643,889
Release of intra-agency fund transfers		676,088,203
Payment of accounts payable		330,629,089
Remittance of personnel benefit contributions mandatory deductions		154,089,299
Release of inter-agency fund transfers		91,406,115
Purchase of consumable biological assets		82,528,285
Grant of cash advances		75,122,703
Purchase of inventories		32,573,992
Other disbursement		20,966,788
Prepayments		1,220,977
Refund of deposits		221,969
Adjustments		51,743,065
		3,095,234,374
Net cash used in operating activities		(469,265,873)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Receipt of interest earned		1,782,879
Proceeds from sale/disposal of property, plant and equipment		87,374
		1,870,253
<b>Cash Outflows</b>		
Purchase/construction of property, plant and equipment		45,358,977
		45,358,977
Net cash used in investing activities		(43,488,724)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(512,754,597)</b>
<b>CASH AND CASH EQUIVALENTS, January 01, 2016</b>		<b>1,816,266,124</b>
<b>CASH AND CASH EQUIVALENTS, December 31, 2016</b>	<b>4</b>	<b>1,303,511,527</b>

*The notes on pages 10 to 31 form part of these Financial Statements*



**PHILIPPINE COCONUT AUTHORITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
For the Year Ended December 31, 2016  
(In Philippine Peso)

		<b>Budgeted Amounts</b>		<b>Actual Amounts on</b>	<b>Difference</b>
	<b>Note</b>	<b>Original</b>	<b>Final</b>	<b>Comparable Basis</b>	<b>Final Budget and Actual</b>
<b>RECEIPTS</b>					
Service and business income	19	411,000,000	411,000,000	430,078,293	(19,078,293)
Assistance and subsidy	24	1,287,887,000	1,287,887,000	1,250,875,000	37,012,000
Other non-operating income	25	132,500,000	132,500,000	61,677,992	70,822,008
		1,831,387,000	1,831,387,000	1,742,631,285	88,755,715
<b>PAYMENTS</b>					
Personnel services	20	476,201,000	403,074,000	376,111,562	26,962,438
Maintenance and other operating expenses	21	4,796,259,780	5,704,070,000	1,788,640,016	3,915,429,984
Capital outlay	8	924,373,120	2,549,586,360	99,169,073	2,450,417,287
Financial expenses	22	-	-	300	(300)
		6,196,833,900	8,656,730,360	2,263,920,951	6,392,809,409
<b>NET PAYMENTS</b>		<b>(4,365,446,900)</b>	<b>(6,825,343,360)</b>	<b>(521,289,666)</b>	<b>(6,304,053,694)</b>

*The notes on pages 10 to 31 form part of these Financial Statements*

**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.

**Mandate**

It is hereby directed to be the policy of the State to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth.

It establishes the legal basis for PCA's sole stewardship and responsibility over the coconut and other palm oil industries for the benefit of the coconut and oil palm farmers.

**Functions**

Formulate and promote a strategic and comprehensive development program for the coconut and other palm oil industry in all its aspects; implement and sustain a nationwide coconut planting and replanting, fertilization and rehabilitation, and other farm productivity programs; conduct research and extension works on farm productivity and process development for product quality and diversification; establish quality standards for coconut and palm products and by-products; develop and expand the domestic and foreign markets; enhance the capacities and ensure the socio-economic welfare of coconut and palm farmers and farm workers.

**Vision**

A developed and globally competitive coconut and other palm oil industry that contributes to food security, improved income, and enhanced participation of all stakeholders by calendar year (CY) 2020.

**Mission**

The PCA shall ensure the development and implementation of high value programs for the coconut and other palm oil industry carried out in transparent, responsible, and accountable manner and with utmost degree of professionalism and effectiveness.

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, three research centers as well as training and seed production centers headed by a Regional Manager, Provincial Coconut Development Manager and Center Manager, respectively.

## **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) pursuant to COA Resolution No. 2014-003 dated January 24, 2014, on the adoption of PPSAS.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine Peso, which is also the country's functional currency.

Amounts are rounded-off to the nearest thousand, unless otherwise stated.

The accounts were reclassified in conformity with the Revised Chart of Accounts prescribed under COA Circular No. 2015-010 dated December 01, 2015. The Agency has been using the Revised Chart of Accounts starting for the month of November 2016.

The Agency did not present in these financial statements the corresponding reports for the year 2015 for comparability, since adoption of PPSAS necessitates the need for restatement which in the case of PCA is deemed impracticable.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Basis of accounting**

The Agency's financial statements are prepared on an accrual basis in accordance with the PPSAS.

### **3.2 Combination of Financial Statements**

Financial statements are combination of the 12 ROs, three research centers, one training center, one coconut production center and that of the Central Office (CO) in accordance with PCA's One Fund Accounting System Manual.

All significant intra-fund items and transactions are eliminated in the consolidation.

The combined financial statements reflect the assets, liabilities, revenues and expenses of the Agency's CO and ROs/ Centers.

### **3.3 Adjustments, Restatements and Corrections of Prior Periods Error**

Adjustments for changes in accounting policies and restatements to correct errors in prior years are made retrospectively to the extent practicable, using the Accumulated Surplus (Deficit) account. The effects of changes in accounting estimates and correction of errors affecting the current year's accounts are reflected using the current year's accounts.

### 3.4 Financial Instruments

#### a. Financial assets

##### Initial recognition and measurement

Financial assets within the scope of PPSAS 29-Financial Instruments: Recognition and Measurements are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Agency commits to purchase or sell the asset.

The Agency's financial assets include: cash and cash equivalents; trade and other trade receivables; loans and other loans receivables; quoted and unquoted financial instruments; and derivative financial instruments.

#### b. Financial liabilities

##### Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The Authority's financial liabilities include trade payables, trust liabilities and other payables.

#### c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### 3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### 3.6 Receivables

Receivables are recognized initially at transaction price. They are subsequently measured at amortized cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade receivables are financial assets with fixed or determinable payment that are not quoted in an active market. They arise when the Agency provides money, goods, or services directly to a debtor/customer with no intention of trading receivables. Receivables are carried at cost or amortized cost in the statement of financial position. Receivables are included in current assets if maturity is within 12 months of the financial reporting date. Otherwise, these are classified as non-current assets.

Recoverability of specific receivables is evaluated based on the best available facts and circumstances, the length of the Agency's relationship with its debtors, the debtors' payment behaviour and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

#### Allowance for impairment-accounts receivable

Allowance for impairment of accounts receivable was provided in the books specifically on PCA fees in accordance with Corporate Order No. 04, series of 2016.

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 one day to over 10 years and provisions for the allowance for impairment-accounts receivable shall be as follows:

1-60 days	1 per cent
61-180 days	2 per cent
181 days-1 year	3 per cent
More than 1 year to 10 years	5 per cent
Over 10 years	100 per cent
Accounts with legal constraints	100 per cent

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

- a. No response from the debtor after issuance of at least three demand letters with an interval of three months during the following year;
- b. The debtor 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.

### 3.7 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Subsequently, inventories are valued using weighted average method.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of PCA.

### 3.8 Property, Plant and Equipment

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- a. tangible items;
- b. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- c. are expected to be used during more than one reporting period.

Property and equipment is stated at historical cost less accumulated depreciation, amortization and impairment in value, if any.

PPE are valued at cost and depreciated quarterly using the straight-line method using the estimated useful life of PPE as prescribed by COA. The PCA begins to depreciate its asset when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Residual value equivalent to 10 per cent of the acquisition cost/appraised value was deducted before dividing the same by the estimated useful life. However, under PPSAS 17, residual value should be at least 5 per cent of the total cost. The Agency plans to conform to this in the succeeding year.

PPE acquired with less than P15,000 purchase price were reclassified as semi-expendable items for the year 2016. Adjustment for years prior to 2016 regarding this matter will be made in the following year.

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.

### 3.9 Changes in accounting policies and estimates

The Agency recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The Agency recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The Agency corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

### 3.10 Foreign currency transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

### 3.11 Revenue

#### Measurement of Revenue

Revenue is measured at the fair value of the consideration received or receivable.

#### Rendering of Services

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

## Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

## Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

## Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### 3.12 Budget information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amount (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

These budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

### 3.13 Employee benefits

The employees of Agency are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The Agency recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

### 3.14 Measurement uncertainty

The preparation of consolidated financial statements in conformity with PPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.



Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

#### 4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	<b>Amount</b>
Cash on hand	
Cash – collecting officers	3,362,370
Petty cash fund	82,761
	<b>3,445,131</b>
Cash in bank	
Local currency, current account	863,436,164
Local currency, savings account	346,036,752
Foreign currency, current account	2,440,427
Foreign currency, savings account	681,879
Cash-Modified Disbursement System (MDS), regular	85,358,085
Time deposits, foreign currency	2,113,089
	<b>1,300,066,396</b>
	<b>1,303,511,527</b>

Cash in bank generally earns interest at respective bank rates.

A reasonable amount of petty cash is maintained to cover small amount of payments or reimbursements which are not necessarily needed to be made in check for payments as described by the management.

Cash in bank-local currency, current account represents the PCA's fund deposited at Land Bank of the Philippines (LBP) amounting to P51.711 million and P811.725 million for CO and ROs/Centers, respectively.

Cash in bank-local currency, savings account are 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.

Cash-MDS, regular consists of Cash - national treasury account of General Fund 151 amounting to P63.277 million which 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 others and, Cash - national treasury account of Corporate Fund 503 of P22.081 million which 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 on the amended rules and regulations implementing PD No. 1854.

## 5. RECEIVABLES

This account consists of the following:

	<b>Amount</b>
Loans and receivables	
Accounts receivable	582,412,947
Less: Allowance for impairment- accounts receivables	50,911,622
	531,501,325
Interests receivable	3,212
	531,504,537
Inter-agency receivables	
Due from national government agencies (NGAs)	1,297,381,481
Due from local government units (LGUs)	46,604,308
Due from government owned and controlled corporations (GOCCs)	433,061,968
	1,777,047,757
Intra-agency receivables	
Due from operating units	213,656
Due from other funds	833,365,367
Due from central office/home/head office	64,853,791
	898,432,814
Other receivables	
Receivables – disallowances/charges	134,188,471
Due from officers and employees	785,049
Due from non-governmental organizations/people's organizations (NGOs/POs)	1,310,992
Other receivables	24,808,325
Less: Allowance for impairment- other receivables	5,748,253
	19,060,072
	155,344,584
	<b>3,362,329,692</b>

Accounts receivable account consists of PCA fees, and interest and surcharge on PCA fees. The schedule below corresponds to computation of the Allowance for impairment- Accounts receivable account:

<b>Age</b>	<b>No. of accounts</b>	<b>Percentage doubtful</b>	<b>Accounts receivable</b>	<b>Allowance for impairment- accounts receivable</b>
1 to 60 days	63	1 per cent	10,973,985	89,836
61 to 181 days	68	2 per cent	89,756,674	1,795,134
181 days to one year	59	3 per cent	24,519,716	735,591
More than one year to 10 years	76	5 per cent	430,391,064	21,519,553
Over 10 years	36	100 per cent	26,771,508	26,771,508
			<b>582,412,947</b>	<b>50,911,622</b>

Of the P582.413 million, P574.397 million is considered long overdue accounts which status is shown below:

<b>Status of accounts</b>	<b>No. of accounts</b>	<b>Amount</b>
1. Cases still pending in court	7	7,993,777
2. Cases ordered archived/unlocated address (ceased operations):		
a. Decision cannot be executed/enforced	6	3,186,130
b. Company owners still at large	3	8,095,516
c. Summons could not be served	13	9,937,071
3. Accounts forwarded to LAO for appropriate action and/or filing of case	34	545,184,320
	<b>63</b>	<b>574,396,814</b>

Accruals for the month of December 31, 2016 amounting to P1.990 million were not included in the computation for Allowance for impairment-Accounts receivables.

As at December 31, 2016, the following accounts will be requested to be written-off:

<b>Company</b>	<b>Amount</b>
Angmaya	40,372
Cal-Phil	5,749,996
Chemer Enterprise	1,738
Coco Manila	933,905
Jakke Enterprise	158,967
Lucky Coco	36,643
Peninsula Oil Mill	452,997
Peoples Industrial and Commercial Corporation	672,349
Philippine Agricultural Trading Corporation	1,174,261
Philippine Super Feed Corporation	29,397
R & A Coconut Products	167,862
Red V Coconut Products	302,103
VAC Commodities	216,479
	<b>9,937,069</b>

The Interest receivable account consists of interest income from the recognition of maturity and renewal of short-term investments on high-yield savings accounts.

Due from NGAs account includes fund released/transferred to various NGAs for the conduct of the following research activities:

<b>Particulars</b>	<b>Description</b>	<b>Amount</b>
University of the Philippines - Los Baños (UPLB)-Banana High Value Commercial Crops (HVCC)	Final payment for the project entitled improvement of productivity of the banana farms in the Philippine technical support	108,874
Metal Industry Research and Development Center (MIRDC)	Release of Phase II of the PCA-MIRDC Memorandum of Agreement (MOA)	17,167
Department of Science and Technology (DOST) -Food and Nutrition Research Institute	Phase I for the project entitled glycemic index and changes in glucose and lipid profile in humans with moderately raised glucose and cholesterol level after feeding with coconut based product	1,644,152
UP- Diliman	First 50 per cent payment of the project entitled on-the road test of 5 per cent coco methyl biodiesel blend in public transport	167,816
University of Southern Mindanao	Liquidation of the project entitled oil palm productivity for peace of poverty alleviation in Mindanao	605,718
UP-Manila	Project entitled association of dietary intake of coconut oil and coconut products with dyslipidemia and hypertension	2,052
Philippine Council for Health Research and Development	Payment for the project entitled effects of virgin coconut oil on Alzheimer's Disease	6,080,000
Procurement Service (PS)	Payment of deposit equivalent to cost of security service for eight months	30,819
	Payment for the purchase of one set of PVC tufting machine and agency fee for RO No. VIII	37,716,674
		<b>46,373,272</b>

A MOA was executed between PCA and PS dated January 30, 2015 to tap the services of PS-Department of Budget and Management (DBM) in the conduct of bidding for the supply and delivery of services. This was approved per Board Resolution (BR) No. 01-2015 dated January 21, 2015.

Due from LGUs account represents the balance of the funds transferred to the following:

<b>Province/Municipality</b>	<b>Description of project</b>	<b>Amount</b>
Provincial government of 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.	23,065,549
Provincial government of Samar	Coconut rehabilitation and restoration of agricultural activity/farming systems project due to typhoon "Yolanda"	23,022,987
Local government of Alabat, Quezon	Coconut Cacao Intercropping Project and Coconut Sap Sugar production under the KANIB Enterprise Development Project (KEDP)	515,772
		<b>46,604,308</b>

Due from GOCCs account includes fund released to Philippine International Trading Corporation (PITC) for the purchase of the agricultural grade salt multi nutrient fertilizers. This was approved by BR No. 123-2015 dated July 20, 2015.

Due from operating units account represents receivables from RO No. XIV, amounting to P28,600 and New Coconut Seed Production Center (NCSPC) for P185,056.

Due from other funds are outstanding balances after removal of intra-fund items amounting to P0.695 million for Special Fund 201, P832.663 million for Corporate Fund 503 and P0.007 million for Yolanda Recovery and Rehabilitation Program (YRRP) Fund.

Due from central office/home/head office account pertains to an advice of sub-allotment (ASA) from CO of P64.854 million received and recorded by Zamboanga Research Center (ZRC); however, cash has not been released yet or taken up by CO in its books, thus outstanding after elimination of intra-agency transactions.

Receivables-disallowances/charges account is used to record the amount of disallowances in audit due from officers and employees and other persons liable that have become final and executory.

Due from officers and employees account refers to the balance of cash advances which remained unliquidated as at December 31, 2016.

Due from NGOs/POs account represents fund transfers to NGOs/POs for the implementation of specific projects in accordance with the provisions set by the government and are subject to liquidation pursuant to the agreement entered between the PCA and the NGO/PO.

	<b>Amount</b>
Peace Foundation	498,377
UPLB Foundation, Inc.	812,615
	<b>1,310,992</b>

Other receivables consist of the following:

<b>Account Name</b>	<b>Amount</b>	<b>Allowance for impairment- Other receivables</b>	<b>Carrying value</b>
Other creditors	6,731,646	464,378	6,267,268
Working fund	694,090	-	694,090
Advances-others	2,285	-	2,285
Other officers-CISF	36,596	-	36,596
Receivables-SCFO	2,046,066	1,531,440	514,626
Farmers-NCIP	2,187,403	2,094,447	92,956
FAO-NCIP	198,180	198,180	-
Miscellaneous	11,184,345	728,973	10,455,372
Trade and Business	1,727,714	730,835	996,879
	<b>24,808,325</b>	<b>5,748,253</b>	<b>19,060,072</b>

## 6. INVENTORIES

This account consists of the following:

	<b>Amount</b>
Inventory held for distribution	14,569,770
Inventory held for consumption	30,459,326
Semi-expendable machinery and equipment	7,014,914
Semi-expendable furniture, fixtures and books	511,570
	<b>52,555,580</b>

Inventory held for distribution consists of agricultural products composed mainly of fertilizers, coconut seedlings and seednuts, earwigs and other agricultural supplies for distribution to farmers.

Inventory held for consumption consist of:

	<b>Amount</b>
Office supplies inventory	1,243,301
Accountable forms, plates and stickers inventory	107,016
Medical, dental, and laboratory supplies inventory	483,479
Fuel, oil, and lubricants inventory	536,946
Agricultural and marine supplies inventory	25,184,778
Other supplies and materials inventory	2,903,806
	<b>30,459,326</b>

Semi-expendable machinery and equipment and Semi-expendable furniture, fixtures and books accounts represent tangible items purchased with cost less than the P15,000 threshold during the year. Semi-expendable items remain as inventory until issuance to the end user. (Refer to Note 3.8)

## 7. INVESTMENTS

This account represents the cost of stock certificates issued by the United Coconut Planters Bank (UCPB), with a par value of P1.00 per common share for a total of 88,515 common shares amounting to P88,515.

## 8. PROPERTY, PLANT AND EQUIPMENT

An illustration of the analysis of this account is shown below:

Cost as at December 31, 2016

	Balance, 01-01-16	Additions	Disposal/ Sale/Transfer	Adjustments/ Reclassification	Balance, 12-31-16
Land	142,225,859	189,690	-	-	142,415,549
Land improvements	25,951,832	-	-	-	25,951,832
Water supply system	2,790,016	-	-	(150,754)	2,639,262
Power supply system	653,226	-	-	-	653,226
Building	248,733,524	7,103,984	(1)	(1,490,000)	254,347,507
Machinery and equipment	71,057,829	52,129,696	(44,310)	(5,574,341)	117,568,874
Office equipment	46,832,577	4,645,094	(728,999)	(2,560,061)	48,188,611
Information and communication	35,255,390	6,869,115	(18,512)	(1,593,789)	40,512,204
Agricultural and forestry	221,437,408	2,198,831	(21,475)	(376,225)	223,238,539
Communication equipment	14,585,833	26,991	-	(202,518)	14,410,306
Firefighting equipment	280,681	89,200	-	(126,980)	242,901
Medical, dental and laboratory	25,282,958	7,152,325	(412,480)	(1,580,119)	30,442,684
Technical and scientific	46,778,010	3,438,755	-	(167,046)	50,049,719
Other machinery and equipment	17,301,399	1,108,948	-	(3,288,089)	15,122,258
Motor vehicles	106,651,384	570,550	(1,121,097)	(914,318)	105,186,519
Other transportation equipment	916,000	-	-	-	916,000
Furniture and fixtures	12,067,782	1,676,907	(244,974)	(896,229)	12,603,486
Books	570,484	-	(5,535)	(12,852)	552,097
Other PPE	3,040,837	10,411,149	(260,897)	(127,972)	13,063,117
Construction-in-progress	6,893,165	1,557,838	(4,956,288)	1,000,000	4,494,715
	<b>1,029,306,194</b>	<b>99,169,073</b>	<b>(7,814,568)</b>	<b>(18,061,293)</b>	<b>1,102,599,406</b>

Accumulated depreciation as at December 31, 2016:

	Balance, 01-01-16	Additions	Disposal/ Sale/Transfer	Adjustments/ Reclassification	Balance, 12-31-16
Land	-	-	-	-	-
Land improvements	19,864,836	551,883	-	-	20,416,719
Water supply system	2,403,980	99,694	-	(135,678)	2,367,995
Power supply system	345,631	58,791	-	-	404,422
Building	169,951,303	6,916,544	-	(115,224)	176,752,623
Machinery and equipment	11,955,099	7,303,465	-	60,393	19,318,957
Office equipment	37,187,977	1,587,208	-	(2,102,376)	36,672,810
Information and communication	22,436,706	2,497,208	-	(780,911)	24,153,003
Agricultural and forestry	33,773,460	19,522,172	-	(40,585)	53,255,048
Communication equipment	11,133,320	86,604	-	(147,264)	11,072,660
Firefighting equipment	73,753	5,472	-	(22,399)	56,826
Medical, dental and laboratory	6,862,400	3,319,884	-	(602,260)	9,580,024
Technical and scientific	31,720,859	704,119	-	(27,811)	32,397,167
Other machinery and equipment	7,494,803	921,174	-	(2,743,575)	5,672,402
Motor vehicles	59,160,562	7,012,045	-	(1,295,877)	64,876,730
Other transportation equipment	824,400	-	-	-	824,400
Furniture and fixtures	6,772,069	578,139	-	(624,088)	6,726,120
Books	380,208	845	-	(10,364)	370,689
Other PPE	1,177,978	569,946	-	(212,229)	1,535,694
Construction-in-progress	-	-	-	-	-
	<b>423,519,344</b>	<b>51,735,193</b>	<b>-</b>	<b>(8,800,248)</b>	<b>466,454,289</b>

The carrying amounts of PPE as at December 31, 2016 are summarized in table below:

	<b>Balance, 12-31-16</b>
Land	142,415,549
Land improvements	5,535,113
Water supply system	271,267
Power supply system	248,804
Building	77,594,884
Machinery and equipment	98,249,917
Office equipment	11,515,801
Information and communication	16,359,201
Agricultural and forestry	169,983,491
Communication equipment	3,337,646
Firefighting equipment	186,075
Medical, dental and laboratory	20,862,660
Technical and scientific	17,652,552
Other machinery and equipment	9,449,856
Motor vehicles	40,309,789
Other transportation equipment	91,600
Furniture and fixtures	5,877,366
Books	181,408
Other PPE	11,527,423
Construction-in-progress	4,494,715
	<b>636,145,117</b>

The Agency reviewed the carrying value of property and equipment for any impairment as at December 31, 2016. Based on its evaluation, no impairment loss has occurred and no property and equipment has been pledged as security for liabilities.

## 9. BIOLOGICAL ASSETS

This account consists of the following:

	<b>Amount</b>
Bearer biological assets	
Breeding stocks	25,000
Consumable biological assets	
Trees, plants and crops held for consumption/sale/distribution	2,514,557
	<b>2,539,557</b>

Breeding stocks account balance is from RO No. VI, while Trees, plants and crops held for consumption/sale/distribution account is from RO No. I-IV-B and ZRC amounting to P2.471 million and P0.044 million, respectively.

The Agency plans to examine its assets that can be recognized as biological assets which are not yet taken up in the books as at December 31, 2016, in compliance with PPSAS 27.

## 10. OTHER ASSETS

This account consists of the following:

	<b>Amount</b>
Current	
Advances	1,230,987
Prepayments	1,969,477
Deposits	2,858,878
	<u>6,059,342</u>
Non-current	
Deferred charges/losses	237,914
Other assets	723,782,870
Less: Accumulated impairment losses-other assets	4,180,689
	<u>719,602,181</u>
	<u>719,840,095</u>
	<b><u>725,899,437</u></b>

Advances consist of advances to special disbursing officer of P0.778 million and advances to officers and employees of P0.453 million.

Prepayments consist of advances to contractors, prepaid rent, prepaid insurance and other prepayments amounting to P1.347 million, P0.193 million, P0.392 million and P0.037 million, respectively.

Deposits consist of guaranty deposits, marginal deposits, deposits on containers and other deferred charges amounting to P1.156 million, P0.058 million, P0.097 million and P1.548 million, respectively.

Deferred charges/losses are long-term prepaid expenses that are carried forward until actually used amounting to P228,063 for CO and P9,851 for RO No. V.

Other assets include balances of Coconut Industry Stabilization Fund (CISF) accounts and unserviceable PPE recommended to be reclassified in prior years to this account awaiting final disposition.

	<b>Amount</b>
Other assets	723,782,870
Less: Accumulated Impairment losses-other assets	4,180,689
	<b><u>719,602,181</u></b>

Management has already requested from the Commission on Audit (COA) for the write-off of the account balances in the 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 P517,000 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, as amended by COA Circular No. 2016-005 dated December 19, 2016.

## 11. FINANCIAL LIABILITIES

This account consists of the following:

	<b>Amount</b>
Accounts payable	684,572,608
Due to officers and employees	9,899,090
Tax refunds payable	7,170
	<b>694,478,868</b>

Accounts payable account consists of the following:

	<b>Amount</b>
Trade and business	335,709,139
Unliquidated obligations – personal services	128,467,101
Unliquidated obligations – maintenance and other operating expenses	76,323,542
Unliquidated obligations - miscellaneous	144,072,826
	<b>684,572,608</b>

Due to officers and employees account consists of payables to PCA employees.

Tax refund payables represent the amount of over-withheld taxes.

## 12. INTER-AGENCY PAYABLES

This account is consisting of the following:

	<b>Amount</b>
Due to LGUs	43,955,386
Due to other NGAs	42,014,707
Due to BIR	6,961,548
Due to GSIS	1,365,570
Due to Pag-IBIG	274,483
Due to PhilHealth	216,451
Due to other GOCCs	952,670
Due to SSS	330
Value-added tax payable	905,836
	<b>96,646,981</b>

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 is made on a quarterly basis.

Due to Other NGAs account includes cash from other government agencies held by PCA for the implementation of the Department of Agriculture (DA) various special projects such as DA-National Agricultural and Fishery Council (NAFC) and DA-Bureau of Agricultural Research (BAR) programs, and the DOST-Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) Integrated Coconut Research Development Enhancement Program (ICREDEP), Genomics and Coconut Somatic Embryogenesis Technology (CSET) projects.

Due to Bureau of Internal Revenue (BIR) account consists of taxes withheld from employees and other entities as follows:

	<b>Amount</b>
Withholding tax on compensation	1,992,862
Expanded tax withheld	1,504,188
Withholding tax on Government Money Payments (GMP) – Percentage taxes	535,750
Withholding tax on GMP-Value added taxes (GVAT)	2,503,041
Other fees and taxes withheld	425,707
	<b>6,961,548</b>

Due to GSIS, Due to Home Development Mutual Fund (Pag-IBIG), Due to Philippine Health Insurance Corporation (PhilHealth) and Due to Social Security System (SSS) accounts consist of employee premium payments and other payables withheld for remittance to the respective government agency/institution.

Due to other GOCCs account consists of the following:

	<b>Amount</b>
Miscellaneous	949,442
LBP loans	1,936
National Home Mortgage Finance Corporation (NHMFC) - housing loan	1,292
	<b>952,670</b>

### **13. INTRA-AGENCY PAYABLES**

This account consists of the following:

	<b>Amount</b>
Due to other funds	844,236,486
Due to central/home/head office	23,598,671
	<b>867,835,157</b>

Due to other funds account is further broken down as follows:

	<b>Amount</b>
Due to YRRP fund	833,002,174
General fund 151	9,324,837
General fund 101	1,609,511
SCFDP fund 401	186,900
CISF	109,201
General fund 501	3,863
	<b>844,236,486</b>

Due to YRRP fund account represents fund transferred to Corporate Fund (Fund 503).

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

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.

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 to central/home/head office account represent the difference between the accounts Due from ROs and Due to CO; and Due from other funds and Due to other funds which exist due to the time lag or errors in recording intra-office transactions.

#### **14. TRUST LIABILITIES**

This account consists of guaranty or security deposits to be refunded after the fulfillment or forfeiture upon failure to comply with the purpose of the undertaking.

#### **15. OTHER PAYABLES**

This account consists of other liabilities not falling under any of the specific payable account.

## 16. DEFERRED CREDITS/UNEARNED INCOME

This account 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.

	<b>Amount</b>
CO	177,960
RO No. I-IV-B	47,545
RO No. V	20,002,835
RO No. VIII	125,106
RO No. XIII	147,924
Albay Research Center	1,227,725
ZRC	589,498
	<b>22,318,593</b>

## 17. GOVERNMENT EQUITY

This account consists of the following:

	<b>Amount</b>
Invested capital – General Fund 101/CISF	712,919,145
Invested capital – donations received	110,655,633
Invested capital – disallowances	104,200,504
Invested capital – purchase or construction	100,287,517
Invested capital – fixed assets held in trust (SCFDP)	65,450,693
Invested capital – fixed assets held in trust	56,851,662
Invested capital – other payments	31,213,180
Invested capital – investments	812,190
Appraisal capital	19,855,000
	<b>1,202,245,524</b>

Appraisal capital account 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 the total area of 57,122 square meters (sq. m.) of the defunct Desiccated Coconut Rationalization Fund's real property as enumerated as follows:

<b>Location</b>	<b>Land area (in sq. m.)</b>	<b>Cost</b>	<b>Appraised value</b>	<b>Difference</b>
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
	<b>57,122</b>	<b>44,389,000</b>	<b>64,244,000</b>	<b>19,855,000</b>

## 18. ACCUMULATED SURPLUS/(DEFICIT)

<b>Accumulated surplus as at January 1, 2016</b>	<b>6,035,715,212</b>
Adjustments: Add/(Deduct)	
Changes in accounting policy	
Semi-expendable expenses for PPE from prior years with unit cost less than P15,000	(10,705,399)
Prior period errors	
Subsidy income recognized but not yet received	(2,500,022,150)
Other prior period error adjustments	86,273,339
	(2,413,748,811)
<b>Accumulated surplus as at January 1, 2016, as restated</b>	<b>3,611,261,002</b>
Less: CY 2016 Deficit for the period, as reported	(488,198,875)
<b>Retained earnings, December 31, 2016</b>	<b>3,123,062,127</b>

## 19. SERVICE AND BUSINESS INCOME

This account is consisting of the following:

	<b>Amount</b>
Service income	
Permit fees	281,648,944
Supervision and regulation enforcement fees	79,143,541
Inspection fees	7,926,414
Fines and penalties – service income	650,230
Other service income	19,587,776
	388,956,905
Business income	
Rent/lease income	34,643,422
Income from hostels/dormitories and other like facilities	208,900
Fidelity insurance income	452,492
Interest income	5,423,762
Fines and penalties – business income	392,812
	41,121,388
	<b>430,078,293</b>

## 20. PERSONNEL SERVICES

This account is consisting of the following:

	<b>Amount</b>
Salaries and wages	216,259,617
Other compensation	113,206,005
Personnel benefit contribution	29,476,681
Other personnel benefits	17,169,259
	<b>376,111,562</b>

## **21. MAINTENANCE AND OTHER OPERATING EXPENSES**

This account is consisting of the following:

	<b>Amount</b>
Supplies and materials expenses	1,075,255,627
General services	254,078,646
Professional services	207,016,107
Traveling expenses	64,870,842
Training expenses	29,441,603
Utility expenses	23,955,091
Repairs and maintenance	17,017,338
Communication expenses	10,767,496
Taxes, insurance premiums and other fees	7,700,148
Research, exploration and development expenses	1,998,897
Awards/rewards expenses	560,000
Extraordinary and miscellaneous expenses	550,737
Other maintenance and operating expenses	95,427,484
	<b>1,788,640,016</b>

## **22. FINANCIAL EXPENSES**

Financial expenses consist of payments for bank charges amounting to P300.

## **23. NON-CASH EXPENSES**

This account is consisting of the following:

	<b>Amount</b>
Depreciation expenses	51,735,193
Impairment loss – receivables	14,343,089
	<b>66,078,282</b>

## **24. ASSISTANCE AND SUBSIDY - SUBSIDY FROM NATIONAL GOVERNMENT**

For the year 2016, the Agency received transfer of funds from the Bureau of the Treasury to LBP Current Account (C/A) No. 0702-1001-86 for the subsidy released from the National Government per Special Allotment Release Order (SARO) Nos. BMB-F-14-0017714 and BMB-F-15-0001024 for locally funded projects for CY 2014 and for CY 2015 supplemental appropriation in the amount of P910.530 million and P340.345 million, respectively, both in the month of May 2016 with Notice of Cash Allocation (NCA) No. BMB-C-16-0008403.

## 25. OTHER NON-OPERATING INCOME

This account is consisting of the following:

	<b>Amount</b>
Seednuts replacement	37,993,600
Sale of coco seednuts	8,327,612
Sale of copra	7,105,506
Analysis fee –Plant Tissue Analysis Laboratory	2,694,550
Sale of coco seedlings	2,499,834
Filing/certification fees	1,930,128
Sale of coco-by-products	748,194
Sale of intercrops	309,171
Income from reproduction/xerox	13,440
Sale of waste materials	2,400
Others	53,557
	<b>61,677,992</b>

## 26. DISCLOSURES REQUIRED BY BIR UNDER REVENUE REGULATIONS (RR) No. 15 – 2010

The Agency has 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 within the prescribed deadlines. Total taxes withheld and remitted for the CY 2016 are as follows:

	<b>Withheld</b>	<b>Remitted</b>
Tax on compensation	27,226,766	27,100,316
Withholding tax on value-added tax	14,498,950	13,931,041
Expanded withholding tax	11,010,976	10,171,035
Withholding tax on government money payments	301,703	301,703
Other fees and taxes withheld	7,932,210	7,753,463
	<b>60,970,605</b>	<b>59,257,558</b>

## 27. COMPLIANCE WITH GSIS LAW

The Agency complied with Section 14.1 of Republic Act (RA) No. 8291 which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees' premium contributions and employer's share for CY 2016:

	<b>Withheld</b>	<b>Remitted</b>
Life and retirement premiums, employees share	23,023,219	22,772,253
Government share		23,229,981
	<b>23,023,219</b>	<b>46,002,234</b>

## PART II – OBSERVATIONS AND RECOMMENDATIONS

1. The accuracy, completeness, reliability and existence of the Property, Plant and Equipment (PPE) with a total carrying amount of P636.145 million could not be established in view of, among others: a) unaccounted discrepancies aggregating P56.261 million due to noted errors in the beginning balances of the subsidiary ledgers (SLs) carried forward since calendar year (CY) 2012, variance between general ledgers (GLs) and Report on the Physical Count of PPE (RPCPPE); b) misclassification of buildings and parcels of land totalling P102.891 million as PPE instead of Investment Property (IP), thereby overstating and understating, respectively, the said accounts; c) absence of SLs for PPE items totalling P81.092 million and d) overstatement of PPE of at least P6.734 million for items acquired in prior years with unit costs less than the capitalization threshold of P15,000 due to non-classification to Semi-expendable inventory account.

1.1 As at December 31, 2016, the PPE account had a carrying amount of P636.145 million, as shown in Table 1, of which P207.871 million pertains to PPE account in CO.

Table 1 - Summary of PPE account per fund source as at December 31, 2016

Fund	Acquisition Cost	Accumulated Depreciation	Accumulated Impairment Loss	Carrying Amount
I. CO				
Fund 503*	P 332,204,456	P 138,782,223	P -	P 193,422,233
Fund YRRP**	1,230,905	540,594	-	690,311
Fund 401 (SCFDP***)	81,055,621	67,297,539	-	13,758,082
	<b>414,490,982</b>	<b>206,620,356</b>	<b>-</b>	<b>207,870,626</b>
II. ROs/Centers				
Fund 503	484,408,029	217,149,962	-	267,258,067
Fund YRRP	203,700,396	42,683,972	-	161,016,424
	<b>688,108,425</b>	<b>259,833,934</b>	<b>-</b>	<b>428,274,491</b>
	<b>P 1,102,599,407</b>	<b>P 466,454,290</b>	<b>P -</b>	<b>P 636,145,117</b>

\* Corporate Fund

\*\* Yolanda Recovery and Rehabilitation Program

\*\*\* Small Coconut Farms Development Project

1.2 This is a reiteration with updates of the previous year's observations contained in the Annual Audit Report (AAR) for CY 2015, since Management did not fully implement the corresponding recommendations. This year's audit disclosed several deficiencies which are discussed in the succeeding paragraphs.

*Unaccounted discrepancies aggregating P56.261 million due to noted errors in the beginning balances of the SLs carried forward since CY 2012 and variance between GLs and RPCPPE*

1.3 Section 114, Chapter 2 of Presidential Decree (PD) No. 1445, otherwise known as Auditing Code of the Philippines, provides for the maintenance of GL and SL, viz.:



(1) *The government accounting system shall be on a double entry basis with a general ledger in which all financial transactions are recorded.*

(2) *Subsidiary records shall be kept where necessary.*

1.4 Audit of PPE showed there were unaccounted discrepancies aggregating P40.778 million in view of unreconciled discrepancies between the GLs and SLs, and within the SLs in the CO of P40.778 million, as presented in Table 2.

**Table 2 - Summary of Discrepancies between the GLs and SLs and within the SLs**

	<b>Amount</b>
Discrepancies within the SLs between the presented and recomputed CY 2012 SL beginning balances	P 40,621,967
Discrepancies between GLs and SLs	156,385
	<b>P 40,778,352</b>

1.5 The unaccounted discrepancy of P40.622 million in the SLs for PPE in the CO under Fund 503 between the recomputed balance of transactions identified prior to CY 2012 and the beginning balance for CY 2012, is presented in Table 3.

**Table 3 - Unaccounted discrepancy between the presented and recomputed CY 2012 SL beginning balance**

<b>Account Title</b>	<b>Beginning balance, CY 2012 SL</b>		<b>Unaccounted Discrepancy</b>
	<b>As presented</b>	<b>As recomputed*</b>	
Land	P 138,089,086	P 138,089,086	P -
Buildings and other structures	34,182,286	-	34,182,286
Office equipment	7,219,429	6,587,346	632,083
Furniture and fixtures	2,222,658	1,287,726	934,932
Information and communication technology equipment	10,538,433	9,908,930	629,503
Books	73,111	73,111	-
Machinery	811,961	1,307,883	(495,922)
Communication equipment	5,011,975	4,394,807	617,168
Fire fighting equipment	198,500	198,500	-
Medical equipment	200,317	193,517	6,800
Technical and scientific equipment	9,577,980	7,527,451	2,050,529
Other machinery and equipment	619,597	345,041	274,556
Motor vehicle	4,943,200	4,042,200	901,000
Other PPE	1,092,956	203,924	889,032
	<b>P 214,781,489</b>	<b>P 174,159,522</b>	<b>P 40,621,967</b>

\* Balance of transactions identified in the SL prior to CY 2012

1.6 Likewise, there was unreconciled discrepancy of P156,385 between the GLs and SLs for Furniture and Fixtures and Books sub-accounts.

1.7 Meanwhile, for CY 2015, the Audit Team observed the non-submission of the RPCPPE in the CO and, hence, it recommended that Management direct the Property Division to immediately submit the RPCPPE and comply with the timely periodic submission thereof. Management, however, submitted the requested CY 2015 report only on May 18, 2016 or 108 days after the mandated submission date while the CY 2016 RPCPPE was submitted only on March 6, 2017 or 34 days after the mandated

submission date. More so, the report generated through Microsoft Excel, did not bear, in any page, the signatures of the Inventory Committee and Head of the Agency as certified correct and approved, respectively, thus, casting doubt on the validity thereof.

1.8 Further, no CY 2016 reconciliation report in CO has been submitted as at audit date. The latest reconciliation report submitted was as at December 31, 2012, which total reconciling items of P34.509 million were not completely supported with documents, thus precluding the Audit Team from ascertaining the validity thereof. It should be emphasized that the non-submission of the reconciliation report has been a recurring audit observation for over four years already, thus, casting doubt on the accuracy and reliability of the accounting and property records.

1.9 In view of the absence of an updated reconciliation report in CO, the Audit Team conducted instead a comparison between the RPCPPE as at December 31, 2016 and the GL of even cut-off date. Result of the comparison disclosed a discrepancy of P15.483 million as presented in Table 4. Also, the discrepancy between RPCPPE and GL for the YRRP fund of P1.231 million accounts for the total cost of various information technology equipment and furniture and fixtures aggregating to P1.095 million and P135,856, respectively, which were classified in the RPCPPE under Fund 503 instead of under the YRRP fund.

**Table 4 – Discrepancy between GL and RPCPPE balances of the CO  
as at December 31, 2016**

<b>Fund Code</b>	<b>Per GL</b>	<b>Per RPCPPE</b>	<b>Discrepancy</b>
503	P 332,204,456	P 327,117,908	P 5,086,548
401	81,055,620	71,889,998	9,165,622
YRRP	1,230,905	-	1,230,905
	<b>P 414,490,981</b>	<b>P 399,007,906</b>	<b>P 15,483,075</b>

1.10 Analysis showed that one of the factors which caused the difficulty of reconciliation between the GL and RPCPPE of CO was due to the use of incompatible account title for some group of PPE items. For example, Medical and Dental Equipment sub-account, along with miscellaneous equipment, kitchen equipment and firearms, are classified under the Other PPE sub-account in the RPCPPE, while in the GL, Medical and Dental Equipment sub-account is separately classified from Other PPE sub-account.

*Misclassification of buildings and parcels of land totalling P102.891 million as PPE instead of IP, thereby overstating and understating, respectively, the said accounts*

1.11 Paragraph 13 of Philippine Public Sector Accounting Standard (PPSAS) 17, relative to PPE, defines, among others, PPE as tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one reporting period.

1.12 In the same manner, Paragraph 7 of PPSAS 16, defines, among others, IP as property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation, or both, rather than for: (a) use in the production or supply of goods

or services, or for administrative purposes; or (b) sale in the ordinary course of operations.

1.13 Further, Paragraph 14 of the same PPSAS clarifies the treatment for properties held by public sector that comprises: (a) a portion that is held to earn rentals or for capital appreciation rather than to provide services, and (b) another portion that is held for use in the production or supply of goods or services or for administrative purposes, to wit:

*Xxx. If these portions could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.*

1.14 The Land sub-account of CO as at December 31, 2016 amounted to P138.089 million, comprising of appraised value of P137.368 million, shown in Table 5, and cost adjustment of P0.721 million.

**Table 5 - Parcels of Land Recorded in the Books of CO**

Location	Current Condition	Intended Use	Nature of the Property		Total
			PPE	Investment Property	
Isabang, Lucena	Occupied as administrative office of PCA RO No. IV-A	Administrative	P 15,096,000	P -	P 15,096,000
Alaminos, Laguna	Occupied as biological control laboratory and administrative office of PCA Laguna Provincial Office	Administrative	73,124,000		73,124,000
San Pablo City, Laguna	Idle land and without physical security measures installed	For rental	-	24,650,000	24,650,000
Tiaong, Quezon	Idle and without physical security measures installed	For rental	-	24,498,000	24,498,000
			<b>P 88,220,000</b>	<b>P 49,148,000</b>	<b>P 137,368,000</b>

1.15 Inquiry made with a member of the Ad Hoc Committee on Inventory and Utilization of PCA Properties, which was created through Special Order No. 20 dated February 2, 2017, disclosed that land recorded in the books of accounts of CO with appraised values aggregating P49.148 million, as shown in Table 5, are left idle but are intended to be leased out for profit-maximization, without any physical measures installed thereon, thus posing high risk of possible loss over said assets. Also, the practice of recording in the books of the CO these parcels of land located and controlled and maintained by RO No. IV-A defeats the purpose of decentralized accounting system in the PCA.

1.16 Further review of accounting records for PPE disclosed that buildings and/or part thereof aggregating P53.743 million in the CO are being leased out to external parties under operating lease.

1.17 The total accumulated depreciation for buildings and/or portion thereof which should have been reclassified to IP account could not be readily determined due to unreconciled discrepancies between the RPCPPE and GLs, as discussed above.

1.18 In view of the foregoing, the current intentions and conditions of land and building aggregating P49.148 million and P53.743 million, respectively, or a sum of P102.891 million suggest that the assets are, by nature, IP rather than PPE. Hence, the PPE account is overstated by at least P102.891 million while IP account is understated by the same amount.

*Absence of SLs for PPE items totalling  
P81.092 million*

1.19 Management was not able to provide SLs of PPE accounts accumulating to P81.055 million under Fund 401 and for Other Land Improvement sub-accounts with total cost of P36,739 under Fund 503 in the CO despite repeated requests; thus, precluding the Audit Team from ascertaining the accuracy, classification and completeness of recorded transactions.

*Overstatement of PPE of at least P6.734  
million for items acquired in prior years with  
unit costs less than the capitalization  
threshold of P15,000 due to non-  
classification to Semi-expendable inventory  
account*

1.20 Paragraph 24(b) of PPSAS 3, relative to Accounting Policies, Changes in Accounting Estimates and Errors, states that changes in accounting policy shall be applied retrospectively.

1.21 Further, Paragraph 27 of the same PPSAS states that:

*Xxx when a change in accounting policy is applied retrospectively in accordance with paragraph 24(a) or (b), the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.*

1.22 Section 3.1 of the Department of Budget and Management (DBM) Circular Letter No. 2016-7 dated July 20, 2016 provides the observance of the adjusted capitalization threshold for all fixed assets at P15,000, as prescribed under COA Circular No. 2015-007 dated October 22, 2015.

1.23 Review of the accounting records, particularly the available SLs, disclosed that, as at December 31, 2015 and 2016, an aggregate amount of P6.734 million for items capitalized in prior years, which have respective unit acquisition costs of less than the capitalization threshold of P15,000, are still recorded in the books as PPE items, thus, the overstatement. The corresponding accumulated depreciation as at December 31, 2016 of the concerned items aggregating P4.525 million, however, resulted only in a net

overstatement of P2.209 million, but may increase since there exists an unaccounted and unreconciled discrepancy of P40.778 million within the SLs due to noted errors in the beginning balances carried forward since CY 2012 and variance between the GLs and SLs.

*Other audit observations in RO Nos. V and VI in the audit of PPE*

1.24 Further, the following are the noted audit observations in the PPE accounts of RO Nos. V and VI as disclosed in the Management Letters:

a. There was non-observance of timely disposal of unserviceable properties in RO No. V and VI in the amount of P2.786 million. The non-disposal resulted in the accumulation of significant number of unserviceable properties thereby exposing the properties to further deterioration and decline of their value especially those kept in the various areas of the premises which are exposed to the harsh elements of nature. The non-disposal is contrary to Section 79 of PD No. 1445.

b. The non-recording by RO No. VI of two vehicles of undetermined amount turned over by the Food and Agriculture Organization (FAO), a specialized agency of the United Nations, to RO No. VI through Capiz Provincial Office (PrO) in September 2015 due to absence of transferred documents understated the Motor vehicles account.

1.25 In view of the foregoing observations, the accuracy, completeness, reliability and existence of the PPE with a total carrying amount of P636.145 million could not be established.

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

a. **Accounting Division of CO and Accounting Units of the concerned ROs to:**

a.1. **Prepare and maintain complete SL for all PPE accounts under various funds;**

a.2. **Examine and reconcile the discrepancies noted: (i) between the GLs and SLs balances; and (ii) CY 2012 beginning SLs balance against recomputed beginning balances;**

a.3. **Prepare the necessary adjusting entries to reclassify items with unit cost of P15,000 and below to semi-expendable inventories, and land and buildings or portions thereof under operating lease or intended to be leased out to IP account and corresponding accumulated depreciations of the affected accounts;**

a.4. **Adopt strictly the decentralized accounting system by aptly transferring the recording of land to the books of accounts of the RO No. IV-A;**

**a.5. Record the two transferred motor vehicles in the books of RO No. VI;**

**b. Administrative and General Services Division (AGSD), CO and Property Unit of concerned ROs to provide adequate measures in the inventory count and safeguard on PPE by :**

**b.1 Preparing, submitting and reviewing RPCPPE timely to ensure it is free from mathematical errors, and that account titles, description, and composition of PPE are compatible with the Accounting Division to facilitate reconciliation with property and accounting records; and**

**b.2 Preparing timely Inventory and Inspection Report of Unserviceable Property (IIRUP) to facilitate disposal of unserviceable properties.**

1.27 Management of CO agreed and assured to implement the audit recommendations.

1.28 As a rejoinder, we appreciate Management's commitment to implement the recommendations; however, their implementation will be monitored in CY 2017.

**2. Procurement of fertilizers in the total amount of P337.840 million, through the Philippine International Trading Corporation (PITC) where PCA incurred service fees (SFs) aggregating P11.202 million, yet it has not hastened the implementation of projects as intended by Section 53.6 of 2009 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thus, depriving the beneficiaries of the timely benefits due them. Besides, non-recording of deliveries and distribution of fertilizers, as well as, interests income earned on fund transfers and expenses incurred on the procurement services due to non-liquidations by the PITC of the fund transfers had overstated Due from Government Owned and Controlled Corporations (GOCCs)-PITC account by P238.765 million and understated both the Inventories and Expense accounts by P136.398 million and P102.367 million, respectively. Moreover, there was discrepancy of 400 bags of agricultural grade salt fertilizers (AGSF) costing P0.115 million between total delivered of 826,136 bags at drop-off-points (DOPs) against total contracted of 826,536 bags.**

2.1 Section 53.6 of 2009 Revised IRR of RA No. 9184 include the following:

*Procurement Agent. In order to hasten project implementation, Procuring Entities which may not have the proficiency or capability to undertake a particular procurement, as determined by the Head of the Procuring Entity concerned, may request other GOP [Government of the Philippines] agencies to undertake such procurement for them, or at their option, recruit and hire consultants or procurement agents to assist them directly and/or train their staff in the management of the procurement function.*

2.2 Likewise, Section 38.2 refers to Annex C, both of the same IRR of RA No. 9184, which provides, among others, the maximum period of 124 days for action on procurement of goods.

2.3 On other hand, Section 4.6 of COA Circular No. 94-013 dated December 13, 1994 requires :

*Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA [Implementing Agency] shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds.*

2.4 A Memorandum of Agreement (MOA) dated May 30, 2014 was made and entered into by and between the PCA and the PITC. Salient provisions of the MOA include the following:

- a. PCA appointed and engaged PITC for the latter to render services as provider of procurement/outsourcing services and/or as supplier of goods and service requirements of PCA;
- b. PCA shall pay PITC a SF plus Value-added Tax (VAT) thereon based on the Approved Budget for the Contract (ABC) for each procurement project, i.e.:
  - b.1 Initial payment of 50 per cent thereof shall be due PITC, upon receipt of the winning bidder of the Notice of Award; and
  - b.2 Remaining balance of 50 per cent thereof shall be due PITC upon delivery and acceptance of the goods and/or services by PCA;
- c. Funds transferred to the MOA bank account, which was opened under the account name "Philippine International Trading Corporation ("PITC-PCA MOA")", shall be subject to a liquidation process based on the submission of the corresponding report of disbursement duly verified by the COA resident auditor of PITC;
- d. Fund transfer is effected prior to the submission and opening of the bids for that particular project;
- e. Interest earned, based on the prevailing interest rate on interest-bearing savings or checking account/s with the authorized government depository bank (AGDB) at the time of opening the MOA account, on the funds transferred by PCA to PITC, shall be for the account of PCA;
- f. PCA shall designate its authorized representatives as: (i) provisional member of the PITC Bids and Awards Committee (BAC) who shall have the same duties and responsibilities as the other regular members of the PITC BAC; and (ii) member of PITC PCA Technical Working Group (TWG), who will provide technical advice to the PITC BAC particularly in resolving technical issues raised by bidders, eligibility screening, and evaluation of bids and post-qualification of the offers/bids received for every procurement project;

g. The outsourcing services to be provided by the PITC to PCA shall include monitoring of the delivery of the required products to PCA; and

h. Upon termination of the MOA, PITC shall return to PCA the unexpended balance of funds transferred and/or deposited to the MOA account including any and all income earned thereon.

2.5 On July 29, 2015, a check in the amount of P181.404 million was issued by PCA to PITC, representing 50 per cent of the ABC and SF thereon for the AGSF and multi-nutrient fertilizers (MNF) to be procured through PITC. On October 1, 2015, the remaining 50 per cent of the aforesaid payment with additional quantity requirement for AGSF was paid by PCA to PITC amounting to P156.436 million. The SFs paid were computed at 3 and 3.25 per cent of ABC of AGSF and MNF, respectively, plus VAT. Table 6 shows the summary of the aforesaid fund transfers.

**Table 6 – Fund Transferred by PCA to PITC**

		<b>1<sup>st</sup> payment</b>		<b>2<sup>nd</sup> payment</b>		<b>Total payment</b>
		<b>1<sup>st</sup> 50%*</b>	<b>2<sup>nd</sup> 50%</b>	<b>Additional**</b>	<b>Total</b>	
AGSF	ABC	P 117,820,607	P 117,820,607	P 9,916,180	P 127,736,787	P 245,557,394
	SF	3,958,772	3,958,772	333,184	4,291,956	8,250,728
		121,779,379	121,779,379	10,249,364	132,028,743	253,808,122
MNF	ABC	58,149,000	22,932,000	-	22,932,000	81,081,000
	SF	1,475,674	1,475,674	-	1,475,674	2,951,348
		59,624,674	24,407,674	-	24,407,674	84,032,348
		<b>P 181,404,053</b>	<b>P 146,187,053</b>	<b>P 10,249,364</b>	<b>P 156,436,417</b>	<b>P 337,840,470</b>

\*except for MNF of Region IX, which total cost was paid 100 per cent      \*\*additional quantity requirement for AGSF

2.6 Subsequently, 12 contracts were entered into by and between PITC and three suppliers for the procurement of 826,536 bags of AGSF with total cost of P235.508 million during CY 2016. As stated in the aforesaid contracts, suppliers shall deliver the aforesaid AGSF to the designated DOPs of PCA ROs within 90 days from their receipt of Notices to Proceed (NTPs).

2.7 Review of documents, however, disclosed the following:

a. The PITC declared a failure of bidding twice and one cancelled bidding for the procurement of MNF with ABC of P81.081 million for coconut scale insect (CSI) infestation and typhoon Pablo rehabilitation projects. The PITC BAC, in its Resolution dated December 5, 2016, cited the lapse in time in the procurement process as the ground both for the cancellation of bidding and second failure of bidding thereof. While the procurement for AGSF was eventually completed, procurement process, however, took 51 days and 37 days delayed for the first and second batches, respectively, thus defeating the purpose of availing the services of a procurement arm. Further, the MOA entered into by and between PCA and PITC has no provision for sanction in a form of a penalty fee should the latter incur delay in its procurement services. Said penalty fee would have reduced the service fee of P8.251 million paid by PCA to PITC.

b. There is a noted discrepancy of 400 bags of AGSF costing P0.115 million between the 826,136 actual number of bags delivered to the designated DOPs



of the ROs and 826,536 total number of bags stipulated in the contracts with total costs amounting to P235.393 million and P235.508 million, respectively.

c. Deliveries by the suppliers were delayed ranging from 1 to 244 days. For instance, deliveries of 27,500 bags of AGSF with total cost of P7.893 million in one province in RO No. V took 172 days to be completed or covering the period July 22, 2016 to January 9, 2017, thus, a delay of 244 days from May 10, 2016 or 90 days after receipt of the supplier of the NTP.

d. Only 370,640 bags of AGSF with total cost of P100.854 million, representing 44.86 per cent of 826,136 total numbers of bags of AGSF delivered, were distributed to the farmer-beneficiaries. The delayed procurement process and delayed deliveries, aggravated by the low distribution rate, thus, deprived the farmer-beneficiaries of the timely benefits due them.

e. As at December 31, 2016, the Due from GOCCs-PITC account had an outstanding balance of P337.840 million or equivalent to the total fund transferred by PCA to PITC in CY 2015. The non-moving outstanding balance of the account suggests that not a single liquidation report was submitted by PITC to PCA in CY 2016. Further, there was no information provided to the Audit Team on whether timely and periodic demands were made by PCA to PITC for the monthly and full liquidations of the fund transfers.

f. Neither the total cost of deliveries by the suppliers for 826,136 bags of AGSF accumulating to P235.393 million nor the distribution of 370,640 bags of AGSF costing P100.854 million in CY 2016 was recorded in the books of PCA. Further, as discussed in the immediately preceding paragraph, the Due from GOCCs-PITC account was not reduced by the cost of deliveries. Hence, Due from GOCCs-PITC account was overstated by P235.393 million [Total contract cost P235.508 million – Cost of 400 bags P0.115 million] while Inventories and Expense accounts were understated by P134.539 million and P100.854 million, respectively.

g. Interest earned on the deposited fund transfer, which confirmed amount of P0.753 million was duly supported with a copy of Customers' Deposits record of PITC as at August 31, 2016, was not recorded by PCA. Likewise, the total amount of P4.125 million, representing 50 per cent of the SF paid of P8.251 million for the procurement of AGSF, was not booked as well. Non-recording of the interest income earned and SF incurred, thus, overstated the Due from GOCCs-PITC account by P3.372 million and understated both the Inventory and Expense accounts by P1.859 million and P1.513 million, respectively. Consequently, total overstatement of Due to GOCCs-PITC account amounted to P238.765 million [total cost of actual delivered AGSF of P235.393 million + unrecorded SF of P4.125 million - interest earned of P0.753 million] while total understatement of Inventories and Expense accounts amounted to P136.398 million [cost of undistributed AGSF of P134.539 million + unrecorded SF of P1.859 million] and P102.367 million [cost of distributed AGSF of P100.854 million + unrecorded SF of P1.513 million], respectively.

2.8 We recommended that Management direct the:

a. Operations Department to hasten the distribution of the fertilizers to the intended beneficiaries and submit the following documents for audit purposes:

a.1. Reconciliation statement on the discrepancy noted between the number of bags of AGSF per contract against actual deliveries at the DOPs; and

a.2. Status report on the procurement of MNF for Coconut Scale Insect infestation and typhoon Pablo rehabilitation projects;

b. Accounting Division to:

b.1. Demand from PITC liquidation reports and supporting and proof of demand from government procurement agent for the monthly and/or full liquidation of fund transfer;

b.2. Prepare adjusting entries to record the deliveries and distribution of AGSF, as well as, the SF and interests earned on the fund transfer and the expense incurred on the procurement services; and

b.3. Demand from PITC the immediate refund of unexpended balance of fund transferred for procurement of AGSF and the interest earned on the fund transfer and negotiate for the possible recovery of a portion of the paid SF in view of the delay incurred in the procurement.

2.9 Management commented that they received partial liquidations from PITC on May 4, 2017 and June 6, 2017 and the Accounting Division is in process of preparing the Journal Entry Voucher (JEV) to record the liquidations. They assured that coordination be made with PITC to fully submit its liquidation reports to PCA.

2.10 As a rejoinder, we take note of Management's comments on its efforts to require the PITC's submission of its liquidation reports, nonetheless, **we further recommended that Management review all the liquidation reports and supporting documents to ensure their authenticity/validity.**

3. **Validity, accuracy, and reliability of the liabilities of CO and RO Nos. I-IV-B aggregating P343.104 million which represented 49.40 per cent of P694.479 million Accounts Payable's (AP) year-end balance could not be ascertained due to lack of valid basis in the accrual of current and prior's expenses and absence of complete supporting documents contrary to pertinent provisions of PD No. 1177, and COA Circular No. 99-004 and PPSAS 19, thereby significantly affecting the fair presentation of AP and Accumulated Surplus accounts in the Financial Statements (FS). Further, payment in the amount of P1.450 million, which was**

cancelled as it was discovered that the supplier was already paid, was erroneously reverted back to Unliquidated Obligations (UO)-MOOE sub-account, thus, understating the Accumulated Surplus account by P1.450 million and overstating the UO-MOOE sub-account by the same amount.

3.1 Section 46 of PD No. 1177, or Revising the Budget Process in order to Institutionalize the Budgetary Innovations of the New Society, provides that:

*Certification of Availability of Funds. Xxx no expenditures or obligations chargeable against any authorized allotment shall be incurred or authorized in any xxx agency without first securing the certification of its Chief Accountant or head of accounting unit as to the availability of funds and the allotment to which the expenditure or obligation may be properly charged. No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. Xxxx*

3.2 Likewise, Section 3.2(a) of the COA Circular No. 99-004 dated August 17, 1999, on the accounting guidelines for AP states, among others, that all obligations shall be supported by valid claims and the Chief Accountant/Head of Accounting Unit/Officials concerned shall review/analyze/validate all documents supporting the claims to determine which accounts are to be reverted and retained.

3.3 On the other hand, pertinent Paragraphs of the PPSAS 19 define accruals as follows:

*Paragraph 19(b) - Accruals are liabilities to pay for goods or services that have been received or supplied, but have not been paid, xxx including amounts due to employees (for example, amounts relating to accrued vacation pay). Xxxx*

*Paragraph 21(a) – Provisions xxx are recognized as liabilities (assuming that a reliable estimate can be made) because they are present obligations and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; xxx*

3.4 As at December 31, 2016, the outstanding balance of AP account of the CO under Corporate Fund 503 and RO Nos. I-IV-B aggregated P343.104 million which represented 49.40 per cent of P694.479 million AP account's year-end balance, as shown in Table 7.

**Table 7 – Outstanding Balance of AP account of the CO and Regions I-IV-B  
As at December 31, 2016**

	<b>Amount</b>
CO	P 330,407,964
RO Nos. I-IV-B	12,696,491
	<b>P 343,104,455</b>

3.5 The composition of the AP account of the CO under Corporate Fund 503 is presented under Table 8.

**Table 8 – Composition of the CO AP account as at December 31, 2016**

<b>Particulars</b>	<b>Amount</b>
Trade and business (TB)	P 75,487,248
Unliquidated obligations (UO):	
Personnel services (PS)	P 127,047,939
Maintenance and other operating expense (MOOE)	2,359,930
Miscellaneous	125,512,847
	<b>254,920,716</b>
	<b>P 330,407,964</b>

3.6 The Audit Team reiterated its prior year's audit observation that liabilities were taken up based on unsupported Voucher Register (VR) and unsubmitted and/or unsupported Purchase Orders (POr). For the current year, liabilities under AP-TB and UO sub-accounts in the total amount of P197.622 million representing 59.82 per cent of total outstanding balance of AP account of P330.408 million as at December 31, 2016, were not supported with documents and lack of valid basis to establish the accuracy, propriety, and reliability of AP and affected Expense accounts. Details are summarized in Table 9.

**Table 9 – Summary of Unsupported AP as at December 31, 2016**

<b>Sub-account</b>	<b>Amount</b>	<b>Per cent*</b>
TB	P 75,464,266	99.97
UO-PS	119,957,110	94.42
UO-MOOE	2,200,703	93.25
	<b>P 197,622,079</b>	<b>59.82</b>

\*total amount of unsupported payables to respective total outstanding balance of sub-account/account

3.7 Review of the aforesaid AP disclosed the following:

a. Accrued PS expenses of P119.957 million were not supported with Budget Utilization Slip (BUS), thus, the recorded expenses were not certified as to "funds availability" and as to "necessity of charges to budget, lawful and under his [Head of Office] direct supervision." The said accrued PS expenses are the following:

a.1. Collective Negotiation Agreement (CNA) incentives and Performance Based Bonus (PBB) for CY 2016 accumulating to P45.578 million, which were obligated without any supporting documents. In addition, salary differentials of the officers and employees of PCA for CY 2016 aggregating P23.352 million which were accrued based only on the approval of the then Administrator per Memorandum dated January 9, 2017 of the Manager, AGSD requesting for the booking up of 1<sup>st</sup> tranche salary differentials, pending the approval of Executive Order (EO) No. 203-A. Recording, however, of the same is considered not valid as the probability of the approval of the aforesaid EO No. 203-A has not been established.

The DBM in its letter dated February 20, 2017 returned without favorable action the CY 2016 Corporate Operating Budget (COB) of PCA in view of

delayed submission thereof. In the same letter, the DBM cited Section 3.8 of Corporate Budget Circular (CBC) No. 20 dated April 27, 2005, viz.:

*In the absence of an approved COB, GOCCs may incur obligations or make payments only for their regular operating requirements (PS and MOOE). Xxxx*

Said policy was reiterated and clarified further under Section 3.4 of CBC No. 22 dated December 1, 2016, to wit:

*In case a GOCC/GFI submits its principal COB after June 30 of the fiscal year, the same shall no longer be reviewed/evaluated by the DBM. As such, the COB level shall only be up to the extent of last year's approved budget level, net of non-recurring expenses.*

As such, the grant of CNA incentives, PBB, and salary differentials was not considered regular or recurring expenses as the same were subject to conditions set forth in the applicable laws, rules, and regulations.

a.2. Prior year's payables aggregating P51.027 million which represented CY 2015 Performance Enhancement Incentives (PEI), PBB, and CNA incentives were not reversed, notwithstanding, the same had already been observed as without valid basis. Further, the aforesaid accrued amount included CY 2014 CNA incentives of P10.925 million, which represented the excess obligation after payment, inclusive of unaccounted utilization of P0.300 million, was made in CY 2016.

b. Total payables of P75.464 million were not supported with 338 disbursement vouchers (DVs) and relevant documents. Furthermore, while duplicate copies of DVs for payables of prior year accumulating to P3.364 million were already submitted to the Audit Team, the same were, however, not duly supported with pertinent documents, not certified as true copies, and not signed by the certifying/approving officials. On the other hand, there was no information provided on whether payables of P0.022 million are still valid obligations, which have been outstanding for two to three years as at audit date.

c. The unsupported UO-MOOE sub-account of P2.201 million included the: (i) the payment in the amount of P1.450 million, which was cancelled as it was discovered that the supplier was already paid, was erroneously reverted back to UO-MOOE sub-account, thus, understating the Accumulated Surplus account by P1.450 million and overstating the UO-MOOE sub-account by the same amount; and (ii) unsupported POs, salaries of contractual personnel, and expense reimbursements aggregating P0.751 million.

3.8 Meanwhile, the balance of AP-UO account of RO Nos. I-IV-B amounting to P12.696 million included farmers' incentives and costs of coconut seedlings and coffee seedlings in the amount of P8.028 million or 63.23 per cent which have been outstanding for over two years due to outright taken up of the said expenses notwithstanding no deliveries have been made and absence of Nursery Inspection and

Evaluation Report (NIER), and Coconut Planting Inspection and Evaluation Report (CIER). Details are shown in Table 10.

**Table 10 – AP-UO of RO Nos. I-IV-B Outstanding For More Than Two Years  
As at December 31, 2016**

Name of Supplier/ Creditor	Journal Entry Voucher		Agricultural Inputs	Amount
	No.	Date		
Nestle Philippines, Inc. (NPI)	12-14-471	12-29-14	Coffee seedlings	P 4,872,000
Corrines Garden	12-13-430	12-27-13	Coconut seedlings	769,280
Farmers	12-15-44	12-29-15	Farmers' incentives	2,386,432
				<b>P 8,027,712</b>

3.9 As shown in Table 10, the amount of P4.872 million represented costs of the 200,000 pieces of robusta coffee seedlings for Kasaganahan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Project procured from NPI in May 2014 which were taken up as payable as at December 29, 2014 despite absence of/non-deliveries due to unavailability of seedlings as NPI's seedling facilities located in Lipa, Batangas were significantly damaged or destroyed by "Typhoon Glenda" in July 2014.

3.10 Review of the Status of the Contract with NPI submitted on May 15, 2017 showed that the deliveries have been completed in CY 2016 only. The deliveries were late since, as stated in the NPI's representative letter dated February 12, 2015, the conditions of the seedlings were adversely affected also due to typhoons 'Ruby', 'Queenie' and 'Seniang'; they encountered difficulty in shipping the seedlings from Lipa, Batangas to Palawan; and due to high mortality rate of seedlings. Further, in his letter dated July 29, 2016, NPI's representative informed that the deliveries were completed on October 2016 or deliveries were late for 26 months or 792 days counted from August 31, 2014, last day extension date. However, documents, i.e., notice of delivery, delivery receipts, inspection and acceptance reports, and acknowledgment receipts of the concerned Provincial Development Coconut Manager (PCDM) were not submitted despite requests made by the Audit Team. Moreover, RO Nos. I-IV-B has not received billing from NPI as at December 31, 2016. Thus, absence of documents rendered the recorded obligation of doubtful validity.

3.11 With regard the amount of P0.769 million, it represented the balance of payable recorded on December 27, 2013 for the costs of 32,159 coconut seedlings which were part of the 590,000 pieces procured from Corrines Garden sometime in May 2013 for Coconut Seedlings Dispersal Project (CSDP) with delivery period of 45 days. Corrines Garden was not able to complete its deliveries within the six-month delivery period from the date of receipt of the NTP by the supplier which was on November 21, 2013, or the deliveries should have been completed by November 21, 2014. The undelivered coconut seedlings were the allocations of Aurora and Zambales Provinces consisting of 89,345 or 14.97 per cent of the 590,000 coconut seedlings. Thus, on October 6, 2015, PCA issued a Blacklisting Order disqualifying or suspending Corrines Garden from participating in all government procurement activities for a period of one year from September 30, 2015 to September 29, 2016. The blacklisting was due to unsatisfactory progress in the delivery of goods arising from supplier's fault or negligence which reached the 10 per cent cumulative amount of damages pursuant to Section 68, Rule XXII of RA No. 9184. However, the then PCA Administrator issued Delisting Order withdrawing the Blacklisting Order on the ground that Corrines Garden waived its right

to claim the payment of the balance of the seedlings delivered including the retention fees. Notwithstanding the waiver, the balance due to Corrines Garden had remained outstanding in the books which resulted in the overstatement of AP-UE account in the amount of P0.769 million as at December 31, 2016.

3.12 The amount of P2.386 million represented the outstanding balance of farmer's incentives for CY 2015 from Participatory Coconut Planting Project (PCPP) which was recorded as an outright expense in December 2015. Despite absence of NIER and CIER, no adjustment has been made as at year-end, thus validity of the incentives payable to farmers amounting to P2.386 million was doubtful.

3.13 In summary, due to absence of supporting documents and lack of basis for recording, the validity, accuracy and reliability of AP totaling P205.650 million [Unsupported AP of P197.622 million + AP outstanding for more than 2 years of P8.028 million] could not be ascertained and significantly affected the fair presentation of the accounts in the FS.

**3.14 We recommended that Management require the Accounting Division, CO and Accounting Unit, RO Nos. I-IV-B to prepare the necessary adjustments in the AP account and refrain from recording transactions, including claims, which are not valid and not supported with complete and proper documentation including goods/services that have not been received and accepted.**

3.15 Management commented that RO Nos. I-IV-B informed that they have already made adjustments on May 30, 2017 on the AP-UE account for the amount of P0.769 million representing costs of coconut seedlings which Corrine's Garden waived its payments. As regards farmers' incentives, P1.490 million had been adjusted, P0.597 million was paid in February and April 2017, while the remaining balance of P0.299 million still subject for adjustment. They have already submitted partial delivery receipts (DRs) of coffee seedlings in Palawan and issued memorandum to concerned PrO for immediate submission of the required report for farmers' incentives. Moreover, they assured that in the recording of payables, it should be supported with proper and valid documents.

3.16 As a rejoinder, we appreciate RO Nos. I-IV-B action in adjusting the AP-UE account, which shall be subject for further audit/verification.

**4. The accuracy and reliability of the year-end balance of Cash and Cash Equivalents of RO Nos. V, VI, XII, XIII and DRC amounting to P186.140 million or equivalent to 14.28 per cent of the P1.304 billion Cash and Cash Equivalents balance as at December 31, 2016 could not be ascertained due to: a) delayed and non-submission of Bank Reconciliation Statements (BRS), c) non-restoration to CIB account of stale checks, and c) non-maintenance of SLs. On the other hand, the DRC did not remit to CO its collections from income generating activities amounting to P10.353 million, contrary to PCA Board Resolution (BR) No. 026-2008.**

4.1 As at December 31, 2016, the balance of CIB account of four ROs and Center amounted to P186.140 million which represented 14.28 per cent of the P1.304 billion Cash and Cash Equivalents. Details are shown in Table 11.

**Table 11 – Balances of Cash and Cash Equivalent account of Four ROs and One Center  
As at December 31, 2016**

<b>RO/Center</b>	<b>Amount</b>
V	P 63,482,915
VI	54,641,765
XII	46,620,659
XIII	14,097,238
DRC	7,297,396
	<b>P 186,139,973</b>

*Late and non-submission of BRS*

4.2 Section 74 of PD No. 1445 states 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 standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.

4.3 Sections 3.1 and 3.2 of COA Circular No. 96-011 states that depository banks shall furnish the Accountant with the bank statements including debit and credit memos and paid checks, within five days after the end of each month which shall be the basis for the preparation of the monthly BRS. The Accountant shall reconcile the bank statement with the GL and prepare the BRS which should be submitted to the Auditor.

4.4 In RO No. XII, the monthly BRS prepared and submitted pertained for the period December 2015 to September 2016 where the delays ranged from 41 to 108 days, while BRS for the period October 2016 to December 2016 were not yet submitted as at audit date. Hence, late or non-submission of monthly BRS resulted in difficulty of detecting discrepancies and identifying errors between accounting records and cash balance per bank.

*Non-restoration of stale checks*

4.5 In RO No. V, as at November 30, 2016, there were 68 checks totaling P166,308 that remained outstanding for over a period of six months from date of issue, hence, have become 'stale', and were neither reverted back to the CIB account, nor cancelled, thus, understating the said account and the corresponding AP account by the same amount.

*Non-maintenance of SLs and cashbook and delayed deposits of collections*

4.6 Likewise, Section 114(2) of PD No. 1445 provides that "subsidiary records shall be kept where necessary."

4.7 Moreover, Section 28 of COA Circular No. 92-382 provides that:

*the xxx cashier shall deposit intact all his collections, xxx with the authorized government depository bank (AGDB) daily or not later than the next banking day. Xxxx*



4.8 The Manual on Cash Examination provides that collecting and disbursing officer shall record in the cashbook all transactions involving money handled by them.

4.9 In RO No. VI, cashbook for checks disbursements is not maintained by the Cashier. The Cashier uses Report of Checks Issued (RCI) in recording check disbursements; hence, the Cashier's accountability could not be easily reconciled with accounting records. Meanwhile in RO No. XIII, audit showed that collections of Agusan del Sur PrO aggregating P234,185 were deposited late ranging from 2 to 25 days. The deposits were not made daily to save fares due to far distance of the PrO to AGDB. On the other hand, in RO No. V, SLs for each collecting officer are not maintained, thus the balances of the accountabilities of each accountable officer could not be readily obtained.

*Unremitted collections by DRC from its income generating activities amounting to P10.353 million*

4.10 In an unnumbered Memorandum dated October 24, 2008, PCA directed all Research Centers/Production Center Managers to comply with PCA Board Resolution (BR) No. 026-2008, which provides that:

*All income collections except those from RA 8048 implementation shall first be remitted to Central Office on a monthly basis, before any income allocation shall be allocated back to research centers/ production centers concerned for their maintenance and other operating expenses (MOOE). Use of unremitted collections shall not be allowed.*

4.11 Analysis revealed that remittances to CO by DRC of its collections derived from revenues generating activities for the period CYs 2013-2016 showed under remittance of P10.353 million. These revenues were derived from Embryo Cultured Macapuno (ECM), CSDP-Hybridization, and Green Muscardine Fungus (GMF). The collections are recorded under Other Payables account instead of the Due to CO account, thus resulted in non-remittance of collections to CO.

4.12 Further, of the total unremitted collections of P10.353 million, P8.501 million or 82.11 per cent had been disbursed, without authority from CO. Details are shown in Table 12.

**Table 12- Disbursements by DRC out of the Unremitted Collections**

Year	Unremitted Collections				Disbursements	% of Disbursements to Unremitted collections
	ECM	CSDP	GMF	Total		
	(a)	(b)	(c)	(d=a+b+c)	(e)	(f=e/d)
2013	P 1,469,386	P -	P 10,070	P 1,479,456	P 444,737	30.06
2014	517,223		13,700	530,923	466,119	87.79
2015	2,532,349	2,662,350	1,000	5,195,699	3,354,158	64.56
2016	686,280	2,458,774	2,250	3,147,304	4,235,776	134.58
	<b>P 5,205,238</b>	<b>P 5,121,124</b>	<b>P 27,020</b>	<b>P 10,353,382</b>	<b>P 8,500,790</b>	<b>82.11</b>

4.13 As shown in Table 12, the disbursements for CY 2016 totaled P4.236 million compared with collections of P3.147 million or higher by P1.088 million or 34.58 per cent. The disbursements pertained to payments for janitorial services, professional services, utilities, repairs and maintenance, gasoline, foods, among others.

4.14 The unremitted collections from revenue generating activities of the DRC amounting to P10.353 million resulted in the understatement of total income of the PCA while disbursements totaling P8.501 million may constitute irregular expenditures, hence, disallowable in audit, if no authority can be obtained from CO.

**4.15 We recommended and Management of the concerned ROs and Center agreed to:**

- a. Require the Accounting Unit to prepare BRS timely, prepare necessary adjustments to revert the 'stale' check to CIB and other affected accounts and maintain SLs for each collecting officer;**
- b. Require the concerned accountable officers to deposit all their collections intact and daily or not later than the next banking day;**
- c. Require the Cashier to maintain cashbook for check disbursements to facilitate reconciliation of the accountability of the Cashier with the accounting records; and**
- d. Secure a post-facto approval from CO for disbursements of DRC's collections and henceforth, remit timely to CO all collections from income generating activities.**

4.16 We further recommended that Management investigate and impose appropriate sanctions against the concerned officer and employees of DRC for utilizing the collections without authority from PCA Administrator or his duly authorized representative.

**5. Accuracy, reliability, and validity of year-end balance of Due to National Government Agencies (NGAs) account amounting to P38.523 million representing fund transfers from different source agencies (SAs) for the implementation of 41 programs/projects by ROs/Centers were doubtful due to: a) late or non-submission of Report of Disbursements (RDs), b) inconsistent presentation of fund utilization/liquidation in the Statement of Cash Flows (SCF), and c) unreconciled net discrepancies of P21.301 million between the records of PCA and SAs. Delays were also incurred in the implementation of 21 programs/projects with fund balances of P17.043 million, thus might cause a credibility concern to the stakeholders of PCA.**

5.1 Section 4 of PD No. 1445 provides for the fundamental principles that governs the financial transactions and operations of any government agency, among which, states that:

*Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.*

5.2 Section 6 of COA Circular No. 94-013 dated December 13, 1994 enumerates the responsibilities of the Implementing Agency (IA), among which are the following:

- a. Within five days after the end of each month, the Accountable Officer (AO) shall prepare RDs, among others, and shall submit them with all supporting vouchers/payrolls and documents to the Accountant; and
- b. Within 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.

5.3 The PCA has been a recipient of fund transfers from various SAs such as the following: Department of Agriculture (DA), National Agricultural and Fishery Council (NAFC); Bureau of Agricultural Research (BAR); National Agribusiness Corporation (NABCOR); 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 Research and Development (PCIEERD). As such, the PCA being the IA, records the receipt and utilization of funds from the aforesaid SAs by crediting and debiting, respectively, the Due to NGAs account. The same account is also debited while crediting the AP account when a DV is prepared to return the unused fund balance to the SA. The AP and Cash in Bank accounts are debited and credited, respectively, only upon the issuance of check for the remittance of the unused fund balance to the SA.

#### *Late or non-submission of RDs*

5.4 As at December 31, 2016, the outstanding balances of 42 various programs/projects that were implemented by PCA out of the fund transfers received from SAs amounted to P42.015 million. Of which, outstanding balances of 41 programs/projects in the aggregate amount of P38.523 million are maintained in the books of CO while the remaining amount of P3.492 million for one project is recorded by RO No. XIII and Zamboanga Research Center (ZRC). The composition of Due to NGAs account is summarized in Table 13.

**Table 13 – Due to NGAs account as at December 31, 2016**

<b>Office</b>	<b>No. of Programs/Projects</b>	<b>Outstanding balance</b>
CO	41	P 38,522,831
RO No. XIII	1	19,927
ZRC		3,471,949
	1	3,491,876
	<b>42</b>	<b>P 42,014,707</b>

5.5 The 41 programs/projects, which outstanding balances are maintained in the books of CO, were, however, generally implemented by ROs/Centers. As such, funds were released to ROs/Centers and recorded through a debit to Due from ROs/Center

account and credit to Cash in Bank account, hence, the Due to NGAs account still remains in the books of CO. Said trust liability account shall be debited only when CO and/or RO/Center concerned utilizes/liquidates the subject fund, which the latter reports to the former through the issuance of Debit and Credit Advices (DCAs). These DCAs were, however, at times supported only with RDs. It should be noted that, for CY 2016, P20.822 million or 99.82 per cent of P20.858 million total fund utilization recorded by CO were disbursements made by ROs/Centers.

5.6 However, the Accounting Division of CO does not prepare its own RD for the expenses incurred by CO but rather consolidates said expenses along with that of concerned ROs/Centers in the consolidated RDs/Financial Reports (FRs), which were submitted, along with incomplete supporting documents, to the CO Audit Team for verification. For this reason, the consolidated RDs/FRs for each of the eight projects with total outstanding balances of P9.995 million as at December 31, 2016 were returned by the CO Audit Team to Management, in its letters dated December 3 and 10, 2015 and August 12, 2016, requesting to prepare separate RD for CO expenditures which remained unsubmitted as at audit date. It is worth mentioning that no subsequent RDs/FRs have been prepared and submitted to the Audit Team during CY 2016, thereby, precluding timely verification thereof.

*Inconsistent presentation of fund utilization/liquidation in the SCF*

5.7 Test examination of the presentation of fund transfer utilization in the SCF revealed that the CO inconsistently presented its own disbursements, that is, either in the "Payment of payables" or in the "Other intra-agency fund transfers" line items in the SCF. Also, while most of the utilizations of fund transfers of ROs/Centers were taken up under the Due to NGAs account in the Statement of Financial Position (SFP) of CO, said cash outflows were presented in the SCF not of the CO, but instead, of the aforesaid ROs/Centers. In other words, the Due to NGAs account in the SFP was centralized while the presentation of cash flows in the SCF was decentralized. Consequently, the CO could not ascertain whether the transactions recorded in the Due to NGAs of the CO were duly presented in the SCF of the RO/Center. For instance, inquiry with the Accounting Division of CO disclosed that, they could not account in the SCF of the ZRC its fund transfer utilization of P2.226 million, which was debited to the Due to NGAs of the CO in August 2016. The unaccounted and inconsistent presentation of fund transfer utilization cast doubt on the validity and fairness of presentation of the cash items in the SCF.

*Unreconciled discrepancies of P21.301 million between records of PCA and SAs*

5.8 Confirmation with DA, BAR, PCIEERD, and NAFC revealed discrepancies between their records against PCA in the net total amount of P21.301 million on the outstanding fund balances of 16 programs/projects. Cut-off date of confirmed balances was as at September 30, 2016, except for one project with zero outstanding balance as at November 30, 2014 based on the reply of the Audit Team of SA. Results of confirmation from SAs are presented in Table 14.

**Table 14 – Results of Confirmation from SAs of Fund Transfers as at September 30, 2016**

SA	Program/project	Outstanding Balance		Difference
		Per PCA*	Per SA	
1. DA	GMA-HVCC for maintenance and operating expenses of the PMO	P 229,559	P 126,593	P 102,966
2. BAR	Technology Utilization and Commercialization of Makapuno	1,392,750	1,167,406	225,344
3. BAR	Financial Assistance to Research and In-house Review	105,649	-	105,649
4. BAR	Coco Diesel Project	13,258	-	13,258
5. NAFC	Loay Project	1,084,663	-**	1,084,663
		<b>2,825,879</b>	<b>1,293,999</b>	<b>1,531,880</b>
6. DA	GMA-HVCC for maintenance and operating expenses of the PMO	-	36,000	(36,000)
7. DA	GMA-HVCC for maintenance and operating expenses of the PMO to support the Brontispa Control Program of the PCA	529,623	2,016,736	(1,487,113)
8. DA	GMA-HVCC Program for maintenance and operating expenses of the PMO; to support the Brontispa Control Program of the PCA and to support the development of the New land for Agri-Business Intercropping	2,316,900	17,000,000	(13,255,414)
9. DA		944,658		
10. DA		483,028		
11. DA	KAANIB	3,314,653	8,560,000	(5,245,347)
12. DA	Calamity Assistance Rehabilitation Effort (CARE)	-	-	-
13. BAR	Commercialization of High Value Coconut Products	599,899	1,293,312	(693,413)
14. BAR	Establishment of Core Collection of Tall Coconut Accessions Using Microsatellite Marker Technology	1,916	1,484,495	(1,482,579)
15. BAR	Establishment of GMAFV Coconut Seedfarm in Coconut Farming Community Using Genetically Enhanced Parental Lines from the PCA Synvar	21,840	500,000	(478,160)
16. PCIEERD	Development of a High Electrolyte and Low Glycemic Ready-to-Drink Coconut Water Beverage	-	155,000	(155,000)
		<b>8,212,517</b>	<b>31,045,543</b>	<b>(22,833,026)</b>
		<b>P 11,038,396</b>	<b>P 32,339,542</b>	<b>P (21,301,146)</b>

\*outstanding balance as at September 30, 2016 is the same as that as at December 31, 2016

\*\* as at November 30, 2014

### *Overdue programs/projects -*

5.9 Review of the MOAs revealed that 21, representing 51.22 percent of the total 41 programs/projects, with total outstanding balances of P17.043 million as at December 31, 2016 should have been completed already during CYs 2009 to 2015. Further examination, however, showed that some of the project funds from NABCOR, DA, BAR, and PCAARRD are still being utilized even after the expected project completion, which is an indication that PCA incurred delays in implementing the program/project. For instance, the Monitoring and Surveillance System for Coconut Scale Insect Project, which total fund received from DOST-PCAARRD on October 2015 amounted to P2.348 million, was supposed to be implemented for a period of six months. However, as at December 31, 2016, the account still has a balance of P1.427 million or 60.77 per cent of the total fund received. While the MOA provides that PCA may request an extension of the implementation period at least three months prior to completion thereof, no request and/or approval was, however, found on the file maintained by Accounting Division of CO. Delays in implementing the ongoing programs/projects might cause a credibility concern to the stakeholders of PCA.

5.10 On the other hand, neither the agreed commencement date nor the duration of eight programs/projects with total outstanding balances of P5.115 million as at

December 31, 2016 could be established due to either non-stipulation thereof in the MOA or absence of MOA on file. It should be noted that one of the documentary requirements for the implementation and liquidation of fund transfers under Paragraph 3.1.2 of COA Circular No. 2012-001 dated June 14, 2012, on the Revised Documentary Requirements for Common Government Transactions, is a copy of MOA. Consequently, in the absence of program/project commencement date and duration, it could not be ascertained whether PCA implemented the aforesaid projects in accordance with the timelines duly agreed with the respective SAs.

**5.11 We recommended that Management:**

**a. Require the Division Chief III, CO Accounting Division to:**

**a.1. Prepare and submit separate RD on the expenditures incurred by CO, require Accountants of concerned RO and Center to submit their respective RDs to support timely liquidations of fund transfers to SAs;**

**a.2. Conduct regular and periodic verification and analysis of fund transfers to ensure that outstanding balances are reconciled with SAs' records and utilizations are correctly and properly presented in the SCF; and**

**b. Direct the concerned RO/Center and Office, CO to implement strictly the programs/projects in accordance with the agreed timelines to avoid delay in the implementation of the programs/projects.**

**5.12** Management in its letter dated June 20, 2017 directed all its Managers to submit the following reports on the implementation of special projects funded out of fund transfers from different SAs:

**a. Terminal Report of all completed projects as per approved timeline/plan. If completed beyond the approved timeline/plan, justification is required; and**

**b. Progress Report of all on-going program/projects implemented in accordance with the schedule/timeline/plan. If the programs/projects implementation has deviated from the approved timeline/plan, justification is required.**

**5.13** As a rejoinder, we appreciate Management actions and **further recommended that Management submit copy of the said reports for audit purposes.**

**6. Outstanding balances of fund transfers and other receivables accumulating to P11.921 million and P1.396 million, respectively, have been dormant/non-moving for over 1 to 31 years. Also, said dormant fund transfers with unutilized balances aggregating P1.237 million have not been refunded/returned to the concerned SAs, contrary to COA Circular Nos. 97-001 and 94-013.**

**6.1** Section III.A of COA Circular No. 97-001 dated February 5, 1997, on the guidelines on the proper disposition/closure of dormant funds and/or accounts, 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 remittance of all cash balances and settlement of all liabilities.

6.2 Said responsibilities of the Accountant are restated under Section 7 of COA Circular No. 2016-005 dated December 19, 2016, on the guidelines and procedures on the write-off, particularly of dormant unliquidated fund transfers of GOCCs, viz.:

- a. Conduct regular and periodic verification, analysis, and validation of the existence of fund transfers; and
- b. Reconcile the unliquidated fund transfers between the source agencies and implementing government entities, prepare the adjusting entries for the reconciling items noted and require liquidation of the balances.

6.3 Under Section 5.6 of COA Circular No. 2016-005, 'dormant unliquidated transfers' is defined as advances granted by the SA to the IAs for the implementation of programs/projects which remain non-moving for 10 years or more and where settlement could no longer be ascertained.

6.4 While, Section 6 of COA Circular No. 94-013 dated December 13, 1994 enumerates the responsibilities of the IA, among which, return to the SA any unused fund transfer balance upon completion of the project.

6.5 As discussed in Paragraph 5.4 above, the outstanding balances of 41 programs/projects booked by the CO as at December 31, 2016 amounted to P38.523 million. Review, however, revealed that the outstanding balances accumulating to P11.921 million of 27 programs/projects, representing 65.85 per cent of the 41 total number of programs/projects, have become dormant and non-moving for over 2 to 10 years or since CY 2006, details of which is summarized in Table 15.

**Table 15 –Dormant/non-moving Fund Transfers as at December 31, 2016**

No. of programs/Projects	No. of years dormant/non-moving	Outstanding balance
2	10	P 123,564
1	9	94,698
3	6-7	1,182,040
3	5	604,377
6	3-4	1,060,930
12	2	8,855,136
25		11,797,181
27		P 11,920,745

6.6 The number of dormant and non-moving programs/projects, however, has increased by 80 per cent or from 15 to 27 programs/projects in CY 2015 and in CY 2016, respectively, as shown in Table 16. While only two programs/projects, which total outstanding balances of P123,564 as at December 31, 2016 qualify as dormant unliquidated fund transfers, as defined under Section 5.6 of COA Circular No. 2016-005 dated December 19, 2016, the Audit Team is concerned that the number of programs/projects considered as dormant unliquidated fund transfers may continue to accumulate over the years. Consequently, the same may not only cause a credibility concern to stakeholders of PCA, but may bloat the FS as well.

**Table 16 – Dormant/Non-moving Fund Transfers - CYs 2015 – 2016**

Particulars	CY 2015	CY 2016	Increase	
			Amount/No.	Per cent
Outstanding balance	P 3,134,025	P 11,920,745	P 8,786,720	280.37
No. of programs/projects	15	27	12	80.00

6.7 On the other hand, the aforesaid 25 programs/projects, with non-moving outstanding balances of P11.797 million, are inclusive of eight programs/projects, which are presumed to be completed as their total outstanding balances of P1.237 million were already debited to the Due to NGAs account and reclassified to AP account in CY 2015. Said outstanding balances, however, have still formed part of AP account and remained unremitted to the respective SAs as at end of CY 2016, which confirmed that the prior year audit recommendations of: (a) causing the remittance to SAs of the unexpended balances of dormant/non-moving funds for completed/abandoned projects; and (b) reverting the unreturned amount of fund transfers to Due to NGAs account, have not been implemented as at audit date. Hence, the Due to NGAs and AP accounts are understated and overstated, respectively, by P1.237 million.

6.8 On the other hand, the balance of Other Receivables account of RO No. IV-A aged over 1 to 31 years totaled P1.396 million. Of this amount, P1.360 million or 97.42 per cent, represented the amount due from 837 farmers from Calamba, Laguna, Batangas, Rizal and Quezon (CALABARZON) Provinces for the purchase of vegetable seeds and livelihood projects, which remained uncollected and dormant for over 10 to 31 years, since debtors could not be located as their records show only their names and provinces. Therefore, the possibility of collections of these receivables is uncertain, to the detriment of the government.

6.9 The request for write-off of said receivables, submitted to COA RO No. IV-A on June 4, 2009, was returned to the Regional Manager (RM), RO No. IV-A on September 9, 2009, for submission of additional information/data. The RM, however, commented that the requirements supporting the request have not been complied with and they are still in the process of retrieving copies of demand letters sent to farmers.

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

**a. Division Chief III, CO Accounting Division to:**

**a.1 Conduct verification, analysis, validation and reconciliation of the existence of the dormant fund transfers; and**



**a.2 Cause the remittance to SAs of the unexpended balances of dormant/non-moving funds for completed/abandoned programs/projects and revert the unreturned amount of fund transfers from AP to Due to NGAs account;**

**b. Regional Manager, RO No. IV-A to:**

**b.1. Maximize efforts on the possible collections of receivables; and**

**b.2. Re-submit the request for write-off duly supported with complete documentary requirements pursuant to COA Circular No. 2016-005 dated December 19, 2016.**

6.11 Management commented that RO No. IV-A has exerted efforts in the collection of dormant accounts despite the number of years that have elapsed by sending demand letters and bills to the farmer-debtors in the Province of Quezon I and Quezon II where they were able to collect P552 from one farmer-debtor. Likewise, analysis and reconciliation of the accounts are on-going.

6.12 As a rejoinder, we appreciate Management comment and suggest that RO No. IV-A continue its effort to determine/locate the addresses of the farmer-debtors for possible collection of receivables.

**7. In DRC, coconut palms and other fruit bearing trees numbering 13,842 and its agricultural produce or products of undetermined fair value are not recognized in the books as either Biological Assets, PPE or Inventories contrary to PPSAS 27, 17 and 12, thereby understating the total assets of undetermined amount as at reporting date.**

7.1 PPSAS 27 on Agriculture states that:

*(1) An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity:*

*a. Biological assets; and*

*b. Agricultural produce at the point of harvest.*

*Xxxx*

*(2) Biological assets are used in many activities undertaken by public sector entities. When biological assets are used for research, education, transportation, entertainment, recreation, customs, control or in any other activities that are not agricultural activities as defined in paragraph 9 of this Standard, those biological assets are not accounted for in accordance with this Standard. Where those biological assets meet the definition of an asset, other PPSASs should be considered in determining*

the appropriate accounting (e.g., PPSAS 12, Inventories and PPSAS 17, Property, Plant and Equipment).

(3) This standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, PPSAS 12, or another applicable standard, is applied. xxx

Xxxx

(13) An entity shall recognize a biological asset or agricultural produce when and only when

- a. The entity controls the asset as a result of past events;
- b. It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- c. The fair value or cost of the asset can be measured reliably.

(16) A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell. xxx

(17) Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Xxxx

(29) Biological assets are often physically attached to the land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land and land improvements, as a package. An entity may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of the raw land and land improvements may be deducted from their fair value of the combined assets to arrive at the fair value of biological assets.

7.2 In DRC, there are coconut palms planted in the land where its office is situated numbering 10,716, as shown in Table 17.

Table 17 - Inventory of Coconut Trees in DRC

Variety	No. of Trees		Total
	Bearing	Non-bearing	
Dwarf	1,460	1,290	2,750
Tall	6,532	717	7,249
Hybrid	717	-	717
	<b>8,709</b>	<b>2,007</b>	<b>10,716</b>

7.3 Of the 10,716 coconut palms, 1,326 are planted for experimental purposes, while 9,390 coconut palms are held for the purposes of reproduction. Besides, the matured

coconuts that are harvested within 45 to 60 days from the coconut palms are processed into copra with intent to sell while the by-products such as vinegar are also for sale at P10 per liter.

7.4 In addition, there are 1,242 coconut palms, 1,234 of which are ECM, a variety cultivated from laboratory while 8 coconut palms are De Guzman makapuno variety.

7.5 Moreover, there are fruit bearing trees planted by DRC numbering 1,884, as shown in Table 18, for research purposes on the feasibility of intercropping with coconut palms. At present, it serves as a showcase to visitors, particularly farmers who are interested to intercrop their coconut farms with fruit bearing trees. The sale of the fruits is only secondary, and therefore incidental as the primary purpose of planting and cultivating fruit trees is for research.

**Table 18 - Inventory of Fruit Bearing Trees in DRC**

<b>Trees</b>	<b>No. of Trees</b>
Pomelo	40
Durian	334
Cacao	390
Banana	341
Lanzones	491
Mangosteen	288
<b>Total</b>	<b>1,884</b>

7.6 The DRC did recognize said coconut palms, fruit bearing trees including its agricultural produce or products either as Biological Assets, PPE or Inventories in view of the absence of written guidelines or issuances prior to adoption PPSAS. However, recording is on-going pursuant to PPSAS.

7.7 The non-recognition of said biological assets including its agricultural produce or products of undetermined fair value to appropriate accounts resulted in the understatement of total assets also of undetermined amount.

**7.8 We recommended and Management agreed to require the Center Manager to determine the fair value of the biological assets including its agricultural produce or products and instruct the Accountant to recognize the same to appropriate accounts pursuant to PPSAS 27, 17 and 12.**

## **COMPLIANCE**

**8. The grant of Collective Negotiation Agreement (CNA) incentives to officers and employees for Fiscal Year (FY) 2015 accumulating to P11.475 million was not fully compliant with the pertinent procedural guidelines and conditions prescribed under DBM Budget Circular (BC) No. 2015-2 dated November 23, 2015, thus considered irregular expenses.**

8.1 The DBM BC No. 2015-2 dated November 23, 2015 provides for the guidelines on the grant of the CNA Incentives for FY 2015.

8.2 During CY 2016, total CNA incentives for FY 2015 paid by the PCA to its officers and employees in the CO and ROs/Centers amounted to P11.475 million. However, audit revealed that the grant thereof is not in accordance with pertinent procedural guidelines and conditions prescribed under DBM BC No. 2015-2, as discussed in the succeeding paragraphs.

*Full FY 2015 CNA incentives were granted notwithstanding that the CNA had expired on July 1, 2015 and absence of proof of accreditation of employees' organization and CNA registration*

8.3 Item 4.1 of DBM BC No. 2015-2 provides for the conditions for the grant of CNA incentives, among which is:

*4.1.1 Existence of a CNA — (a) There should be a valid and subsisting CNA executed between the representatives of the management and the employees' organization accredited by the CSC [Civil Service Commission] as the sole and exclusive negotiating agent for the purpose of collective negotiations with the management of a department, line bureau, attached agency, GOCC xxx. [Underscoring supplied]*

8.4 The rights of accredited government employees' organizations are provided under Section 1, Rule II of Amended Rules and Regulations Governing the Exercise of the Right of Government Employees to Organize, of EO No. 180 dated June 1, 1987, among which is that:

*Xxx Only accredited employees' organizations shall have the right to represent the rank-and-file employees in collective negotiation xxxx*

8.5 Further, Section 12, Rule VIII of the same Amended Rules provides for the responsibility of the accredited employees' organization, that is, within one year from issuance of Certificate of Accreditation, the accredited employees' organization shall submit to management a CNA proposal, which has been approved by a majority of the general membership, copy furnished CSC-Personnel Relations Office (PRO). Furthermore, Sections 1 and 2, Rule XIII of the same Amended Rules, require the submission to CSC-PRO of CNA and duly-certified and duly-attested pertinent documents within 30 calendar days from execution thereof.

8.6 A CNA (CY 2012 CNA, for brevity), which was entered into by and between the PCA and the PCA Employees Association (PCA EA) on July 2, 2012, provides, among others, that the incentives to be granted and other provisions thereof shall be effective for a period of three years. On July 1, 2015 or three years thereafter, the CY 2012 CNA expired; however, the same was renewed only on March 21, 2016 (CY 2016 CNA, for brevity) or almost nine months after its expiry. While the continuity clause was provided both in the CYs 2012 and 2016 CNAs, the CSC, in its letter dated July 1, 2016 on the registration of CY 2016 CNA, informed the President of PCA EA that, "*such provision will only take effect if efforts in renegotiation or concluding a new CNA were undertaken prior to the expiration of the current CNA pursuant to PSLMC [Public Sector Labor-Management Council] Resolution No. 1 dated March 14, 2014,*" which states that:

*Xxx. All rights, privileges and benefits under the previous CNA shall be enjoyed by the rank-and-file employees pending negotiations for the renewal of the CNA and until conclusion of a final agreement within six (6) months from its expiration. [Underscoring supplied]*

8.7 No documents were, however, presented as proof that the required efforts were timely undertaken. Moreover, the final agreement was concluded not within six months, as required under the aforesaid Resolution, but nine months after the expiration of CY 2012 CNA. The foregoing observations, hence, affect the validity and enforceability of the provisions, including the grant of FY 2015 CNA incentives, of the CY 2012 CNA after it expired on July 1, 2015.

8.8 Further, the Audit Team was not also provided with a copy of Certificates of Registration that the:

a. PCAEA, as the sole and exclusive negotiating agent for the purpose of collective negotiations with Management of PCA, was duly accredited by the CSC prior to the execution of the CY 2012 CNA. Absence of proof of accreditation, thus, casts doubt on the legal personality of PCAEA to execute the CNA with PCA; and

b. CY 2012 CNA was duly registered with CSC, absence of proof of which casts doubt on the validity thereof and of the payments of CNA incentives pertinent to the execution thereof.

8.9 Without prejudice to the effect of the aforementioned observations, below are the other deficiencies noted.

*Determination as to whether PCA is qualified for the grant of CNA incentives was not made by the Employees' Organization-Management Consultative Committee, no recommendations were made thereon, payment of CNA incentives were pre-approved by the PCA Governing Board, and absence of approval by the DBM of the payment of CNA Incentive sourced from the allowable MOOE allotments*

8.10 Item 1.3 of DBM BC No. 2015-2, provides that Section 74 of the General Provisions (GP) of RA No. 10651, also known as FY 2015 General Appropriations Act (GAA), authorizes the payment of CNA Incentive from the Allowable Maintenance and Other Operating Expenses (MOOE) allotments generated out of cost-cutting measures, subject to the conditions stated therein and guidelines issued by the DBM, to wit:

*Rules in the Payment of Collective Negotiation Agreement Incentives. The amount sourced from allowable MOOE allotments, generated out of cost-cutting measures undertaken by the agencies of the government and*

*their respective personnel, which are identified in their Collective Negotiation Agreements (CNAs) and supplement 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; PROVIDED FURTHER, That the Funding sources and the amount of CNA Incentive shall in all cases be limited to the allowable MOOE allotments and rates determined by the DBM, respectively; PROVIDED FURTHERMORE, that the payment of CNA Incentive sourced from the allowable MOOE allotments shall be subject to approval by the DBM. Xxx [Underscoring supplied]*

8.11 Also, Item 5.1 of the same DBM BC Circular provides that:

*An Employees' Organization-Management Consultative Committee (Committee, for brevity) 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 xxxx*

8.12 Section 1, Article VI of CY 2012 CNA, provides, among others, that the Employees Organization-Management Consultative Committee shall determine the amount of CNA incentives based on generated savings.

8.13 On November 27, 2015, Special Order (SO) No. 157 dated November 27, 2015 was issued by then Administrator Romulo N. Arancon, Jr. which caused the creation of the Committee composed of three representatives each and two alternates each for Management and PCAEA. Thereafter, Board Resolution No. 069-2016 was issued by the Governing Board of PCA on June 30, 2016, approving the payment of FY 2015 CNA incentives. The following are the other documents, all dated November 15, 2016, which were issued pertinent to the payment of FY 2015 CNA incentives:

- a. Report of the Technical Working Group (TWG) stating that, *there is sufficient funds in the grant of P25,000 each to 580 qualified employees and that PCA has satisfied the requirements of DBM to qualify for the grant of CNA [incentives]*;
- b. Memorandum of the TWG to the OIC-Administrator, submitting the aforesaid Report and requesting the immediate release of CNA incentives to all qualified employees;
- c. Joint Resolution No. 2016-01 of the TWG, resolving to formulate, issue, and adopt guidelines for the granting of CNA incentives;
- d. Memorandum approved by the OIC-Administrator on the request of the then OIC of Administrative and Finance Branch (AFB) and Manager of Finance Department (FD) for: (i) approval of the payment of FY 2015 CNA incentives; and

(ii) signature of the OIC-Administrator on the guidelines for the payment of the same; and

e. Memorandum Circular (MC) No. 06 of the OIC-Administrator, prescribing guidelines on the payment of FY 2015 CNA incentives.

8.14 Review, however, disclosed the following:

a. The Governing Board pre-approved the payment of FY 2015 CNA incentives, per Board Resolution (BR) No. 069-2016 dated June 30, 2016, or more than four months prior to the determination if the PCA is qualified for the grant thereof. Said approval was made only *pursuant to the DBM Circular No. 2013-4 and to the provisions of the [CY 2012] xxx CNA entered into [by] and between PCA and PCAEA*, notwithstanding that DBM BC No. 2015-2 dated November 23, 2015 had already been issued amending DBM BC No. 2014-2 dated December 2, 2014, which, in turn, amended DBM BC No. 2013-4 dated November 25, 2013.

b. As shown in Table 19, comparison between representatives of the TWG and of the Committee created under Special Order (SO) No. No. 157 dated November 27, 2015 disclosed the different sets of representatives, thus, casting doubt whether the TWG are authorized signatories in behalf of the Committee.

**Table 19 – Comparison between Representatives of the Committee and of the TWG**

<b>Committee</b>	<b>TWG</b>
<b>Management</b>	
Chairman:	
Deputy Administrator of AFB	
Members:	
(a) Manager, Administrative and General Services Department (AGSD)	(a) OIC of AGSD
(b) Then OIC of FD	
	(a) Division Chief III of Collection and Disbursement Division
	(b) Disbursement Division
	(c) Then OIC of Budget Division
Alternates: Representatives from Legal Affairs Service Office of the Administrator	
<b>PCAEA</b>	
Chairman:	
President	President
Members:	
Vice President	
Board Chairman	
Alternates:	
2 Board Directors	1 Board Director

c. The approval of the Memorandum of AFB OIC and FD Manager, as well as, the issuance of Memorandum Circular by the OIC-Administrator cast doubt on their validity and propriety as the same were approved and issued, respectively, after November 7, 2016 or the date of appointment of Mr. Avelino L. Andal as then Administrator of PCA.

d. Notwithstanding that various documents pertinent to the grant of FY 2015 CNA incentives were issued, none, however, pertained to the recommendation for the grant thereof, rather, requests on the same were made.

e. No documents were provided on the rates of FY 2015 CNA incentives and payment thereof sourced from the allowable MOOE allotments, as determined and approved, respectively, by the DBM.

8.15 In view of the aforementioned deficiencies, the payment of FY 2015 CNA incentives was not consistent with the aforesaid provisions of DBM BC No. 2015-2.

*Accuracy and reliability of information in compliance with the conditions provided under Item 4.3.4 of DBM Circular No. 2015-2 were doubtful*

8.16 Item 4.3.4 of DBM BC No. 2015-2 provides that:

*The CNA Incentive shall be sourced solely from the allowable MOOE allotments in FY 2015 as defined and enumerated in sub-item 4.3.1 under their respective approved Corporate Operating Budgets (COBs), provided the following conditions are complied with:*

*a. Actual operating income shall, at least, meet the targeted operating income in the approved COB for the year. For GOCCs/xxx, which by nature of their functions consistently incur losses, the current year's operating loss should have been minimized or reduced compared to or at most equal to 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 of CNA Incentive; and Xxx*

8.17 Examination of pertinent documents supporting the payments of FY 2015 CNA incentives revealed the following:

a. The accuracy and reliability of comparison of budget and actual expenses, net of project funds, could not be ascertained, as there were no fund utilization reports (FURs) provided to validate the reported actual operating expenses, thus, affecting the validity of the computed savings, specifically the savings from the allowable MOOE allotments as fund source for payment of FY 2015 CNA Incentives; and

b. Consequently, the doubtful accuracy and validity of reported actual operating expenses for CY 2015, also cast doubt on the accuracy and validity of the computation of operating loss.

8.18 The Audit Team would like to emphasize that, as contained in the prior year's audit observation for the obligation of the FY 2014 CNA Incentives, the accuracy of computation of the operating loss was also doubtful, in view of the same reason



mentioned in the immediately preceding paragraph, that is, no FUR was provided to the Audit Team to validate the reported actual operating expenses. Thus, the doubtful accuracy, validity and reliability of comparative amounts of reported operating losses for CYs 2014 and 2015 amounting to P255.572 million and P70.257 million, respectively, albeit showed a decrease of P185.315 million, could not be held compliant to the aforementioned Item 4.3.4(a) of DBM BC No. 2015-2.

*Cost-cutting schemes and system improvement measures were not instituted*

8.19 Section 2, Article of VI of CY 2012 CNA provides:

*The Management and PCAEA shall jointly institute improvement of income and productivity, streamlining of systems and procedures, and cost cutting measures. Xxxx [Underscoring supplied]*

8.20 The above-mentioned provision was also stated under Section 2, Article XI of CY 2016 CNA. Perusal thereof, however, disclosed that improvement of income and productivity, streamlining of systems and procedures, and cost cutting measures were yet to be instituted by both Management and the PCAEA. Further, no supplemental issuances were provided to identify what cost-cutting measures, among others, were instituted that would justify the granting of CNA incentives. It is worth mentioning that the CSC, in its afore-cited letter dated July 1, 2016 to PCAEA, stated that:

*Attention is invited to Budget Circular No. 2006-1, Item 7.1.1 which explicitly requires that savings must be generated out of the cost-cutting measures identified in the CNAs and supplements thereto. In the absence of identified cost-cutting measures in the Agreement, there can be no source of fund for the grant of CNA incentive.*

*For this purpose, we suggest that the parties identify the cost-cutting schemes and system improvement measures to be adopted by both management and the employees' association providing therein some operational guidelines to forestall conflict or confusion. Xxxx [Underscoring supplied]*

8.21 The absence of identified cost-cutting measures, therefore, cast doubt on the validity of the source of fund used in paying the FY 2015 CNA incentives to officers and employees of PCA.

*Erroneous classification of CNA incentives*

8.22 In CY 2015, CO obligated the FY 2015 CNA incentives of P20.650 million for CO and ROs/Centers personnel, by debiting and crediting the CNA Incentives and AP-UO-PS accounts.

8.23 Review of the CY 2016 TB, however, disclosed that a total amount of P1.125 million, representing payment of FY 2015 CNA incentives for RO No. IX and ZRC amounting to P0.600 million and P0.525 million, respectively, was recorded under Other Bonuses and Allowances-CNA account. The recoding of expense, both in CY 2015 and

2016, thus, overstated the aforementioned Other Bonuses and Allowances-CNA and the AP-UO-PS accounts by the same amount.

8.24 On the other hand, funds for the payment of CNA incentives of the ROs/Centers were released by the CO through an Advice of Sub-Allotment (ASA) and Advice of Cash Transfer (ACT) and recorded by debiting the Due from RO account and likewise crediting the said account upon receipt from the concerned ROs/Centers of the Debit and Credit Advices (DCAs), relative to the utilization of the amount transferred. Review, however, of the fund releases and payments of FY 2015 CNA incentives for ROs/Centers personnel disclosed that, while no funds were released to RO Nos. VII, VIII and XIII, the aforesaid ROs recorded utilization for CNA incentives of P0.725 million, P0.900 million and P0.525 million, respectively, or a total of P2.150 million. The aforementioned utilization was recorded by crediting the Due from RO account, thus, understated the account by P2.150 million.

8.25 Conversely, the Due from RO account was not credited upon payment of FY 2015 CNA incentives of P0.625 million in RO No. XI; thus, overstating the account by the same amount.

8.26 **We recommended that Management submit a justification as to why the payment of FY 2015 CNA incentives in the total amount of P11.475 million should not be disallowed in audit, duly supported with, but not limited to, the following:**

- a. **Proof that efforts in renegotiation or concluding a new CNA were undertaken prior to the expiration of the current CNA pursuant to PSLMC Resolution No. 1 dated March 14, 2014;**
- b. **Copy of CSC Certificates of Registration of: (i) PCAEA prior to the execution of CY 2012 CNA; and (ii) CY 2012 CNA prior to the payment of FY 2012 CNA;**
- c. **Documents showing the rates of FY 2015 CNA incentives and payment thereof sourced from the allowable MOOE allotments, as determined and approved, respectively, by the DBM; and**
- d. **FURs for CYs 2014-2015 and every year thereafter.**

8.27 **We further recommended that Management direct the Accountants of RO No. IX and ZRC and Division Chief III of CO Accounting Division to:**

- a. **Effect the necessary adjustments for the overstatement of Other Bonuses and Allowances-CNA and AP-UO-PS accounts, as well as, the net understatement of Due from RO account in the books; and**
- b. **Furnish the Audit Team of a copy of the duly-issued Journal Entry Vouchers on the adjustments made.**

8.28 Management submitted documents to show that the PCAEA have exerted efforts for the renewal of CY 2012 CNA prior to its expiration which consisted of, among others, request to the PCA Administrator for authority to conduct a PCAEA General Assembly,

agenda for 2<sup>nd</sup> General Assembly, request to the PCA Administrator for an initial round table discussion for the proposed renewal or possible amendment of the CNA and minutes of meeting of the Employees' Organization-Management Consultative Committee conducted on various dates. They also submitted the Certificate of Accreditation of PCAEA dated January 5, 1993 from CSC. Moreover, they explained that the savings determined were purely corporate fund, exclusive of project funds and not part of subsidy, thus it required no approval from DBM. Further, they assured to submit FUR for the period CYs 2014-2015 not later than December 31, 2017.

8.29 As audit rejoinder, the savings determined for payment of CY 2015 CNA incentives as well as the rate should be subject to approval by the DBM pursuant to Item 1.3 of DBM BC No. 2015-2. Besides, the funds used for payments could not be ascertained whether derived from savings out of allowable MOOE in view that the comparison of budget and actual amount of operating expenses, net of project fund, could not be determined in view of absence of FUR.

**9. Procurement of food and cellular cards in the amounts of P2.623 million and P0.670 million, respectively, or total of P3.293 million for CYs 2015-2016 were awarded to favored suppliers and with conflict of interest as price quotations (PQs) were fabricated/fictitious while the suppliers have access to information or influence the decision of PCA, thus, contrary to applicable provisions of 2009 and 2016 Revised IRR of RA No. 9184. Further, food procurements were made through small value procurement (SVP), notwithstanding that the amount involved exceeded the thresholds provided under Annex "H" of 2009 Revised IRR of RA No. 9184. Hence, there is no assurance that PCA obtained the most advantageous cost for the goods procured.**

*Competitive bidding was not the chosen mode in the procurement food and cellular cards*

9.1 Section 10 of 2009 and 2016 Revised IRR of RA No. 9184 states that, "*All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR*". Rule XVI comprises the various alternative methods of procurement, which include SVP. Section 53.9 of the same IRR of the same RA provides that SVP shall apply where the procurement does not fall under Shopping and the amount involved does not exceed the respective P0.500 million and P1 million thresholds prescribed in Annex "H" of the aforesaid IRR of the same RA. The IRR of the same RA also require the procuring entity to send the request for quotation/proposal to at least three suppliers of known qualifications.

9.2 Review of the CY 2016 Annual Procurement Plan (APP) showed that there was no breakdown of each category of expense for the total budget of P1.120 million particularly for meals, consultative meetings, and other expenses of four offices of CO, as summarized in Table 20. On the other hand, budget for prepaid cellular cards amounted to P1.700 million for AGSD alone. It is worth mentioning that no mode of procurement was disclosed in the APP for the said cellular cards and for some items presented in Table 20, which respective total amounts already exceeded the thresholds prescribed under Annex "H" of 2009 and 2016 Revised IRR of RA No. 9184 for SVP.

**Table 20 – CY 2016 APP for Catering Services/meals and Other Expenses**

Particulars	Procurement mode	Office	Amount
Catering services	SVP	Office of the Corporate Secretary	P 360,000
Meals/consultative meetings	SVP	Finance Department/Budget Division	320,000
ISO Certification Training Seminar*	-	Human Resource Division	500,000
Administrative officer consultative meeting*	-	Human Resource Division	300,000
			1,120,000
			<b>P 1,480,000</b>

\* meals and other expenses

9.3 Also, notwithstanding that the total cost of food (meals and snacks), which was paid to only one supplier, Thea's Carinderia, amounted already to P1.306 million in CY 2015, as shown in Table 21, the conduct of public bidding for catering services/meals was still not considered in the CY 2016 APP. Nonetheless, review of the Report of Checks Issued and Cancelled (RCIC) disclosed that, total amounts of P1.317 million and P306,720 were actually paid by CO to Thea's Carinderia and PCA Employees Multi-Purpose Cooperative (PCAEMPC) for the procurement of food and cellular cards, respectively, covering CY 2016, as shown in Table 21. While the total cost of cellular cards paid to PCAEMPC of P306,720 in CY 2016 did not exceed the threshold prescribed under Annex "H" of 2009 Revised IRR of RA No. 9184 for SVP, the provision of P1.700 million budget of the same for AGSD in the 2016 APP, which was more than 300 per cent of the total actual cost, however, is an indication of poor procurement planning. Likewise, opting for SVP for each procurement of food in the total amount of P2.623 million for CYs 2015-2016 barred the PCA of the opportunity from availing volume discounts had the same been consolidated and/or subjected to public bidding.

**Table 21 – Cost of Food and Cell cards paid to Thea's Carinderia and PCAEMPC for CYs 2015-2016**

CY	Cost		
	Thea's Carinderia	PCAEMPC	Total
2015	P 1,305,896	P 363,686	P 1,669,582
2016	1,317,212	306,720	1,623,932
	<b>P 2,623,108</b>	<b>P 670,406</b>	<b>P 3,293,514</b>

9.4 On the other hand, the checks issued for the payment of meals and snacks were not under the name of Thea's Carinderia but rather to its proprietor. While the proprietor may have the right to claim the checks issued to Thea's Carinderia, the proprietor, however, is not the named creditor of PCA, thus, issuance of checks under her name is contrary to Section 93 of PD No. 1445, which states that:

*To whom xxx checks payable. Xxx checks drawn against the xxx Checking Account for Agencies xxx shall be made payable directly to the creditor to whom the money is due xxx.*

*Abstract of Canvass Reports were based on fictitious/fabricated PQs*

9.5 Section 3 of 2009 and 2016 Revised IRR of RA No. 9184 provides for the principles governing government procurement, among which is that:

*b. Competitiveness by extending equal opportunity to enable private contracting parties who are eligible and qualified to participate in public bidding.*

9.6 Likewise Section 48.1 of the same IRR of same RA states that:

*Subject to the prior approval of the Head of the Procuring Entity, and whenever justified by the conditions provided in this Act, the procuring entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in this Rule. In all instances, the procuring entity shall ensure that the most advantageous price for the Government is obtained.* [Underscoring supplied]

9.7 The General Services Division (GSD), AGSD, is responsible for the procurement activities, particularly the conduct of alternative mode of procurement. Upon receipt of Purchase Request (PR), the Chief of GSD assigns a Buyer who will prepare the procurement documents such as Request for PQ and consolidates the filled out PQ sheets in the Abstract of Canvass Report (ACR) and submits the same for verification by the Chief of GSD and for review and concurrence by the requestor. Based on the ACR, a POr is then prepared and signed by the Chief of AGSD. The Chief of GSD also signs the POr for the approval of the canvass made.

9.8 The Audit Team conducted confirmation to 18 selected suppliers, who allegedly provided filled out PQ sheets to PCA based on the ACRs attached to the POrs, summarized in Table 22.

**Table 22 – Number of Suppliers subjected to Confirmation**

Supplier	No. of confirmation request	With confirmation reply	Without confirmation reply		Total
			Delivered	Undelivered	
Food	14	8	2	4	14
Cell cards	4	1	3	0	4
<b>Total</b>	<b>18</b>	<b>9</b>	<b>5</b>	<b>4</b>	<b>18</b>

9.9 Confirmation replies received from 9 out of 18 food and cell card suppliers revealed that they neither received requests for PQ from PCA nor provided the filled out PQ sheets thereto. In addition, the supposed authorized representatives named in the filled-up PQ sheets were never, in any way, connected with their establishment, except for one cellular card supplier. Further, the respective business addresses of the four food suppliers with undelivered confirmation requests were reported through the online tracking facility of the mail courier as either “consignee unknown” or “incorrect address,” but two of which were confirmed by their lessor as already closed during CY 2014. On the other hand, the telephone/mobile numbers, provided by GSD for the three cellular card suppliers without confirmation replies, could not be contacted, which is an indication that they likewise have already stopped operations as at confirmation date. Additional results of confirmation conducted are presented in Table 23.

**Table 23 – Additional results of confirmation from suppliers of food and cellular cards**

Supplier	Confirmation result
<b>I. Meals –</b>	
A	The items listed in the filled-up PQ sheets are not their core menu. Also, they already closed operations since August 11, 2014. Despite the GSD continues to produce PQ sheets allegedly filled up by the said supplier, the latest of which received by the Audit Team was attached to the ACR dated February 2, 2017.
B	The items listed in the filled-up PQ sheets are not their core menu as they only offer modern spanish cuisine. The latest PQ sheet received by the Audit Team was attached to the ACR dated February 27, 2017.
C	They have already terminated their lease agreement with Greenbelt since October 1, 2014, as certified by the Greenbelt General Manager. Despite that, GSD continued to produce PQ sheets allegedly filled up by the said supplier, the latest of which received by the Audit Team was attached to the ACR dated January 28, 2016.
D	They have already terminated their lease with Greenbelt since May 1, 2014, as certified by the Greenbelt General Manager. Despite that, GSD continued to produce PQ sheets allegedly filled up by the said supplier, the latest of which received by the Audit Team was attached to the ACR dated March 13, 2017.
E F G H I J	Items listed in the filled-up PQ sheets are not in the menu offered by the suppliers, as per confirmation with suppliers, and/or ocular inspection, and/or comparison with the supplier's menu.
<b>II. Cellular cards</b>	
K	They do not engage in wholesale of call cards as they only cater to retail sale. Hence, it is unlikely that they would be able to accommodate the supply requirements of PCA. The latest filled-up PQ sheet received by the Audit Team was attached to the ACR dated March 3, 2017.
L	The supplier could not be contacted through the telephone number provided by GSD. The Customer Service Representative assigned at the Information Booth of SM Annex confirmed that no such name of establishment was found on their file. The latest filled-up PQ sheet received by the Audit Team was attached to the ACR dated March 3, 2017.

9.10 It is worth mentioning that, requests for PQ for the procurement of food were made to suppliers, which are located either inside the malls or within the class A-C commercial places (including that within the high-end Greenbelt area), and to the favoured/chosen supplier, Thea's Carinderia, which business address, as indicated in its Official Receipt is within the wet market and, thus, accessible to all classes of consumers. Simply put, the stature of the latter in the culinary business is obviously not comparable with that of the former. As such, Thea's Carinderia undoubtedly offers the lowest PQ when compared to that of the other suppliers and hence, expected to be the chosen supplier. It is noted that there is no policy being implemented for the cost thresholds on the meals and snacks procured by PCA such that the cost of one meal

and two snacks paid to Thea's Carinderia had reached to as much as P1,045 per person, which price is already competitive with that offered by class B suppliers.

9.11 Moreover, 6 food suppliers or 42.86 per cent of 14 food suppliers are located in Makati City. Notwithstanding that 4 of the 6 aforesaid food suppliers are situated within the Greenbelt area, the Audit Teams opine that it is not generally feasible to source suppliers from a distant location considering that it would entail unnecessary delivery and other incidental costs that may be charged to PCA.

9.12 There were times when food suppliers had a free hand in selecting the menu as the food specifications were not disclosed in the PRs but were rather provided in the filled-up PQ sheets by the alleged suppliers' representatives themselves, as demonstrated by their own respective handwritings. It is noteworthy to mention that, despite the financial and technical resources of the suppliers to use the computer technology in providing the PQs or filling up the PQ sheets, most of the suppliers, ironically, were made to or opted to handwrite the menu in the PQ sheets. Conversely, there were few suppliers who used their own letterheads in providing PQs, an indication that the said PQs are genuine. However, the items listed therein were entirely different from that price quoted and actually served by Thea's Carinderia. Nonetheless, as mentioned in the preceding paragraph, the stature of Thea's Carinderia is not comparable with the three aforesaid suppliers.

9.13 Further examination disclosed the following:

- a. It appeared that Thea's Carinderia is responsible for providing to GSD the filled-up PQ sheets of other suppliers, one proof of which is the handwriting of an employee of the former in the aforesaid filled-up PQ sheets for at least five different suppliers. Said act is an indication that Thea's Carinderia has control or influence over the procurement process and the cost of procured food as well;
- b. There were 6 checks or 26 per cent of 23 checks in CY 2016, which PRs for food were dated/submitted on the day or days after the respective events were held, which suggested of a poor procurement planning; and
- c. Only two of nine POs issued in CY 2016 have been duly received by the PCAEMPC, which is indicative of shortcutting of procurement procedures.

9.14 Fabricating/falsifying filled-up PQ sheets or any document for that matter to benefit a favored supplier is an act tantamount to defrauding the government of its resources and encouraging unfair competition among suppliers. Also, the lenient review and approval of these irregular transactions, considering that there is an obvious monopoly of supply of items procured, suggests of a weak internal control in PCA, thereby, there is no assurance that the Agency has obtained the most advantageous cost for the goods procured.

*Procurement of food and cellular cards were awarded to suppliers with conflict of interest*

9.15 Section II.4(1) Philippine Bidding Documents (PBD) for the Procurement of Goods, 4th Edition, December 2010, provides that:

*All Bidders found to have conflicting interests shall be disqualified to participate in the procurement at hand, without prejudice to the imposition of appropriate administrative, civil, and criminal sanctions. A Bidder may be considered to have xxx general conflict of interest in any of the circumstances set out in paragraphs (d) xxx below: xxx (d) A Bidder has a relationship, directly or through third parties, that puts them in a position to have access to information about or influence on the bid of another Bidder or influence the decisions of the Procuring Entity regarding this bidding process. Xxxx [Underscoring supplied]*

9.16 Said provision was also articulated under the Manual of Procedures for the Procurement of Goods and Services, Volume 2, and in Section 47.2 of 2016 Revised IRR of RA No. 9184. Further, the specific issue on whether government employees cooperative is prohibited from participating in the procurement process, the Government Procurement Policy Board, in its Non-Policy Opinion (NPM) No. 142-2014, states that:

*In general, government employees' cooperatives are allowed to participate in the procurement opportunities of government subject to compliance with the eligibility criteria and the technical and financial requirements set by the Procuring Entity (PE).*

*However, by way of exception, the Government Procurement Policy Board, in several meetings on the matter, is of the view that employees' cooperatives should be disqualified from participating in the procurement within their agencies as it poses undue advantage in terms of access to information, which are generally not available to outside bidders. The position of the Board is anchored on the provisions of the Generic Procurement Manual (GPM) and the Philippine Bidding Documents (PBDs), which considers the existence of general conflict of interest if a bidder has a relationship, directly or through third parties, that puts them in a position to have access to information about or influence on the bid of another bidder or influence the decisions of the PE regarding the bidding process.*

9.17 Notwithstanding the validity of the filled-up PQ sheets on the procurement of cellular cards, PCAEMPC, being a cooperative owned by the officials and employees of PCA, has undue advantage over other suppliers as it has direct access to information about or influence on the bid of another bidder or influence the decision of PCA. On the other hand, while Thea's Carinderia may not have a relationship direct to PCA, its undisclosed renewed contract with PCAEMPC, which was signed sometime in July 2016, however, suggested that its relationship to PCA, through PCAEMPC, put them in a position to have access to information about or influence on the bid of another Bidder or influence the decision of PCA, as illustrated in the preceding paragraphs hereof. It is worth mentioning that, in a meeting with the Manager of Finance Department and AGSD sometime in the first quarter of CY 2017, the Audit Team requested a copy of the agreement entered into by and between PCAEMPC and Thea's Carinderia. Said agreement, however, has not been provided to the Audit Team as at audit date.

9.18 In view of the foregoing, allowing PCAEMPC and Thea's Carinderia to participate in the procurement process is considered a conflict of interest, as prohibited under



Section II.4(1) PBD for the Procurement of Goods, 4th Edition, December 2010, Manual of Procedures for the Procurement of Goods and Services, Volume 2, and in Section 47.2 of 2016 Revised IRR of RA No. 9184.

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

**a. Instruct GSD to :**

**a.1 Comply with Section 10 of 2016 Revised IRR of RA No. 9184 in the procurement of goods and services including meals should the total amount thereof exceeds the threshold provided in Annex “H” of the same Revised IRR of same RA;**

**a.2 Stop procuring from suppliers with conflict of interest, as prohibited under Section 47.2 of 2016 Revised IRR of RA No. 9184; and ensure that actual request for PQs is made from supplier of known qualifications in accordance with the applicable provisions of 2016 Revised IRR of RA No. 9184;**

**a.3 Ensure proper procurement planning such that proposed and approved budgets are realistic and PRs are prepared and submitted by end-users before actual procurement; and**

**b. Require the Chief of Collection and Disbursements Division to issue checks strictly under the name of the creditor to whom the money is due, pursuant to Section 93 of PD No. 1445.**

**9.20 We also recommended that Management conduct investigation and hold liable the officials and employees who participated in producing fictitious/fabricated PQs and facilitated the payment of irregular transactions for procurement of foods and cellular cards.**

**10. In RO Nos. VII, XI, XIII and Davao Research Center (DRC), PPE aggregating P97.906 million are not insured with Government Service Insurance System (GSIS) contrary to Section 5 of RA No. 656, the Property Insurance Law, thus exposing PCA to risk of non – indemnification in case of damage to or loss of uninsured properties due to fire, earthquake, storm or other fortuitous event.**

**10.1 Section 5 of RA No. 656, otherwise known as the “Property Insurance Law”, requires a government agency to insure its properties against any insurable risk with the General Insurance Fund (GIF) administered by the GSIS.**

**10.2 Review disclosed that PPE in RO Nos. VII, XI, XIII and DRC with aggregate amounts of P97.906 million are not insured with GSIS, as discussed below:**

**a. In RO No. VII, only the RO building and vehicles are insured with the GSIS. In particular, the buildings and other PPE items located in Loay and Ubay, all in Bohol, with an aggregate acquisition cost of P21.080 million are not insured with the GSIS.**

b. In RO No. XI, PPE issued to five PrOs with costs aggregating P2.535 million and Coconut Extension Training Center (CETC) accumulating to P12.589 million were not insured with the GSIS as well.

c. In DRC, only four motor vehicles and equipment with total cost of P5.677 million, representing 27.65 per cent of total PPE cost of P20.529 million as at January 1, 2016, have been insured. Thus, assets totalling P14.852 million are not insured.

d. In RO No. XIII, an insurance coverage was obtained for the contents only of RO, PrOs of Agusan del Norte, Agusan del Sur, Surigao del Sur and Surigao del Norte. While other PPE aggregating P46.850 million were not insured with the GSIS. On the other hand, it was observed that the motor vehicles with carrying value of P3.319 million had insurance coverage of P7.258 million, thus over-insurance coverage of P3.939 million.

10.3 In the absence of insurance of assets totalling P97.906 million, the PCA is exposed to risk of non – indemnification in case of damage to or loss of uninsured properties due to fire, earthquake, storm or other fortuitous event.

**10.4 We recommended and Management agreed to: a) insure all properties of the concerned ROs/Center with GSIS to protect and recover the costs in case of damage to or loss of uninsured properties due to fire, earthquake, storm or other fortuitous event; and b) require the Budget Division to provide budget allocations for insurance coverage of the PPE of the concerned ROs/Center.**

10.5 Hereunder are the comments provided by Management:

a. RO No. XI informed that it has not paid the insurance of the PPE of CETC due to non-release of funds from CO, but committed to insure the properties in CY 2017 while the insurance for RO properties have already been paid in February 2017.

b. Meanwhile, DRC will provide GSIS of an updated copy of its assets for recomputation of insurance coverage after the conduct of physical count.

c. RO No. XIII agreed to implement the audit recommendation to insure their properties with the GSIS.

**11. Accounting records and reports, i.e., FSs, Trial Balances (TrBs), General Journals (GJs), DVs, and JEVs were either submitted/provided late ranging from 68 to 247 days, or not submitted/provided at all, notwithstanding the fact that the FS were already submitted/rendered, contrary to Section 7.2 of the 2009 Rules and Regulations on Settlement of Accounts (RRSA) and Section 122 of PD No. 1445, thus precluding timely audit of the accounts and operations of PCA. Meanwhile, the GL and SL balances were not used as the bases in the preparation of TrBs and FSs, contrary to Section 114 of PD No. 1445, thereby casting doubt on the correctness, completeness, reliability, and validity of the year-end account balances.**

*Delayed or non-submission of FS and other accounting reports and records*

11.1 Section 122 of PD No. 1445 provides for the responsibility of the officials concerned on the submission of reports:

*Submission of reports. Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.*

Xxxx

11.2 Section 7.2 of the 2009 RRSA, as prescribed under COA Circular No. 2009-006 dated September 15, 2009, requires that the Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency, shall ensure that:

*The reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month;*

Xxxx

11.3 Said components of FSs are also enumerated under Section 4.1 of COA Circular No. 2015-002 dated March 9, 2015, or the supplementary guidelines on the preparation of FS and other financial reports, the transitional provisions on the implementation of the PPSAS, and the coding structure, viz.:

- a. *Statement of Financial Position xxx [SFP]*
- b. *Statement of Financial Performance xxx [SFPer]*
- c. *Statement of Cash Flows xxx [SCF]*
- d. *Statement of Changes in Net Assets/Equity xxx [SCNAE]*
- e. *Statement of Comparison of Budget and Actual Amounts xxx [SCBAA]*
- f. *Notes to Financial Statements [NFS] comprising a summary of significant accounting policies and other explanatory notes*

11.4 The FSs of PCA for the year ended December 31, 2016 were first submitted on March 17, 2017, or 31 days after February 14 deadline, however, comprised only of SFP and SFPer. On April 7, 2017 or 52 days past February 14, revised FSs were submitted, which consisted of SFP, SFPer, SCNAE and SCF. Said FSs were, however, still

incomplete as the SCBAA and NFS, as well as, SMR were not submitted. It was on only on June 23, 2017, or 129 days delay, that the complete set of FSs was submitted. Thus, the incomplete and late submission precluded the Audit Team from the timely and complete review of the FSs.

11.5 Moreover, inventory conducted on the monthly FSs, TrBs, DVs, JEVs and GJs revealed that these were submitted/provided by the Accounting Division either late or not submitted/provided at all. The average number of days of delay in the submission are shown in Table 24.

**Table 24 – Average Number of Days of Delay in the Submission of Financial Reports/Records**

	<b>Average No. of days delay</b>
Monthly FS	88
Monthly TrBs	73
DVs	68
JEVs	76
GJs	247

11.6 The monthly FSs composed only of the SFP and SFPer and supported only with schedules of income and expenses while the monthly TrBs consisted the four PCA funds. Moreover, notwithstanding the delayed submission, the DVs and JEVs submitted were still incomplete and were either submitted at a later date or not submitted at all. It was noted that while JEVs for the month of December 2016 have already been submitted to the Audit Team, the same were, however, incomplete which amounted to P188.441 million. On the other hand, the DVs for the same month in the net amount of P92.236 million have not been submitted as at audit date.

11.7 Further, the GJs, which were prepared electronically in excel format, were generated from the computer file only on March 31, 2017, when the Audit Team requested for the printed copy thereof. Hence, GJs were provided late, ranging from 80 to 415 days or an average of 247 days. Said request for the printed file was prompted by the fact that repeated requests were already made for the submission of complete electronic copy of records and reports, including GJs. The Accounting Division, however, was unable to fully comply therewith, despite the fact that the same should have already been readily available considering that signed monthly FSs and TBs were submitted already to the Audit Team. Besides, each printed page of the GJs provided was not signed as certified correct by either the Finance Department Manager or the Division Chief III, as the case may be, thus, casting doubt on the validity and correctness thereof.

11.8 The delayed or non-submission/non-provision of the aforesaid accounting records and reports has been the practice of the Accounting Division for over the years already. Said practice, thus, precluded the Audit Team from rendering a timely audit action on the accounts and operations of PCA.

*GL and SL balances not used as the bases  
in the preparation of TrBs and FS –*

11.9 Section 114 of PD No. 1445 states:

*The general ledger.*

*(1) The government accounting system shall be on a double entry basis with a general ledger in which all financial transactions are recorded.*

*(2) Subsidiary records shall be kept where necessary.*

11.10 Review of the GLs, SLs, and TrBs of CO disclosed the following observations, which are indications that the GL and SL balances are not the bases in the preparation of the TrBs:

a. Postings of entries in the GLs were completed only on March 24, 2017 or seven days after the FSs were submitted on March 17, 2017. Further, SLs have not yet been updated, which indicates that the individual schedules supporting the FSs were not prepared based on the SLs. The delayed postings in the GLs and SLs have been observed for over the years already, thus, had caused the Audit Team undue delays in the review of the FSs.

b. GL balance of Terminal Leave Benefits (TLB) account in the amount of P6.420 million did not tally with the balance in the TrB amounting to P6.947 million or a difference of P0.527 million, which also suggests that there might be entries that have remained unposted in the GL, thus, casting doubt on the completeness thereof. While a revised TrB was subsequently submitted on March 24, 2017 in which the balance of TLB account already tallied with the GL balance, the reason, however, for the revision upon transmittal thereof was not disclosed by the Accounting Division.

c. Recomputation, on a sampling basis, of the account balances in the GLs disclosed that six accounts have mathematical inaccuracies. Albeit discrepancies were immaterial, the existence thereof casts doubt on the reliability of the amounts presented in the aforesaid GLs and TrB.

d. Conversely, the GL balance of AP-UO-PS account of P127.048 million tallied with that in the TrB as at December 31, 2016. Vouching also showed that the debit to the said GL account in the amount of P78,655 in January 2016 tallied with that recorded in the GJ. The said debited amount, however, did not reconcile with that recorded under the supporting JEV No. 503-16-01-011 of even date amounting to P53,486 or a difference of P25,168. The discrepancies, albeit immaterial, nonetheless cast doubt on the correctness, completeness, validity, and reliability of JEVs, GLs, SLs, TrBs, and the FS as well.

**11.11 We recommended and Management agreed to require the Manager of the Finance Department to:**

**a. Submit complete accounting records and reports within 10 days of the ensuing month, pursuant to Section 7.2 of the 2009 RRSA, as well as, e-copy of the same to facilitate timely review/audit thereof;**

**b. Maintain printed and duly certified GJs to ensure that the same are valid and are readily available; and**

c. Instruct accounting staff to promptly post journal entries to the GLs and SLs to ensure that balances of the accounts are correctly forwarded to the TrB.

12. In CO and four ROs, at least 82 contracts and 923 POs for procurement of goods and services aggregating P761.316 million were: a) either unsubmitted or submitted late which ranged from 1 to 188 days and with incomplete supporting documents; b) having invalid post qualification requirements; and c) without notices of deliveries (NoDs) and inspection and acceptance reports (IARs) contrary to COA Circular Nos. 2009-001 and 2009-002 dated February 12, 2009 and May 18, 2009, respectively, and Section 34, Rule X of the IRR of RA No. 9184, thereby precluding the Audit Team from conducting a timely and complete review to establish the propriety and validity of the covered transactions.

12.1 Sections 3.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009 state that:

*3.1.1 – Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. Xxxx*

*3.2.1 - 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. Xxxx*

12.2 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.

12.3 Section 34, Rule X of the Revised IRR of RA No. 9184, provides for the objective and process of post-qualification, among which, are the following:

*34.1 The Lowest Calculated Bid/Highest Rated Bid shall undergo post qualification in order to determine whether the bidder concerned complies with and is responsive to all the requirements and conditions as specified in the Bidding Documents.*

*34.2 Within three (3) calendar days from receipt by the bidder of the notice from the BAC that the bidder has the Lowest Calculated Bid or xxx, the bidder shall submit the following documentary requirements to the BAC:*

a. Tax clearance;

b. Latest income and business tax returns;

c. *Certificate of PhilGEPS [Philippine Government Electronic Procurement System] Registration; and*

d. *Other appropriate licenses and permits required by law and stated in the Bidding Documents.*

*Failure to submit the above requirements on time or a finding against the veracity of such shall be ground for the forfeiture of the bid security and disqualify the bidder for award.*

*34.3 The post qualification shall verify, validate and ascertain all statements made and documents submitted by the bidder with the Lowest Calculated Bid/Highest Rated Bid, using non-discretionary criteria, as stated in the Bidding Documents. Xxxx*

12.4 Review showed that there were at least 82 contracts and 923 POs for procurement of goods and services in the CO and RO Nos. IV-A, V, VIII and XIII aggregating P761.316 million were either unsubmitted, late submitted which ranged from 1 to 188 days, with incomplete and invalid supporting documents or without NoDs and IARs. Details are shown in Table 25.

**Table 25 – Results of Contracts/POs Review**

	Contracts		POs		Total	
	Qty.	Amount	Qty.	Amount	Qty.	Amount
<b><i>Delayed submission of contracts and POs</i></b>						
CO	23	P 265,915,870	243	P 8,836,070	266	P 274,751,940
V	7	36,572,494	84	3,986,742	91	40,559,236
	<b>30</b>	<b>P 302,488,364</b>	<b>327</b>	<b>P 12,822,812</b>	<b>357</b>	<b>P 315,311,176</b>
<b><i>Unsubmitted contracts and POs</i></b>						
CO	-	-	44	-	44	-
XIII	13	42,912,507	-	-	13	42,912,507
	<b>13</b>	<b>42,912,507</b>	<b>44</b>		<b>57</b>	<b>42,912,507</b>
<b><i>Contracts and POs with incomplete and invalid documents , no NoDs and IARs</i></b>						
CO	22	239,195,730	552	16,197,281	-	255,393,011
IV-A	-	10,993,946	-	-	-	10,993,946
VIII	17	136,705,373	-	-	-	136,705,373
	<b>39</b>	<b>386,895,049</b>	<b>552</b>	<b>16,197,281</b>	<b>-</b>	<b>403,092,330</b>
	<b>82</b>	<b>P 732,295,920</b>	<b>923</b>	<b>P 29,020,093</b>	<b>955</b>	<b>P 761,316,013</b>

12.5 As shown in Table 25, there were 30 contracts amounting to P302.488 million and 327 POs amounting to P12.823 million for procurement of goods, in CO and in RO No. V that were not submitted within the prescribed period of five working days from execution/issuance thereof. Delays in the submission ranged from 1 to 188 days reckoned from the time the same were supposed to have been received by the respective Audit Teams.

12.6 Moreover, an undetermined quantity of contracts and 44 POs of undetermined total amount were not submitted at all to the Audit Team in CO. It could not be ascertained whether all of the 44 POs were issued or eventually cancelled due to absence of information thereon. In RO No. XIII, 13 contracts with amounts accumulating

to P42.913 million were not submitted to the concerned Audit Team as at December 31, 2016 while POs were not provided at all to the Audit Team of RO No. V for the period January to May 2016.

12.7 Further, in CO, the 552 POs, shown in Table 25, have no information whether goods were delivered to and accepted as these were not all supported with either NoDs or IARs. The NoDs if submitted were only supported with copies of Sales/Charge Invoices (S/CIs) or, at times, Delivery Receipts (DRs). Although the S/CIs or DRs contained an acknowledgment from CO 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.

12.8 In RO No. IV-A, bidding documents, annexes of the contract for procurement of various coconut seedlings and fertilizers totaling P10.948 million were not submitted or attached to the DVs.

12.9 Consequently, the non-submission or delayed submission of contracts and POs and supporting documents, absence of NoDs and IARs deterred the conduct of timely review and evaluation of procurements made by the Agency, 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 cast doubt whether the same were in conformity with the required specifications and duly accepted. Thus, early recognition and detection of defects and/or deficiencies, if any, could not be rectified immediately, to the disadvantage of the government.

12.10 On the other hand, review showed that the requirements for post qualification of 10 winning bidders awarded with 17 contracts by RO No. VIII for procurement of agricultural inputs costing P136.705 million which consisted, among others, of PhilGEPS certificate, tax clearance, mayor's permit, certificate of registration (CR) from Bureau of Plant Industry (BPI) were either not submitted or have already expired before awarding of the contracts or during contract duration. As such, said documents should have been renewed and correspondingly replaced by the suppliers either prior to the award of the contract or completion of contract.

12.11 Further, there were no Notices of Post Qualification to all bidders with the Lowest Calculated Responsive Bid/Single Calculated Responsive Bid.

12.12 In the case of Coronado's Farm Plant Nursery, the supplier should have been disqualified outright considering that it was blacklisted as of January 29, 2016. However, the supplier was still awarded with contract amounting to P11.986 million on February 4, 2016 by PCA Region VIII.

12.13 The non-submission of new/renewed clearances, permits, among others, rendered the documents previously submitted invalid while absence of the same may pose risks that the suppliers might have no permits to operate throughout the contract duration.



**12.14 We recommended that Management require the BAC of CO and concerned ROs to:**

- a. Ensure the timely submission of contracts, POs, as well as, NoDs, and IARs and all supporting documents as required in COA Circular Nos. 2009-001 and 2009-02 dated February 12, 2009 and May 18, 2009, respectively, to give ample time to the Audit Teams in conducting review and evaluation of the procurements made by the Agency.**
- b. Disqualify the award of the contract to the bidder who fails to submit any required document during post qualification and/or those who submit invalid documents, pursuant to Section 34.5 of the Revised IRR of RA No. 9184; and**
- c. Issue the Notice of Post Qualification to the Lowest Calculated Responsive Bid/Single Calculated Responsive Bid pursuant to Section 34.4 of the Revised IRR of RA No. 9184.**

**12.15 Management submitted the comments of concerned ROs:**

- a. RO No. XIII commented that the BAC Chairman already assigned the task to the BAC Secretariat that can better keep track of timely submission of perfected contract to the Audit Team.
- b. RO No. VIII explained, among others, that the requirements such as PhilGEPS certificate were submitted during bidding process while tax clearance, mayor's permit, CR from BPI submitted by suppliers were not yet expired during and prior to the opening of bids.
- c. RO No. V, the BAC Secretariat submitted copy of bid documents as well as the NTP within the timeframe, however, the original documents like the Notice of DR and IAR are submitted after the deliveries have been completed.

12.16 As a rejoinder, the concerned Audit Team agreed that the PhilGEPS certificates, tax clearances, mayor's permits of the winning bidders of RO No. VIII were valid during the opening of bids, but the same have expired during contract implementation; thus, the suppliers should have been required by Region VIII to submit renewed PhilGEPS certificates, mayor's permits and tax clearances. As regards the submission of bid documents by RO No. V, the concerned Audit Team emphasized that the contracts were submitted late by the said Region.

**13. In RO Nos. VI and VIII the conduct of the pre-procurement conference by the BAC prior to the advertisement or issuance of the Invitation to Bid (ITB) for 35 contracts of YRRP and Coconut Fertilization Project totaling P227.504 million as required under Section 20 of the Revised IRR of RA No. 9184 could not be established due to the absence of the minutes of meeting, thus, there was no evidence as to what have transpired during the conference especially on significant matters that are necessary in the next phase of the procurement process. Also, in RO No. XIII, the BAC did not prepare and submit Procurement**

**Monitoring Report (PMR) to the Government Procurement Policy Board (GPPB), as required under Section 12.2 of the IRR of same RA, thus, there was no assurance that all procurement activities have been conducted as scheduled and pursuant to the provisions of the law and its IRR.**

13.1 Section 20 the Revised IRR of RA No. 9184 provides that:

*20.1 Prior to the advertisement or the Issuance of the Invitation to Bid xxx for each procurement undertaken through a competitive bidding, the BAC, through its Secretariat, shall call for a pre-procurement conference. The pre-procurement conference shall be attended by the BAC, the Secretariat, the unit or officials, including consultants hired by the Procuring Entity, who prepared the Bidding Documents and the draft Invitation to Bid xxx for each procurement. During this conference, the participants, led by the BAC, shall:*

- a. Confirm the description and scope of the contract, the ABC, and contract duration;*
- b. Ensure that the procurement is in accordance with the project and annual procurement plans [APPs];*
- c. Determine the readiness of the procurement at hand, including, among other aspects, xxx*
- d. Review, modify and agree on the criteria for eligibility screening, evaluation, and post-qualification;*
- e. Review and adopt the procurement schedule, including deadlines and timeframes, for the different activities; and*
- f. Reiterate and emphasize the importance of confidentiality, in accordance with Section 19 of this IRR, and the applicable sanctions and penalties, as well as agree on measures to ensure compliance with the foregoing.*

*20.2 The holding of a pre-procurement conference may not be required for small procurements, i.e., procurement of Goods costing Two Million Pesos (P2,000,00.00) and below, xxx.*

13.2 Also, Section 12.2 of the IRR of RA No. 9184 provides that:

*The BAC shall be responsible for ensuring that the procuring entity abides by the standards set forth by the Act and this IRR, and it shall prepare a procurement monitoring report [PMR] in the form prescribed by the GPPB. The procurement monitoring report shall cover all procurement activities specified in the APP, whether ongoing and completed, from the holding of the pre-procurement conference to the issuance of notice of award and the approval of the contract, including the standard and actual time for each major procurement activity. The procurement monitoring*

*report shall be approved and submitted by the Head of the Procuring Entity [HOPE] to the GPPB in printed and electronic format within fourteen (14) calendar days after the end of each semester.*

13.3 Review of 35 contracts with total cost of P227.504 million, as shown in Table 26, in RO Nos. VI and VIII disclosed the absence of the minutes of the pre-procurement conference.

**Table 26 – Contracts Executed without Minutes of Pre-procurement Conference**

<b>RO No.</b>	<b>No. of contracts</b>	<b>Total contract amount</b>
VI	14	P 26,459,682
VIII	21	201,043,994
	<b>35</b>	<b>P 227,503,676</b>

13.4 Absence of the minutes of the pre-procurement conference is an indication that the BAC did not conduct pre-procurement conferences, thus there was no evidence as to what have transpired during the conference especially on significant matters that are necessary in the next phase of the procurement process.

13.5 On the other hand, review disclosed that the BAC of RO No. XIII did not prepare a PMR for approval by HOPE and submission to the GPPB within 14 calendar days after the end of each semester, contrary to Section 12.2 of the IRR of RA No. 9184; thus, there was no assurance that all procurement activities, from the holding of pre-procurement conference to the awarding of the contract to the winning bidder, have been conducted as scheduled and pursuant to the provisions of the law and its IRR.

**13.6 We recommended that Management require the BAC and Technical Working Group (TWG) of the concerned ROs to:**

- a. Hold pre-procurement conference and prepare and submit duly approved PMR to GPPB in compliance with the provisions of Sections 12.2 and 20 of the Revised IRR of RA No. 9184; and**
- b. Submit an explanation why there were no pre-procurement conferences conducted for 35 contracts with an aggregate cost of P227.504 million.**

13.7 Management's comments of the concerned ROs are as follows:

- a. In RO No. VI, the current BAC has already been advised to observe the provisions of the Revised IRR of RA No. 9184.
- b. In RO No. VIII, the BAC is regularly conducting pre-procurement conference. For the 21 contracts mentioned, the ABC and commodity to be procured came from the CO through an approved APP. A scheduling of the items for bidding, from PhilGEPS posting up to actual bidding was undertaken by the BAC in those pre-procurement conferences. Proof is the Minutes of the Pre-Procurement conferences conducted and attendance sheet extracted from the logbook.

c. In RO No. XIII, the BAC has already submitted the PMR at the CO on December 29, 2016 as per Memorandum of Deputy Administrator Glenn B. Santos dated December 23, 2016.

13.8 As an audit rejoinder, the concerned Audit Team informed that the minutes of pre-procurement conference of the subject procurement of RO No. VIII have been requested; however, the same were not submitted to the Audit Team. Since, the ABC and commodities procured came from PCA-CO, the concerned Audit Team further recommended that Management of RO No. VIII secure copies of minutes of pre-procurement conference from CO and submit to the Audit Team for audit purposes.

**14. Payrolls used by CO for the payments of salaries, wages, and other emoluments of its officers and employees in the total amount of P55.924 million were not in the prescribed 'general payroll' form under Appendix 33, Government Accounting Manual (GAM), Volume II, thus payments were not certified as to availability of funds, completeness and propriety of supporting documents, and services rendered; not approved by Agency Head or his authorized representative, contrary to applicable provisions of PD No. 1445 and COA Circular No. 2012-001.**

14.1 Section 4 of PD No. 1445 provides for the fundamental principles for government financial transactions and operations, among which, are the following:

*(4) Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.*

*(5) Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.*

*(6) Claims against government funds shall be supported with complete documentation.*

*(7) All laws and regulations applicable to financial transactions shall be faithfully adhered to.*

*(8) Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.*

14.2 For CY 2016, the CO disbursed salaries and wages, personnel economic relief allowance (PERA), representation and transportation allowance (RATA), and other emoluments of its officers and employees in the total amount of P61.877 million. Of the said amount, P5.953 million or equivalent to 9.62 per cent was processed through DVs and paid through checks, while the payments of P55.924 million or equivalent to 90.38 per cent were processed through payrolls and paid through bank transfers directly to the concerned employees' bank account, supported with a letter of PCA instructing and

authorizing the bank to debit the Current Account of PCA and credit the employees' respective bank account.

*Payrolls used were not in the prescribed 'general payroll' form per Appendix 33 of GAM, Volume II*

14.3 Volume II of the GAM prescribes the accounting books, registries, records, forms and reports to be used by government agencies. Appendix 33 thereof, prescribes the payroll form to be used by an agency/entity to pay salaries, wages, PERA, and other monetary benefits to its officers/employees for a specific period of time or on a given date.

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

14.5 The payrolls used by CO for payments of salaries, wages, PERA, and other monetary benefits to its officers/employees were not the prescribed 'general payroll' form, thus the required certifications as to actual services rendered, completeness of supporting documents and availability of funds in the face of the payrolls were not specified therein.

14.6 We appreciate the action taken by Management to implement our prior year's audit recommendation such that the payrolls were already certified by the: (a) Accountant as to cash availability and as to completeness and propriety of the supporting documents, and (b) authorized official as to services rendered by the officers and employees. This year's review, however, showed that the duly-certified 21 payrolls with an aggregate amount of P10.710 million pertained only to the months of November and December 2016 or it represented only about 11.41 per cent of the 184 total payrolls with amounts accumulating to P55.924 million, as shown in Table 26. It was noted further that not all payrolls for November and December 2016 were already properly certified by authorized officials.

**Table 26 - Composition of Payroll Disbursements in CY 2016**

<b>Particulars</b>	<b>No. of Payroll</b>	<b>Amount</b>	<b>%</b>
a. Payrolls certified as to completeness of supporting documents, availability of funds and services rendered by authorized officials	21	P 10,517,290	11.41
b. Payrolls certified correct by authorized official	163	45,406,983	88.59
	<b>184</b>	<b>P 55,924,273</b>	<b>100.00</b>

14.7 Moreover, 163 or 88.59 per cent of the 184 payrolls with total amount of P45.407 million as shown in Table 26, were initialled only by the Accountant and only on the last page thereof, particularly on the net totals, and only when corrections/revisions were made thereon. Moreover, the payrolls were only certified by the authorized officials as to

the correctness thereof, not specifically as to the services rendered by the officers and employees listed therein.

14.8 In the Agency Action Plan and Status of Implementation (AAPSI) submitted by Management on January 5, 2017 on the audit observations and recommendations embodied in the CY 2015 AAR, Management reported, among others, that a memorandum to the Human Resource Division (HRD) has been prepared for compliance with the General Payroll Form. While no copy of that Memorandum had been provided to the Audit Team, audit, nonetheless, revealed that prior year's audit recommendation has not been fully implemented by Management.

14.9 In addition, examination showed that the salaries of officers and regular employees without leave (RWOL) for the months of July and December 2016 in the total amount of P1.080 million were not approved for payment by the PCA Administrator or his authorized representative, thus, contrary to Section 4 of PD No. 1445. While the Budget Utilization Slips (BUSs), supporting the payrolls of the RWOL for the period November 16 to December 27, 2016 in the total amount of P147,513 were not certified as to "funds availability" and as to "necessity of charges to budget, lawful and under his [Supervisor] direct supervision," respectively.

14.10 Absence of proper certifications of the accountant and the authorized official, as well as, the approval of the agency head or his authorized representative put the Agency in disadvantage situation since accountability could only be established for failure to perform their respective duties and responsibilities, as certifying/approving officials of the PCA, but not specifically due to improper or absence of supporting documents, non-availability of cash for the purpose, and non-approval or unauthorized payment of expenditures.

*Payrolls were not supported with complete documents -*

14.11 Section 4.2 of COA Circular No. 2012-001, on the Revised Guidelines and Documentary Requirements for Common Government Transactions, lists down the documentary requirements for the general claims through the Automated Teller Machine (ATM), which include the Salary Payroll and Payroll Register (hard and soft copy).

14.12 Verification disclosed that the prior year's audit recommendation requiring Management to support payrolls with complete and proper documents has not been complied with. In particular, 176 payrolls aggregating P55.882 million were still not supported with bank-received and soft copy of Payroll Registers (PyRs). Said payrolls were still supported only with Data Base Report (DBR) instead of PyRs duly received by depository bank of the Agency, notwithstanding the comment of the Audit Team that the DBR could not substitute the PyR, in view of the differences between the two subject documents, as summarized in Table 27.

14.13 The non-submission to the Audit Team of the PyRs casts doubt on the accuracy and validity of payments of the 176 payrolls in the total amount of P55.882 million. Likewise, there was no assurance that the personnel named in the payrolls were the same recipients of the amounts that were credited by Land Bank of the Philippines (LBP).

**Table 27– Difference between DBR and PR**

<b>DBR</b>	<b>PyR</b>
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 (DA), Administrative 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 received by the bank	c. Transmitted to LBP, together with the soft copy and stamped 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

*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*

14.14 Review of payrolls revealed that the HRD still 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 of the payroll for the second half of the month disclosed that several adjustments/alterations were still 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 that for the second half of the month.

14.16 Alterations/adjustments made after the payrolls had been processed cast doubt on the reliability, accuracy and veracity of the aforementioned documents.

*Proper cut-off and form were not observed in the processing of payrolls while adjustments/alterations resulted in multiple-generated total payroll deductions and discrepancies*

14.17 While reviewing signatories affixed their initials 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. Notwithstanding, the adjustments/alterations consequently resulted in multiple generation of total deductions, as well as, discrepancies, when the recomputed difference between total earnings and total net pays was compared with either of the total reported deductions.

14.18 Further, comparison of the RWOL and contractual employees total gross pay for the period January to December 2016, between payroll and JEV, still resulted in discrepancies in the total amount of P0.674 million, as shown in Table 28.

**Table 28 – Difference in gross pay between JEV and Payroll**

Personnel	Period	Gross Pay		Difference
		JEV	Payroll	
RWOL	January-December 2016	P 1,409,357	P 1,465,062	P ( 55,705)
Contractual	January-November 2016	12,126,295	12,744,961	(618,666)
		<b>P 13,535,652</b>	<b>P 14,210,023</b>	<b>P (674,371)</b>

14.19 As already noted in the prior year, the 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. Notwithstanding that 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, the same were, however, not summarized and not classified as to nature/object of expenditures. It should be mentioned also that the payroll of PCA had been presented in a format that was similar to that of individual employees' respective payslips. Hence, expeditious computation of the total amount of each nature/object of expenditures, as well as, comparison of total gross pay per payroll and per JEV could hardly be facilitated; thereby, accuracy and reliability of the recorded amounts could not likewise be immediately established.

14.20 In view of the foregoing variances/differences/discrepancies, the reliability, accuracy, and veracity of the payrolls are significantly affected.

*Indexes of Payments were not maintained (IoPs)*

14.21 As observed in the prior year, the Accounting Division still does not maintain IoPs, showing all payments made to each employee. The Audit Team was instead provided with the SLs which are, however, not updated and do not contain bank-payroll payments. Thus, monitoring of prior payments of the same claim or inconsistencies could not be immediately determined and the incurrence of double payments for the same claims or errors are probable.

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

14.22 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.*

14.23 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.



14.24 Annex D of the Governance Commission for Government-Owned and Controlled Corporation (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.

14.25 As previously mentioned, the 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 implied a weakness in the internal control system because there is no check and balance of data entered into the payroll system.

14.26 In view of the foregoing deficiencies noted in the audit of payrolls, the accuracy, validity, and reliability of the accounts affecting the payments of payrolls for CY 2016 in the total amount of P55.924 million could not be ascertained.

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

**a. Require the Division Chief III, CO Accounting Division to:**

**a.1 Use the prescribed 'general payroll' form to ensure that the payments are duly certified as to the availability of cash, propriety, and completeness of supporting documents and that the services are actually rendered, and duly approved by the Agency Head or authorized representative;**

**a.2 Maintain and update the IoPs and SLs for every payment made to each employee; and**

**a.3 Establish/strengthen internal control in the preparation and processing of payrolls;**

**b. Instruct/advise the 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 prescribed format; 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.**

**15. Quarterly reports on the grant received from Government of Japan through the Japan Asean Integration Fund (JAIF) amounting to USD758,294 or P33.828 million and expenditures or disbursements thereon were neither submitted to the Audit Team nor posted on the Agency's website, contrary to Section 6 of General Appropriations Act (GAA) of FY 2016, thereby, precluding expeditious and complete review, as well as, transparent reporting of the Grant. Further, no report of expenditures had been maintained by PCA on its counterpart fund of USD25,800, which would indicate that PCA has not adopted the counter-parting scheme aimed to foster project ownership, hence, inconsistent with Item 2.B.4 of the Project Document of the Grant.**

15.1 The last paragraph of Section 6 of GAA for FY 2016, which was also stated in Sections 5 and 4 of GAAs for FYs 2014 and 2015, respectively, provides that:

*The donee-agency concerned shall submit to the xxx COA, either in printed form or by way of electronic document, quarterly reports of all donations received, whether in cash or in kind, and expenditures or disbursements thereon. The head of the agency concerned and the agency's web administrator xxx shall be responsible for ensuring that said quarterly reports are likewise posted on the agency's website.*

15.2 In a letter dated August 29, 2013, then Secretary of DA submitted to the Embassy of Japan in the Philippines the enhanced proposal of the PCA on "Strengthening of the Smallholder Coconut-Based Industries Project" (SSCIP) for possible funding support under the JAIF. The two-year Project is a development effort in cooperation with concerned Local Government Units (LGUs) in Mindanao towards reducing the poverty incidence in the countryside and spurring agribusiness and multi-sectoral partnerships. It shall be implemented in partnership with the coconut farmers' organizations or cooperatives through the establishment of coir processing facilities; institutional strengthening and capacity building through training and cooperative integration; marketing assistance by way of providing them an avenue to link with institutional buyers and/or exporters and forge marketing agreements with target market for coir and its by-products both public and private entities. The Project will establish two model coco coir processing facilities with a capacity of 24,000 husks per day in Northern Mindanao (Region No. X) and in CARAGA (Region No. XIII). Said proposed Project had a total funding requirement of USD851,319 to be shouldered by JAIF, PCA, and partner LGUs/cooperatives (coop), breakdown of which is summarized under Table 30 of Item 9 of Project Document of SSCIP, and presented in Table 29 hereof.

15.3 The aforesaid counter-parting scheme is consistent with Item 2.B.4 of Project Document, which states that:

*Xxx. **Counter-parting** scheme will also be adopted to foster project ownership. The Government of the Philippines, specifically the DA-PCA, selected partner LGUs and cooperatives will be required to provide counterpart for the project xxxx*

Table 29 - Summary of Budget by Major Activity and Funding Source

PARTICULARS	TOTAL FUNDS (USD)	FUNDING SOURCES (USD)		
		JAIF	DA-PCA	LGU/COOP
<b>PROGRAMME/ACTIVITY</b>	<b>674,810</b>	<b>588,510</b>	<b>19,080</b>	<b>67,220</b>
- Airfare	3,750	3,750	-	-
- Local Travel	6,750	3,750	3,000	-
- Per Diem	28,140	12,060	16,080	-
- Training Package	26,250	26,250	-	-
- Consultant/Expert	144,000	144,000	-	-
- Infrastructure	237,500	207,500	-	30,000
- Machineries/Equipment	186,200	186,200	-	-
- Working Capital	42,220	5,000	-	37,220
<b>OPERATIONAL COST</b>	<b>135,970</b>	<b>129,250</b>	<b>6,720</b>	<b>-</b>
- Administrative	14,170	7,450	6,720	-
- Personnel	121,800	121,800	-	-
<b>CONTINGENCY (5%)</b>	<b>40,539</b>	<b>40,539</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>851,319</b>	<b>758,299</b>	<b>25,800</b>	<b>67,220</b>
<b>% Share</b>	<b>100%</b>	<b>89.07%</b>	<b>3.03%</b>	<b>7.90%</b>

15.4 Annex 5 of the Project Document disclosed the detailed budget by expense item, by funding source, among which, are the following:

- a. Airfare of USD3,750 pertains to the attendance of participants to the training, all charged to JAIF;
- b. Per diem of USD28,140 comprises: (i) local training of USD12,060 charged to JAIF; and (ii) regular project coordination/monitoring of USD16,080, charged to PCA;
- c. Local travel of USD6,750 comprises: (i) transportation expenses of USD3,750 for attendance to training, charged to JAIF; and (ii) regular travelling expenses of USD3,000 for coordination/monitoring, charged to PCA; and
- d. Administrative expenses of USD14,170 include: (i) cost of computers, LCD projector, and office supplies of USD7,450 charged to JAIF; and (ii) communication (internet and mobile) expenses of USD1,920 and vehicle maintenance of USD4,800 charged to PCA.

15.5 Further, Item 7.d of the Project Document provides that:

*– Xxx. Disbursement of JAIF funds for the project will follow regular government accounting rules and regulations. The Commission on Audit (COA), xxx, has the power, authority and duty to examine, audit and settle all accounts and expenditures of the funds and properties of the Philippine Government. Xxx. Audited financial report will be submitted by PCA to the Embassy of Japan in Manila.*

15.6 The Embassy of Japan in Manila issued Note Verbale No. 610-13 dated December 26, 2013 informing the Department of Foreign Affairs that the Government of Japan approved the SSCIP to be funded by JAIF in the amount of USD758,299. Said Note Verbale was transmitted to then PCA Administrator Forbes in a letter of even date with a request to the latter that a new bank account be opened for the purpose. Hence,

the Governing Board of PCA approved, in its Board Resolution No. 008-2014 dated January 16, 2014, the opening of a dollar account at PCA's depository bank for the aforesaid Project. The amount of USD758,294 was subsequently deposited to the said account on February 19, 2014 and was aptly booked in local currency amounting to P33.828 million (USD\$1 = P44.611 exchange rate).

15.7 A report on the receipt, as well as, disbursements/expenditures on SSCIP was, however, neither submitted to the Audit Team nor posted on the website of the PCA. It is worth mentioning that the submission and posting of the said report had already been recommended in the prior year. Also, the Audit Team requested for the submission thereof in its letter dated March 9, 2017. However, both the audit recommendation and request had not been acted upon as at audit date; thus, inconsistent with Sections 5, 4, and 6 of GAAs for FYs 2014, 2015, and 2016, respectively, and precluding timely audit and rendering of audited financial report, as required under Item 7.d of the Project Document, as well as transparent reporting of the Grant.

15.8 Notwithstanding the non-submission and non-posting of the quarterly reports of the grant received and the disbursements/expenditures thereon, examination, however, of available documents disclosed the following deficiencies:

a. The Foreign-assisted Project Profile, attached to the COB for the CYs 2014-2017, showed that the Project started in April 2014 and expected to be completed in December 2015. As at December 31, 2016, the Budget Division, however, reported that the Project fund has still an outstanding balance of P6.569 million, which was reprogrammed in CY 2017, an indication that the Project has not been completed as scheduled. While the Project Preliminary Report, albeit unsigned and undated, provides for the issues encountered by RO Nos. X and XIII, which could be the factors that contributed to the delay in implementing the Project, the same, however, could not be validated in view of inadequate details thereof.

b. Total funds withdrawn from the aforesaid USD account in the total equivalent peso amount of P31.388 million were transferred to the Corporate Fund account before the same was disbursed as payment of expenses of the CO or as fund transfer to RO Nos. X and XIII accumulated to USD705,297 or equivalent to P30.624 million. Review of the said disbursements from the Corporate Fund account, however, could not be facilitated in view of absence of reference documents thereof, e.g., respective issued check numbers and dates.

c. As at December 31, 2016, total outstanding balance of the Project fund of these ROs amounted to P4.678 million. Disbursements/utilizations thereof in the total amount of P25.946 million, however, could not be validated as no report had been submitted thereon as at audit date. Further, there was no information whether a similar report had been submitted to the respective Audit Teams of the concerned ROs for audit.

d. While a request for realignment of budget items had been made to the OIC-Administrator as early as July 5, 2016, said request was transmitted by the then PCA Administrator only on December 7, 2016 and thereafter approved by the PCA Governing Board, in its Board Resolution No. 129-2016 dated December

12, 2016. Notwithstanding that further approval from the Embassy of Japan is yet to be sought by PCA for the said realignment, PCA had already obligated the amount of P30,900 for furniture and fixtures, which P50,000 budget was sourced from the realigned budget for Other Professional Services expense account, thus, casting doubt on the validity thereof.

e. There was no duly-supported information provided as to how many times the detailed budget in the Project Document had been realigned and whether the realignment thereof was duly approved by the Government of Japan in the light of the following pertinent observations:

e.1 The only revised Work and Financial Plan (WFP) presented to the Audit Team pertained only to the Summary of WFP prepared by the Budget Division for the reprogramming of CY 2016 fund balances, which amounted to P6.330 million. It was noted, however, that expenditure items, which were not included in Annex 5 of the Project Document and in the first WFP, have been added in the aforesaid Summary, such as: printing and publication, other maintenance and other operating expense (MOOE), disaster response and rescue equipment, and office equipment. Further, it could not be ascertained as to which expenditure items had been realigned to accommodate the aforesaid additions.

e.2 No information was provided on the nature of funds withdrawn from the USD account in the peso equivalent of P97,885, thus, casting doubt on the validity and propriety of the aforesaid transaction.

e.3 No information was provided on the nature of the travelling expenses incurred by the officials and employees of PCA in the total amount of P60,400 charged to JAIF fund. Unless their travels were made in connection with their attendance to the trainings for the SSCIP, said expenses should have been charged to PCA budget, as their counterpart fund, in accordance with Annex 5 of the Project Document.

e.4 Cost of meals in the amount of P8,540 served to technical, bookkeepers, and administrative staff of RO Nos. X and XII during their meeting on June 8-10, 2016 when neither in the first WFP nor in the Annex 5 of the Project Document specifically provides for the same either under JAIF fund or PCA counterpart fund. Albeit, no details were provided as to the purpose of the meeting, said expense had been charged to Other MOOE, as provided in the Summary of WFP. Further, it is worth mentioning that RO No. XII is not a party to the Project.

e.5 Cost of cellular cards in the total amount of P3,874 were charged to the JAIF fund, contrary to Annex 5 of the Project Document that the same should be charged to PCA counterpart fund.

e.6 Cost of camera in the amount of P20,800 was charged to JAIF fund when neither in the first WFP or in Annex 5 of the Project Document specifically provides for the same either under JAIF fund or PCA counterpart fund. It should be noted that the allocation for office/information and communication technology (ICT) equipment in the amount of P129,200 had been provided in the Summary of WFP. However, it could not be

ascertained whether the same pertained solely to the unobligated cost of computers and LCD projectors as no report was provided for the details of the Summary of WFP.

15.9 In view of the foregoing observations, the Audit Team was precluded from ascertaining the validity, accuracy, and propriety of transactions relative to the implementation of the SSCIP.

**15.10 We recommended that Management direct the concerned personnel to prepare and submit the following supporting documents to the respective Audit Teams of CO and concerned ROs for audit purposes:**

- a. Quarterly reports on grant/donation received and expenditures or disbursements thereon and ensure the posting thereof on the website of PCA, pursuant to Sections 5, 4 and 6 of GAAs for FYs 2014, 2015 and 2016, respectively;**
- b. Report of disbursements on PCA-counterpart fund of USD25,800; and**
- c. Budget realignment duly approved by the Government of Japan.**

**15.11 We further recommended that Management, henceforth, ensure that realigned project funds be duly approved by the source/donor agency prior to obligation and disbursement thereof and strictly comply with the conditions and requirements set in the MOA.**

15.12 Management submitted to the Audit Team on June 22, 2017 the Accomplishment Reports for JAIF for CYs 2014-2016 in compliance with the audit recommendations. They commented that counter-parting scheme will be implemented in CY 2017. Also, a meeting with a representative from Embassy of Japan will be held to discuss, among others, the realignment of JAIF funds.

15.13 As a rejoinder, we acknowledge the submission of the Accomplishment Reports for JAIF for CYs 2014-2016 which shall be subject for audit/further verification.

**16. Shares of the municipalities/barangays from permit fees collected by RO Nos. IV-A and I-IV-B from the cutting of coconut trees totalling P5.842 million remained unremitted to the concerned local government units (LGUs), while the amount of P2.706 million was remitted late by RO No. V, contrary to the provisions of RA No. 8048, thereby denying the concerned LGUs with the immediate use of said funds for purposes embodied under the said Act. Likewise, remittances by RO No. V amounting to P3.810 million were not supported with Official Receipts (ORs), thus validity of remittance could not be ascertained.**

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

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

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

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

16.3 Also, 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 fee. Xxx*

16.4 The Due to LGUs account is used in recording shares of the municipalities and barangays from collections of permit fees imposed by PCA for every coconut tree being cut.

16.5 As at December 31, 2016, in RO Nos. I-IV-B and IV-A, the unremitted LGUs' shares from permit fees amounted to P5.352 million and P0.490 million, or totalling P5.842 million. The unremitted LGUs' shares by RO No. I-IV-B had been outstanding from more than three months to three years. Inquiry disclosed that timely remittances to the concerned LGUs could not be made, since the actual amount due for remittances to LGUs were determined and computed based on the Quarterly Coconut Cutting Reports which were submitted late by the PCDMs. However, review revealed that the Collection Reports/Cash Receipts Register submitted by the concerned Collecting Officers provided information on details and breakdown of collections/receipts such as permit to cut fees. Thus, the shares of LGUs could have been easily determined had the RO maintained SLs for Due to LGUs account.

16.6 As regards the unremitted amount by RO No. IV-A, this pertained to permit fees collected in CYs 2011-2014. The Accountant of RO No. IV-A explained that, although the submission of the required data was made regularly by the respective PCDMs, there were still unremitted shares as they have yet to determine the proper LGUs to which these shares are to be remitted, due to the fact that the same were not indicated in the invoice receipt funds and were not supported with SLs.

16.7 Moreover, in RO No. V, the total remittances made to LGUs amounted P7.654 million, P2.706 million of which or 35.35 per cent was remitted beyond 90 days from collection thereof while remittances of P3.810 million or equivalent to 49.78 per cent

were not supported with ORs as proof that the remittances were duly received/acknowledged by the concerned LGUs.

16.8 The delayed/non-remittance of their shares on the permit fees denied the LGUs of immediate use of the funds for their replanting program and the repair and rehabilitation of road/s, which have been damaged by heavy vehicles used for transporting coconut lumber.

**16.9 We recommended that Management require the Accountants and PCDMs of concerned ROs to:**

- a. Maintain SLs for Due to LGUs account and remit the LGUs' shares to concerned municipalities and barangays within three months from the receipt of the cutting permit fees, in compliance with Section 2 of RA No. 10593 and Section 34(c), Article VII of AO No. 1, Series of 2013; and**
- b. Submit the Quarterly Coconut Cutting Reports on timely manner to ensure prompt remittance 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.**

16.10 Management's comments of concerned ROs are as follows:

- a. RO Nos. I-IV-B explained that there is no SL maintained for each municipality and barangay for collections under RA No. 8048 considering that the monthly collection report is consolidated by the cashier per province. Maintaining SL for every municipality and barangay is hard, since there are 102 municipalities and 1,610 barangays in the Provinces of Mindoro, Marinduque, Romblon and Palawan (MIMAROPA), Cagayan and Aurora. Thus, maintaining SLs up to barangay level entails much work, time and effort with limited workforce in the Accounting Unit. Instead, they will require all PCDMs including the cashier to submit a monthly Coconut Cutting Report per municipality and barangay based on the monthly collection report for easy monitoring and reconciliation. At the end of each quarter, the cashier will consolidate the three-month report which is the Summary of Collections, as basis for quarterly remittance to LGUs under RA No. 8048. The lump sum quarterly remittances to each province could be reconciled by the Accounting Unit based on the total collections under RA No. 8048 for the three-month period, thus there is no need to maintain SLs.

Further, they explained that quarterly remittances to some LGUs are not practical considering the amount is small and, to save cost, they limit the remittances of at least P5,000 for island municipalities and P1,000 for non-island municipalities.

- b. RO No. IV-A informed that they are now processing the remittance to different municipal treasurers' offices for the unremitted shares for CYs 2011-2014.

- c. RO No. V assured to implement the audit recommendation and commit to timely remit to concerned LGUs their shares from cutting permit fees and to



submit the ORs to the concerned Audit Team which are in the custody of the Cashier.

16.11 As a rejoinder, the concerned Audit Team reiterated that the Accounting Unit of RO Nos. I-IV-B should maintain SLs for every LGU to facilitate timely remittance.

**17. Collections of RO No. IV-A totalling P0.628 million were undeposited and unrecorded as at cash examination date on November 9, 2016, due to the failure of the Accountable Officer to comply with Section 69 of PD No. 1445 and Item 32, Chapter II of the Revised Cash Examination Manual; thus, resulting in a cash shortage.**

17.1 Pertinent provisions of PD No. 1445, provides that:

*Section 69 - Public Officers authorized to receive and collect moneys arising from taxes, revenues or receipts of any kind shall remit or deposit intact the full amounts so received and collected by them to the treasury of the agency concerned and credited to the particular account to which the said money belongs.*

*Section 101 –*

*(1) Every officer of any government agency whose duties permit or require the possession or custody of government funds shall be accountable there for and for the safekeeping thereof in conformity with law.*

*(2) Every accountable officer shall be properly bonded in accordance with law.*

17.2 Likewise, Item 32, Chapter II of the Revised Cash Examination Manual provides:

*All COs shall deposit intact all their collections, as well as collections turned over to them by sub-collectors/tellers, with authorized government depository bank (AGDB) daily or not later than the next banking day. xxx. They shall record all deposits made in the [Cash Receipts Record] CRR.*

17.3 During the cash count on November 9, 2016, the PCDM, Laguna PrO, RO No. IV-A was not able to produce and present his cash and cash items, if any. A cash shortage in his accountabilities in total amount of P0.628 million was established by the concerned Audit Team, which represented his collections for the period April 4, 2016 to November 4, 2016 covering OR Nos. 4796874 to 4797100 and 1559651 to 1550694. On November 22, 2016, the PCDM restituted the total shortage and submitted a written explanation why such shortage occurred, in response to the demand letter issued by the Audit Team.

17.4 During the examination of the PCDM's accountabilities, the following deficiencies were noted:

- a. The functions of collecting and depositing of collections were actually performed by the Contract of Service (CS) personnel who is not bonded. Incidentally, the CS personnel was on leave at the time of cash examination on November 9, 2016. Notwithstanding, the PCDM did not immediately give reports and documents to the Audit Team as he was not sure if these were updated;
- b. Collections were kept inside the locked drawer of the CS personnel;
- c. No Cashbook or CRR is maintained, instead columnar notebooks with no headings were used in lieu of cashbooks, where the last entry recorded therein was on August 11, 2016 for collection under OR No. 4796803;
- d. The PCDM did not sign the monthly certifications as to his cash balances from January 2015 to July 2016;
- e. The dates of the ORs with serial numbers 4791701 to 4796873 for the period December 9, 2015 to November 4, 2016 were tampered; that is, original dates were handwritten, while the dates when the same were reported/taken up in the columnar notebooks were rubber stamped;
- f. Check No. 0051832616 dated April 29, 2016, received on May 5, 2016 under OR No. 4796912 amounting to P40,000, was replaced with Check No. 0051832775 dated November 19, 2016;
- g. The PCDM neither maintains a register of accountable forms nor prepare the Monthly Report of Accountability for Accountable Forms (MRAAF), showing the movement and status of accountable forms in his possession, thus, verification of collections and Official Receipts could not be immediately undertaken at any given period.
- h. The complete address of the payors were not indicated on the application forms for payment of registration, transport, cutting, certification and other fees, making it difficult for the Audit Team to confirm the payments from the payors.

17.5 In view of the materiality of the amount of the cash shortage amounting to P0.628 million, notwithstanding the same was fully restituted, the Audit Team deemed that the AO is still liable for neglect of duty as he allowed the CS personnel to perform the collections function.

**17.6 We recommended that Management: a) file immediately appropriate charges against the concerned PCDM; and b) instruct the Regional Manager, RO No. IV-A to require the new PCDM, Laguna PrO to maintain cashbook, deposit all collections intact and daily, perform the cashiering functions instead of delegating to CS personnel, and prepare MRAAF.**

17.7 Management informed that the Administrative and Personnel Discipline Hearing Committee recommended that formal charges be filed against the concerned PCDM for

neglect of duty and grave misconduct pursuant to Revised Rules on Administrative Cases on the Civil Service, in relation to malversation of public fund or property under the Revised Penal Code.

17.8 As a rejoinder, the concerned Audit Team appreciates Management action to file administrative charges against the concerned PCDM.

## IMPLEMENTATION OF PROJECTS

*Yolanda Recovery and Rehabilitation Program (YRRP) -*

**18. Government resources allotted for the YRRP amounting P2.453 billion were not properly accounted for and safeguarded due to: a) absence of fund utilization reports (FUR); b) prioritization of other projects over YRRP projects; c) utilization of YRRP fund for non-YRRP activities; d) availment of the services of PITC, as procurement agent, and non-provision in the MOA of specific timelines in the procurement; e) lack of monitoring in the implementation of projects with partner agencies; and f) poor planning which consequently resulted in delayed implementation and low implementation rate of projects, thus, deprived the intended beneficiaries of the timely benefits that should have been derived from these projects. In addition, payments of cash for work incentives by RO Nos. VII and VIII amounting P0.130 million and P5.814 million, respectively, or totaling P5.944 million were highly questionable since the recipients farmer-beneficiaries are dubious.**

18.1 Under Section 3(l) of RA No. 10121 entitled, “An Act Strengthening the Philippine Disaster Risk Reduction and Management System, Providing for the National Disaster Risk Reduction and Management Framework and Institutionalizing the National Disaster Risk Reduction and Management Plan, Appropriating Funds therefor and for other Purposes”, the “disaster response” is defined as follows:

*the provision of emergency services and public assistance during or immediately after a disaster in order to save lives, reduce health impacts, ensure public safety and meet the basic subsistence needs of the people affected. Disaster response is predominantly focused on immediate and short term needs and is sometimes called “disaster relief.” [Underscoring supplied]*

18.2 Proclamation No. 682, Series of 2013, was issued, declaring a State of National Calamity and directing all departments and other concerned government agencies to implement and execute recovery, relief, and rehabilitation work in the areas devastated by Typhoon ‘Yolanda’ on November 8, 2013. In response to the said Proclamation, the PCA, in its letter dated December 20, 2013, submitted to the DBM its Plan and Budget, as well as, the corresponding Physical Target and Budget for the period covering December 2013 to third quarter of the CY 2014, for the implementation of its YRRP. Said documents were submitted in support of the request of PCA for the release of funds in the total amount of P2.869 billion.

18.3 On January 14, 2014, PCA received from the DBM, through the Bureau of the Treasury (BTr), a total amount of P2.869 billion, representing subsidy for the Coconut Rehabilitation Program of the Yolanda Recovery and Rehabilitation Plan. Simultaneous with the receipt of YRRP fund, Memorandum Circular (MC) No. 01, Series of 2014, was issued by the former PCA Administrator to provide the detailed procedure for the rehabilitation plan that will address the widespread and severe damage wrought by the typhoon. The MC also laid out, among others, the project components of YRRP, its objectives, and the action needed, as shown in Table 30.

**Table 30 – Objectives of the Project Components of YRRP**

<b>Project</b>	<b>Action</b>	<b>Objective</b>
CTDU	Immediate	To prevent the possible occurrence of rhino beetle infestation as coconut could be potential breeding ground for rhinoceros beetle if not properly disposed within a six-month period.
ILPDP	Immediate	To augment income of coconut farmers, enhance food supply and mitigate hunger.
CPRP	Immediate	To replace totally damaged coconut trees.
Fertilization	Long term	To rehabilitate damaged coconut trees with relatively high chances of recovery.

*CTDU- Coconut Timber Disposal and Utilization*

*ILPDP- Intercropping and Livestock and Poultry Dispersal Project*

*CPRP- Coconut Planting and Replanting Project*

18.4 As also stated in the aforesaid MC, an immediate action had a timeline of one year, that is, from December 2013 to December 2014, while long term action started on January 2014, but without target date of completion. Nonetheless, the observations noted in the audit of YRRP fund are discussed in the succeeding paragraphs.

*Delayed and low implementation rate of YRRP projects*

18.5 Notwithstanding the immediate action required for three component projects of YRRP, only two of which were fully completed, albeit one to two years delayed. Also, the low implementation rate of 29.43 per cent for ILPDP suggested that the objectives of augmenting the income of coconut farmers, enhancing the food supply, and mitigating hunger had not been achieved within the targeted timeframe. As such, it appeared that Management did not consider the significance of a quick disaster response, particularly, for typhoon 'Yolanda' victims. Shown in Table 31 is the comparison of targets and accomplishments, as extracted from the CY 2016 Program/Projects Accomplishment Reports submitted on March 23, 2017.

**Table 31 – Comparison of Target and Accomplishments**

<b>Project</b>	<b>Timeline</b>		<b>Quantity</b>		<b>% of Accomplishment</b>	<b>Farmers benefited</b>
	<b>Target</b>	<b>Accomplished</b>	<b>Target</b>	<b>Accomplished</b>		
CTDU	Dec 2013 to Dec 2014	CY 2014 to 2015	10 million trees to be cut/ processed	10 million trees cut/processed	100.00	29,947
ILPDP	Dec 2013 to Dec 2014	CY 2014 to CY 2016	282,000 hectares to be intercropped	82,986 hectares intercropped	29.43	85,261
CPRP	Dec 2013 to Dec 2014	CY 2014 to CY 2016	100,000 hectares to be planted	100,907 hectares planted	100.91	21,858
Fertilization	January 2014 onwards	CY 2014 to CY 2016	282,000 hectares to be fertilized	41,150 hectares fertilized	14.59	17,121
						<b>154,187</b>

*Absence of detailed FUR*

18.6 As at December 31, 2016, the Statement of Allotment, Obligations, Utilizations, and Balances (SAOUB) provided by the Budget Division showed that total obligation amounted to P2.360 billion. However, total reported utilization of P2.453 billion was conversely higher by P92.537 million. Consequently, the unobligated balance of P508.644 million was higher than the unutilized balance of P416.107 million by the same unreconciled discrepancy of P92.537 million. Notwithstanding the discrepancy noted, no FUR was submitted for YRRP, as well as, all other programs, projects, and activities (PPAs) of PCA. Said FURs had long been repeatedly requested by the Audit Team and included in the prior year's audit observations. Absence of FURs, particularly for YRRP casts doubt whether the total amount of P2.453 billion, representing 85.49 per cent of total project fund of P2.869 billion, was utilized in accordance with the intended purpose of the fund, as well as, whether the financial accomplishments correspond to the physical accomplishments of the YRRP projects.

*YRRP fund of P795.546 million was used in the implementation of non-YRRP projects*

18.7 A total amount of P795.546 million, representing 27.73 per cent of the total YRRP fund of P2.869 billion, was used in funding the regular projects of PCA. Said inter-fund borrowing was caused by DBM's non-release of Notice of Cash Allocation (NCA), in view of high total cash level resulting from underspending of the subsidies received by PCA. It appeared, thus, that the implementation of regular projects was prioritized over YRRP projects, which was corroborated by the fact that PCA incurred delays in implementing the YRRP projects, notwithstanding the emergency nature thereof.

*Cost of non-YRRP activities amounting to P0.706 million charged to YRRP fund and incomplete submission of documents supporting expenses of P1.674 million*

18.8 Records showed that CO incurred expenses for professional services of 11 project personnel in the total amount of P1.553 million charged to YRRP fund in CY 2016. Review, however, disclosed that said disbursements were without the supporting accomplishment reports for CY 2016 while expenses of P121,353 were not supported with respective service contracts for the month of July 2016, thus, casting doubt on the validity and propriety of the aforesaid transactions. On the other hand, six of the aforementioned project personnel with professional services aggregating P0.706 million were not directly related to the implementation of the YRRP, since their jobs as defined in their Contract of Service were inherent to the offices (e.g., Property, Budget, General Services, and Human Resources Divisions) where they are currently assigned, hence, unnecessarily reduced the YRRP fund.

*Availment of services of PITC, as procurement agent, non-provision in the MOA of specific timelines in the procurement, and poor planning*

18.9 Procurement of MNF for YRRP was also made through PITC, however the MOA entered into by and between PCA and PITC has no provisions on the specific timelines to be observed and the penalty fee should the latter incur delay. Said penalty fee could have reduced the service fee charged by PITC to PCA of P3.344 million, representing 3.25 per cent of the Approved Budget for the Contract of P91.877 million plus value-added tax, for the procurement of MNF in line with the implementation of the Fertilization project component of the YRRP.

18.10 Nonetheless, the BAC, composed of members from PITC and PCA, declared a failure of bidding twice for the same project. First was on November 24, 2015, however, the advertisement of the Invitation to Bid (ITB) for the rebidding was made only on August 10, 2016, which took PCA almost nine months thereafter. Notwithstanding, the BAC decided, on December 5, 2016, to declare a failure of bidding for the second time as it already had taken 113 calendar days from date of advertisement up to December 1, 2016, which was already way beyond the prescribed bidding period pursuant to pertinent provisions of the IRR of RA No. 9184. It is worth mentioning that PCA contributed to the cause of delay as it revised the Terms of Reference (TOR) for the project, which is an indication of a poor planning. In view thereof, the fund transferred to PITC in the total amount of P95.221 million, inclusive of service fee, remained idle for over a year, thereby, depriving the intended beneficiaries of the immediate rehabilitation of the damaged coconut trees.

*Lack of monitoring in the implementation of projects in partnership with the Provincial Governments (PGs) of Samar and Biliran*

18.11 Respective MOAs were entered into by and between PCA and PGs of Samar and Biliran, both in Region VIII, on December 19, 2014 and December 29, 2014, which involved the transfer of YRRP funds. Records showed that PCA made a total fund transfer (FT) of P64.436 million, corresponding to 1st release of P23.023 million for the PG of Samar and 1st and 2nd releases accumulating to P41.413 million for the PG of Biliran as at December 31, 2016. Review, however, disclosed that no liquidations had been reported for the PG of Samar while the liquidation made by PG of Biliran amounting to P18.347 million, represented 44.30 and 28.47 per cent only of the total FT to Biliran. Details are summarized in Table 32.

**Table 32 – Composition of Due from LGUs account as at December 31, 2016**

Date of FT	Particulars	FT amount	Liquidation	Balance	%*
<b>PG of Samar</b>					
02/26/15	1 <sup>st</sup> release	P 23,022,987	P -	P 23,022,987	-
		23,022,987	-	23,022,987	-
<b>PG of Biliran</b>					
02/05/15	1 <sup>st</sup> release	20,706,110	18,347,012	2,359,098	88.61
02/10/16	2 <sup>nd</sup> release	20,706,450	-	20,706,450	-
		41,412,560	18,347,012	23,065,548	44.30
		<b>P 64,435,547</b>	<b>P 18,347,012</b>	<b>P 46,088,535</b>	<b>28.47</b>

\* - Per cent of liquidation to fund transfer

18.12 Almost a year after the FT was released to PG of Samar, the PCA Governing Board decided, in its Board Resolution (BR) No. 021-2016 dated February 17, 2016, to confirm and approve the termination of MOA with the PG of Samar and to compel the same to liquidate the FT. However, there was no information provided to the Audit Team on whether efforts have been made to enforce monthly liquidation prior to, and full liquidation after, the issuance of the aforesaid BR. Similarly, it could not be ascertained whether monitoring of monthly submission of Reports of Disbursements (RDs) was made with regard to the MOA with the PG of Biliran. Notwithstanding that RDs of the aforesaid PG were submitted, the same were, however, delayed and not on a monthly basis, as required under COA Circular No. 94-013, and not certified as true copy, thus, casting doubt on the veracity of the aforementioned liquidations. Further, there is no assurance on whether the FTs were utilized strictly in accordance with the provisions of MOAs and COA Circular No. 94-013 in the light of non-liquidation or delayed liquidation of funds.

*Cash for work incentives paid by RO Nos. VII and VIII amounting P0.130 million and P5.814 million, respectively, or totaling P5.944 million were highly questionable since the recipients farmer-beneficiaries are dubious*

18.13 Item B(d) of the PCA MC No. 09, Series of 2015, dated October 23, 2015, on the guidelines on the CPRP provides, among others, that the replacement of totally damaged coconut trees thru grant of cash incentives is as follows:

*Option 1-*

*The coconut seedlings requirement for planting/replanting shall be provided by PCA, and the participating farmer shall be provided with labor assistance in the amount of P30.00 for every transplanted coconut seedlings on the ground;*

*Option 2 -*

*The coconut farmers willing to rehabilitate coconut farms using their own produced coconut seedlings or coconut seedlings sourced from any reliable coconut farm sources shall be provided with an incentive amounting to P60.00 for every coconut seedling transplanted on the ground.*

18.14 As previously discussed, the PCA procured MNF as Fertilization is one of the major components of YRRP. This provision of grant-in-kind fertilizers is for affected coconut farming families whose coconut trees were affected by the typhoon and in dire need of intervention to hasten its recovery.

18.15 The distribution of MNF (with brand name of 'coco-gro' fertilizers) for free comes with cash for work scheme as labor subsidy for the application of the said fertilizer to coconut trees affected by typhoon 'Yolanda'. The grant was P3,000 (P30 x 100 trees) per hectare specifically intended to alleviate the immediate needs of the coconut farmers and their families while their farms are still recovering from the damage brought by typhoon 'Yolanda'.

18.16 In June 2014, RO No. VII received 26,310 bags of 'coco-gro' fertilizers intended for typhoon 'Yolanda' affected municipalities in the northern part of Cebu Province. Of the 26,310 bags, 1,600 of which were distributed to the different barangays in the Municipality of Medellin. Inspection revealed that 300 of the 1,600 bags still remained undistributed which were piled and covered with tarpaulin in the basketball court of the barangay. However, the corresponding payment for cash for work assistance for labor subsidy on the application of said 300 bags in the total amount of P130,450 have already been made, thus recipients of the incentives are suspicious beneficiaries.

18.17 Interview with the newly assigned Contractual/Coconut Development Officer (CCDO) revealed that the undistributed bags of fertilizers were still under the accountability of the then Coconut Development Officer (CDO) assigned in the area and that there was no turn-over of accountabilities from the aforementioned CDO to the newly assigned CCDO.

18.18 On the other hand, in RO No. VIII, results of confirmation and validation on the grant of cash incentives given to 764 farmer-beneficiaries for coconut replanting amounting to P5.683 million are summarized in Table 33.

**Table 33 - Results of Confirmation and Validation on the Grant of Cash Incentives for Coconut Replanting under YRRP in RO No. VIII**

<b>Confirmation Results</b>	<b>No of Farmer-beneficiaries</b>	<b>Amount</b>
a) Farmer-beneficiaries did not receive the amounts appearing in the payrolls and did not sign the payrolls acknowledging receipt of the cash incentives.	198	P 1,124,850
b) Farmer-beneficiaries only received the amount of P0.846 million, instead of the amount of P2.730 million as appearing in the payrolls, or lesser by P1.884 million.	358	1,884,368
c) Farmer-beneficiaries were listed and paid twice either in the payroll of the same barangay or in other barangays resulting in double/excess payments.	78	195,750
d) Farmer-beneficiaries were already dead or are physically and mentally impaired but have been granted with cash incentives and appeared to have signed the payrolls.	13	71,100
e) Farmer-beneficiaries were allowed to plant more than the prescribed landholding area and were correspondingly paid the excess amount of P151,950, contrary to PCA MC No. 09 dated October 23, 2015, which states that "the allowable landholding area for coconut replanting by individual farmer-participants shall be from 0.5 to 5.0 hectares only."	6	151,950
f) Unusually similar big claims, hence payments were not received by the identified recipients.	86	2,184,780
g) Claims of the beneficiaries were given to third parties even without authority.	8	32,820
h) Beneficiaries received cash incentives but were not included in the payroll. Likewise, they did not receive coconut seedlings nor plant their own seedlings, yet they were granted cash incentives.	17	37,500
	<b>764</b>	<b>P 5,683,118</b>



18.19 Despite the impossibility of obtaining the signatures of the six deceased, their signatures were affixed in the payrolls. Moreover, the physically and mentally impaired persons were also able to affix their signatures in the questioned payrolls. Both occurrences are considered improbable. Thus, during the validation, the Audit Team requested the physically impaired to affix their thumbmarks in the confirmation letter.

18.20 Moreover, the signatures of the recipients in the payrolls did not match with the signatures appearing in the Acknowledgement Receipts (AcR). It was found out that almost all recipients who were interviewed disowned the signatures appearing in the payrolls. While for those who were not present and only their relatives were interviewed, identification cards of the recipients were requested to enable the Audit Team to compare their signatures in the payrolls.

18.21 Likewise, based on the sample confirmations and post-audit of the liquidation of the cash advances, all payrolls in Basey and Marabut, Samar and all the municipalities in Eastern Samar were doubtful.

**18.22 We recommended that Management:**

- a. Stop charging expenses for non-YRRP projects/activities against the YRRP fund;**
- b. Direct the Accounting Division of the CO to prepare/submit the following:**
  - b.1. Detailed FUR for YRRP fund;**
  - b.2. Status reports on the borrowings of P795.546 million from YRRP fund;**
  - b.3. Accomplishment Reports for CY 2016 and service contracts for the month of July 2016 of the 11 project personnel whose professional service expenses were charged to YRRP fund;**
  - b.4. Proof of monitoring of liquidations of fund transferred to the PGs of Biliran and Samar pursuant to COA Circular No. 94-013;**
  - b.5 RDs and other pertinent documents for the liquidations of funds transferred to PGs of Biliran and Samar;**
- c. Require the Operations Department to:**
  - c.1. Fast track the full implementation of YRRP and set specific timelines for the implementation of fertilization component of YRRP;**
  - c.2. Submit status report on the procurement of MNF from PITC; and**
- d. Direct the Regional Manager of RO Nos. VII and VIII to conduct investigation to determine: (i) the cause/s of the irregularities in the payments of cash for work incentives as well as distribution of fertilizers**

**and (ii) employees/personnel who participated in the irregularities and file appropriate charges against them, if warranted.**

18.23 Management submitted the following comments of the concerned ROs:

a. RO No. VII explained that as much as the RO and PrOs would like to ensure a 100 per cent monitoring of all their program/project areas, but the lack of personnel and the bulk of activities that they were dealing with every working day has in a way limit them to only conduct random monitoring of their covered areas.

b. In RO No. VIII, the CDO of Basey, Samar justified that the listed farmer-beneficiaries who allegedly did not receive cash incentives got confused, since there were other Government and Non-Government Agencies that also granted cash incentives. The farmer-beneficiaries were able to remember only receiving the incentives upon seeing the CDO again. During the distribution of incentives, it was quite a disorder since many farmers were moving around and there was no proper line, some were asking questions at the same time. Other farmers were repeatedly told what to do and others failed to follow the instructions. The situation caused distraction and confusion in the distribution of the incentives which might have resulted in granting to some farmers an excess amount, but did not return the excess as they were taking advantage of the situation. Right after the distribution, the CDO believed that they have distributed the incentives exactly since no cash was left from the allotment. The barangay officials and other farmers present during the distribution of incentives said that they had actually seen these people receiving the incentives.

With regard to farmer-beneficiaries who received lesser amounts than appearing in the payrolls, the CDO, after receiving the Notice of Disallowance went right away to the mentioned barangays to ask the farmers why they were not able to tell the Audit Team the amount they have actually received. Among others, the reasons given are as follows:

a. Some farmers said that it was more than a year since the distribution and many things had already happened, considering their age, the exact amount given are seldom remembered, as sometimes they even forget their age and the birthdates of their kids; and

b. Some farmers said that after receiving the money, they did not count it and just give it right away to their spouses; spent it right away without counting; the money they received did not last long in their hands because it was used to settle right away their debts; they easily forgot if not in whole figure (ex. for P1,440, they could only remember the whole figure of P1,000 and just estimate the rest).

As regards the farmers who were paid twice either in the payroll of the same barangays or in other barangays which resulted in double/excess payments, the CDO explained that farmers could not also remember the exact amount they received. With regard to the noted double payments, the farmers actually got seedlings in two different dates or signed in another sheets as shown in the AcR,

since they realized that they need more seedlings and they have to get the additional seedlings. The CDO assumed that the payroll was all right since it was prepared at the RO by the focal person and it was a common knowledge that the accounting procedures are strictly observed at the RO and his job was only to distribute the payments at the field.

18.24 As a rejoinder, we maintain that Management pursue an extensive investigation and hold accountable the concerned personnel on the irregularities in the payments of cash incentives in RO No. VIII. Further, some farmer-beneficiaries mentioned by the CDO were not among those confirmed and the CDO should not be confused as to the recipients of the incentives, since the subject incentives were under YRRP, not for Participatory Coconut Planting Project incentives.

### ***Coconut Scale Insect Emergency Action Program (CSIEAP)***

**19. Documents supporting payments made to a service provider for the treatment of coconut scale insect-infested trees in the total amount of P103.591 million were used twice or thrice, thus, resulted in overpayment of P2.492 million and contrary to Sections 4(6) and 46 of PD Nos. 1445 and 1177, respectively.**

19.1 Under Section 3.1 of COA Circular No. 2012-003 dated October 29, 2012, on the updated guidelines for the prevention and disallowance of irregular, unnecessary, excessive, extravagant and unconscionable expenditures, “irregular expenditure” is defined, as follows:

*The term “irregular expenditure” signifies expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. Irregular expenditures are incurred without conforming to prescribed usages and rules of discipline. Xxx. A transaction which fails to follow or violates appropriate rules of procedure is, likewise, irregular. Xxxx*

19.2 Also, Section 4(6) of PD No. 1445 provides that claims against government funds shall be supported with complete documentation, as among the fundamental principles governing the financial transactions and operations of any government agency.

19.3 Further, Section 46 of PD No. 1177, otherwise known as the Budget Reform Decree of 1977, states that:

*Xxx No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. The certifying official shall be dismissed from the service, without prejudice to criminal prosecution under the provisions of the Revised Penal Code. Any payment made under such certification shall be illegal and every official authorizing or making such payment, or taking part therein or receiving such payment, shall be jointly and*

severally liable to the government for the full amount so paid or received.  
[Underscoring supplied]

19.4 In PCA MC No. 05 dated June 20, 2014 on establishing the guidelines and instructions in the implementation of CSIEAP, CSI Treatment Operations Monitoring (CTOM) Form 1 is used in the monitoring and controlling treatment operations of CSI-infested trees.

19.5 Items C(1) and (2) of said MC, require the review of the documentary requirements supporting billings received from the Service Provider, as follows:

*1. 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.*

*2. The billing documents forwarded to the regional office should be properly reviewed by the Regional Technical Staff (RTS) before endorsing to the Regional Manager for submission to the Central Office Finance Department.*

19.6 Further, the guidelines and procedures in the payment of services provided in the CSI treatment operations of said MC presented the list of documents needed for payment of the service provider, among which is the CTOM Form 1 to be provided by the service provider.

19.7 An undated contract, which was notarized on June 26, 2014, was entered into by and between PCA and a Service Provider for the latter to supply skilled labor, technicians, tools, auxiliary equipment, supervision and trainings for the treatment of about 1.3 million CSI-infested trees costing P104 million, excluding expanded value added tax (E-VAT) of P12.480 million, or a total contract amount of P116.480 million. Based on the progress billings of the Service Provider, payments were made by CO through staggered issuances of 129 checks aggregating P96.707 million, net of withholding taxes, for the period July 23, 2014 to June 16, 2016. Of the said 129 checks, one pertained to payment of five per cent retention fee, hence, only 128 DVs were processed, in the aggregate gross amount of P103.591 million, pertaining to treatment performed by the Service Provider.

19.8 The then Special Audit Team (SAT), created under COA CGS-Cluster 5 Office Order No. 2015-003 dated March 16, 2015 to conduct economy, efficiency, and effectiveness audit on the CSIEAP implemented by CO and RO No. IV-A, observed that a double payment was made to the Service Provider by at least P232,120, exclusive of e-VAT, which resulted from presenting twice 28 filled up CTOM Forms, covering 3,316 leaf-pruned and trunk-injected trees in Quezon Province. Said observation was based on the examination of only 12 out of 25 DVs processed by the Accounting Division for the months of July and August 2014 due to absence of SLs organized alphabetically according to the name of the owner of the farm where treatment was made. While all CTOM Forms, which each served as index-card sheet for a specific farmer, were attached to the DVs, none, however, is maintained alphabetically by the Accounting Division, thus the difficulty for the then SAT to substantially review all the transactions and CTOM Forms. Nonetheless, the then SAT recommended that Management direct

the concerned personnel to: (a) review immediately the documents supporting payments made to the Service Provider; (b) recompute the total amount that should have been paid to the Service Provider; and (c) recover the difference from the Service Provider, should it be established that an overpayment was made in addition to the double payment of P232,120.

19.9 The then SAT disallowed the double payment aggregating to P232,120, exclusive of e-VAT, per Notice of Disallowance (ND) No. 2016-10 dated January 12, 2016. On April 12, 2016, Check No. 1396014 amounting to P1.049 million, covering DV No. 503-1604-0597, was issued by CO to the Service Provider for the treatment of 18,542 trees. Said payment was net of the disallowed amount of P232,120, which, as stated in the letter of the Finance Department Manager dated June 10, 2016, served as their settlement of the ND issued.

19.10 It is noteworthy to mention, however, that two other DVs in addition to DV No. 503-1604-0597, covering payment of labor services for leaf pruning (LP) and trunk injection (TI) of CSI-infested trees performed by the Service Provider were processed by CO for a period of 291 to 356 days after the release of the five per cent retention fee and 87 to 149 days after the issuance of ND No. 2016-10. Further, there was no indication that the recommended recomputation of the total amount to be returned by the Service Provider, in view of the double payment made, was implemented. Thus, the Audit Team reviewed all CTOM Forms attached to the 128 DVs, covering payment to the Service Provider, the result of which disclosed that 53 DVs with total cost of P2.183 million, exclusive of e-VAT, covered the double payment of LP and TI of 30,386 CSI-infested trees and TI only of 1,118 CSI-infested trees. Meanwhile, LP and TI of 602 of these aforementioned CSI-infested trees were also paid for the third time in the total amount of P42,140, exclusive of e-VAT. Per computation shown in Table 34, the total invalid claim in view of the overpayment made amounted to P2.492 million, inclusive of e-VAT, which is contrary to Sections 4(6) and 46 of PD Nos. 1445 and 1177, respectively, thereby, disadvantageous to the government as the same could have been utilized for other programs, projects, and activities of PCA.

**Table 34 – Computation of Overpayment made to Service Provider**

	Treatment performed		Total
	LP and TI	TI only	
No. of trees treated but paid twice	30,386	1,118	
Cost of treatment performed per tree	P 70	P 50	
Disallowable amount of double payment	P 2,127,020	P 55,900	P 2,182,920
Cost of treatment for 602 trees paid thrice	42,140	-	42,140
Total disallowable amount, e-VAT exclusive	2,169,160	55,900	2,225,060
Add: e-VAT	260,299	6,708	267,007
<b>Total disallowable amount (inclusive of e-VAT)</b>	<b>P 2,429,459</b>	<b>P 62,608</b>	<b>P 2,492,067</b>

**19.11 We recommended that Management direct the concerned personnel to recover all the overpayments made to the Service Provider and hold liable the officials and employees who facilitated the double/triple payment of P2.492 million to the Service Provider.**

19.12 Management committed that appropriate actions would be done to recover the overpayments from the Service Provider and necessary documents are requested from the Audit Team as basis to review the double/triple payments made.

19.13 As a rejoinder, we appreciate Management's commitment to take action to recover the overpayments from the Service Provider; however, we will issue the corresponding Notice of Disallowance for the overpayments.

**20. Treatment on CSI-infested coconut trees in Basilan Province incurred unnecessary expenses of P8.437 million as 421,337 severely infested coconut trees treated with leaf pruning and trunk injection, 403,893 thereof progressed from moderate to severe status, while 17,444 treated trees died.**

20.1 Section 2 of PD 1445 states that:

*It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. Xxxx*

20.2 In view of the continuous 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, Isabela City was initially the first to be identified as the most affected area in Region IX after the outbreak occurred in the Provinces of Cavite, Laguna, Batangas and Quezon. Consequently, said infestation tremendously increased and spread out to the different adjacent municipalities in the Basilan Province under the Autonomous Region in Muslim Mindanao (ARMM). Hence, RO No. XIV was tasked to spearhead the implementation of formulated measures in treating, managing and eventually eradicating said infestation being ancillary office of the CO.

20.3 For CY 2016, RO No. XIV received funds totaling P143.696 million from CO as augmentation of the previous year's balance of P5.117 million or a total fund of P148.813 million for the continuing implementation of the CSIEAP that aimed to address and manage the widespread infestation of CSI in Isabela City and Basilan Province. Of the P148.813 million, P42.900 million was returned to CO that processed the payment for the procured chemical pesticides as it required approval of the Administrator or its duly authorized representative. The procured chemical pesticides were delivered to Basilan Province and used in the treatment and managing the CSI infestation in the area.

20.4 As at December 31, 2016, audit disclosed that of the total funds of P148.813 million, P148.516 million of which, including the fund returned to CO of P42.900 million was utilized during the year for the implementation of the CSIEAP. The P91.062 million or 61.31 per cent of P148.516 million was mostly utilized to pay labor services for leaf pruning, spraying, trunk injection, surveillance, rehabilitation, bio-control application, employees' and farmers' training, monitoring and validation of implementation while P57.454 million or 38.69 per cent was utilized for pesticides, medical and laboratory

supplies and other expenses, which were essential components for the implementation of the CSIEAP.

20.5 The Year-End Report on Implementation of CSIEAP in Basilan Province submitted by the Agency as at December 31, 2016, including Isabela City, showed that 2.117 million infested coconut trees or 70.43 per cent of the target of 3.006 million trees were treated with leaf pruning and trunk injection.

20.6 However, the Recovery Assessment Report of Treated CSI-Infested Trees as at December 31, 2016 disclosed that the survey conducted from May to September 2016 showed that of the 421,337 infested trees, 95.86 per cent or 403,893 have progressed from moderate to severe status, while 4.14 per cent or 17,444 died. This development seemingly suggested that procedural treatments were done and applied to the severely infested coconut trees with very slim chance of recovery and even for dead ones with no chance at all. Hence, funds of the government may be put to risk if relevant data and reports gathered from the field are not meticulously and diligently analyzed as basis for said treatment which eventually would affect the effectiveness and efficiency in the implementation of CSIEAP, as illustrated in Table 35.

**Table 35 - Cost Analysis on Pruning Treatment Procedure Undertaken for Severe and Dead Coconut Trees**

<b>Status of Infestation</b>	<b>No. of Trees</b>	<b>Cost per coconut tree pruned</b>	<b>Unnecessary Cost incurred for pruning</b>
Severe/senile with slim recovery	403,893	P20	P 8,077,860
Dead trees undergone pruning treatment	17,444	P20	348,880
<b>Total</b>	<b>421,337</b>		<b>P 8,426,740</b>

20.7 Analysis on the usage of CSIEAP funds revealed that 28.73 per cent of the total infested trees was deemed to be severe and senile which statistically shared or apportioned with the aforesaid funds particularly on leaf pruning process, which is a primary procedure to be undertaken before conducting other treatment procedures pursuant to MC No. 05 dated June 20, 2014.

20.8 Moreover, Assessment Report transmitted by RO No. XIV transmitted to CO on December 16, 2016 showed that only the results of assessment conducted by the RO was included while reports from other responsible agencies were not incorporated despite the fact that it is a consortium activity with other government agencies pursuant to EO No. 169, s. 2014. It appeared that there was a gap in the process of analysis on the results of assessment survey from the field which supposedly performed by other agencies essential in formulating better strategies that would specifically treat such infestation and consequently safeguard government resources from possible wastage.

**20.9 We recommended that Management:**

- a. Direct the Office of the Research and Development Center, CO and other line agencies to provide results of analysis on the assessment of treatment procedures conducted in the field by RO No. XIV to come up with more detailed and specific solution in the implementation of the CSIEAP; and**

**b. Reassess and meticulously evaluate treatment procedures of the CSI infestation in the Basilan Province and oblige all affected coconut farmers to apply cutting procedures for untreatable infested coconut trees for replacement with new ones to avoid further escalation and incurrence of unnecessary expenses which may result in wastage of government resources.**

20.10 Management gave the following explanations:

a. The treatment procedures undertaken in Basilan Province were all in accordance with the approved Integrated Pest Management Protocol that was adopted for the treatment of CSI-infested trees in CALABARZON in CY 2014. The first and second treatments consisted of leaf pruning and trunk injection with chemicals in order to immediately reduce pest population up to 90 per cent. The third and sustainable phase of the treatment which is the mass rearing and release of biological control agents is being continuously undertaken since 2016 up to the present in order to further ensure that CSI will be kept under control. PCA is maintaining five bio-con agents mass production facilities and have already produced and released some 427,888 bio-control agents good for 21,394 trees. The pest has already established itself in the environment of the province; science states that it cannot be eradicated completely. The continuous application of biological control will result in the effective management of CSI in Basilan Province.

b. The recovery assessment stated that out of 690,378 trees treated during August 2015 until March 2016, there were 586,126 trees or equivalent to 84.90 per cent found to have shown signs of recovery after assessment survey was conducted, wherein two or three new healthy leaves, flowers and/or fruits emerged. The assessment survey was undertaken two months after the administration of leaf pruning and trunk injection treatments, the latest of which was conducted in March 2016. The remaining 104,252 treated trees or 15.10 per cent have not yet exhibited defined signs of recovery at the time due to differences in response of treated trees to treatment and environmental factors.

c. Joint research studies conducted in CY 2016 by PCA and University of the Philippines (UPLB) showed the effect of the leaf pruning and trunk injection treatments wherein there was 92 per cent of dead CSI on the treated trees against 34 per cent of dead CSI on untreated trees.

d. Moreover, the dead and severely-infested trees with no chance of recovery that were cited in the same report with a total of 413,686, were not included in the treatment procedures. This number was indicated in order to establish the number of trees that will be subjected to cutting and replacement with new coconut plating materials. Coconut farmers have signified their willingness to cut these dead and severely-infested trees. Since January 2017, over 5,000 of these trees have already been cut and will be replaced during the second semester of CY 2017.

e. Trees that were treated in the latter part of 2016 up to 2017 will be subjected also to recovery assessment survey.



20.11 As a rejoinder, we take note of Management comments and look forward that Management continues to institute control measures to eradicate or prevent the spread of infestation of CSI in all parts of the country.

***Accelerated Coconut Planting and Replanting Project (ACPRP)***

**21. In RO No. VIII, payment of incentives was of doubtful validity under the Participatory Coconut Planting Project (PCPP), while in RO Nos. I-IV-B, there was no proof of land ownerships; farmer-beneficiaries lands agronomic suitability and their interests were not determined at the onset due to non-conduct of survey; seedlings were distributed to non-coconut farmers which were planted for beautification purposes; and excessive quantities of coconut seedlings were given to farmer-beneficiaries under Coconut Seedlings Dispersal Project (CSDP), affected the efficient and effective implementation of ACPRP by said ROs.**

21.1 The ACPRP is a combination of two approaches namely: the participatory and incentive-based approach under PCPP and seedlings dispersal under CSDP.

21.2 The PCPP espouses a participatory and incentive-based systems approach to encourage coconut farmers and would-be coconut farmers to plant more coconut trees to sustain coconut planting and replanting of coconut farms for ensuring long-term reliability of the supply of coconuts in the country. The project involves two Options and the amount of incentive 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 and the amount of incentive is P40 per seedling. Payments of incentives are illustrated in Table 36.

**Table 36 - Incentives under Options 1 and 2**

Option/Phase	Quantity of Seedlings (in pieces)		Cost per Unit	Total Amount	
	0.5 has	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
			P 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

21.3 On the other hand, CSDP is implemented to make good quality of seedlings readily available to coconut farmers and would-be coconut farmers. This requires procurement of seedlings from PCA registered seedling producers and suppliers thru competitive bidding. Also, this is implemented in partnership with LGUs, Non-governmental Organizations (NGOs) and Government Agencies (GAs), referred as partner agencies/entities or proponents of the project thru execution of a MOA.

*Validity and regularity of payments of PCPP incentives were doubtful in RO No. VIII*

21.4 Paragraph 2 of MC No. 06, Series of 2015, dated May 22, 2015 enumerates the general provisions in the implementation of ACPRP, among which is, as a precondition for participation to the project, the farmers must have the land for planting properly verified, inspected, documented and assessed according to agronomic suitability factors.

21.5 Item 5 of MC No. 04, Series of 2012, dated January 9, 2012, provides guidelines on the hectareage entitlement of the PCPP that the farmers are entitled of 0.5 hectare to a maximum of 5 hectares of new or existing coconut lands for coconut planting and replanting.

21.6 While, Item 3.3 of the same MC, provides that selection of participants shall abide by set of criteria, among others which, are:

- Must be a Filipino citizen of legal age;
- Must be residing within the barangay where the farm is located

21.7 The concerned Audit Team conducted confirmation and ocular inspection on the implementation of the PCPP by RO No. VIII. Results of the confirmation from 55 farmer-beneficiaries and ocular inspection are summarized in Table 37.

**Table 37 - Results of Confirmation and Ocular Inspection Conducted on the Implementation of the PCPP in RO No. VIII**

<b>Confirmation Results</b>	<b>No. of Farmer-Beneficiary</b>	<b>Amount</b>
a. Tax declarations were used as proof of ownership, however, inspection showed that the farms were rice land/fish ponds, thus land not suitable for planting coconuts.	8	P 17,100
b. The farmer-beneficiaries did not receive the PCPP incentives.	4	8,800
c. The amount received by farmer-beneficiaries was lesser as compared with the amount stated in the payroll. They received the total amount of P34,400, instead of the amount of P45,100 per payroll, thus lesser by P10,700.	13	10,700
d. The recipients of PCPP incentives were still students and not farmers. Interview with the relatives of the recipients in Burauen and MacArthur, both in the Province of Leyte, disclosed that the recipients were not available because they were still studying in Tacloban City and in Cebu City.	6	14,800
e. PCPP checks were given to third parties without written authority from the farmer-beneficiaries.	11	30,800
f. The claims of the farmer-beneficiaries exceeded the hectareage of the supporting Declaration of Real Property.	6	19,800
g. Claims correspond to 16 hectares, supported by one land title with a total land area of 14.2 hectares only, thus, the claim was in excess of the actual hectareage by 1.8 hectares.	7	28,800
	<b>55</b>	<b>P 130,800</b>

21.8 Moreover, as shown in letter d of Table 37, six recipients of incentives who received a total amount of P14,800 are students, three of them received total amount of P9,000 were also among the seven beneficiaries whose claims were in excess of the actual hectareage by 1.8 hectares as shown in letter g of Table 37 and had received also the total amount of P9,000. It was discovered that the farmers resorted to using the

names of their children because they have already availed of the incentives in prior years and are already disqualified to claim the PCPP incentives for the same farm.

21.9 In view thereof, validity and regularity of the payments of incentives were doubtful which may result to wastage of government funds.

*No any proof of farmer-participants' land ownerships*

21.10 Section 4 of MC No. 06, Series of 2015, dated May 22, 2015 provides registration and masterlisting of participants who may opt to register at the nearest PCA municipal and provincial offices and they 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);
- Deed of Sale;
- 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; and
- Barangay Certification issued by the Barangay Captain or Chairman as attested by either the SCFO President or Barangay Agrarian Reform Community (BARC) Chairman.

21.11 Audit disclosed that a total of 20,410 pieces of coconut seedlings costing P0.580 million were given to farmer-beneficiaries from Municipalities of Floridablanca, Pampanga and Sofronio Espanola, Palawan without any proof of land ownerships. As mentioned in Paragraph 21.19 below, the recipients of the coconut seedlings from the Municipality of Sofronio Espanola, Palawan were identified or recruited by the suppliers, thus any proof of land ownerships has not been secured from farmer-beneficiaries of the Barangay Pulot Shore of the said Municipality.

21.12 Moreover, the PCDM of Region III disclosed that he allowed farmer-beneficiaries who did not go through the proper registration to receive 40 coconut seedlings each so that more farmers could avail of the project. He required one farmer to register and submit the necessary documents to PCA in behalf of the others. Moreover, he justified that the rate of stabilized plants is higher among those who were given fewer number of seedlings than those who got 500 pieces for a 5-hectare piece of land. Nonetheless, the Audit Team could not validate the said success rate since there was no proof that evaluation was undertaken.

21.13 Absence of any proof of land ownership casts doubt whether farmer-beneficiaries are legitimate and coconut seedlings have been planted in the coconut farms.

*Non-conduct of survey and assessment on farmer-beneficiaries' lands and interest that cast doubt on the land suitability for coconut trees and on their commitment to the project*

21.14 Section 4 of MC No. 2, Series of 2012, dated January 9, 2012 provides that the Agriculturist/CDOs shall conduct survey on farms suitability for planting and assessment on the degree of interest of the would-be beneficiaries to the project. Likewise, the Masterlist of Approved Participants (MAPs) shall be prepared containing basic information among which is the farm suitability assessment rating.

21.15 Further, Section 15 of the same MC requires the submission of Masterlist of Farmer-Participants Who Have Actually Planted the Seedlings and Acknowledgement Receipt (MAPAPS/AR) to keep track the distribution and transplanting of seedlings.

21.16 Comparison of the MAPs and MAPAPS/AR showed that 1,973 farmer-beneficiaries from 12 provinces of RO Nos. I-IV-B who received a total of 253,035 coconut seedlings costing P6.852 million were not registered in the MAPs.

21.17 The Regional Technical Staff explained that during the deliveries of coconut seedlings, the registered applicants listed in the MAPs were no longer interested to avail of the coconut seedlings, thus their allocations were given to other farmers who were present at the DOPs at the time of delivery. As a result, there was no prior survey and assessment on land agronomic suitability and interests of the farmer-beneficiaries on the project.

21.18 Interview was conducted on 53 farmers from Provinces of Aurora, Pampanga and Palawan who received a total of 11,900 coconut seedlings. Results showed that 50 of 53 farmers or 94.34 per cent disclosed that there was no survey and assessment conducted by the concerned PCA Agriculturist/CDOs to determine whether their lands are suitable for coconuts.

21.19 Moreover, the then CDO assigned at Sofronio Espanola, Palawan informed that the farmer-beneficiaries from said Municipality were identified or recruited by the suppliers of the proponent LGU. The distribution of the coconut seedlings to farmers was conducted by the suppliers. The beneficiaries acknowledged receipt of the coconut seedlings from the suppliers by signing blank MAPAPS/AR. The concerned CDO later identified the actual recipients to confirm receipt of coconut seedlings. Accordingly, the MAPs were revised to include names of actual recipients and to agree with the entries in the MAPAPS.

21.20 As such, non-conduct of survey provides no assurance that the farmer-beneficiaries are interested and their farms are suitable for planting coconut trees. Likewise, the authenticity of the MAPs and MAPAPS/AR is doubtful.

*Famer-beneficiaries received coconut seedlings more than the allowable quantities*

21.21 Paragraph 5 of MC No. 02, Series of 2012, dated January 9, 2012 provides that the land areas entitled for coconut planting is from 0.5 to 5 hectares while Paragraph 6 of the same MC provides that the farmer-beneficiaries is entitled to 100 seedlings per hectare.

21.22 Interview revealed that 10 farmer-beneficiaries from the Municipality of Floridablanca, Pampanga received coconut seedlings more than the allowable 100 seedlings per hectare, as shown in Table 38.

**Table 38 – Farmer-Beneficiaries Who Received Seedlings More Than the Allowable Quantities**

Farmer-Beneficiaries	Land Area (in ha.)	No. of Coconut Seedlings Received
1	1.0	450
2	3.5	2,000
3	3.0	1,100
4	3.8	700
5	1.7	500
6	1.0	700
7	1.0	300
8	3.0	500
9	2.5	300
10	8.0	3,500
		<b>10,050</b>

21.23 The distribution of coconut seedlings more than the allowable quantities deprived other qualified farmers to avail of the project.

*Recipients of coconut seedlings are LGUs and school*

21.24 Paragraph 1 of MC No. 02, Series of 2012, dated January 9, 2012 states that the objective of CSDP is to make readily available to the coconut farmers and would-be coconut farmers good quality seedlings for planting in their farm and is implemented in partnership with partner agencies like LGUs, Non-government Organizations and Government Agencies which are referred as proponents.

21.25 Perusal of the MAPAPS/AR disclosed that three LGUs and one school were recipients of 6,625 coconut seedlings as shown in Table 39.

**Table 39 – List of Coconut Seedlings Recipient - LGU and School**

Province	Recipient	Land Area (in ha.)	No. of Seedlings received
Kalinga	MAPA High School	0.75	75
Cagayan	LGU of Buguey	2.50	250
Isabela	LGU of Gonzaga	48.00	4,800
Cagayan	LGU of Sta. Ana	15.00	1,500
			<b>6,625</b>

21.26 Moreover, during ocular inspection in Pampanga, the Assistant Municipal Agriculturist, Macabebe, Pampanga informed that the 12,000 coconut seedlings were planted in a 40-hectare government property in Dalayap, Macabebe, Pampanga by volunteer members of Dalayap Farmers Association. Further, she averred that the volunteer members were given assurance that they will be the beneficiaries of the coconut products after 10 years. However, no documents were presented to support her statements as well as there are no MAPAPS submitted.

21.27 Further, in Saplad David, Macabebe, Pampanga, approximately 200 seedlings were planted along the road by the LGU through voluntary citizens' labor for beautification purposes. Planting coconut trees along the roadside is dangerous because nuts and dried midribs would fall anytime and might drop on passersby.

21.28 The concerned Technical Staff of PCA Regions I-IV-B admitted that the LGU of Macabebe was not properly oriented about the provisions and guidelines of PCA.

21.29 Granting of coconut seedlings to non-coconut farmers and planting the seedlings in the areas which are not identified as coconut farms hindered the effective and efficient implementation of the project.

**21.30 We recommended that Management require the Regional Managers of RO Nos. VIII and I-IV-B to:**

- a. Conduct inquiry/investigation to determine the cause/s of:**
  - a.1. Granting of PCPP incentives to those who are not coconut farmers;**
  - a.2. Non submission of any proof of ownership and non-conduct of survey on farmers' interest and farms suitability;**
  - a.3. Excessive grant of incentives and coconut seedlings to farmer-beneficiaries who received more than 100 pieces allowed for every hectare;**
  - a.4. Granting of coconut seedlings to LGUs and school and allowing to plant the seedlings along the road for beautification purposes;**
  - a.5. Allowing the suppliers of the proponent LGU to identify the farmer-beneficiaries and distribute to them the coconut seedlings without the presence of the concerned CDO in the Municipality of Sofronio Espanola;**
- b. Consider reprimanding the concerned employees, if found remiss in the discharge of their duties and responsibilities in the implementation of the projects; and**
- c. Henceforth, strictly observe the Guidelines on PCPP and CSDP under various PCA MCs to ensure that all procedural and documentary**

**requirements are complied with for efficient and effective implementation of the project.**

21.31 Management submitted the following comments of the concerned ROs:

a. In RO No. VIII, the CDO of San Jose, Northern Samar explained that the Tax Declaration as Proof of Land Ownership (PLO) submitted by the farmer-beneficiary shows that the land classification is fish pond, but it had already been converted into coco land since early 2014. In fact, said parcel of land was already planted with coconut trees. The purpose of planting coco trees along the dike was to provide embankment and support to minimize further erosion.

b. RO Nos. I-IV-B commented that, generally farms suitability can easily be determined as coconut grows in a wide range of soil texture (sand – clay) and is not very exacting in its climatic requirements except in higher altitude (600 meters above sea level) where coconut could grow poorly and unproductive. With regard to farmers' interest, the Agriculturist/CDO usually rely on the response of the prospective participant in complying the requirements and as guaranteed by the leader/chairman. While on the issue of excessive grant of coconut seedlings and other lapses identified, the Regional Manager directed the concerned PCDM to conduct an investigation on the matter.

21.32 As a rejoinder, we maintain that regardless that the parcel of land located in San Jose, Northern Samar, Region VIII has been converted from fish pond into coco land, the location was not suitable for planting coconut as observed during the ocular inspection. Sea water flows into the area and in order that coconut trees can survive, tons of soils have to be dumped into the area. Likewise, the implementation of the PCPP had numerous deviations and deficiencies. Meanwhile, we maintain that RO Nos. I-IV-B should strictly follow the guidelines to ensure effective and efficient implementation CSDP which necessitates the conduct of survey of farmers' interests and assessment of farms suitability at start of the project.

**22. The purpose of CSDP to make good quality of seedlings readily available for coconut farmers was not assured to have been efficiently and effectively attained in RO Nos. I-IV-B, since 927,872 coconut seedlings costing P25.149 million or 28.42 per cent of 3,264,499 coconut seedlings procured were undelivered by the proponents/suppliers, due to non-submission of MAPs and MAPAPS/AR as well as absence of PCA Governing Board's approval on price adjustments from P27 to P30 per coconut seedling.**

22.1 For CYs 2013 to 2016, RO Nos. I-IV-B entered into a MOA/Contract with 10 State Universities and Colleges (SUCs), one LGU and two private suppliers to supply and deliver coconut seedlings aggregating 3.264 million pieces with total costs of P91.763 million, for distribution to the intended beneficiaries in the provinces of Regions I-IV-B. Details are shown in Table 40.

**Table 40 – Procurement of Coconut Seedlings for CYs 2013 to 2016**

	Date of MOA/ Contract	Unit Price	Quantity	Cost
<b>SUC</b>				
Aurora State College of Technology (ASCOT)	12-23-13	P 30	216,200	P 6,486,000
Bataan Peninsula State University (BPSU)	01-30-14	30	60,000	1,800,000
Cagayan State University (CSU), Gonzaga Campus	04-07-14	26	20,000	520,000
CSU, Lal-lo Campus	02-20-14	26	50,000	1,300,000
CSU, Sanchez Mira Campus	06-25-15	27	423,349	11,430,423
Ifugao State University (ISU)	10-27-15	27	61,350	1,656,450
Itawes National Agricultural and Technical School (INATS)	01-17-14	26	30,000	780,000
Mariano Marcos State University (MMSU)	03-07-14	27	40,000	1,080,000
Nueva Viscaya State University (NVSU)	01-15-14	27	100,000	2,700,000
Western Philippine University (WPU)	02-03-14	27	100,000	2,700,000
<b>LGU</b>				
Provincial Government of Palawan (PGP)	10-28-14	30	1,000,000	30,000,000
<b>Private Supplier</b>				
Angelita Amat Plant Nursery and Agri-Trading (AAPNAT)	07-30-15	26.95	344,000	9,270,800
-do-	10-09-15	26.88	405,450	10,898,496
Coronado's Farm Nursery (CFN)	10-09-15	26.90	414,150	11,140,635
			<b>3,264,499</b>	<b>P 91,762,804</b>

*Of the 3.264 million pieces of coconut seedlings procured 0.928 million remained undelivered as at December 31, 2016*

22.2 Verification showed that as of December 31, 2016, 0.928 million pieces of coconut seedlings, or 28.42 per cent of procured 3.264 million coconut seedlings, were undelivered, as shown in Table 41.

**Table 41 – Undelivered Coconut Seedlings as of December 31, 2016**

	Unit Price	Quantity			Cost of Undelivered	% of Undelivered
		Per MOA/ Contract	Delivered	Undelivered		
<b>SUC</b>						
ASCOT	P 30	216,200	216,200	-	P -	-
BPSU	30	60,000	9,500	50,500	1,515,000	84.17
CSU, Gonzaga Campus	26	20,000	19,900	100	2,600	0.50
CSU, LaHo Campus	26	50,000	50,000	-	-	-
CSU, Sanchez Mira Campus	27	423,349	273,303	150,046	4,051,242	35.44
ISU	27	61,350	17,800	43,550	1,175,850	70.99
INATS	26	30,000	30,000	-	-	-
MMSU	27	40,000	1,704	38,296	1,033,992	95.74
NVSU	27	100,000	100,000	-	-	-
WPU	27	100,000	100,000	-	-	-
<b>LGU</b>						
PGP	30	1,000,000	999,526	474	14,220	0.05
<b>Private Supplier</b>						
AAPNAT	26.95	344,000	93,000	251,000	6,764,450	72.97
-do-	26.88	405,450	208,994	196,456	5,280,737	48.45
CFN	26.90	414,150	216,700	197,450	5,311,405	47.68
		<b>3,264,499</b>	<b>2,336,627</b>	<b>927,872</b>	<b>P 25,149,496</b>	<b>28.42</b>



22.3 The MOA between the PCA and the SUCs and, the LGU provides similar provision that its effectivity shall be upon signing and remain in force for two years until terminated via written notice, to be made by either party proposing such termination. As regards, the contract of PCA with the private suppliers, the delivery period of the coconut seedlings was within six months after receipt of the Notice to Proceed (NTP). Likewise, the NTP provides that the delivery of the goods shall commence within seven days from receipt thereof by the supplier.

22.4 As shown in Table 41, the 0.928 million undelivered coconut seedlings represent 28.42 per cent of the 3.264 million total seedlings procurement. Also, 0.283 of 0.928 million pieces or 30.50 per cent are undelivered coconut seedlings from five SUCs and one LGU. The deliveries should have already been completed by the proponents, since the MOAs were executed way back in CYs 2013 and 2014, thus the two-year period has already elapsed. As regards the BPSU, in its letter dated April 30, 2015, it had informed RO Nos. I-IV-B that it had no more capacity to deliver the remaining 50,500 pieces, or 84.17 per cent of 60,000 coconut seedlings procured. This problem might also be the problem encountered by other SUCs, which indicated that evaluation on the capacity of the SUCs to supply coconut seedlings was not properly conducted during pre-procurement stage. Moreover, there was no information on whether the MOAs of the proponents have already been terminated for their inability to fully deliver the coconut seedlings.

22.5 Likewise, the coconut seedlings sourced from two private suppliers totalling 1.164 million pieces or 35.64 per cent of 3.264 million total seedlings procurement were intended for the Provinces of Romblon, Mindoro, Palawan, Zambales, Bulacan, Pampanga, Ilocos Sur, La Union, Pangasinan, Isabela, Nueva Viscaya, Quirino, Bataan, Nueva Ecija and Tarlac. However, as at December 31, 2016, there are 0.645 million pieces or 55.42 per cent of 1.164 million pieces remained undelivered.

22.6 The dates of receipt of the NTP by the private suppliers as well as the delivery period are presented in Table 42

**Table 42 – Receipt of NTP, Delivery Period per NTP vis-à-vis Actual Delivery Period**

	Contract		NTP		
	Date	Quantity	Date of Receipt	Delivery Period	
				From	To
AAPNAT	07-30-15	344,000	08-04-15	08-11-15	02-11-16
-do-	10-09-15	405,450	10-15-15	10-23-15	04-23-16
CFN	10-09-15	414,150	10-15-15	10-23-15	04-23-16
		<b>1,163,600</b>			

22.7 As shown in Table 42, the deliveries of 1.164 million coconut seedlings should have been completed on February 11, 2016 and April 23, 2016. Likewise, the percentage of undelivered coconut seedlings of the suppliers, shown in Table 41, ranged from 47.68 per cent to 72.97 per cent. Inquiry from the Regional Technical Staff revealed that the suppliers would no longer deliver the remaining pieces, since the delivery period has already ended which is an indication that the suppliers have no capacity to supply and deliver the required coconut seedlings awarded to them.

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

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

22.9 Also, Paragraph 23.1.a of Section IV of the General Conditions of Contract executed between PCA and two suppliers provides the termination of the contract for default when outside of force majeure:

*The Procuring Entity shall terminate this Contract for default when a) outside of force majeure, the supplier fails to deliver or perform any or all of the Goods within the period specified in the contract, or within any extension thereof granted by the Procuring Entity pursuant to a request made by the supplier prior to the delay, and such failure amounts to at least ten per cent of the contract.*

22.10 As such, non-delivery of the remaining coconut seedlings hindered the purpose of CSDP to make good quality of seedlings readily available to intended beneficiaries/coconut farmers.

*Non-submission of the MAPs, MAPAPS/AR  
and Summary of MAPAPS/AR*

22.11 Items 4.2 of MC No. 02, Series of 2012, dated January 9, 2012 provides that the MAP shall be prepared with the partner agencies/entities. It shall be properly reviewed and endorsed by PCDM to the RO for approval by the Regional Manager and submitted to CO as basis for the release of funds for procurement.

22.12 Also, Item 15 of the same MC provides the documentary requirements as bases for reporting and monitoring the progress and status of the project, among which, are the MAPAPS/AR and Summary of MAPAPS/AR.

22.13 Verification showed that 2.337 million coconut seedlings were already delivered to the beneficiaries. However, the distribution of 0.549 million or 23.48 per cent of 2.337 million coconut seedlings could not be accounted in view of the non-submission of the MAPAPS and AR as well as Summary of MAPAPS/AR from six Provinces of Bataan, Bulacan, Pampanga, Zambales, Mindoro Occidental and Oriental despite requests made by the Audit Team from Management. As such, it could not be ascertained and confirmed whether the coconut seedlings delivered were received by the intended beneficiaries.

22.14 Further, records showed that 925 farmer-recipients from the Provinces of Abra, Ifugao, Ilocos Sur, La Union, Cagayan, Pangasinan and Isabela who received a total of 114,410 coconut seedlings have no MAPs. Thus, it could not be ascertained whether they are qualified participants of the project.

*Price adjustment from P27 to P30/seedlings  
had no approval from PCA Governing Board*

22.15 Item 13.1.4 of MC No. 02, Series of 2012, dated January 9, 2012 provides that the cost of seedlings should not exceed the standard price prescribed by PCA of P27 per seedling.

22.16 Likewise, Items 3.6.2.2 and 10.2.2.d of MC Nos. 02, Series of 2013 and 06, Series of 2015, dated January 30, 2013 and May 22, 2015, respectively, state that the price of seedlings shall be based on PCA Corporate Order No. 01, Series of 2011, dated April 7, 2011 which ranged from P20 to P27 per piece.

22.17 As can be gleaned from Table 40, the unit price of coconut seedlings from three suppliers, namely: PGP, ASCOT and BPSU was P30 instead of P27, thus PCA spent additional funds for the P3 increase per coconut seedling. Further, said deviation from standard price of P27/seedling which was approved by the former PCA Administrator due to price escalation brought by scarcity of supply in view of occurrence of typhoons, nonetheless appeared to be unauthorized, since it has no approval from the PCA Governing Board.

**22.18 We recommended that Management direct the Regional Manager of RO Nos. I-IV-B to:**

- a. Require the proponents to deliver immediately the coconut seedlings, otherwise, terminate the MOA/Contract of the proponents/private suppliers, and blacklist the private suppliers pursuant to Guidelines of Termination of Contract of the IRR of RA No. 9184 and Paragraph 23.1.a of Section IV of the General Conditions of Contract;**
- b. Direct the Regional Technical Staff to submit immediately the MAPs of the Provinces of Abra, Ifugao, Ilocos Sur, La Union, Cagayan, Pangasinan and Isabela and MAPAPS/AR as well as Summary of MAPAPS/AR of the Provinces of Bataan, Bulacan, Pampanga, Zambales, Mindoro Occidental and Oriental; and**
- c. Henceforth, observe Item 13.1.4 of PCA MC No. 02 series of 2012, dated January 9, 2012 prescribing the standard unit price of coconut seedlings; and**

22.19 Management informed that the Regional Manager, RO Nos. I-IV-B recommended to the OIC-Administrator the issuance of termination and blacklisting orders to AAPNAT and CFN, however, said request has not yet been acted upon. Moreover, they explained that the price adjustment was approved by the former Administrator due to scarcity of supply because of the typhoons. The price adjustment does not necessitate the approval of the Governing Board since Corporate Order No. 01, Series of 2016 is not yet in effect during that time.

22.20 As a rejoinder, in order to prevent occurrence of this issue on late or non-delivery of the coconut seedlings, **we further recommended that Management require the RO**

**Nos. I-IV-B to carefully evaluate the qualification of the prospective suppliers to ensure that they have the capability to supply the goods.**

22.21 As regards Management's explanation that the price adjustment does not necessitate the approval of the Governing Board since Corporate Order No. 01, Series of 2016 is not yet in effect during that time, we would like to emphasize that we based our recommendation on Item 13.1.4 of MC No. 02, Series of 2012, dated January 9, 2012 and PCA Corporate Order No. 01, Series of 2011, both were approved by the Governing Board. It was specifically stated therein that cost of seedlings should not exceed the standard price prescribed by PCA of P27 per seedling.

**23. Payment of P1.860 million by RO Nos. I-IV-B to the Provincial Government of Palawan (PGP) for the 61,950 seedlings delivered by two unregistered suppliers and absence of PCA representative during the delivery were not in accordance with Items 2.6 and 3.7.21 of PCA MC Nos. 02, Series of 2012 and 02, Series of 2013, respectively, resulting in high mortality of seedlings, since these have not been inspected for quality standards, consequently disadvantageous to the government.**

23.1 On October 28, 2014, a MOA was entered into by and between the PCA and the PGP for the supply of 1 million coconut seedlings at P30 per seedling or a total of P30 million for the coconut farmers of the Provinces of Palawan.

23.2 Item 2.6 of MC No. 02, Series of 2012, dated January 9, 2012 states that seednuts or seedlings must be sourced from PCA-Operated Seedgarden (OS) or Seed Production Centers (SPC) and PCA-registered local seednuts/seedlings producers and suppliers.

23.3 Also, Item 8.1 of the same MC provides that as a matter of policy and priority, seednuts or seedlings intended for dispersal to beneficiaries shall be sourced from PCA-OS and SPC and through PCA-registered local seedlings producers and suppliers. As such, PCA shall immediately conduct a nationwide registration of would-be producers and suppliers to ensure reliable supply of good quality seednuts that shall be used as planting materials.

23.4 Moreover, Item 3.7.21 of MC No. 02, Series of 2013, dated January 30, 2013 provides that seedlings delivered by PCA authorized supplier at the designated DOPs shall be properly inspected, received and accepted by the Agriculturist or CDO assigned in the area. Seedlings delivered which have been found out by the Agriculturist or CDO as below technical standards in terms of quality and quantity must be rejected at once and immediately reported to the concerned PCDM or Regional Manager for appropriate action.

23.5 As at December 31, 2016, PGP's deliveries totalled 0.999 out of 1 million coconut seedlings procured, with total payments of P29.986 million. Of this amount, P2.184 million represented payments for deliveries of 72,800 coconut seedlings in the Municipality of Sofronio Espanola, Palawan.

23.6 Records showed that the PGP had engaged sub-contractors for the deliveries of 72,800 coconut seedlings intended for 324 coconut farmers of 8 barangays of the Municipality of Sofronio Espanola. However, 85.11 per cent of 72,800 or 61,959 coconut seedlings with total costs of P1.859 million were sourced from two sub-contractors who are non-PCA registered suppliers, thus there was no assurance that the coconut seedlings distributed to coconut farmers for planting were of good quality.

23.7 Further, the CCDO, PCA Palawan in his letter dated May 16, 2017 had reported that of the 72,800 coconut seedlings planted, 53,422 or 73.38 per cent have stabilized and 19,378 or 26.62 per cent have not survived. Of the 19,378 mortality, 97.41 per cent of which or 18,876 were sourced from non-PCA registered suppliers. It was informed that during delivery of the coconut seedlings there was no PCA representatives, thus no inspections had been conducted to determine whether the coconut seedlings conformed to technical quality standards and quantities were completely delivered and distributed to the coconut farmers. Likewise, then CCDO admitted that the recipient-farmers were recruited by the PGP suppliers and listed their names and required them to sign the MAPAPS/AR.

23.8 Meanwhile, results of inspection and validation conducted by the Audit Team in the said Municipality revealed the following:

- a. One farmer informed that the 1,000 seedlings he received have not survived; and
- b. Three farmers who received a total of 1,200 seedlings, 1,065 of which have died due to the El Niño that struck their area in CY 2015. It was also informed that the seedlings were not delivered on the onset of the rainy season which was one of the reasons why many seedlings planted did not survive.

23.9 In view of the foregoing lapses, the intent of CSDP of providing good quality of seedlings readily available to coconut farmers has not been achieved, hence detrimental to the government.

**23.10 We recommended that Management direct the Regional Manager, RO Nos. I-IV-A to:**

- a. Demand from PGP replacements of coconut seedlings delivered by the unregistered suppliers which did not survive;**
- b. Conduct investigation why non-PCA registered suppliers were allowed to supply coconut seedlings, no PCA representatives were present during deliveries to receive and inspect the coconut seedlings and determine the officers and employees who were remiss in the discharge of their duties and responsibilities; and**
- c. Henceforth, comply strictly with Item 2.6 of PCA MC No. 02, Series of 2012 and Item 3.7.21 of PCA MC No. 02, Series of 2013 to ensure good quality of seedlings for planting materials.**

23.11 Management informed that a demand letter was already sent to PGP for the replacement of seedlings delivered by the unregistered suppliers which did not survive. Likewise, a Memorandum was sent to PCDM of PCA Palawan directing him to conduct an investigation why non-PCA registered suppliers were allowed to supply coconut seedlings, among others.

23.12 As a rejoinder, we appreciate Management's effort to implement the recommendations. We request, however, that the Audit Team be furnished with the results of investigation to be conducted by the PCDM of PCA Palawan.

***Kasaganahan sa Niyugan ay Kaunlaran  
ng Bayan [KAANIB] Enterprise  
Development Project (KEDP)***

**24. The implementation of the KEDP in Regions IV-A, VII, VIII, XI, and XIV was not efficiently and economically carried out while effectiveness thereof could not be established due to: a) delayed releases of funds amounting to P124.672 million which deferred project implementation by the ROs; b) late deliveries of agricultural inputs aggregating P4.261 million by suppliers while some deliveries of livestock costing P2.107 million were not in accordance with specifications; c) non-utilization/operationalization of the equipment with total costs of P4.408 million due to absence of test run/training; and d) non-conduct of monitoring and evaluation that precluded the determination of the projects' status as at a given period and prompt application of remedial actions to address problems and issues in the implementation, thus affecting the sustainability of the livelihood projects in increasing farmer-beneficiaries' income and resulting in wastage of government funds.**

***Significant delays in the implementation of  
the projects***

24.1 The goal of KEDP is to provide sustainable livelihood in selected coconut growing communities and to develop good practices in increasing incomes and generate employment at the community level and enhancing support system for sustainability. It seeks to promote coconut-based farming system as a lucrative agribusiness venture through the implementation of various livelihood projects such as intercropping of high value crops, livestock raising and processing and marketing of high-value products.

24.2 Item XV of MC No. 02, Series of 2014 dated January 10, 2014 provides for the project management of the KEDP, viz.:

*The PCA Administrator shall provide the overall leadership in the implementation of the project, xxx ensures the availability of the required budget and approves detailed implementation plan of the project.*

*The DA for Field Services Branch shall provide the operational and administrative leadership in the implementation of the project, ensures timely release of the required budget, xxx.*

24.3 Review of the releases of funds by CO aggregating to P124.672 million showed that budget allocation of RO No. XI for the implementation of KEDP in CY 2013 was only released during CY 2014, while budget for CY 2014 was approved only in CY 2015. Likewise, CYs 2015 and 2016 budgets were released during the last two quarters of each year. Thus, agricultural inputs for intercropping and processing and marketing of high value products were distributed to intended beneficiaries only a year or two following project year. Details are shown in Table 43.

**Table 43 - Releases of Funds to RO No. XI for KEDP from CYs 2013-2016**

Project Year/ Component	Agricultural Inputs	Advice of Sub-Allotments			Age from Project Year (year.month)	Distribution Period to Beneficiaries
		Number	Date	Amount		
<b>2013</b>						
COCOBED	Coffee (robusta)	KAANIB-1404-010/ NC-XI-1504-004	4/14/2014	P 11,021,000	1.4	07-08/ 2015; 09-11/ 2014; 03-07/2015; 06-07/2016
	Coffee (arabica)	XI-1509-073	9/29/2015	6,976,600	2.9	08-12/2015
<b>2014</b>						
COCOBED	Commercial fertilizers	XI-1507-041	7/9/2015	1,522,850	1.7	10/2015
CHLCP	Agricultural equipment	CHLCPP-XI-1411-001	11/14/2014	4,210,500	0.11	April 2016
CIP	Cacao	CIP-XI-1408-001 / NC-XI-1504-009	8/18/2014 4/13/2015	9,056,260	1.4	Feb-Mar 2015 June 2015
CCEDP	Cacao	XI-1502-007	2/17/2015	31,595,000	1.2	05-09/2015
	Cacao	XI-1509-067	9/25/2015	4,230,900	1.9	No deliveries as at 12/31/16
<b>2015</b>						
CHLCP	Agricultural equipment from ZRC; VCO production equipment	XI-1509-063	9/25/2015	17,950,000	0.9	No deliveries of agricultural and VCO equipment as at 12/31/16 and 02/2016, respectively
CCEDP	Cacao	XI-1509-061	9/24/2015	6,298,000	0.9	09-10/2015
CIP	Cacao and lacatan	XI-1509-062	9/25/2015	7,375,000	0.9	09-10/2015; 05/2016/ 07-08/2016
COCOBED	Coffee (arabica) and fertilizers	XI-1509-060A	10/13/2015	7,283,660	0.10	12/2015 and 10/2016; 10/2015
<b>2016</b>						
CIP	Lacatan;cacao and livestock (cattle)	XI-1606-014	6/6/2016	12,112,125	0.6	Deliveries of lacatan were 50%, while none for cacao as at 12/31/16 and livestock as at 11/2016
CHLCP	Production equipment	XI-1611-038	11/25/2016	5,040,000	0.11	25% delivery as 12/31/16
				<b>P 124,671,895</b>		

*COCOBED- Coconut Coffee Based Enterprise Development Project*

*CHLCP- Community/Household-Level Coconut Processing Project*

*CIP- Coconut Intercropping Project*

*CCEDP- Coconut-Cacao Enterprise Development Project*

24.4 Significant delays in the approval and releases of funds deferred the timely implementation of some projects in RO No. XI, to wit:

a. Under CY 2014 CHLCP, the contract with the ZRC was executed on May 26, 2015 for the fabrication and delivery of 5 decorticating machines, 35 twinning machines and 9 weaving machines with aggregate amount of P1.768 million. Thus, the distributions of the said equipment were made only in CY 2016 or after two years reckoned from project year (CY 2014), albeit there was no acknowledgment receipt (AcR) for the pieces of equipment given to one Community Based Organization (CBO), consisting of one decorticating machine, five twinning machines and three weaving machines.

b. Under CY 2015 CHLCP, the contract with the supplier for the delivery of four units Virgin Coconut Oil (VCO) production equipment was made only on January 13, 2016. Thus, the four units VCO equipment were delivered in February 2016 and distributed to four CBOs from February to May 2016. Likewise, receipt of three of the four units VCO production equipment were not covered with AcRs.

c. Still under CY 2015 CHLCP, another contract was executed on December 29, 2015 with ZRC for the fabrication and delivery of 15 units decorticating machines, 375 units of twinning machines and 30 units of handlooms/weaving equipment with aggregate amount of P6.905 million. However, there were no deliveries as at December 31, 2016. Status of the agricultural equipment showed that the 5 decorticating machines are ready for delivery, while only 50 per cent of the 375 twinning machines and 30 handloom machines are finished. The fabrication and delivery of the machines had been delayed, as no funds from the CO were provided to ZRC, notwithstanding that the contract provided that the amount of P6.905 million would be released by CO to ZRC. There was no written communication by ZRC furnishing CO copy of the contract and request by RO No. XI, being the procuring entity, to facilitate the release of funds by CO to ZRC.

24.5 On the other hand, in RO No. VII, the funds received from CO for KEDP implementation for CYs 2014 and 2015 amounted to P8.775 million. Of this amount, P2.226 million or 25.37 per cent was utilized as of September 31, 2016. There was an undue delay in project implementation from one to two years as of December 31, 2016. Interview with concerned PCDM revealed that the delays were due to the following:

a. Trainings for the farmer-recipients were started on the fourth quarter of CY 2016;

b. Some of the items procured were already delivered to the recipient CBO. However, most of the processing materials necessary in the implementation of the project were not yet procured due to the difficulty in canvassing items which have only limited stocks in the market; and

c. The coconut coir processing equipment delivered to the recipient municipality is not yet operational, since it will not be installed until the shed is completely constructed by the concerned LGU. However, as at audit date, the



procurement process undertaken by the LGU for the construction of a shed is still on-going.

24.6 The deferment of the implementation of livelihood projects deprived the farmer-beneficiaries of sustainable projects in increasing their income.

*Non-operational processing equipment with total costs of P4.408 million*

24.7 Moreover, audit disclosed that the processing equipment received by 15 CBOs in RO No. XI with an aggregate amount of P4.210 million were non-operational as at December 31, 2016. Details are shown in Table 44.

**Table 44 - Non-Operational Processing Equipment in RO No. XI**

<b>Processing Equipment</b>	<b>Unit/set</b>	<b>Date received by CBO</b>	<b>No. of CBOs benefited</b>	<b>Amount</b>
<b><u>Distributed in CYs 2015-2016</u></b>				
Decorticating machine	3	03/23/15; 03/23/15; 04/13/16	3	P 825,000
Twining machine	71	03/23/15; 03/23/15; 04/13/16	3	138,500
Weaving/loom machine	12	03/23/15; 03/23/15; 04/13/16	2	120,000
VCO production equipment	4	02/23/16; 02/24/16; 05/20/16	4	2,744,900
			<b>12</b>	<b>3,828,400</b>
<b><u>Distributed prior to CY 2015</u></b>				
Ice cream making equipment	1	01/23/14	1	191,167
Banana chips equipment	1	01/2013	1	40,900
Beading machine	1	08/17/14	1	149,850
			<b>3</b>	<b>381,917</b>
			<b>15</b>	<b>P 4,210,317</b>

24.8 The test run was not readily conducted on 1 decorticating machine, 14 twining machines, 2 weaving machines and 4 sets of VCO production equipment aggregating P3.111 million distributed to CBOs in CYs 2015-2016. The required test run was conducted 3 to 11 months after receipt of the equipment by the CBOs or not at all for 1 set of VCO production equipment as of March 8, 2017. Likewise, the required trainings and actual demonstration on the proper operation of the equipment have not been conducted to the CBOs as of December 31, 2016. Further, confirmation with the CBOs disclosed, among others, the following:

- a. The decorticating machine was no longer used due to its heavy consumption of fuel, while the fiber produced by the machine is of low quality. Likewise, there is no available market for the coconut fiber produced by the decorticating machines.
- b. The use of twinning machines had been discontinued because of the low quality of fiber produced by the machines which resulted in sub-standard twines. Also, the workers were not encouraged to produce coco coir twines due to very cheap price for the product of P1.00 per 15 meters, which could not cover labor expenses.

c. The members of the CBO have no idea how to use the looming machines.

d. Preliminary orientation on the parts and uses of one set of VCO production equipment was conducted by the Project Development Officer (PDO) IV on June 9, 2016 to one recipient CBO in Compostela Valley, but no actual product demonstration was performed because it was discovered that the capacity of the electrical wiring installed cannot support the requirement for the operation of the machine.

e. One CBO, recipient of one set of VCO production equipment, does not have its own building and source of electricity because the CBO uses the barangay hall as its office. Thus, the VCO production equipment is temporarily stored inside a vacant room in the barangay hall since it was delivered.

24.9 Also, the pieces of equipment received by CBOs prior to CY 2015 with an aggregate amount of P381,917 were also non-operational as of December 31, 2016 due to:

a. The ice cream making machine was no longer operational since the date of receipt by the CBO on January 23, 2014, because the ice cream mixer has a loose fitted electric motor and only being used for product demonstration for farmers;

b. The banana chips equipment is still functional, but already non-operational for two years due to lack of manpower and expensive raw material cost; and

c. The beading machine is no longer operational for one year because the person trained to operate the machine resigned.

24.10 In RO No. XIV, the Kukumb Drier and Kiln with a total cost of P198,000 were constructed in December 2015 for the livelihood project of farmer-beneficiaries subject to terms and conditions that ownership shall only be transferred to them upon fulfillment of their obligations. The Kukumb Drier was supposed to be used as drying facility for coconut meat while Kiln for making charcoal product out of the coconut shells before selling it to outside market at a higher price.

24.11 Inspection conducted revealed that the said facilities are not utilized for almost a year and it is nearing dilapidation. Interview with the coconut farmer-beneficiaries disclosed that the reason for non-utilization of the said facilities was the intervention of a trader who buys whole coconut fruits at a more favorable price without undergoing further drying procedure which accordingly saves time, effort, and more advantageous to them.

24.12 The non-operational of the said processing equipment due to absence of technical and production support, capacity building activities through appropriate trainings to the CBOs as well as prolonged utilization resulted in wastage of government resources.

*Agricultural inputs for intercropping with a total costs of P4.261 million were either delivered late or not delivered at all, while deliveries of livestock costing of at least P2.107 million were not in accordance with required specifications*

24.13 For the implementation of KEDP for CYs 2014 and 2015, the PCA entered into contracts with a supplier for the supply and delivery of the agricultural inputs in RO No. VII which consisted of banana suckers and cacao seedlings, as presented in Table 45.

**Table 45 – Agricultural Inputs under KEDP procured in CYs 2014 and 2015 for RO No. VII**

Item	Mode of Procurement	Date of Contract/PO	Quantity	Contract Cost
Banana suckers (cardava)	Public bidding	10/27/15	185,258	P 4,594,398
Cacao seedlings	Shopping	12/04/15	10,000	228,200
Banana suckers (lakatan)	Shopping	12/04/15	12,489	309,977
				<b>P 5,132,575</b>

24.14 The contracts required the supplier to deliver 185,258 banana suckers plus 10 per cent allowance for mortality, free of charge, which should be of good quality having specifications and conditions, to wit: i) cardava variety, ii) healthy and disease free, iii) one foot high with one emerging sword leaf, and iv) to be delivered/transported in wooden crates. The delivery would commence after issuance of the NTP which was issued on October 30, 2015 and should be completed within 90 calendar days or on January 30, 2016.

24.15 Validations of the actual deliveries made by the supplier showed that only 35,126 were good and accepted or equivalent to 18.96 per cent of the 185,258 seedlings. The banana suckers were not completely delivered within the delivery period due to typhoon and El Niño. Requests for delivery extension and change of technical specifications were made by the supplier. RO No. VII granted a 30-day delivery extension, however, denied the request for change of technical specifications. Despite 30 day-delivery extension, still the supplier was unable to complete its delivery due to unavailability of stocks and that many farmers did want to accept suckers measuring one foot high.

24.16 Thus, RO No. VII in its letter dated September 7, 2016 rescinded the contract for the delivery of 150,132 costing P3.723 million (150,132 x P24.80). In addition to late deliveries, the reasons discussed in Table 46 contributed to the rescinding of contract.

**Table 46 - Additional Reasons for Rescinding the Contract for Supply of Banana Suckers**

Specification	Reasons
Cardava variety	Of the 5,000 deliveries in Magsusunog, Pamplona, Negros Oriental on June 26, 2016, only 1,000 were cardava and the rest were Cavendish.
One foot high with one emerging sword leaf	Also, in Cebu, considerable deliveries were also Cavendish. All deliveries made were not compliant with the specifications. Considering that bananas can bear fruits in 6 to 8 months from planting, it can be inferred from the size of the "suckers" delivered that they are not of bearing age.
To be delivered / transported in wooden crates	All deliveries made were not contained in crates. Adducing from the sizes delivered, it could not anymore be accommodated in crates.

24.17 Moreover, as shown in Table 45, the 12,489 banana suckers (lakatan) and 10,000 cacao seedlings procured from the same supplier thru shopping remained undelivered as at September 15, 2016. Management did not determine the reasons of the delay and make the necessary follow-up from the supplier. Thus, the total undelivered agricultural inputs totalled to P4.261 million [banana suckers (cardava) of P3.723 million + cacao and banana suckers (lakatan) of P0.538 million].

24.18 Meanwhile, in RO No. VIII, deliveries of livestock in the Provinces of Leyte and Southern Leyte of P1.288 million and P0.819 million, respectively, or totaling P2.107 million were not in accordance with the specifications. Results of confirmation disclosed that the carabaos and cattle delivered are more or less one year old instead of two to three years old as specified in the POR. Likewise, in the Province of Leyte, one of the suppliers of the goats was also a recipient of one malnourished female goat and the cattle delivered in the Province of Southern Leyte are also malnourished.

24.19 The late or non-delivery of these agricultural inputs as well as acceptance of deliveries not in accordance with the specifications have deprived the farmer-beneficiaries of the opportunity to increase their income at the earliest time possible thru intercropping in their coconut farms.

*Non-conduct of project monitoring and evaluation*

24.20 The monitoring and evaluation of the impact of KEDP is provided under Section XIV of PCA MC No. 03, Series of 2013, dated January 30, 2013, which states that:

*Monitoring and Evaluation*

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

- *Impact Evaluation*

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

24.21 Item VI of MC No. 02, Series of 2014 dated January 10, 2014 provides that the duration of project implementation of the KEDP shall undergo a 3-year project

development cycle, after which, it shall be subjected to ex-post evaluation to determine its impact and degree of sustainability.

24.22 In RO No. IV-A, the quarterly monitoring status and the accomplishment reports submitted to the Audit Team were only first quarter of CY 2016 and for the month of December 2016, respectively. The Coordinator alleged that the unsigned quarterly monitoring reports for the second to the fourth quarters and accomplishment reports from January to November 2016 were sent to the RO thru electronic mails where the KEDP sites are located. Hence, an indication that the required monitoring has not been regularly undertaken by the PrOs in coordination with the community coordinators, thus, precluding determination of the status of the projects as at a given period.

24.23 Also, for CY 2016, the second surveys, results of which were furnished to the Audit Team, were conducted only to 16 or 40 per cent of the 46 CBOs granted with three-year development projects. Hence, the progress of the livelihood projects in the total amount of P20.021 million, granted to the 30 CBOs could not be ascertained and necessary remedial measures were not applied to address problems, like the lack of market and proper packaging for the organic fertilizer, encountered during the projects' implementation.

**24.24 We recommended that Management require the concerned Offices in the CO and ROs to:**

- a. Process and release funds to ROs judiciously for implementation of the projects to ensure that farmer-beneficiaries receive benefits timely;**
- b. Disqualify the ineligible suppliers from joining any future bidding on the supply and delivery of agricultural inputs;**
- c. Undertake remedial actions to immediately address issues and problems on non-operational equipment taking into consideration the objectives of the project in order to ensure that funds are expended for the purpose these are granted; and**
- d. Oblige the Community Coordinator in coordination with the Senior Agriculturist/PCDM to monitor and report on a monthly basis, the status of all projects to the RO and regularly furnish the Audit Team with the said reports, otherwise, hold the concerned PCA employees accountable for non-monitoring and evaluation of the status of the implementation of the livelihood projects.**

24.25 Management informed that RO No. IV-A had already completed the second survey/impact assessment for the 30 CBOs with the results are currently being processed which will be submitted to COA upon completion. They required their PrOs to regularly conduct the monthly project monitoring and evaluation in order to undertake remedial actions on problems that may arise during the course of project implementation and to diligently submit monthly reports, copy furnished the Audit Team.

24.26 RO No. VII commented that contracts and POs for the supply and delivery of banana suckers for CYs 2015 and 2014 KEDP were rescinded effective September 7, 2016 and November 4, 2016. The balance of undelivered portion of the contracted

quantities were already procured thru negotiated procurement under takeover of contracts of which they had already issued the Notice of Award to another supplier. They did not rescind the contract for cacao seedlings, since the supplier made deliveries. Further, they explained that the specification of the materials to be procured was searched from the internet, not knowing that such specifications were not available in the local market, which was one of the main causes of the delay in the procurement.

24.27 RO No. XI commented that they have already communicated with ZRC. They have requested CO to release the needed funds to ZRC to finish the fabrication, delivery and installation of various agricultural equipment. Further, they informed that they are considering that all KEDP focal persons coordinate with and tap the expertise of other government agencies in the conduct of capability and skills training for KEDP participants, including marketing assistance. They also assured that the conduct of test runs, trainings and product demonstration will be included in the schedule of requirements for succeeding procurements.

24.28 RO No. VIII commented that:

a. For the acceptance of delivered livestock aggregating P2.107 million which were not in accordance with the specifications of the contract, the livestock delivered in Southern Leyte experienced intense stress during the transport from loading with long wait in the wharf in Masbate during the travel to the port of Ormoc City. Also, smaller livestock suffered extreme pressure from the larger ones as they were exposed to the heat of the sun while being transported through only one truck without any cover or shield, thus looking weak, sluggish and underweight. Further, slight miscalculation of the ages, which could be determined by the length of their horns in the absence of credentials, was declared by the farmers whom the livestock are under their custody. Meanwhile, the livestock delivered in Leyte were aged 2 years old based on the animal credentials (Certificate of Ownership of Large Cattle) issued in Masbate City and submitted by the supplier as additional requirements in the technical specifications of the contract, and the Inspection and Acceptance Reports of the provincial inspector of Provincial Offices.

b. The help of the Provincial/Municipal Veterinary Office was also sought during the conduct of inspection to ensure that the livestock delivered were healthy and in accordance with the specifications stated in the contract. Finally, the supplier of the goats in Carigara, Leyte who was a recipient of 1 female goat was the only available and interested local supplier of goat who was capable of supplying the required quantity and specifications during the time of procurement. The supplier also happened to be a member of the KANIB organization in Carigara and was luckily chosen to receive the goat during a raffle.

c. On the other hand, the Regional Bids and Awards Committee (RBAC) decided to purchase the suckers through Small Value Procurement as suggested by the CO, since the amount did not exceed P0.500 million.

24.29 As a rejoinder, to ensure timely delivery of services and benefits to farmer-beneficiaries, Management should closely monitor the status and progress of project

implementation by the concerned ROs and call their attention in case there are deviations and impose sanctions, in case they are found remiss in discharging their duties and responsibilities.

### ***Coconut Fertilization Program (CFP)***

**25. Economy, efficiency and effectiveness in the implementation of the CFP in Regions V, VII, XI and XIII, could not be ascertained in view that: a) there were 37,685 bags fertilizers undistributed due to unavailability of vehicles to transport these from DOPs to beneficiaries' farms hindering timely application of fertilizers; b) warehouses are vulnerable to rain, flood and pilferage which resulted in losses and wastage of government funds; c) additional expenses were incurred for hauling and warehousing for prolonged storage of fertilizers; d) legitimacy of farmer-participants was doubtful since fertilizers were distributed to farmers not in the Masterlist of Farmer-Participants (MLFP) and replacements of farmer-beneficiaries during actual distribution were unauthorized; and e) receipt of fertilizers could not be validated due to non-submission of AcRs.**

25.1 The CFP is aimed at fertilizing fruit-bearing coconut trees using common salt or sodium chloride (NaCl) to increase coconut productivity and improve coco resistance to pests and diseases.

25.2 Audit of CFP revealed various deficiencies as discussed in the succeeding paragraphs.

*Undistributed fertilizers consisting of 37,685 bags, non-provision of safe warehouses, incurrence of expenses for hauling and warehousing for prolonged storage of fertilizers*

25.3 Section 2 of PD No. 1445 provides that:

*It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. Xxx.*

25.4 Item No. 4.3 of MC No. 01, Series of 2015, dated January 9, 2015 on the amended guidelines on the implementation of the CFP using AGSF only and AGSF plus coco coir based organic fertilizer (CCBOF) provides that:

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

25.5 Out of 145,116 bags AGSF allocations of 4 ROs, 37,685 of which or equivalent to 25.97 per cent remained undistributed to the farmer-participants as at December 31, 2016. Details are shown Table 47.

**Table 47 – Summary of undistributed bags of fertilizers of four ROs**

RO No.	No. of Bags			Per cent to allocation
	Per allocation	Distributed	Undistributed	
V	27,940	9,452	18,488	66.17
VII <sup>1</sup>	5,600	4,693	907	16.20
XI <sup>2</sup>	91,416	76,239	15,177	16.60
XIII	20,160	17,047	3,113	15.44
	<b>145,116</b>	<b>107,431</b>	<b>37,685</b>	<b>25.97</b>

1 - As of November 25, 2016

2 - As of January 6, 2017

25.6 The AGSF were not immediately distributed since some farmer-participants did not claim their allocations due to unavailability of service vehicles to transport the fertilizers from DOPs to their farms. As such, the fertilizers were stored either at the municipal/barangay halls, sport complex or “bodega” of Small Coconut Farmers Associations pending distribution to the intended beneficiaries.

25.7 Meanwhile, the undistributed AGSF in RO No. VII consisting of 907 bags, 25 of which or equivalent to 2.76 per cent were partially burned due to fire that occurred on September 6, 2016. The situation could have been avoided had the fertilizers been distributed on time to the farmer-beneficiaries.

25.8 Likewise, in RO No. XIII, the 3,113 or 15.44 per cent of 20,160 total bags allocations which remained undistributed were stored in five municipal warehouses. Of the five warehouses, two warehouses with 2,513 bags or equivalent to 80.73 per cent of the total 3,113 bags were stored for three to four months reckoned from delivery date. Random inspection in one of the warehouses in Surigao del Sur disclosed that: a) approximately 30 per cent or only 1,296 bags of the actual deliveries of 4,320 bags were withdrawn from the warehouse; b) about 50 per cent of the remaining stocks deteriorated and spoiled; c) some bags of the AGSF were already damaged due to worn out sacks and others were also discolored; and d) existence of holes in the roofing that allowed the flow of rainfall inside the warehouse.

25.9 Considering that the AGSF were not immediately distributed, the farmer-participants could not apply these timely to their coconut farms which hindered the attainment of higher coconut productivity. Likewise, non-provision of safe warehouses has exposed AGSF to loss resulting in wastage of government funds.

*Unauthorized changes in DOPs and incurrence of additional expenses for hauling and storage/warehouse rentals*

25.10 Item No. 3.3 of MC No. 01, Series of 2015, dated January 9, 2015 on the amended guidelines on the implementation of the CFP using AGSF only and AGSF plus CCBOF, provides that:



*Before the actual delivery of the AGS fertilizer and CCBOF, the winning Supplier or his representative shall coordinate with the RM [Regional Manager] and PCDM [Provincial Coconut Development Manager] for the planned delivery to identified Drop-off Points, Xxx.*

25.11 In RO No. VIII, review of documents showed that there were unauthorized changes in DOPs in the Provinces of Eastern Samar and Southern Leyte due to difficulty in distributing the fertilizers to the farmer-participants from the original DOPs. Inquiry from the Focal Person revealed that indeed there was no written approval for the sudden changes of DOPs from CO. Analysis showed that the new DOPs are near the national roads or at areas accessible through land transports, therefore it is easy to distribute the fertilizers to intended beneficiaries, nonetheless the changes had no approval. Likewise, instead of the supplier bearing the freight and handling costs of the items to point of destination, these expenses were shouldered by the PCA.

25.12 In RO No. XI, additional expenses amounting to P1.991 million were incurred for hauling, warehousing of undistributed fertilizers and transferring these from DOP to another storage.

25.13 The incurrence of additional expenses could have been avoided had the fertilizers directly been distributed to the farmer-participants at the DOPs, thus funds could have been saved for other intended purposes.

*Distribution of AGSF to farmers not in MLFP, unauthorized replacement of farmer-beneficiaries during actual distribution, non-submission of AcRs and unreliable masterlisting of farmer-participants*

25.14 Pertinent provisions of MC No. 01, Series of 2015, dated January 9, 2015 on the amended guidelines on the implementation of the CFP using AGSF only and AGSF plus CCBOF, state that:

*1.3 The CDO shall prepare the Masterlists of Farmer-Participants (MLFP), per CFP component, within his area of coverage. Xxxx*

*4.5 To properly document the farmers' acceptance and subsequent application of the subject fertilizer, the certificate of fertilizer application xxx prescribed xxx Acknowledgment Receipt and Certificate of Distribution and Application of Agricultural Grade Salt Fertilizer (ARCDAAGSF)/xxx*

25.15 On random sampling, comparison between the MLFP and ARCDAAGSF of RO Nos. V, VII and VIII disclosed that of the 2,717 total number of target farmer-beneficiaries per MLFP, 1,395 or equivalent 51.34 per cent received fertilizers. However, only 6.16 per cent of 1,395 recipients or 86 were included in the MLFP. Thus, the 2,631 or 96.84 per cent of 2,717 farmer-beneficiaries listed in the MLFP did not receive fertilizers. Details are shown in Table 48.

**Table 48 – Comparison Between MLFP *vis-a-vis* ARCDAAGSF of AGS Fertilizers in three ROs**

RO No.	No. of Farmer-participants per MLFP	No. of Recipients per ARCDAAGSF			No. of participants included in the MLFP but did not received SF
		Included in the MLFP	Not included in the MLFP	Total	
V	2,277	34	651	685	2,243
VII	280	18	248	266	262
VIII	160	34	410	444	126
	<b>2,717</b>	<b>86</b>	<b>1,309</b>	<b>1,395</b>	<b>2,631</b>

25.16 Meanwhile in RO No. V, the Technical Staff explained that farmer-participants were earlier informed that the delivery of the fertilizers were at the designated DOPs only. However, they have difficulty in shouldering the transport costs from DOP to their respective farms especially those located in far flung barangays; thus, the Agriculturists/CDOs opted to tap the support of the concerned LGU officials and private individuals who are willing to shoulder the expenses and granted the fertilizers to those interested coconut farmers in the locality who were not included in the MLFP.

25.17 On the other hand, in RO No. VII, inquiry revealed that there were cases where they were forced to grant the fertilizers to farmers whose names were not included in the MLFP, specifically when the legitimate beneficiaries are not around during delivery at the designated DOPs to claim their allocation bags of fertilizers or at the allotted claiming period due unavailability of storage or warehouses.

25.18 In addition, in RO No. XI, the Weekly Fertilizer Delivery and Distribution Status Report as of January 6, 2017 showed that the 91,416 bags of AGSF had already been distributed. Examination showed that only 26,612 bags of AGSF were supported with AcRs signed by farmers; thus, the 64,804 bags had no proof of receipt to attest to the legitimacy and veracity of claims that the fertilizers were already received by the farmer-participants. Likewise, review of MLFP in RO No. XI which was submitted to CO disclosed the following observations:

- a. Fifty nine (59) of the 86 farmer-participants from the Municipality of Bansalan, Davao del Sur with total allocation of 944 bags of AGSF also appeared as same farmer-beneficiaries with the same number of allocation from the Municipality of Hagonoy, Davao del Sur;
- b. One hundred (100) farmer-beneficiaries from the Municipality of Malalag, Davao del Sur with allocation of 1,456 bags of AGSF were also listed as farmer-participants of the Municipality of Malita, Davao Oriental;
- c. The farmer-beneficiaries at Toril, Davao City had equal number of allocated bags of fertilizers, notwithstanding the number of hectares applied for;
- d. There are 5,716 bags distributed to 1,021 farmers who are not included in the original masterlist;

e. Comparison between the allocation of fertilizers per masterlist and number of fertilizers distributed per acknowledgment receipts of 85 farmers in Davao City and Davao del Norte showed discrepancies of 1,285 bags and 286 bags, respectively, or a net discrepancy of 999 bags; and

f. Twenty (27) farmers from Davao del Norte listed in the MLFP were replaced with another farmer-beneficiaries during actual distribution

25.19 Further, the Project Development Officer (PDO) of RO No. XI confirmed that the masterlisting of farmer beneficiaries is only based upon the recommendations of SCFOs and barangay officials of the locality, hence, upon actual distribution, replacement of farmer-beneficiaries happened. Likewise, the original MLFP submitted to CO is a “pre-masterlist” and the final masterlist is only submitted to CO upon termination of the project. It was also admitted that the same names of farmers have appeared in different municipalities/localities because the CDOs have a practice of copying-pasting templates. The review process by the Senior Agriculturist/PCDMs has been overlooked in the desire to submit the MLFP within the timelines set by CO. Additionally, the PDO explained that the huge allocation in the “pre-masterlist” of bags of fertilizers per farmer is done to deal with fewer participants during the process of masterlisting. However, the PDO averred that during actual distribution, the allocation was divided to include those not listed in the original MLFP for greater farm and farmer-beneficiary coverage.

25.20 Moreover, in RO No. XIII, the Audit Team was unable to validate the actual distribution of salt fertilizer to farmer-participants in view of non-submission of AcRs. The absence of the AcRs was allegedly due to the hectic time on the withdrawal of fertilizers from the DOPs to the intended barangays by the coconut farmer’s organization and the beneficiaries had not yet received the farm inputs. Likewise, in RO No. XII, the distribution of 28,000 bags of CCBOF with total cost of P5.936 million to farmer-participants could not be established due to non-submission of Terminal Report consisting mainly of AcRs.

25.21 In view of the foregoing circumstances, the legitimacy and existence of the farmer-participants could not be ascertained, while receipt of fertilizers by the farmer-participants could not be validated due to non-submission of AcRs.

**25.22 We recommended that Management direct the concerned Regional Managers to:**

**a. Distribute immediately the fertilizers to the farmer-participants to avoid further delay in the project implementation;**

**b. Provide safety measures in the warehousing of fertilizers to avoid any losses due to theft and deterioration;**

**c. Designate DOPs such as municipalities and barangays accessible to transportation to facilitate immediate distribution to intended farmer-beneficiaries and to avoid incurrence of additional costs for hauling and warehousing;**

**d. Submit immediately the AcRs to the concerned Audit Teams for audit purposes; and**

**e. Henceforth, distribute strictly the salt fertilizers only to the farmers listed in the MLFP and request approval from the concerned CO officials for changes in the MLFP as to farmer-beneficiaries and allocation of salt fertilizers.**

25.23 Management explained that in RO No. V, there were only two vehicles (1 center truck and 1 pick-up) available to transport the fertilizers. Also, the availability of warehouses is limited as owners or the concerned LGUs declined to let their warehouses as storage due to the nature of fertilizers which can corrode metal structures of the warehouses. Moreover, RO No. V commented that the farmer-participants for CY 2015 CFP were listed in CY 2014, while the fertilizers were delivered only last August 2016 causing some of the participants to withdraw from the program and those farmer recipients who were not included in the MLFP are qualified participants to avail the program, since they are also coconut farmers.

25.24 RO No. VII commented that their initial plan was for the fertilizers to be dropped off along the municipalities being passed by the vehicle delivering the agricultural salt on the way to the designated DOPs because of the difficulty in distributing the fertilizers to farmers had been already anticipated. However, the contract specifically states that the fertilizers should be delivered to the designated DOPs. Nonetheless, efforts had been exerted to distribute the fertilizers to farmers. As of March 8, 2017, only 16 bags of fertilizers remained undistributed and they assured to distribute these by the end of March 2017. As regard the MLFP, they explained that it was initially prepared to support the procurement of fertilizers, hence, in the final masterlist there were farmers who were not included in the initial masterlist, but were able to receive AGSF. Also, the concerned Acting Senior Agriculturist was not aware that there was already a list of beneficiaries which could have been the basis for the distribution of AGSF, since there was no proper turn-over/briefing from the previous Senior Agriculturist considering that the retirement of the latter was so sudden.

25.25 RO No. XI commented that its Regional Technical Unit is currently reviewing the ARCDAAGSF and committed to forward the same to CO as soon as possible.

25.26 RO No. XIII commented that the fertilizers were mostly delivered to the DOPs during the month of July 2016. Based on the guidelines, these would be distributed one month after delivery and after inspection by the supplier (PITC). By October 20, 2016, supplier's representatives conducted the inspection of the deliveries. For the passing months, the polyethylene bags of the fertilizers started to deteriorate due to heat of the sun. Furthermore, the identified DOPs were mostly covered courts of the barangays where the barangay officials were informed that the fertilizers would be placed there for a period of one month. The delivered fertilizers were acknowledged by the farmer-recipients, but submission of AcRs was delayed because there were far flung barangays that needed to be served with only one Agriculturist covering one municipality with distantly located barangays. The RO had already set a deadline for the submission of the AcRs. Moreover, they assured that in the next delivery of salt fertilizers, proper storage shall be observed to prevent wastage or loss of government property.

25.27 As a rejoinder, we take note of Management's comments on the distribution and warehousing of fertilizers and submission of AcRs. However, **we further recommended that the concerned RO should carefully identify the DOPs that are accessible to the farmer-beneficiaries to avoid changes in DOPs of fertilizers.**

**26. In RO Nos. V and XIII, the procedural guidelines and conditions for the inspection and acceptance of the delivery of fertilizers set forth under PCA MC No. 01, Series of 2015, dated January 9, 2015 and Terms of Reference of the Contract were not strictly observed, thereby casting doubt on the correctness of the quantities and on technical specifications of the fertilizers delivered.**

26.1 Item No. 3.4 of PCA MC No. 01, Series of 2015, dated January 9, 2015 on the amended guidelines on the implementation of the CFP using AGS only and AGS plus CCBOF provides that:

*The PCDM concerned, shall designate the Agriculturist, covering the area/location of the identified municipal/provincial warehouse(s) to receive, inspect as to quantity and ensure the safety of the AGS fertilizers and CCBOF received at the warehouse(s). The delivery receipts (DRs) shall be signed by the designated Agriculturist once the complete quantity of AGS fertilizers and CCBOF stated in the DR have been received at the DOPs, together with the 2% empty sacks with label. The agriculturist shall also indicate in the individual DR the actual date of delivery of fertilizers at the DOP. In areas where participation of coconut farmer organizations is wanted and discernable in the acceptance of AGS fertilizers & CCBOF at the DOPs, the farmers' group representative, may be required by the designated Agriculturist to countersign the DR before the Agriculturist affixes his/her signature.*

26.2 Item No. 2.4 of the same MC provides that:

*Xxx the designated Provincial Technical Inspectors (PTIs) enumerated in Section 3.5 of these guidelines shall ensure that any erasures shall be properly countersigned by them. The names of PCA employees authorized to sign should be written legibly before signing and the spaces for dates and for other data required should also be properly filled up. Likewise, the PTIs shall ensure that a note is written in all copies of DR regarding the actual date of arrival of AGS fertilizers xxx delivery at the designated DOPs by the designated receiver of the fertilizer.*

26.3 Likewise, Section IV(d) of the Terms of Reference of the contract for the supply and delivery of AGS states:

*Xxx Deliveries on Saturdays, Sundays and Holidays without prior notice/s from the supplier and without confirmation by the receiving PITC and PCA personnel shall not be accepted. The deliveries made beyond the regular office hours (8AM-5PM Monday to Friday) shall not be accepted.*

*Advance Notice/s for any changes on the submitted transport plan, approved scheduled collection of samples and for deliveries to be made during weekends and holidays shall be served during the office hours from 8AM-2PM only, Mondays to Thursdays. Failure by the supplier to comply with the required advance notice/s means they have to wait for the next working day for the unloading of fertilizers.*

26.4 Further, Section IV (e) of the same Terms of Reference states that:

*The Provincial Coconut Development Manager (PCDM) or the authorized representative shall sign the delivery receipt once the complete quantity of the fertilizer stated in the delivery receipt have been received together with the 2% empty sacks with label. While, the Regional Manager shall sign the Sales Invoices once the PCDM had submitted the completed inspection and delivery reports of fertilizer actually received per DOP.*

26.5 In RO No. V, examination showed that the DRs for reported delivery of 115,964 bags of AGSF costing P33.282 million have deviations from prescribed processes by acknowledging, signing and/or not signing the designated space provided in the DR. Details are discussed below:

a. Deliveries costing P6.183 million for 21,545 bags were acknowledged without indicating on the DR the actual date of receipt, while one DR for 600 bags costing P172,200 was undated.

b. A total of 56,225 bags amounting to P16.137 million were noted to be without the required issuer, deliverer and receiver signatories. There were also instances where signatures and/or printed names are lacking. Data on the vehicle used are likewise inconsistently indicated.

c. DRs for the delivery of 16,163 bags costing P4.639 million were tampered by tracing of the blurry details on the face of the DRs, such as the date, quantity delivered or the date of acknowledgement. Tampering by tracing could have been avoided had the personnel who signed in the acknowledgment portion of the DR secured a clear customer file copy. DRs with blurred entries should have not been accepted as they did not promote transparency in financial records under the circumstance. It is the responsibility of then PCDM/Division Chiefs to secure a DR complete in details and signatories.

d. The actual time of receipt of deliveries were not indicated in the DRs for the delivery of 115,414 bags costing P33.122 million, thus verification of compliance with Section IV (d) of the Terms of Reference of the contract could not be made.

e. In the case of deliveries made on weekends, a total of 15,591 bags were delivered. Not one PrO who received deliveries on weekends presented the prescribed advance notice from the supplier due to change in the schedule of transport and deliveries. Only the Sorsogon PrO presented a document for reference and verification not regarding a delivery, but change in schedule of inspection and sampling of deliveries on a holiday previously scheduled on June 6, 2016 which was moved to June 11 and 12, 2016.

f. Notwithstanding, the under delivery of 54 empty sacks was minimal, all of the PCDMs/Division Chiefs of the six provincial offices declared that there was no sales invoice presented at their end.

26.6 In view of the foregoing observations, the correctness and reliability of the reported deliveries of AGSF are doubtful.

26.7 **We recommended that Management direct the concerned Regional Manager, RO No. V to:**

a. **Submit justification for the deficiencies noted and why the persons responsible should not be held liable for the losses that maybe incurred by the PCA;**

b. **Require the PCDM to verify and conduct regular monitoring of the tasks of his authorized representative in the field to ensure that the activities/processes in every project are carried out consistently well and compliant with existing laws, rules and regulations; and**

c. **Ensure, henceforth, that persons-in-charge of receiving deliveries of fertilizers are strictly adhering to the existing guidelines/procedures on the inspection and acceptance thereof.**

26.8 RO No. V Management informed that the respective PCDM of PrOs in the Region assured that they will be more vigilant in observing the prescribed procedures on deliveries to avoid any losses that would be detrimental to the government.

***Smallholder Oil Palm Plantation Development Project (SOPDP)***

27. **In RO No. XII, the legitimacy and existence of farmer-beneficiaries who were recipients of 25,600 oil palm seedlings with total cost of P6.272 million under the SOPDP could not be established due to non-submission of Terminal Report consisting of the AcRs.**

27.1 The SOPDP is designed to promote oil palm development through organized growers or outgrowers scheme with marketing tie-ups with the oil millers. The landowners, farmers including indigenous people are encouraged to create economies of scale.

27.2 MC No. 11, Series of 2015, dated April 7, 2015 prescribes the use of the Certificate of Acceptance of Oil Palm Seedlings and Acknowledgement Receipt to properly document the farmer's acceptance of oil palm seedlings.

27.3 In CY 2016, RO No. XII procured 25,600 oil palm seedlings with total cost of P6.272 million for the implementation SOPDP.

27.4 Audit showed that the distribution of the oil palm seedlings was supported with the Masterlist of farmer-participants from North Cotabato and Sultan Kudarat. However,

the Terminal Report consisting of the AcRs of the farmers-participants were not submitted to the Audit Team. Thus, the legitimacy and existence of farmer-beneficiaries as recipients of the oil palm seedlings could not be established.

**27.5 We recommended and Management agreed to direct the Regional Manager of RO No. XII to submit the Terminal Report together with the AcRs to attest actual receipt of the oil palm seedlings by the intended beneficiaries.**

## **GENDER AND DEVELOPMENT (GAD)**

**28. The GAD Plan and Budget (GPB) and the corresponding GAD Accomplishment Report (AR) for CY 2016 were not endorsed to the Philippine Commission on Women (PCW), thus the Agency was not assured that the GAD projects/activities undertaken were responsive to the identified gender issues, and that gender issues were fully addressed during the year.**

28.1 Paragraph 3.5 of Joint Circular No. 2012-01, otherwise known as the “Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment Reports (AR) to Implement the Magna Carta of Women,” issued by the PCW, the National Economic and Development Authority (NEDA), and the Department of Budget and Management (DBM), states that:

*Agency GAD Focal Point System (GFPS) xxx shall coordinate the preparation of the agency GPB and the GAD AR, monitor its implementation and report on its results. Xxxx*

28.2 Further, Section V of COA Circular No. 2014-001 dated March 18, 2014, otherwise known as the “Revised Guidelines in the audit of GAD Funds and Activities in government agencies”, outlines the responsibility of the audited agency in the aforesaid audit, to wit:

*The Audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case may be. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the succeeding year.*

28.3 The Audit Team requested from Management, through a letter dated August 16, 2016, for the submission of a copy of the PCW-endorsed CY 2016 GPB. Said request was reiterated, along with a request for the submission of corresponding AR and other pertinent documents, through a letter dated January 27, 2017. Both requests, however, remained unanswered. It was noted that, in the prior year, Management was not able to promptly submit to the Audit Team their CY 2015 AR while the requested supporting documents thereof were not submitted at all.

28.4 Copy of PCA CY 2016 GPB with AR which were submitted only on June 20, 2017 showed that the GPB was approved under BR No. 065-2016 dated June 30, 2016



with total budget of P64.394 million, however, no record or document was attached thereto to show that the GPB was endorsed to PCW for review. As such, non-review by PCW of the CY 2016 GPB and AR, the PCA was not assured that the GAD projects/activities undertaken were responsive to the identified gender issues, and that gender issues were fully addressed during the year.

**28.5 We recommended that Management direct the GAD Focal Point System of PCA to prepare and endorse the GPB and AR to PCW for review on timely manner to ensure that GAD programs/projects/activities address gender sensitivity.**

## **COMPLIANCE WITH TAX LAWS**

**29.** 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 DISALLOWANCES, CHARGES AND SUSPENSIONS AS AT DECEMBER 31, 2016**

**30.** Table 54 shows the summary of unsettled audit disallowances, charges and suspensions as at December 31, 2016. Details and status are shown in Annex A, Part IV of this Report.

**Table 54 – Unsettled Audit Disallowances, Charges and Suspensions  
As at December 31, 2016**

<b>Office/RO/Center</b>	<b>Disallowances</b>	<b>Charges</b>	<b>Suspensions</b>
CO	P 4,419,862	P -	P 12,613
I-IV-B	20,154,475	-	-
IV-A	28,079,983	-	-
VII	4,000	-	303,493
VIII	2,540,928	-	875,215
IX	10,311,743	-	-
XI	-	10,000	-
ZRC	27,911	-	-
DRC	75,074	-	-
	<b>P 65,613,976</b>	<b>P 10,000</b>	<b>P 1,191,321</b>

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

Of the 133 audit recommendations embodied in the previous years' Annual Audit Reports (AARs), 24 were fully implemented, 57 were partially implemented and 52 were not implemented.

Observations and Recommendations	Actions Taken / Comments
<b><u>CY 2015 AAR</u></b>	
<p>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 totaling 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.</p> <p>We recommended that Management direct the Accounting Division of CO to:</p> <p>a. Effect the necessary adjustments in the books to correct misstatement of affected accounts; and</p> <p>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.</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	
<p>We recommended that Management direct the:</p>	
<p>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</p>	<p>Partially Implemented.</p>
<p>b. Accounting Division of CO and Accounting Units of ROs/Centers to:</p>	
<p>b.1 Conduct verification, analysis, and reconciliation between long/non-moving Agricultural and Marine Supplies Inventory and Deferred Credits accounts;</p>	<p>Partially Implemented.</p>
<p>b.2 Effect the necessary adjusting journal entries upon verification and validation of documents supporting the distribution of agricultural and non-agricultural supplies; and</p>	<p>Partially Implemented.</p>
<p>b.3 Henceforth, stop the practice of using Other Deferred Credits accounts, instead adopt asset method of recording inventories.</p>	<p>Partially Implemented.</p>
<p>We further recommended that Management issue a memorandum superseding the memo advice dated</p>	<p>Fully Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>October 30, 1995 and directive dated October 22, 2009, consistent with Sections 51, 167, and 291 of NGAS Manual, Volume III.</p>	
<p>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.</p>	
<p>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.</p>	<p>Partially Implemented.</p>
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 4 of this Report.</p>
<p>We recommended that Management direct the concerned Regional Managers to:</p>	

Observations and Recommendations	Actions Taken / Comments
a. Hire and assign qualified personnel to prepare BRS for the Cash in Bank accounts of the ROs and PrOs;	Not Implemented.
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	Partially Implemented.
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.	Not Implemented.
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 totaling 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.	Reiterated in Part II - Observation and Recommendation No. 1 of this Report.
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	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
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	Partially Implemented.
c. Collection and Disbursement Division of CO to stop the practice of signing and issuing checks for DVs with incomplete supporting documents.	Fully Implemented.
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.	
We recommended that Management direct the:	
a. Accounting Division to:	
a.1 Reconcile its records on AR-PCA Fees with AMS records;	Partially Implemented.
a.2 Duly support all recorded transactions including the unsubstantiated net adjustments of P124.683 million;	Not Implemented.  For CY 2016, AR Fees were still recorded based on the schedule

Observations and Recommendations	Actions Taken / Comments
	submitted by the AMS to Accounting Division instead of billing statements.
a.3 Accrue receivables based on billing statements issued;	Not Implemented.  Notwithstanding, AMS issued 80 billing statements to the oil millers for CY 2016, the Accounting Division used the schedule mentioned above as bases in recording Receivables – PCA Fees.
a.4 Provide adequate disclosure in the NFS on the status of long outstanding receivables with uncertain recoverability;	Fully Implemented.
b. Assessment and Monitoring Service (AMS) to:	
b.1 Reconcile the receivable balance discrepancy of P5.808 million between that confirmed by two millers and that booked by PCA;	Fully Implemented.
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	Not Implemented.  The justification submitted did not address the issues mentioned in the audit recommendation. Instead, the account had increased from P6.860 million in CY 2015 to P7.332 million in CY 2016 or by P0.472 million or 6.88 per cent.
c. Legal Affairs Office (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.	Partially Implemented.
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 totaling P4.347 million could not be ascertained in view of absence of	

Observations and Recommendations	Actions Taken / Comments
inventory report, contrary to Section 65 of NGAS Manual, Volume II.	
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.	Partially Implemented.
<p>8. Personnel benefits without legal basis, expenses for projects not yet implemented and goods not yet received totaling 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.</p> <p>We recommended that Management direct the concerned Accountants to:</p> <p>a. Prepare the necessary adjusting journal entries to correct the following misstatements:</p> <p>a.1 Outright take up of expenses and payables pertaining to personnel benefits, fund releases to IAs and incentives of the farmer-participants;</p> <p>a.2 Double recording of payables; and</p> <p>a.3 Payables, including long outstanding accounts, which are determined to be without valid claims as at year-end; and</p> <p>b. Henceforth, refrain from recording transactions, including claims, that are not</p>	Reiterated in Part II - Observation and Recommendation No. 3 of this Report.
a.1 Outright take up of expenses and payables pertaining to personnel benefits, fund releases to IAs and incentives of the farmer-participants;	Partially Implemented.
a.2 Double recording of payables; and	Partially Implemented.
a.3 Payables, including long outstanding accounts, which are determined to be without valid claims as at year-end; and	Fully Implemented.
b. Henceforth, refrain from recording transactions, including claims, that are not	Partially Implemented.



Observations and Recommendations	Actions Taken / Comments
<p>supported with proper documentation and for which goods/services have not been received and accepted.</p>	
<p>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.</p>	
<p>We reiterated our prior years' recommendation that Management direct the Accounting Division of CO and Accounting Units of ROs/Centers concerned to:</p>	
<p>a. Exhaust extensive efforts to analyze, review, and reconcile the intra-fund accounts; and</p>	<p>Not Implemented.</p> <p>The variance between the Intra-Agency Receivables and Intra-Agency Payables accounts amounted to P10.871 million which remained unreconciled as at December 31, 2016.</p>
<p>b. Submit to the Audit Team status of actions taken on the variances for audit purposes.</p>	<p>Not Implemented.</p> <p>The status of actions taken on the variances has not been submitted by Management as at December 31, 2016.</p>
<p>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.</p>	<p>Related discussion in Part II - Observation and Recommendation No. 18 of this Report.</p>
<p>We recommended that Management:</p>	
<p>a. Require the Operations Branch to implement PPAs according to targeted timeframes, approved budgets, and intended purposes and submit the</p>	<p>Not Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
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 Major Final Outputs (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 Corporate Operating Budgets (COB), and Programs, Projects and Activities (PPAs) cost of P2.549 billion, per WFPs; and	Not Implemented.
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 General Appropriations Acts (GAAs) for FYs 2014 and 2015.	Not Implemented.
11. Contracts 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	Reiterated in Part II - Observation and Recommendation No. 12 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	
<p>We recommended and Management agreed to:</p>	
<p>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;</p>	<p>Partially Implemented.</p>
<p>b. Notify the Audit Team of the scheduled deliveries of goods and services within 24 hours from acceptance thereof;</p>	<p>Not Implemented.</p>
<p>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</p>	<p>Not Implemented.</p>
<p>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.</p>	<p>Partially Implemented.</p>
<p>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.</p>	<p>Related discussion in Part II - Observation and Recommendation No. 13 of this Report.</p>
<p>We recommended that Management:</p>	

Observations and Recommendations	Actions Taken / Comments
a. Hold liable the concerned officials and employees of RO No. VIII accountable and responsible for splitting the procurement;	Not Implemented.
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	Partially Implemented.
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.	Partially Implemented.
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.	
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;	Partially Implemented.  The investigation committee has already been created.
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 Department of Environment and Natural Resources (DENR); and	Partially Implemented.
c. Property/Supply Officer to issue all recipients of the chainsaws with Acknowledgement Receipt for Equipment (ARE).	Partially Implemented.
14. Payrolls for salaries, wages and other emoluments totaling P55.599 million were not certified as to availability of funds,	Reiterated in Part II - Observation and Recommendation No. 14 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	
<p>We recommended that Management direct the:</p>	
<p>a. Accountant to:</p>	
<p>a.1 Certify the availability of cash, propriety, and completeness of supporting documents in the payrolls;</p>	<p>Partially Implemented.</p>
<p>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;</p>	<p>Partially Implemented.</p>
<p>a.3 Provide explanation on the non-submission of hard and soft copies of Payroll Registers (PyRs), and original copy of the machine-validated letters received by Land Bank of the Philippines (LBP), approved DV, and other supporting documents;</p>	<p>Partially Implemented.</p>
<p>a.4 Maintain and update the Index of Payment (IoPs) and SLs for every payment made to each employee; and</p>	<p>Not Implemented.</p> <p>No IoPs and SLs were maintained and updated for every payment made to each employee. Preparation of payroll is still with Human Resource Department (HRD).</p>

Observations and Recommendations	Actions Taken / Comments
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;	Partially Implemented.
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	Not Implemented.  There are still several adjustments/ alterations made 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.
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.	Partially Implemented.
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.	Reiterated in Part II - Observation and Recommendation No. 16 of this Report.
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	Partially Implemented.
b. Promptly remit the shares to the concerned LGUs, to augment their financial needs for the replanting	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 6 of this Report.</p>
<p>We recommended that Management direct the Accountant to:</p>	
<p>a. Conduct review, analysis, and reconciliation of the subject other receivables and trust liability accounts, and determine their existence and validity;</p>	<p>Partially Implemented.</p>
<p>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</p>	<p>Not Implemented.</p>
<p>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.</p>	<p>Not Implemented.</p>
<p>17. The procedural guidelines and conditions for the grant of CNA incentives to PCA officers and employees for FY 2014</p>	<p>Reiterated in Part II - Observation and Recommendation No. 8 of this Report.</p>

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	<p>Notices of Disallowance were already been issued by the Audit Team of CO in the amount of P1.700 million representing CNA incentives received by CO officers and employees.</p>
<p>We recommended that Management direct the concerned office/s to:</p>	
<p>a. Effect the necessary adjustments for the erroneous classification of CNA incentives in the books;</p>	<p>Not Implemented.</p>
<p>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;</p>	<p>Not Implemented.</p>
<p>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</p>	<p>Not Implemented.</p>
<p>d. Cause the recognition of liability on the unpaid dividend and its remittance to NG in accordance with RA No. 7656.</p>	<p>Not Implemented.</p>
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 18 of this Report.</p>
<p>We recommended that Management:</p>	



Observations and Recommendations	Actions Taken / Comments
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;	Not Implemented.
b. Expedite the implementation of the rehabilitation projects; and	Partially Implemented.
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.	Partially Implemented.
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.	
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.	Partially Implemented.
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.	
We recommended that Management meticulously and judiciously plan the delivery periods of the items to be procured, taking into consideration the	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
emergency nature, if any, of the procurement.	
<p>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.</p> <p>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.</p>	Partially Implemented.
<p>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 Accomplishment Reports (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.</p> <p>We recommended that Management direct the:</p>	Reiterated in Part II - Observation and Recommendation No. 18 of this Report.
<p>a. Operations Branch to fast track the implementation of YRRP projects and activities, and submit annual AcR for YRRP and justifications for the following:</p>	Partially Implemented.
<p>a.1 Higher cost of fertilizer per tree actually incurred in CY 2014 as compared to that in CY 2015;</p>	Not Implemented.
<p>a.2 Higher targeted cost of fertilizer per tree for CY 2015;</p>	Not Implemented.

Observations and Recommendations	Actions Taken / Comments
a.3 Low targeted and actual number of trees fertilized in CY 2015 and as at December 31, 2015;	Not Implemented.
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;	Not Implemented.
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	Not Implemented.
b. Finance Department to:	
b.1 Submit FUR for YRRP;	Not Implemented.
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;	Not Implemented.
b.3 Submit justification on the inter-fund transfers without approval from the Governing Board; and	Not Implemented.
b.4 Ensure that all fund disbursements are covered with duly certified and approved DVs.	Fully Implemented.
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	

Observations and Recommendations	Actions Taken / Comments
processing, and lack of personnel, thereby, defeating the objectives of the YRRP.	
We recommended that Management:	
a. Require the CDOs to submit immediately to the Cebu PrO the required Inspection and Evaluation Report;	Partially Implemented.
b. Require the Cebu PrO and RO No. VII concerned personnel to fast track the processing of claims; and	Partially Implemented.
c. Hire additional job order personnel and assign them in Cebu PrO to assist in the processing of claims.	Partially Implemented.
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.	
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;	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
b. Impose disciplinary actions to all concerned who had been remiss in the discharge of their duties; and	Not Implemented.  No investigation report was provided as at audit date.
c. Henceforth, ensure strict compliance with Item A.2 of COA Circular No. 96-010 dated August 15, 1996.	Partially Implemented.
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.	Related discussion in Part II - Observation and Recommendation No. 20 of this Report.
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	Fully Implemented.
b. Conduct an investigation and hold liable all officers and employees who had been remiss in the discharge of their duties.	Not Implemented.
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.	
We recommended that Management submit the following:	

Observations and Recommendations	Actions Taken / Comments
a. Reconciliation report on the discrepancies noted in the reported number of treated trees; and	Not Implemented.  No reconciliation report was provided as at audit date.
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.	Partially Implemented.
27. Monitoring and evaluation of actual treatment period rendered by the service provider <i>vis-a-vis</i> 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.	Related discussion in Part II - Observation and Recommendation No. 20 of this Report.
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	Not Implemented.
b. Duly supported report and evaluation on the number of treated trees <i>vis-a-vis</i> the work plan of the service provider and filled up CTOM forms.	Not Implemented.
We also recommended that Management hold liable the concerned personnel who had been remiss in the performance of their duties.	Not Implemented.
28. Presenting the same CSI Treatment Operations Monitoring (CTOM) Form 1 twice resulted in double payment of	Reiterated in Part II - Observation and Recommendation No. 19 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	
<p>We recommended that Management direct the concerned personnel to immediately perform the following:</p>	
<p>a. Review thoroughly the documents supporting payments made to PACPA;</p>	<p>Not Implemented.</p>
<p>b. Recompute the total amount that should have been paid to PACPA; and</p>	<p>Not Implemented.</p>
<p>c. Demand refund from PACPA, should it be established that an overpayment was made in addition to the double payment of P232,120.</p>	<p>Not Implemented.</p>
<p>We also recommended that Management hold liable all officers and employees who had been remiss in the conduct of their duty.</p>	<p>Not Implemented.</p>
<p>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.</p>	
<p>We recommended that Management direct the concerned personnel to:</p>	
<p>a. Reconcile the discrepancy in the reported expenditures, including that of quarantine and checkpoints/surveillance operations, between RD and AcR; and</p>	<p>Fully Implemented.</p>
<p>b. Submit duly-supported and duly-summarized proof that activities required under AO No. 01 dated June 9, 2014 were actually implemented.</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>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.</p>	
<p>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.</p>	Fully Implemented.
<p>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.</p>	Fully Implemented.
<p>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.</p>	
<p>We recommended that Management:</p>	
<p>a. Issue a specific policy and procedural guidelines for the implementation of the rehabilitation component of CSIEAP; and</p>	Fully Implemented.



Observations and Recommendations	Actions Taken / Comments
b. Henceforth, ensure that the objectives identified in the projects, programs and activities, including that of CSIEAP, have been fully attained.	Fully Implemented.
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.	Reiterated in Part II - Observation and Recommendation No. 20 of this Report.
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	Partially Implemented.
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.	Not 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	Not Implemented.
b.2 Demand recovery from LAPC or deduct from its outstanding balance,	Not Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>if there are still any, the liquidated damages.</p>	
<p>We also recommended that Management:</p>	
<p>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</p>	<p>Not Implemented.</p>
<p>b. Impose administrative sanctions to those personnel who had been remiss in the discharge of their duties and, be judicious and realistic in formulating its work plan.</p>	<p>Not Implemented.</p>
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 21 of this Report.</p>
<p>We recommended that Management direct Regional Managers to:</p>	
<p>a. Conduct investigation to determine cause/s of:</p>	
<p>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;</p>	<p>Partially Implemented.</p>
<p>a.2. Allowing farmer-participants in Adams, Ilocos Norte to receive</p>	<p>Fully Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
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	Fully Implemented.
a.4. Tenurial status as well land areas were not indicated in the MLFP/Letter for Replacement.	Fully Implemented.
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.	Partially Implemented.
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.	Reiterated in Part II - Observation and Recommendation No. 21 of this Report.
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;	Partially Implemented.
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;	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
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	Fully Implemented.
d. Enforce the provisions of the MOAs entered into with partner LGUs particularly on the delivery of coconut seedlings to their respective localities.	Partially Implemented.
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.	
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	Partially Implemented.
b. Conduct investigation and submit to the Audit Team report on non-distribution/application of 152 bags salt fertilizers.	Partially Implemented.
36. Problems encountered by seven Coconut-Based Organizations (CBOs) in RO Nos. I-IV-B in the implementation of KEDP, i.e., livestock integration,	Reiterated in Part II - Observation and Recommendation No. 24 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>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.</p> <p>We recommended that Management:</p> <p>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</p> <p>b. Require the Regional Manager of RO Nos. I-IV-B to:</p> <p>b.1. Comply strictly with the provisions of PCA MC No. 03, series of 2013, on the monitoring of KANIB projects granted to CBOs to facilitate determination of their status and undertake remedial actions to promptly address issues and problems, taking into consideration the objectives of the project in order to ensure that funds are expended for the purpose these are granted;</p> <p>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</p> <p>b.3. Impose liquidated damages against Nestle Philippines, Incorporated (NPI) for late deliveries, require the said supplier to</p>	<p>Not Implemented.</p> <p>Fully Implemented.</p> <p>Fully Implemented.</p> <p>Not Implemented.</p> <p>No claim has been filed by NPI as at December 31, 2016.</p>

Observations and Recommendations	Actions Taken / Comments
<p>immediately complete the delivery of coffee seedlings.</p>	
<p>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.</p>	
<p>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.</p>	<p>Not Implemented.</p> <p>Notices of Disallowance issued were affirmed under CGS Cluster 5 Decision No. 2017-004 dated January 18, 2017.</p>
<p>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.</p>	<p>Reiterated in Part II - Observation and Recommendation No. 28 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 JC No. 2012-01, COA Circular No. 2014-01, and other laws, rules and regulations on</p>	<p>Not Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>GAD to ensure that the budget is utilized on activities addressing gender issues.</p>	
<p><b><u>CY 2014 AAR</u></b></p>	
<p>39. 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>Partially Implemented.</p> <p>Issued Notices of Disallowance to PCA CO and RO No. IX in the amounts of P1.420 million and P10.312 million, respectively. Appeal Memoranda have been filed by the Appellants on the said Notices of Disallowance.</p> <p>The unexpended DAP balance was already returned to the Bureau of the Treasury.</p>
<p>40. Two Certificates of Availability of Funds (CAF) in the total amount of P102.630 million charged to the YRRP fund bearing the names of the winning suppliers were issued ahead of the invitation to bid and submission of bid proposals, an indication that there was pre-negotiation with favoured suppliers, thus restricting equal and competitive opportunity to other suppliers who may also be eligible to participate in the bidding, and no assurance that the contract prices are the most advantageous to the government.</p>	
<p>We recommended that Management Hold concerned officials and employees accountable and responsible for awarding</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
the procurement to the said favored suppliers.	Management had already conducted an investigation; however, the result disclosed that none was found remiss of his duties.
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.	Partially Implemented.
41. 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:	Reiterated in Part II - Observation and Recommendation No. 24 of this Report.
a. Conduct investigation to determine what caused the non-conduct of market survey and non-preparation/submission of duly signed Baseline Information Survey Schedules, Rapid Marketing Appraisal Tool, Business Plan, and Expression of Interest and hold the concerned personnel responsible as the case may be;	Partially Implemented.
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	Partially Implemented.



Observations and Recommendations	Actions Taken / Comments
<p>unqualified CBOs from the list of recognized KAANIB sites/CBOs; and</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>42. The incapability of the supplier to deliver the remaining 89,345 pieces of coconut seedlings worth P2.093 million which was to be dispersed to estimated 525 hectares in Regions I-IV-B deprived quite a number of farmer-beneficiaries of benefitting from the provision of good quality seedlings under the Coconut Seedlings Dispersal Project (CSDP). Likewise, liquidated damages of P0.469 million have not been imposed against the supplier.</p>	
<p>We recommended that Management direct the concerned Regional Manager to:</p>	
<p>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>	<p>Fully Implemented.</p> <p>The supplier delivered the remaining coco seedlings and waived the payment thereof. Hence, liquidated damages were no longer imposed.</p>
<p>b. Disqualify the supplier of coco seedlings from future biddings.</p>	<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 became moot and academic.</p>

Observations and Recommendations	Actions Taken / Comments
<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>	<p>Not Implemented.</p>
<p>43. Salt fertilizers may have been distributed to farmers who are not qualified as they are not in the masterlist, and if listed therein, their first names or the respective barangays were not indicated, there were unauthorized changes in Drop off Points (DOPs) and recipients, the number of beneficiaries was based on target and not on the masterlist, unclaimed fertilizers were given to other interested farmers, among others, thus may affect the efficient and effective implementation of the Salt Fertilization Project.</p>	<p>Related discussion in Part II - Observation and Recommendation No. 25 of this Report.</p>
<p>We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the concerned Coconut Development Officers (CDOs) to 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>	<p>Partially Implemented.</p>

#### **CY 2013 AAR**

44. 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.

Observations and Recommendations	Actions Taken / Comments
<p>We recommended that Management formulate policy guidelines to ensure compliance with existing rules and regulations on the grant, utilization, and liquidation of cash advances.</p>	Partially Implemented.
<p>45. 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.</p>	Partially Implemented.
<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>	Not 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>	<p>No copy of the said guidelines regarding budget allocation was provided by Management.</p>

#### **CY 2012 AAR**

46. 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.

Observations and Recommendations	Actions Taken / Comments
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.	Fully Implemented.

**Details and Status of Unsettled Audit Disallowances, Charges & Suspensions  
As of December 31, 2016**

**I. Notices of Disallowance (NDs)**

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
<b>Central Office</b>				
10-02-503 (09)/ 02/16/ 2010	Members of PCA Governing Board	Excessive payment of food expenses	P 1,949.25	Persons liable were no longer connected with PCA at the time of service of COE on March 18, 2014
10-09-503 (99)/ 06/03/ 2010	Members of PCA Governing Board; 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/ 07/09/ 2010	Manager, Corporate Planning Office	Excessive payment of plane fare and boarding pass	5,418.56	-do-
10-28-503/ 09/09/ 2010	Members of the PCA Governing Board	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/ 10/09/ 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 & COA Decision No. 2016-325 dated Nov. 9, 2016
2013-006-503(2012)/ 07/12/ 2013	Contractual Employee, Field Services Branch (FSB) DM, FMSD DA, FSB	Payment of travel insurance premium	511.00	Settled. For issuance of NSSDC.
2014-002-503/ 02/24/ 2014	Payee; DM II, FMSD; DA, CSB/ Chairman, Bids and Awards Committee (BAC); DA, Research, Development and Extension Branch (RDEB)/ Member, BAC; OIC- Division Chief (DC) II, Legal Affairs Office/ Member, BAC; OIC-DC III, Administrative and General Services Department/ Member, BAC; DA, FSB/ Member, BAC;	Excessive payment of security services	194,373.50	ND affirmed under CGS-5 Decision No. 2017-018 dated March 14, 2017.

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
	Administrator; Members of PCA Governing Board; Chairman of PCA Governing Board			
2014-003-503/ 12/09/ 2014	Agriculturist I DM II, Finance Department (FD) DA, Operations Branch (OB)	Payment of additional cost for a rebooked return trip plane ticket as a result of booking an erroneous return trip date	5,612.80	With COE dated February 3, 2016.  Reported full settlement subject for verification pending submission of complete documents
2015-001/ 07/ 23/ 2015	Payee; Former Administrator; Former DA, RDEB; Former OIC, FMDS; Former DC III, Collection and Disbursement Division	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 was made to the payee for the services not yet rendered and equipment not yet delivered	1,909,600.00	With appeal memorandum/ request for exclusion filed with the Cluster Director (CD) of two persons liable. Appeal of one person-ND affirmed under CGS Cluster V Decision No. 2017-032 dated June 16, 2017
2015-02/ 11/ 27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, Collection and Disbursement Division (CDD); DA, OB	Payment of the safety gears out of the DAP Fund	184,320.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-03/ 11/ 27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; Former OIC, Administrative and General Services Department (AGSD); DC III, CDD; Former OIC, Administrative and Finance (AdFin) Branch;	Payment for publication to newspaper out of the DAP Fund	48,292.80	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-04/ 11/ 27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; Former OIC, AGSD; DC III, CDD; Former OIC, AdFin Branch	Payment for publication to newspaper out of the DAP Fund	51,744.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-05/ 11/ 27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; DA, OB	Payment of manual hand drills out of the DAP Fund	345,866.00	With Appeal from ND before the Office of CGS Cluster 5 Director

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-06/ 11/ 27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; DA, OB; Former OIC, AGSD; Former OIC, AFB Branch	Payment of PCA quarantine forms out of the DAP Fund	94,500.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-07/ 11/ 27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; DA, OB	Payment of meals served during the seminars conducted out of the DAP Fund	121,000.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-08/ 11/27/ 2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; DA, OB	Payment of 250 units syringe for use in trunk injection operation out of the DAP Fund	9,500.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-09/ 11/ 27/ 2015	Administrator; DM II, FD; DC III, AD BO III, BD; DC III, CDD; DA, OB	Procurement of 20 units Samsung Tablets were not used in the intended purposes.	230,200.00	ND affirmed under CGS-5 Decision No. 2016-024 dated September 19, 2016.
2016-01/ 01/12/ 2016	Former Acting Head Executive Assistant/Current RM-RO Nos I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and Former OIC-AFB	Payment of meals served during meetings out of the DAP fund	23,200.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-02/ 01/12/ 2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and Former OIC-AFB	Payment of meals served during meeting out of the DAP fund	14,400.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-03/ 01/12/ 2016	Former Acting Head Executive Assistant/Curent RM-RO Nos I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and DA-OB	Payment of meals served during meeting out of the DAP fund	5,136.00	With appeal from ND before the Office of CGS Cluster-V Director

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-04/ 01/12/ 2016	Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and DA-OB	Payment of office supplies out of the DAP fund	6,555.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-05/ 01/12/ 2016	Former OIC-BD; Former Clerk III/Current OIC-BD; Former DC III-AD; DC III-CDD; and DA-OB	Payment of travelling expenses out of the DAP fund	600.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-06/ 01/12/ 2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and DA-OB	Payment travelling expenses out of the DAP fund	11,364.00	With Appeal from ND before the Office of CGS Cluster 5 Director
216-07/ 01/12/ 2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and Former OIC-AFB	Payment of expenses incurred out of the DAP fund	15,446.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-08/ 01/12/ 2016	DA-OB; Former Administrator; Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV- B; Former DM II-FD; and Former DC III-AD	Payment of mobile phones and sim cards out of the DAP Fund	15,215.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-09/ 01/12/ 2016	DA-OB; Former Administrator; Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former DM II-FD; and Former DC III-AD	Payment of expenses incurred for the implementation of CSIEAP out of the DAP Fund	473,620.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-10/ 01/12/ 2016	PCDM-Quezon I Provincial Office (PO); RM III- RO No. IV-A; CSI Provincial Focal Person-Quezon I PO; DA-OB; Former DM II-FD; Former DC-AD; DC III-CDD; and Former Administrator	Double payment of claims	232,120.00	With Appeal from ND before the Office of CGS Cluster 5 Director



<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-11, Office Order (OO) No. 2015-003/ 08/09/ 2016	DA-OB; Former DM II-FD; Former DC-AD; and DC III-CDD	Failure of the persons responsible to fully comply with the requirements of NS No. 2016-001 dated January 20, 2016.	262,500.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-12, OO No. 2015-003/ 08/09/ 2016	DA-OB; Former DM II-FD; Former DC-AD; DC III-CDD; and Former OIC-AFB	Failure of the persons responsible to comply with the requirements of NS No. 2016-003 dated January 20, 2016	19,400.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-13, OO No. 2015-003/ 08/09/ 2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former DM II-FD; Former DC-AD; DC III-CDD; and DA-OB	Failure of the persons responsible to comply with the requirements of NS No. 2016-002 dated January 20, 2016	5,650.00	With Appeal from ND before the Office of CGS Cluster 5 Director
			<b>4,419,861.62</b>	
<b><u>Regions I-IV-B</u></b>				
2016-001(2012)/ 01/15/ 2016	Former RM III; Accountant III; Former PCDM; Cashier III; and Accounting Clerk (AC) III	Splitting of purchase orders (POs) and Disbursement Vouchers (DVs) in the procurement of coffee seedlings	535,000.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-002(2012)/ 01/15/ 2016	Former RM III; Accountant III; Former PCDM; Cashier III; and AC III	Splitting of POs and DVs in the procurement of cattle	600,000.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-003(2012)/ 02/01/ 2016	Former RM III; Accountant III; PCDM; Former Cashier II/Administrative Officer (AO) III; AC III; and Project Development Officer (PDO) IV	Splitting of POs and DVs in the procurement of carabaos and cattles	545,000.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-004(2012)/ 02/01/ 2016	Former RM III; Accountant III; Former PCDM; Former Cashier II/AO III AC III; and PDO IV	Splitting of POs and DVs in the procurement of mangosteen seedlings	105,340.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-005(2012)/ 02/01/ 2016	Former RM III; Accountant III; Former PCDM; Cashier III; AC III; and PDO IV	Splitting of POs and DVs in the procurement of rambutan and lanzones	535,983.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-006(2012)/ 02/01/ 2016	Former RM III; Accountant III; Former PCDM; Cashier III; AC III; and PDO IV	Splitting of POs and DVs in the procurement of assorted grafted fruit bearing seedlings	595,439.50	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-007(2012)/ 02/01/ 2016	Former RM III; Accountant III; Former PCDM; Cashier III; AC III; and PDO IV	-do-	509,930.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-008(2014)/ 02/12/ 2016	RM III; Supply Officer II; Accountant III; AC III/Former Cashier; and PDO IV	Splitting of DVs as payments already exceeded the signing authority of the RM.	4,866,464.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-009(2014)/ 02/12/ 2016	RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	-do-	1,571,700.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-010(2014)/ 02/12/ 2016	RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	-do-	1,038,958.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-011(2014)/ 02/12/ 2016	RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	-do-	2,551,500.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-012(2014)/ 02/ 26/ 2016	Former RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	-do-	1,494,000.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-013(2014)/ 02/26/ 2016	Former RM III; AO III; Accountant III; Cashier III AC III; and PDO IV	-do-	1,901,960.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-014(2013)/ 09/21/ 2016	Former RM III; Accountant III; Senior Agriculturist; Cashier III; AC III; and Agriculturist II	Checks were made payable to the authorized representative and not to the supplier of coco seedlings	1,067,200.00	With appeal from ND before the Office of CGS Cluster 5 Director

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-015(2014)/ 02/12/ 2016	RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	Splitting of DVs as payments already exceeded the signing authority of the RM.	1,176,000.00	ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-016(2013)/ 09/21/2016	Former RM III; Accountant III; 2 Agriculturist II Cashier III; and AC III	Checks were made payable to the authorized representative and not to the supplier of coco seedlings	1,060,000.00	With appeal from ND before the Office of CGS Cluster 5 Director
			<b>20,154,474.50</b>	
<b>Region IV-A</b>				
2016-001(2012)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	1,198,083.02	With appeal
2016-002(2012)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	1,051,988.12	With appeal
2016-003(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	368,000.00	With appeal
2016-004(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	2,976,329.74	With appeal
2016-005(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	744,000.00	With appeal
2016-006(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	4,620,639.18	With appeal
2016-007(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; and Property Officer	Splitting of POs	184,000.00	With appeal

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-008(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; and Property Officer	Splitting of POs	4,291,100.00	With appeal
2016-009(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	159,996.00	With appeal
2016-010(2014)/ 02/29/ 2016	RM; Former OIC RM; Accountant; Former AO; AO; and Property Officer	Splitting of POs	540,000.00	With appeal
2016-011(2014)/ 02/29/ 2016	RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	210,000.00	With appeal
2016-012(2014)/ 02/29/ 2016	RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	210,000.00	With appeal
2016-013(2014)/ 02/29/ 2016	RM; Former OIC RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	2,027,000.00	With appeal
2016-014(2012)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; and Property Officer	Splitting of POs	180,400.00	With appeal
2016-015(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	397,500.00	With appeal
2016-016(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	636,000.00	With appeal

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-017(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	468,986.00	With appeal
2016-018(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; and Acting AO	Splitting of POs	471,984.00	With appeal
2016-019(2013)/ 02/29/ 2016	Former OIC-RM; Accountant; Former AO; and Property Officer	Splitting of POs	5,154,000.00	With appeal
2016-020(2014)/ 02/29/ 2016	RM; Former OIC-RM; Accountant; Former AO; AO; and Property Officer	Splitting of POs	600,000.00	With appeal
2016-021(2014)/ 02/29/ 2016	RM; Former OIC-RM; Accountant; Former AO; Acting AO; and Property Officer	Splitting of POs	900,000.00	With appeal
2016-022(2014)/ 02/29/ 2016	RM; Accountant; Acting AO; Sr. Agriculturist; and Cashier	Splitting of POs	689,977.00	With appeal
			<b>28,079,983.06</b>	
<b>Region VII</b>				
13-002-101(13)/ 11/07/ 2013	Various Coconut Development Officers (CDOs)	Travelling expenses of various CDOs	4,000.00	For issuance of Notice of Finality of Decision (NFD)
			<b>4,000.00</b>	
<b>Region VIII</b>				
2016-003- (2015)Corp/ 04/27/ 2015	OIC-RM; Accountant; Acting Cashier II; and Acting AO	Overpayment of actual travel expenses of Resource	350.00	Unsettled as at Dec. 31, 2016
2016-001- (2015)YRRP/ 10/07/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; CS-RTS; Agriculturist-CCDO; and Acting AO	Double payment of cash incentive	15,000.00	Within the reglementary period to file an appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-002- (2015)YRRP/ 10/11/ 2016	OIC-RM; Accountant; Acting Cashier II; PCDM; CS-RTS; Agriculturist-CCDO; and Acting AO	Payment of cash incentive to recipients who were already dead	6,000.00	Within the reglementary period to file an appeal
2016-003- (2015)YRRP/ 10/11/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; PCDM; CS-RTS; Agriculturist-CCDO; and Acting AO	Payment of cash incentive to recipient who died in 2013	30,000.00	-do
2016-004- (2015)YRRP/ 10/11/ 2016	OIC-RM; Accountant; Acting Cashier II; 2 OIC-PCDM; CS-RTS; Agriculturist-CCDO; and Acting AO	Payment of cash incentive to recipient who died in May 2016	3,100.00	-do-
2016-005- (2015)YRRP/ 10/14/ 2016	OIC-RM; Accountant; Acting Cashier II; 2 OIC-PCDM; CS-RTS; Agriculturist II; and CCDO	Payment of cash incentive to recipient who died in 2012	6,000.00	-do-
2016-006- (2015)YRRP/ 10/17/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; PCDM; CS-RTS; Agriculturist CCDO	Double payment of cash incentive to recipient whose name appeared in two payroll schedules	2,880.00	-do-
2016-007- (2015)YRRP/ 10/17/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; PCDM; Acting AO; CS-RTS; and Agriculturist CCDO	Double payment of cash incentives.	8,890.00	-do-
2016-008- (2015)YRRP/ 10/17/ 2016	OIC-RM; Accountant; Acting Cashier II; PCDM; CS-RTS; Agriculturist CCDO	Double payment of cash incentives	9,470.00	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-009- (2015)YRRP/ 10/19/ 2016	OIC-RM; Accountant; Acting Cashier II; PCDM; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Double payment of cash incentives	17,420.00	Within the reglementary period to file an appeal
2016-010- (2015)YRRP/ 10/19/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Double payment of cash incentive to recipient whose name appeared in two different barangay.	16,500.00	-do-
2016-011- (2015)YRRP/ 10/19/ 2016	OIC-RM; Accountant; Acting Cashier II; PCDM; OIC-PCDM; CS-RTS; Agriculturist CCDO	Double payment of cash incentive to recipient whose name appeared in two payrolls.	8,760.00	-do-
2016-012- (2015)YRRP/ 10/21/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Double payment of cash incentive to recipient whose name appeared in two payrolls.	12,900.00	-do-
2016-013- (2015)YRRP/ 10/ 21/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; CS-RTS; and Agriculturist CCDO	Double payment of cash incentives	12,150.00	-do-
2016-014- (2015)YRRP/ 10/ 21/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Payment of cash incentive to recipient who died in April 2015	3,000.00	-do-
2016-015- (2015)YRRP/ 10/25/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; PCDM CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives	7,800.00	-do-

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-016- (2015)YRRP/ 10/25/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; 2 PCDM; CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	148,500.00	Within the reglementary period to file an appeal
2016-017- (2015)YRRP/ 10/26/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	121,800.00	-do-
2016-018- (2015)YRRP/ 11/02/ 2016	2 OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; CS-RTS; CCDO; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	226,800.00	-do-
2016-019- (2015)YRRP/ 11/02/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	118,500.00	-do-
2016-020- (2015)YRRP/ 11/02/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; CS-RTS; CCDO; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	15,000.00	-do-
2016-021- (2015)YRRP/ 11/02/ 2016	2 OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	18,360.00	-do-
2016-022- (2015)YRRP/ 11/02/ 2016	OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	18,000.00	-do-



ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-023- (2015)YRRP/ 11/03/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Non-receipt of cash incentives by the farmer beneficiaries	65,640.00	Within the reglementary period to file an appeal
2016-024- (2015)YRRP/ 11/05/ 2016	OIC-RM; Accountant; Acting Cashier II; 2 OIC-PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	41,410.00	-do-
2016-025- (2015)YRRP/ 11/04/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	26,510.00	-do-
2016-026- (2015)YRRP/ 11/09/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; PCDM; OIC-PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	124,100.00	-do-
2016-027- (2015)YRRP/ 11/09/ 2016	2 OIC-RM; Accountant; Acting Cashier II; OIC-PCDM; PCDM; CS-RTS; CCDO; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	111,860.00	-do-
2016-028- (2015)YRRP/ 11/09/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; CS-RTS; CCDO; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	29,950.00	-do-
2016-029- (2015)YRRP/ 11/10/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	81,320.00	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-030- (2015)YRRP/ 11/11/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	293,228.00	Within the reglementary period to file an appeal
2016-031- (2015)YRRP/ 11/12/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; OIC-PCDM; PCDM; CS-RTS; CCDO; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	62,450.00	-do-
2016-032- (2015)YRRP/ 11/14/ 2016	2 OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	819,860.00	-do-
2016-033- (2015)YRRP/ 11/14/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; CS-RTS; and Agriculturist CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	36,000.00	-do-
2016-001- (2015)PCPP/ 11/09/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; and Agriculturist CDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	7,500.00	-do-
2016-002- (2015)PCPP/ 11/09/ 2016	RM; Accountant; Cashier; PCDM; Senior Agriculturist; and Agriculturist CDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	3,700.00	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-003- (2015)PCPP/ 11/10/ 2016	OIC-RM; Accountant; Acting Cashier II; Acting AO; PCDM; Sr. Agriculturist; and Agriculturist CDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	9,600.00	Within the reglementary period to file an appeal
2016-004- (2015)Corp/ 12/01/ 2016	RM; Accountant; Acting Cashier; Acting AO	Overpayment of fuel expense	500.00	-do-
2016-005- (2015)Corp/ 12/08/ 2016	OIC-RM; Accountant; Acting Cashier; Acting AO; 2 OIC-PCDM	Payment of penalty	120.00	-do-
			<b>2,540,928.00</b>	
<b><u>Region IX</u></b>				
2015-501-01(2014)/ 12/ 28/ 2015	Ralph S. Hamoy/ Regional Manager	Payment for various expenses incurred out of the DAP Fund.	4,420,761.10	With Appeal
2015-501-02(2014)/ 12/ 28/ 2015	Efren P. Carba/PCDM	-do-	4,866,864.39	-do-
2015-501-03(2014)/ 12/ 28/ 2015	Ferdinand Acaylar/ PDO III	-do-	15,309.85	-do-
2015-501-05(2014)/ 12/ 28/ 2015	Celedonia Palomar/CSI Coordinator	-do-	13,738.00	-do-
2015-501-05(2014)/ 12/ 28/ 2015	Frigediano E. Arcamo/ PCDM	-do-	151,334.59	-do-
2015-501-06(2014)/ 12/ 28/ 2015	Junrie Beradio/ Accounting Clerk	-do-	5,180.00	-do-
2015-501-07(2014)/ 12/ 28/ 2015	John Paul B. Lagot/ CCDO	-do-	2,660.00	-do-
2015-501-08(2014)/ 12/ 28/ 2015	Ariel Z. Tomong/CPRO III	-do-	5,180.00	-do-
2015-501-09(2014)/ 12/ 28/ 2015	Joselino L. Mirabuena/ CCDO	-do-	6,590.00	-do-
2015-501-10(2014)/ 12/ 28/ 2015	Rogelio R. Flores/CCDO	-do-	4,000.00	-do-
2015-501-11(2014)/ 12/ 28/ 2015	Vergel Butch U. Alay/ CCDO	-do-	4,000.00	-do-

<b>ND No./Date</b>	<b>Positions/ Designations of Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2015-501-12(2014)/ 12/ 28/ 2015	NYKAR Enterprises	Payment for construction materials out of the DAP Fund.	28,166.40	With Appeal
2015-501-13(2014)/ 12/ 28/ 2015	Turismo Insular Leisure & Travel	Payment for travel expenses out of the DAP Fund.	102,104.64	-do-
2015-501-14(2014)/ 12/ 28/ 2015	Maria Nenita F. Dionio/CCDO	-do-	1,604.00	-do-
2015-501-15(2014)/ 12/ 28/ 2015	Elizabeth S. Bentulan/ Lab Aide encoder	-do-	1,265.00	-do-
2015-501-16(2014)/ 12/ 28/ 2015	Abraham L. Guerzon /CCDO	-do-	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)/ 12/ 28/ 2015	Jesusima Dagpin/Cashier	Payment for travel expenses out of the DAP Fund.	61,962.75	-do-
2015-501-19(2014)/ 12/ 28/ 2015	ZC Unicon Enterprises	Payment for materials purchased out of the DAP fund.	19,449.11	-do-
2015-501-20(2014)/ 12/ 28/ 2015	Pacific Hardware Enterprises	Payment for farm equipment /facilities out of the DAP Fund.	7,666.07	-do-
2015-501-21(2014)/ 12/ 28/ 2015	MC Hardware Enterprises	Payment for travel expenses out of the DAP Fund.	85,314.85	-do-
2015-501-22(2014)/ 12/ 28/ 2015	Computer Expertech & Tech. Services	Payment for office supplies out of the DAP Fund.	2,952.85	-do-
2015-501-22(2014)/ 12/ 28/ 2015	A.L. Gonzalez and Sons Inc.	Payment for farm facilities out of the DAP fund.	2,186.24	-do-
2015-501-23(2014)/ 12/ 28/ 2015	Pagadian Bodega ng Bayan	Payment for farm equipment /facilities out of the DAP Fund.	27,168.00	-do-
2015-501-24(2014)/ 12/ 28/ 2015	Guadalupe A. Calunod/	Payment for travel expenses out of the DAP Fund.	436.00	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-25(2014)/ 12/ 28/ 2015	The Manila Times Publishing Corp.	Payment for Newspaper/publication relative to the operation of CSIEAP out of the DAP Fund.	19,845.00	With Appeal
2015-501-26(2014)/ 12/ 28/ 2015	Dennis Hardware Enterprises	Payment of expenditures out of the DAP Fund.	24,715.98	-do-
2015-501-27(2014)/ 12/ 28/ 2015	Rudy B. Corsame/CCDO	-do-	14,365.63	-do-
2015-501-28(2014)/ 12/ 28/ 2015	Nelson S. Chua/ Sr. Agriculturist	-do-	20,213.54	-do-
2015-501-29(2014)/ 12/ 28/ 2015	Crown Paper & Stationaries Supply	-do-	3,901.18	-do-
2015-501-31(2014)/ 12/ 28/ 2015	DES Appliance Plaza Inc.	-do-	21,673.20	-do-
2015-501-32(2014)/ 12/ 28/ 2015	LB Homemate Furniture	-do-	7,155.46	-do-
2015-501-33(2014)/ 12/ 28/ 2015	Nationwide Appliances Center of Zamboanga City	-do-	3,956.07	-do-
2015-501-34(2014)/ 12/ 28/ 2015	Rushdi A. Amain/DPQI	-do-	20,301.22	-do-
2015-501-35(2014)/ 12/ 28/ 2015	Keacy Joy Alviar/ DPQI	-do-	12,229.98	-do-
2015-501-36(2014)/ 12/ 28/ 2015	Merla C. Pagaduan/PDO	-do-	6,170.00	-do-
2015-501-37 (2014- 15)/ 12/ 28/ 2015	Illuminado L. Cadungog Jr./Driver II	-do-	10,320.00	-do-
2015-501-38(2014)/ 12/ 28/ 2015	Lino A. Quilaton/DPQI	-do-	6,544.54	-do-
2015-501-39(2014)/ 12/ 28/ 2015	Aldrin B. Duhaylungsod/ DPQI	-do-	4,000.00	-do-
2015-501-40(2014)/ 12/ 28/ 2015	LM Enterprises	-do-	7,793.84	-do-
2015-501-41(2014)/ 12/ 28/ 2015	Davao Photo-Digi Corp.	-do-	13,155.35	-do-
2015-501-42(2014)/ 12/ 28/ 2015	Gessil G. Torres/ Project Employee	-do-	7,272.72	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-43(2014)/ 12/ 28/ 2015	Benhar S. Muksan/ Project Employee	Payment of expenditures out of the DAP Fund.	7,700.00	With Appeal
2015-501-44(2014)/ 12/ 28/ 2015	Domingo S. Zandueta/ Agriculturist II	-do-	6,400.00	-do-
2015-501-45(2014)/ 12/ 28/ 2015	Danilo B. Bendanillo/ Agriculturist I /Supply Officer	-do-	7,895.00	-do-
2015-501-46(2014)/ 12/ 28/ 2015	Alberto C. Dalis/ Polinator	-do-	9,071.60	-do-
2015-501-47(2014)/ 12/ 28/ 2015	Carlos C. Palomar/ Emasculator	-do-	9,071.60	-do-
2015-501-48(2014)/ 12/ 28/ 2015	Andrea Mikaeli L. Seldora/Field Employee	-do-	12,161.00	-do-
2015-501-49(2014)/ 12/ 28/ 2015	Font Restaurant	-do-	34,485.00	-do-
2015-501-50(2014)/ 12/ 28/ 2015	Norbin A. Mandi/ DPQI	-do-	3,549.37	-do-
2015-501-51(2014)/ 12/ 28/ 2015	Jay-Ar S. Sagaysay/Project Employee	-do-	7,680.00	-do-
2015-501-52(2014)/ 12/ 28/ 2015	Larry E. Herla/ CCDO	-do-	4,150.00	-do-
2015-501-53(2014)/ 12/ 28/ 2015	Jessie G. Patcho/CCDO	-do-	3,540.00	-do-
2015-501-54(2014)/ 12/ 28/ 2015	Berovan Marketing, Inc.	-do-	3,645.62	-do-
2015-501-55(2014)/ 12/ 28/ 2015	Zamboanga Medika Integrated Industries, Inc.	-do-	1,060.00	-do-
2015-501-56(2014)/ 12/ 28/ 2015	Evergreen Enterprises	-do-	139,153.87	-do-
2015-501-57(2014)/ 12/ 28/ 2015	Romeo Tigoy/ Agriculturist I	-do-	2,200.00	-do-
2015-501-58(2014)/ 12/ 28/ 2015	Adelina P. Undag/CDO	-do-	2,200.00	-do-
2015-501-59(2014)/ 12/ 28/ 2015	Anecito T. Pagsiat/CDO/ PCMARS	-do-	1,800.00	-do-
			<b>10,311,742.88</b>	

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
<b>Zamboanga Research Center</b>				
2016-001(2016)/ 09/16/ 2016	2 Science Research Specialist (SRS); Senior SRS; OIC-DM III; OIC-DC III; and AO III	Overpayment of plane fare	27,911.20	Within reglementary period to file an appeal
			<b>27,911.20</b>	
<b>Davao Research Center (DRC)</b>				
2016-001(2015)/ 04/28/ 2016	DM II; Acting AO; and Accountant III	Overpayment of terminal leave benefits	75,074.34	P796.69 settled per NSSDC No. 2017-001 dated January 16, 2017 and P74,277.65 with COE dated May 31, 2017
			<b>75,074.34</b>	
<b>Total</b>			<b>P65,613,975.60</b>	

## II. Notices of Charge (NCs)

NC No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
<b>Region XI</b>				
2013-005- 503(2013)/ 06/25/ 2013	OIC-PCDO/Collecting Officer Payor	Non-collection of replacement fee for cutting 200 coconut trees at P50/tree	P 10,000.00	For issuance of NSSDC.
<b>Total</b>			<b>P 10,000.00</b>	

## III. Notices of Suspension (NSs)

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
<b>Central Office</b>				
2016-008/ 09/14/ 2016	Former Department Manager (DM)- Finance Department (FD); Former Division Chief (DC) III- Accounting Division (AD); Former Officer-in-Charge (OIC)- Administrative and General Services Department (AGSD); Deputy Administrator (DA)-Operations Branch (OB); and DC III-Collection and Disbursement Division (CDD)	Non-submission of Liquidation Report, duly prepared by the cash advance grantee and duly certified by the authorized officials.	P 12,613.00	Settled per NSSDC No. 2017-001 dated March 13, 2017
			<b>12,613.00</b>	

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
<b>Region VII</b>				
11-003-101(11)/ 07/15/ 2011	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
13-001-101(13)/ 07/ 22/ 2013	RM; Regional Accountant; Project Manager, Central Visayas Coconut Seed Production Center; Provincial Coconut Development Managers - Bohol and Cebu Provincial Offices; Coconut Development Officers	Incomplete documents supporting payment of seminar/forum registration fee	500.00	Net of partial settlement of P236,733.31, per NSSDC No. 13-006 dated November 12, 2013.  For issuance of ND
13-002-101-(13)/ 11/07/ 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  For issuance of ND
2016-01(15) 03/09/ 2016	Regional Manager; Accountant III; and Cashier	Lack of supporting documents	206,563.00	For issuance of ND
			<b>303,493.24</b>	
<b>Region VIII</b>				
2016-11- Corp(2015)/ 05/ 25/ 2016	OIC-RM; Accountant III; Acting Cashier; and Acting Administrative Officer	Lack of clearance and affidavit that there is no pending criminal investigation or prosecution per RA No. 3019	612,211.04	For issuance of ND
2016-12- Corp(2015)/ 05/ 25/ 2016	RM; Accountant III; and Acting Cashier	Lack of Official Receipts (ORs)	81,000.00	For issuance of ND
2016-14- Corp(2015)/ 05/ 25/ 2016	RM; Accountant III; and Acting Administrative Officer	Lack of ORs	20,000.00	For issuance of ND
2016-018- Corp(2015)/ 05/26/ 2016	RM; Accountant III; Acting Cashier; and Acting Administrative Officer	Lack of ORs	1,037.80	For issuance of ND
2016-023- Corp(2015)/ 05/26/ 2016	OIC-RM; Accountant III; and Acting Cashier	Lack of Inspection and Acceptance Report	2,970.39	For issuance of ND



<b>NS No./Date</b>	<b>Positions/ Designations of Persons Responsible</b>	<b>Nature</b>	<b>Amount</b>	<b>Status</b>
2016-024- Corp(2015)/ 12/06/ 2016	RM; Accountant III; Acting Cashier; and Acting Administrative Officer	Invalid Cash invoice attached	11,000.00	Within the reglementary period to comply with the requirements.
2016-025- Corp(2015)/ 12/06/ 2016	RM; Accountant III; Acting Cashier; and Acting Administrative Officer	Only Charged Invoice was attached	1,900.00	-do-
2016-025- Corp(2015)/ 12/08/ 2016	RM; Accountant III; and Acting Cashier	No signatures in the payroll	144,096.00	-do-
2016-026 Corp(2015)/ 12/06/ 2016	RM; OIC-RM; Accountant III; and Acting Cashier	Lack of Purchase Request and Driver's Trip Ticket	1,000.00	-do-
			<b>875,215.23</b>	
<b>Total</b>			<b>P 1,191,321.47</b>	