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Republic of the Philippines
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
Cluster 8 - Agriculture and Environment
Quezon City

JUN 16 2023

Atty. GENEVIEVE E. VELICARIA-GUEVARRA, CESE
Assistant Secretary and Concurrent OIC-Executive Director
Philippine Fiber Industry Development Authority
3/F DA-PCAF Bldg., Elliptical Road
Diliman, Quezon City

Dear Asst. Secretary Guevarra:

We are pleased to transmit the Annual Audit Report on the **Philippine Fiber Industry Development Authority (PHILFIDA)** for the Calendar Year 2022, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Audit Code of the Philippines (Presidential Decree No. 1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of the implementation of prior years' audit recommendations.

The attached report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations which were discussed with the concerned Management officials and staff.

We request that a status report on the actions taken on the recommendations be submitted within sixty (60) days from the date of receipt of the report hereof, pursuant to Section 97 of the General Provisions of the General Appropriations Act for FY 2022 (R.A. No. 11639) using the attached Agency Action Plan and Status of Implementation (AAPSI), copy furnished the Secretary of the Department of Budget and Management (DBM), Speaker of the House of Representatives, President of the Senate of the Philippines, House Committee on Appropriations and the Senate Committee on Finance.

We express our appreciation for the valuable support and cooperation extended to the audit team by the officials and staff of that Agency.

Very truly yours,

Melissa Grace B. Martinez
MELISSA GRACE B. MARTINEZ
Director IV

EXECUTIVE SUMMARY

A. Introduction

On August 1, 2013, Department Order No. 02 series of 2013 was signed by Secretary Proceso J. Alcala of the Department of Agriculture (DA) for the consolidation of Fiber Industry Development Authority (FIDA) and Cotton Development Administration (CODA) into the Philippine Fiber Industry Development Authority (PhilFIDA).

The said Department Order was issued pursuant to Executive Order (EO) No. 366 dated October 4, 2004 re: Rationalization of the Functions and Agencies of the Executive Branch and due to the approval of the Rationalization Plan covering the consolidation of the FIDA and CODA on May 29, 2013. As stated therein, the FIDA and CODA shall transfer to PhilFIDA all functions and powers vested to them by law.

PhilFIDA is mandated to promote the accelerated growth and development of the Philippine Fiber Industry in all its aspects through research and development (R & D), production support, extension support, education and training, fiber processing and utilization technologies, standards implementation and regulation.

The PhilFIDA Central Office (CO) has six divisions, each supervised by a Division Chief, as follows: (1) Planning Division; (2) Administrative, Financial and Management Division; (3) Regulatory Division; (4) Research Division; (5) Fiber Utilization and Technology Division; and (6) Technical Assistance Division.

It has nine Regional Offices (ROs) located in various areas which are headed by Directors/Supervising Fiber Development Officers-OIC Directors, as follows: (1) Regions I and II & CAR in La Trinidad, Benguet; (2) Regions III and IV in Quezon City; (3) Region V in Legazpi City; (4) Region VII in Cebu City; (5) Region VIII in Tacloban City; (6) Regions IX and ARMM in Pagadian City; (7) Region X in Cagayan de Oro City; (8) Regions XI and XII in Davao City; (9) Region XIII in Butuan City, and one Regional Satellite Office (RSO) VI in Jaro, Iloilo City.

PhilFIDA is headed by Ms. Annray V. Rivera, OIC-Executive Director, assisted by Mr. Ulysses J. Lustria Jr. as OIC, Deputy Executive Director. As of December 31, 2022, there are 362 existing plantilla positions, of which 264 are filled-up and 98 unfilled positions. In addition, it has 60 job-order workers, 148 contract of service and 29 co-terminous with the incumbent.

B. Financial Highlights

The Agency's financial position, financial performance and sources and application of funds for Calendar Year (CY) 2022 compared with the previous year are shown below.

Financial Position	Amount (in PhP)	
	2022	2021
Assets	519,058,193.97	534,701,712.85
Liabilities	144,424,999.46	190,820,943.12
Net Assets/Equity	374,633,194.51	343,880,769.73
Financial Performance		
Revenue	2,332,386.79	2,174,319.91
Current Operating Expenses	(352,869,525.25)	(378,323,294.21)
Deficit from Current Operation	(350,537,138.46)	(376,148,974.30)
Net Financial Assistance/Subsidy	439,591,659.05	443,462,949.65
Surplus for the Period	89,054,520.59	67,313,975.35
Sources and Application of Funds		
Appropriations	387,783,611.03	403,095,000.00
Allotment Received	387,783,611.03	471,699,979.57
Obligations Incurred	386,817,909.26	461,839,189.55
Unobligated Balance	965,701.77	9,860,790.02

For CY 2022, PhilFIDA has total allotment of ₱387,783,611.03, consisting of Agency Specific Budget, Automatic Appropriations, Special Purpose Fund and Continuing Appropriations amounting to ₱353,380,000.00, ₱16,771,000.00, ₱12,906,036 and ₱4,726,575.03, respectively.

C. Scope and Objectives of Audit

The audit covered the accounts, transactions and operations of PhilFIDA for CY 2022. The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

D. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the financial statements of the PhilFIDA as at December 31, 2022 due to various accounting errors amounting to ₱131,098,736.37 and accounting deficiencies with an aggregate amount of ₱939,491,950.79.

E. Significant Observations and Recommendations

The following are the significant audit observations with the corresponding recommendations:

1. The correctness of the reported balance of Cash in Bank-LCCA for Trust Fund of ₱52,573,261.84 as of year-end could not be ascertained due to unreconciled difference of ₱40,878,865.89 with the bank balance amounting to ₱11,694,396.00 net of outstanding check of ₱743,764.09, and the absence of detailed errors/reconciling items with its supporting documents; thus, remained unadjusted. **(Observation No. 2.a)**

We recommended, and Management agreed, to direct the Chief Accountant to analyze and determine the discrepancies between the book and bank balances of the CIB-LCCA for Trust Fund and make the necessary adjustments, supported with complete documentation.

2. Advances to Procurement Service-DBM for common office supplies, equipment, application software, and airline ticket requirements amounting to ₱7,026,770.29 is unreliable due to unreconciled difference of ₱6,613,014.84 between the balances per books and PS-DBM records caused by non-recording of deliveries in prior years. **(Observation No. 2.b)**

We recommended, and Management agreed, to direct the Accountant and Property Officer to coordinate with the PS-DBM to reconcile the difference amounting to ₱6,613,014.84 and request copies of DRs from PS-DBM to serve as basis and supporting documents in recording the prior years' deliveries.

3. The year-end balance of Inventory accounts of ₱41,367,699.38 could not be ascertained due to (a) non-conduct of complete physical count of Accountable Forms, Plates and Stickers Inventory and all the semi-expendable inventories, totaling ₱40,778,737.24; (b) discrepancy of ₱17,457.08 between the balances per books and inventory report of the Office Supplies Inventory account, the only account with physical count; (c) non-preparation/maintenance of Stock Cards for all inventory. Likewise, regular purchases of inventories amounting to ₱566,961.25 were directly charged as outright expense, contrary to existing rules and regulations. **(Observation No. 2.d)**

We recommended, and Management agreed, to require the: a) Inventory Team to conduct physical count of all inventories on a semestral basis and prepare the Report of Physical Count of Inventories to serve as basis in checking the recorded inventory accounts; b) Chief Accountant and Property Officer to coordinate and reconcile the noted difference of the recorded office supplies inventory, and prepare the necessary adjusting entries; c) Property Officer to prepare and maintain an updated SCs for each type of inventories where all receipts and issuances shall be recorded promptly

to facilitate reconciliation; and d) Chief Accountant to ensure that regular purchases of inventories pass through the Inventory account prior to recording as expense.

4. The accuracy and validity of the year-end balance of PPE accounts of ₱582,170,871.82 was unreliable due to: (a) failure to conduct a physical count of PPE and non-preparation/submission of the RPCPPE; and (b) non-maintenance of Property Cards. **(Observation No. 2.e)**

We recommended, and Management agreed, to require the Property Officer to: a) conduct a physical count of PPE on an annual basis and prepare the RPCPPE to counter check the balance per books; and b) prepare and maintain PC for each type of PPE where all receipts and issuances shall be recorded promptly to facilitate reconciliation thereof and take up the reconciling items in the books, if any.

5. Funds transferred to PhilFIDA Regional Offices for personal services, regular operating expenses and project implementation totaling ₱79,642,108.77 remained unaccounted as of year-end thus, exposing substantial amount of public funds to risk of possible loss and misuse. Thus, related disbursements/expenses were not recorded in the books of accounts. **(Observation No. 6)**

We recommended, and Management agreed, to: a) evaluate the present set-up and consider the adopting the payment of payroll thru centralized payroll system and close the bank account maintained for the purpose; b) issue directive to the RO SDOs to immediately submit to the CO the LRs/fund Utilization Reports of all unliquidated FT together with the supporting documents; otherwise enforce the non-liquidation/non-replenishment policy, until such time that the requirement is complied with; c) instruct the Chief Accountant to *i.* refrain from processing the additional FT without first submission of LRs on the previous one and to monitor periodically the submission of LRs; *ii.* issue demand letter to all retired AOs to settle their accountability; and *iii.* evaluate/analyze the negative balances and prepare necessary adjusting entries with proper documentation.

6. Dormant receivable accounts amounting to ₱98,732,585.83 aged 10 to 29 years, collection of which could not be ascertained, yet Management failed to take action to cleanse the books of accounts, despite previous years' observation and recommendation, thus, affected the fairness of the presentation of the accounts in the financial statement. **(Observation No. 7)**

We recommended, and Management agreed, to require the Chief Accountant to validate and evaluate the existence of receivables, unliquidated cash advances and fund transfer aged 10 years or more and, if warranted, request authority for write-off dormant accounts in accordance with the procedures under COA Circular No. 2016-005.

The observations and recommendations were discussed with agency officials in an exit conference conducted on March 28, 2023. Management comments were considered in the report, where appropriate.

F. Enforcement of Settlement of Accounts

The total audit suspensions and disallowances found in the audit of various transactions of the agency as of December 31, 2022 amounted to ₱127,785,778.84 and ₱26,115,670.39, respectively. Settlement for audit suspension during the year amounted to ₱315,253,177.73, while ₱2,427,560.74 amount of disallowances were settled during the year.

There was no settlement made on disallowances issued prior to the effectivity of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA) amounting to ₱1,416,112.46.

G. Implementation of Prior Years' Audit Recommendations

Out of the 41 prior years' audit recommendations, 27 were implemented and 14 were not implemented, of which 14 were reiterated with modifications in this report.

Part II – OBSERVATIONS AND RECOMMENDATIONS

A. Financial Audit

Unadjusted accounting errors/omissions and uncorrected accounting deficiencies

1. **Accounting errors/omissions amounting to ₱131,098,736.28 and accounting deficiencies with an aggregate amount of ₱939,491,950.79, affected the accuracy of the accounts involved.**

Section 27 of the International Public Sector Accounting Standards (IPSAS) 1 provides that:

Financial statements shall present fairly the financial position; financial performance, and cash flow of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.

Accounting errors/omissions

Review and verification of the accounts and transactions of the PhilFIDA showed the following accounting errors/omissions:

Particulars	Amount (in ₱)	Accounts Affected	Amount of (Over) / Understatement (in ₱)			
			Assets	Liabilities	Net Assets/ Equity	
a. Unrecorded liquidation reports in prior years	2,096,077.64	Due from NGAs	(2,096,077.64)			
		Accumulated Surplus/(Deficit)			(2,096,077.64)	
b. Unrecorded PPEs and CIP due to non-setting up of payables upon delivery	17,765,101.79	CIP-Building & Other Structure	6,413,129.84			
		Motor Vehicle	3,010,750.00			
		Agricultural and Machinery Equipment	6,841,076.95			
		Office Equipment	527,145.00			
		Information and Communication Technology Equipment	973,000.00			
		Accounts Payable			17,765,101.79	
c. Non-reclassification of Construction in Progress – Building and Other Structures to its appropriate PPE accounts	54,423,193.52	Construction in Progress – Building and Other Structures	(54,423,193.52)			
		Building	4,813,277.61			
		Other Structures	49,609,915.91			
d. Erroneous recording of deliveries from PS-DBM	13,916.00	Office Supplies Inventory	(13,916.00)			
		Due from NGAs	13,916.00			

Particulars	Amount (in ₱)	Accounts Affected	Amount of (Over) / Understatement (in ₱)		
			Assets	Liabilities	Net Assets/ Equity
c. Inclusion of negative balances caused by non-setting up of payables	300,000.00	Accumulated Surplus/(Deficit)			(300,000.00)
		Accounts Payable		300,000.00	
f. Non-reversion of Accounts Payable which are two years and more without valid claims	32,329,243.82	Accumulated Surplus/(Deficit)			32,329,243.82
		Accounts Payable		(32,329,243.82)	
g. Non recording of issuance of semi-expendable agricultural and forestry equipment	24,171,203.60	Semi-Expendable Agricultural and Forestry Equipment	(24,171,203.60)		
		Accumulated Surplus/(Deficit)			(24,171,203.60)
Total /Net Misstatements	131,098,736.28		(8,502,179.45)	(14,264,142.03)	5,761,962.58

a) *Unrecorded liquidation reports in prior years - ₱2,096,077.64*

Result of confirmation with the Implementing Agencies (IAs) disclosed a difference of ₱2,096,077.64 between the books and among the records of the IAs, as follows:

Implementing Agency (IAs)	Year Granted	Balance per Books	Balance Per Confirmation Reply	Difference
University of the Phils. Los Banos (UPLB)	2001-2014	2,261,483.93	185,915.46	2,075,568.47
Sericulture Research and Dev't Center	1994	20,000.00	0.00	20,000.00
Forest Product Research Industry	1982	509.17	0.00	509.17
Total		2,281,993.10	185,915.46	2,096,077.64

Based on the reply of the Accountants of the above IAs, the difference of ₱2,096,077.64 could be attributed to unrecorded liquidation reports since copies of the Statement of Disbursement and Outstanding Obligations and financial report of the IAs were provided to the Audit Team and subsidiary ledger (SL) of the IAs showing a zero balance.

The unrecorded liquidation reports overstated the Due from National Government Agencies and understated the corresponding expense/asset accounts.

b) *Unrecorded PPEs and CIP caused by erroneous debit to Accounts Payable upon payment without first setting up payables upon delivery - ₱17,765,101.79*

Review of General Ledger (GL), Disbursement Vouchers (DVs) and the corresponding Journal Entry Vouchers (JEVs) showed that payments for the

procurement of PPEs were directly debited to Accounts Payable without first setting up the payable accounts to recognize receipt of goods; thus, the PPEs were not recorded to the appropriate PPE accounts, understating the same and the Accounts Payable, as shown in details below:

Date	ADA No.		Payee	Particulars	Account Affected	(Over)/ Understated
	No.	Amount (in ₱)				
03/31/2020	03-027-2020 JEV#2020-03-000651	895,153.59	Che-Riss Construction and Trading	90% work completion of two (2) storeys Immunology & Molecular Biotechnology Laboratory building	CIP-Building & Other Structures	895,153.59
11/16/2022	11-025-2022 JEV#2022-11-004056	4,579,024.95	Guilland Construction & Trading	Construction of Abaca Processing Center Building & other facilities in Caramoran, Catanduanes	CIP-Building & Other Structures	4,579,024.95
12/28/2022	12-032-2022 JEV#2022-12-004461	938,951.30	Guilland Construction & Trading	2 nd partial payment for the Construction of Abaca Processing Center Buildings & other Facilities in Caramoran, Catanduanes	CIP-Building & Other Structures	938,951.30
03/31/2022	03-077-2022 JEV#2022-03-000986	2,138,750.00	Industrial & Transport Equipment, Inc. (INTECO)	Supply & delivery of one (1) unit Isuzu Diesel Light Truck Model NQ R75 L 4x2	Motor Vehicle	2,138,750.00
03/31/2022	03-077-2022 JEV#2022-03-000985	872,000.00	K Servico Trade, Inc.	Supply & delivery of eight (8) units Kawasaki Motorcycle	Motor Vehicle	872,000.00
11/23/2022	11-034-2022 JEV#2022-11-004105	622,962.00	Suki Trading Corporation	Supply, delivery & testing of brand new Abaca Baler Machine	Agricultural and Forestry Equipment	622,962.00
11/18/2022	11-028-2022 JEV#2022-11-004076	299,650.00	Suki Trading Corporation	Supply & delivery of floor type weighing scale	Agricultural and Forestry Equipment	299,650.00
06/30/2020	06-028-2020 JEV#2020-06-001157	2,130,421.95	Suki Trading Corporation	Supply & delivery of brand new heavy jute sacks (burlap)	Agricultural and Forestry Equipment	(2,130,421.95)

Date	ADA No.		Payee	Particulars	Account Affected	(Over)/ Understated
	No.	Amount (in ₱)				
06/29/2020	06-026-2020 JEV#2020-06-001155	1,923,600.00	Suki Trading Corporation	sako) Supply & delivery of 28 units brand new irrigation water pump, Titan brand	Agricultural and Forestry Equipment	1,923,600.00
06/23/2020	06-018-2020 JEV#2020-06-001094	1,864,443.00	Suki Trading Corporation	Supply, delivery and installation & testing of Cotton Processing Equipment, Ring Doubler, branded & brand new	Agricultural and Forestry Equipment	1,864,443.00
03/31/2020	03-028-2020 JEV#2020-03-000652	527,145.00	WCA World Business Ventures Inc.	Supply & installation of eleven (11) units aircondition Koppel brand wall mounted super inverter	Office Equipment	527,145.00
11/25/2020	11-019-2020 JEV#2020-11-002239	973,000.00	Xitrix Computer Corporation	Supply & delivery of drone operated geotagging equipment	Information and Communication Technology Equipment	973,000.00
Total		17,765,101.79				

c) *Non-reclassification of Construction in Progress - Building and Other Structures account to its appropriate PPE accounts - ₱54,423,193.52*

The GL of the Construction in Progress – Buildings and Other Structures account showed a year-end balance of ₱64,185,424.15. Out of this balance, ₱5,288,640.25 or eight (8) percent pertains to *unreconciled* SL beginning balance of the e-NGAS.

Verification of records such as the JEVs, SLs, schedules, and liquidation reports (LRs) showed that construction of buildings and other structures which has been completed and paid in full were still recorded under the Construction in Progress – Building and Other Structures account and were not reclassified to its appropriate PPE accounts; thereby, overstating the Construction in Progress – Building and Other Structures account while understating the affected appropriate PPE accounts, as follows:

Regional Office	Project Description	JEV			Account Affected	(Over)/ Understated
		Date	No.	Amount (in ₱)		
Central Office	Construction of two (2) Storey Biotech Building (Phase I)	09/09/2019	2019-09-002203	4,813,277.61	Building	4,813,277.61
RO I	Cotton Processing Center at Pinili, Ilocos Norte	08/31/2022	2022-08-003046	2,781,806.83	Other Structures	2,781,806.83
	Natural Dye House Cum Weaving Center, Ilocos Norte	08/31/2022	2022-08-002924	898,174.06	Other Structures	898,174.06
RO IV	Buntal Fiber Weaving and Dyeing Center, Buntal, Quezon	04/30/2019	2019-04-000836	1,246,316.17	Other Structures	2,598,572.15
		09/18/2019	2019-09-002196	1,352,255.98		
RO V	Pineapple Extraction Facility in Asdum, San Vicente, Camarines Norte	12/31/2019	2019-12-003800	748,808.55	Other Structures	1,350,808.55
		03/31/2020	2020-03-000461	602,000.00		
	Pineapple Fiber Processing Center, Brgy Asdum, San Vicente, Camarines Norte	12/31/2019	2019-12-003665	1,588,226.16	Other Structures	2,290,314.95
		12/31/2019	2019-12-003793	702,088.79		
RO VI	Cotton Processing Center Patnongon, Antique	12/31/2019	2019-12-003655	2,359,639.73	Other Structures	5,988,949.10
		12/31/2019	2019-12-003811	1,796,958.43		
		07/31/2020	2020-07-001301	1,832,350.94		
	Ginning and Bailing Facility, Sta. Barbara	02/28/2022	2022-02-000297	727,679.74	Other Structures	727,679.74
	Ginning and Bailing Shed in Patnongon, Antique	12/31/2021	2021-12-003548	379,923.90	Other Structures	379,923.90
	Pina Fiber Extraction Shed, Balete, Aklan	03/31/2020	2020-03-000650	640,000.00	Other Structures	1,180,000.00
				540,000.00		
	Weaving & Fiber Processing Center, Bugasong, Antique	07/30/2019	2019-07-001716	765,294.46	Other Structures	1,996,482.68
		07/30/2019	2019-07-001725	649,503.44		
		12/31/2019	2019-12-003809	581,684.78		
	Weaving & Fiber Processing Center, Patnongon, Antique	07/31/2020	2020-07-001349	1,489,637.68	Other Structures	1,489,637.68
		07/31/2019	2019-07-001719	1,020,975.01		
	Weaving and Processing Center Miag-ao, Iloilo	12/31/2019	2019-12-003781	291,237.43	Other Structures	1,998,794.52
		12/31/2019	2019-12-003789	686,582.08		
RO VII	Fiber Processing Center (Maguey) at Guindalman, Bohol	06/30/2020	2020-06-001210	2,391,000.00	Other Structures	2,391,000.00
RO VII	Fiber Processing Center (Sisal) at Barili, Cebu	06/30/2020	2020-06-001209	2,398,927.06	Other Structures	2,398,927.06
	Fiber Processing Centers for Other Fibercrops - Ormoc City, Region VIII	09/27/2019	2019-09-002333	387,717.26	Other Structures	2,502,634.63
				445,735.78		
				908,547.29		
		09/30/2020	2020-09-001570	157,757.91		
		08/31/2021	2021-08-001955	602,876.39		
RO IX	Cotton Processing Center at Dumingag, Zamboanga del	03/31/2020	2020-03-000462	1,939,000.00	Other Structures	6,242,820.88

Regional Office	Project Description	JEV			Account Affected	(Over)/ Understated
		Date	No.	Amount (in ₱)		
	Sur	12/31/2019	2019-12-003773	4,303,820.88		
	Ginning Machine Shed in Dumingag, Zamboanga del Sur	09/30/2022	2022-09-003390	699,200.00	Other Structures	699,200.00
	Processing Center for Water Lily, Cotabato City, Maguindanao	08/31/2020	2020-08-001530	2,582,014.99	Other Structures	2,582,014.99
RO X	Fiber Processing Centr Impasug-ong Bukidnon	05/31/2020	2020-05-000859	2,386,297.56	Other Structures	2,386,297.56
	Weaving and Fiber Processing Center in Laguindingan, Misamis Oriental	05/31/2020	2020-05-000911	1,423,365.37	Other Structures	1,423,365.37
RO XI	Banana Fiber Processing Center at Bobongon, Sto Tomas Davao del Norte	05/31/2020	2020-05-000959	2,497,207.20	Other Structures	2,497,207.20
	Pineapple Processing Center in Polomolok, South Cotabato	05/31/2020	2020-05-000958	2,318,005.86	Other Structures	2,318,005.86
	Weaving and Processing Center in Lake Sebu, South Cotabato	10/31/2020	2020-10-001936	487,298.20	Other Structures	487,298.20
Total						54,423,193.52

d) Erroneous recording of deliveries from PS-DBM - ₱13,916.00.

Review of records showed that check number 2350244 dated May 6, 2020 in the amount of ₱310,524.00 was issued to PS-DBM for the procurement of office supplies under APR No. NTD20-001848 dated April 23, 2020 and was received by PS-DBM on May 14, 2020. The advance payment was recorded under JEV No. 2020-05-000898 dated May 6, 2020.

On May 14, 2020, the supplies were delivered under DR No. M20-002163-CSE of even date amounting to only ₱296,608.00. However, the delivery of the supplies was taken-up in the books under JEV No. 2021-02-000408 dated February 28, 2021 in the amount of ₱310,524.00 instead of ₱296,608.00; thus, a difference of ₱13,916.00.

The erroneous recording understated the Due from NGAs and Accumulated Surplus (Deficit) accounts and overstated the Inventory accounts by ₱13,916.00.

e) Non-setting up of payables to recognize obligation for services delivered which reduced/understated the account - ₱300,000.00

The Government Accounting Manual (GAM), Volume III provides that:

Accounts Payable. This account is credited to recognize receipt of goods or services on account in the normal course of trade and business operation. This account is debited for payment or settlement of liabilities, and/or adjustments.

The Schedule of the Accounts Payable includes negative balances of payables to individual and entities amounting to ₱18,065,101.70 or 34.20 percent of the balance.

Review of Journal Entry Vouchers (JEVs) showed that payments to creditors for various transactions were recorded as debits to Accounts Payable account. However, verification of accounting records, such as subsidiary ledgers and schedules, revealed that no payable accounts were set up corresponding to the payments made to recognize obligation for the services delivered resulting in a negative balance amounting to ₱300,000.00 which reduced/understated the total balance of the Accounts Payable and understating the affected expense accounts.

Date	ADA No.		Payee	Particulars	Account Affected	(Over)/ Understated
	No.	Amount (in ₱)				
12/27/2021	12-032-2021	100,000.00	Department of Agriculture - DA	Payment of share on water & electric consumption for the month of October, 2020	Water Expenses Electricity Exp	50,000.00 50,000.00
	JEV#2021-12- 003228					
03/31/2022	03-074-2022	200,000.00	Department of Agriculture - DA	Payment of share on water & electric consumption for the month of November to December, 2021	Water Expenses Electricity Exp	100,000.00 100,000.00
	JEV#2022-03- 000972					
Total		300,000.00				

The said practice is not in accordance with the above-cited rule on setting up of payables to recognize the delivery of goods and services on account and settlement thereof.

- f) *Non-reversion of Accounts Payable aged two years and more without valid claims - ₱32,329,243.82*

Executive Order No. 87¹ dated August 13, 2019 states:

Section 1. Reversion of documented Accounts Payable. *All documented accounts payable for fiscal year 2016 and years prior thereto shall be reverted to the Accumulated Surplus or Deficit of the General fund, or the Cumulative Result of Operations of the National Government. Henceforth, all documented accounts payable which remain outstanding for at least two years, for which no actual administrative or judicial claim has been filed, shall be subject to automatic reversion.*"

Section 2. Treatment of undocumented Accounts Payable. *"All accounts payable which are documented or not covered by*

¹ Directing that all Accounts Payable which remain outstanding for two years or more in the books of national government agencies be reverted to the Accumulated Surplus or Deficit of the General Fund, or the Cumulative Result of Operations of the national government

perfected contracts on record, regardless of the year in which they were incurred, shall automatically be reverted. The recording of undocumented accounts payable in the books of accounts of agencies shall be strictly prohibited."

x x x

Section 6. Sanctions. *"Failure to comply with the foregoing shall be a ground for appropriate sanctions and/or administrative action against the responsible government officials and employees, as may be warranted under the circumstances.*

Corollary thereto, the COA and DBM Joint Circular No. 1, s. 2021² dated March 8, 2021 was issued directing that all accounts payable which remain outstanding for two years or more in the books of national government agencies be reverted to the Accumulated Surplus or Deficit of the General Fund of the National Government.

The Aging of the Accounts Payable showed that the amount of ₱32,329,243.82 or 61.08 percent of the balance of ₱52,922,578.17 as of year-end has been outstanding in the books for more than two years, as shown below:

Age	Amount (in ₱)
Less than a year (2022)	(18,166,730.66)
One to two years (2020-2021)	38,760,065.01
More than two years (2019 and prior years)	32,329,243.82
Total	52,922,578.17

The non-reversion of the subject payable accounts overstated the Accounts Payable account and understated the Accumulated Surplus, and runs counter to the afore-mentioned regulations.

- g) *Unrecorded issuance of Semi-Expendable Agricultural and Forestry Equipment/ Misclassification of account - ₱24,171,203.60*

Payment for the Modified Abaca Stripping Knife (MASKs) was recorded under JEV No. 2022-07-002606 dated July 31, 2022 as Semi-Expendable Agricultural and Forestry Equipment.

Management informed that the MASKs have already been distributed or issued to farmers-beneficiaries even though no proofs of receipt were provided to the Audit Team. Likewise, no physical count was conducted on the Semi-Expendable Agricultural and Forestry Equipment as of December 31, 2022.

² Guidelines Implementing Executive Order No. 87 dated August 13, 2019

Verification of the General Ledger showed that the same were still recorded as Semi-Expendable Agricultural and Forestry Equipment and not yet recorded as Semi-Expendable Machinery and Equipment Expense.

Sections 3.1 and 4.1 of COA Circular No. 2022-004 dated May 31, 2022 provide:

Sec. 3.1. Semi-expendable property - tangible items which meet the definition recognition criteria of Property, Plant and Equipment (PPE), but below the capitalization threshold of ₱50,000.

Sec. 4.1. Tangible items which meet the definition and recognition criteria of PPE but cost is below fifty Thousand Pesos (₱50,000.00) shall be accounted in the books of accounts of the agencies as semi-expendable property.

This overstated the *Semi-Expendable Agricultural and Forestry Equipment* and understated the *Semi-Expendable Machinery and Equipment Expense* accounts both by ₱24,171,203.60.

Furthermore, the MASKs should have been recorded as Other Supplies and Materials for Distribution instead of Semi-expendable Agricultural and Forestry Equipment since these were intended for distribution to farmers-beneficiaries.

The Government Accounting Manual (GAM), Volume III provides that:

Other Supplies and Materials for Distribution. This account is debited to recognize the cost of purchased/acquired inventories not falling under any of the specific inventory accounts held for distribution to private individuals/institutions or other government agencies. This account is credited upon distribution to end-users, transfers, losses, other disposal, and/or adjustments.

The misclassification of the account overstated the Semi-expendable Agricultural and Forestry Equipment and understated the Other Supplies and Materials for distribution by ₱24,171,203.60.

We recommended, and Management agreed, to require the Chief Accountant to:

- a. to effect the necessary adjusting entries on all the noted accounting errors and omissions supported by relevant and sufficient documents pertaining to the following:**
 - **unrecorded liquidation of expended fund transfers amounting to ₱185,915.46;**

- various PPEs which remained unbooked amounting to ₱17,765,101.79 due to non-set-up of corresponding payables;
- completed projects under the Construction in Progress – Building and Other Structures account not reclassified to its appropriate PPE accounts costing ₱54,423,193.52;
- erroneous recording of deliveries from PS-DBM of ₱13,916.00;
- negative balances of accounts payable amounting to ₱300,000.00;
- reversion of the Accounts Payable aged more than two years amounting to ₱32,329,243.82;
- misclassification and derecognition of Semi Expendable Agricultural and Forestry Equipment pertaining to the issuance of MASKS amounting to ₱24,171,203.60; and

b. henceforth, analyze each transaction carefully to ensure proper recording.

Accounting Deficiencies

2. Accounting deficiencies were noted in the recording of Cash, Inventories, Property, Plant and Equipment and other accounts that have affected the balances of the accounts in the FS as discussed below:

Deficiencies	Accounts Affected	Amount (in ₱)
a) Unreconciled Book and Bank Balances of Cash in Bank-LCCA account due to absence of detailed errors/reconciling items with supporting documents	Cash in Bank-LCCA	40,878,865.84
b) Unreconciled Book and PS-DBM Balances due to unrecorded deliveries in prior years from PS-DBM	Due from NGAs	6,613,014.84
c) Long outstanding Due from NGA	Due from NGAs	10,211,695.95
d) Discrepancy between books and RPCI for Office Supplies Inventory	Office Supplies Inventory	17,457.08
e) Failure to conduct physical count of Inventories	Inventory accounts	40,778,737.24
f) Failure to conduct physical count of PPE and non- maintenance of property cards	PPE	582,170,871.82
g) Unsupported Accounts Payable	Accounts Payable	52,922,578.17
h) Unsupported JEVs due to non-submission of Liquidation Reports	Various accounts	205,898,729.85
Total		939,491,950.79

a) *Unreconciled Book and Bank Balances of Cash in Bank-LCCA account*

The correctness of the reported balance of Cash in Bank-LCCA for Trust Fund of ₱52,573,261.84 as of year-end could not be ascertained due to unreconciled difference of ₱40,878,865.89 with the bank balance amounting to ₱11,694,396.00 net of outstanding check of ₱743,764.09 and absence of detailed errors/reconciling items with its supporting documents; thus, remained unadjusted.

As of December 31, 2022, the account Cash in Bank-Local Currency Current Account (CIB-LCCA) for Trust Fund has a reported balance of ₱52,573,261.84, while per bank statement, the balance of the account maintained with the Land Bank of the Philippines (LBP) under account no. 0232-1125-30, showed an amount of ₱12,438,160.04.

Review of the Bank Reconciliation Statement (BRS) for the month of December 2022 showed an adjusted bank balance of ₱11,694,395.95 which is net of the outstanding checks of ₱743,764.09. Comparison of the reported General Ledger (GL) balance of ₱52,573,261.84 and the adjusted bank balance of ₱11,694,395.95 showed a discrepancy of ₱40,878,865.84, as follows:

Balance per GL, 12/31/22		₱52,573,261.84
Less: Adjusted bank balance		
BS balance, 12/31/22	₱12,438,160.04	
Outstanding checks, 11/30/22	<u>(743,764.09)</u>	<u>11,694,396.00</u>
Discrepancy		<u>₱40,878,865.84</u>

The discrepancy of ₱40,878,865.84 was presented in the BRS as reconciling item tagged as errors, which could not be determined and verified due to the absence of detailed breakdown and supporting documents such as bank debit/credit memos, among others.

The accounting personnel could not give a valid reason for the difference and that they are in the process of determining the errors/reconciling items. Due to the absence of the detailed breakdown and supporting documents, the discrepancy of ₱40,878,865.84 remained unadjusted.

The failure to reconcile the book balance with the bank balance renders the correctness of the account CIB-LCCA for Trust Fund unreliable; thus, affected the fair presentation of the financial position of the Agency, not to mention the risk of it being lost or misappropriated.

We recommended, and Management agreed, to direct the Chief Accountant to analyze the discrepancies between the book and bank balances of the CIB-LCCA for Trust Fund and make the necessary adjustments, supported with complete documentation.

b) *Unreconciled Book and PS-DBM balances*

Advances to Procurement Service-DBM for common-use office supplies, equipment, application software, and airline ticket requirements amounting to ₱7,026,770.29 is unreliable due to unreconciled difference of ₱6,613,014.84 between the balances per books and PS-DBM records caused by non-recording of deliveries in prior years.

Item 6.7 of COA Circular No. 94-013³ dated December 13, 1994 provides that it is the duty and responsibility of the Implementing Agency (IA) to return to the Source Agency (SA) any unused balance upon the completion of the project.

As of December 31, 2022, the Subsidiary Ledger (SL) balance of advances to NGAs-PS-DBM showed the amount of ₱7,026,770.29 which pertains to prior years' fund transfers which remained unliquidated as of report date, consisting of the following:

Fund	Amount (in ₱)
Regular Agency	7,025,340.99
Trust Fund	1,429.30
Total	7,026,770.29

While the balance per PS-DBM records, Agency Summary of Payment and Deliveries (ASPD), showed ₱413,755.45 only, or a difference of ₱6,613,014.84, as follows:

Date	Amount			Remarks
	Per books	Per PS-DBM	Difference	
	(in ₱)			
Oct. 19, 2022	7,062,672.19	413,755.45	6,648,916.74	
Nov. 25, 2022	(35,901.90)	0.00	(35,901.90)	Adjustment
As of Dec. 31, 2022	7,026,770.29	413,755.45	6,613,014.84	

The SL contains transactions with PS-DBM, starting 2018, the onset of the *e-NGAS* on January 1, 2018, with a recorded beginning balance of ₱2,879,915.33 without details. Comparison of the SL and PS-DBM ASPD disclosed that various deliveries appearing in the PS-DBM ASPD totaling ₱11,992,780.52 was not recorded in the books, which was 82 percent or ₱5,379,765.68 way beyond the difference of ₱6,613,014.84, thus outright adjustment could not be effected.

Based on the previous and current confirmation letters (CLs) issued by the Audit Team on December 1, 2022, the breakdown of ₱7,026,770.29 included outstanding balances since CY 1997 and as compared to the PS-DBM ASPD it showed that only ₱1,332,380.25 was unrecorded.

³ Rules and Regulations in the Grant, utilization and Liquidation of Funds Transferred to Implementing Agencies

The difficulty in reconciling both the books and PS DBM records was due to the absence of copy of Delivery Receipts (DRs), incomplete details and reference for the transactions, such as Agency Procurement Request (APR) number, check number in the APR or DR, and incomplete/different years of the recorded transactions. This could be attributed to Property's laxity in monitoring the deliveries and non-submission of copies of DRs to the Accounting Section immediately upon receipt. On the other hand, there are instances wherein the Accounting Section was provided with a copy of the DR, however, it failed to record the same in the books.

As of to date, no complete reconciliation has been made by the management despite the availability of the PS-DBM ASPD. In the absence of copies of DRs, which serve as the basis and supporting documents, adjustments could not be made. The difference renders the validity of the *Due to NGAs* account unreliable.

The Audit Team has sent Confirmation Letter No. 2022-006 dated November 22, 2022 to PS-DBM, however, as of date, the reply has not been received.

We recommended, and Management agreed, to direct the Chief Accountant and Property Officer to coordinate with the PS-DBM to reconcile the difference amounting to ₱6,613,014.84 and request copies of DRs from PS-DBM to serve as basis and supporting documents in recording the prior years' deliveries.

c) Unliquidated fund transfers aged 2 years to 50 years

COA Circular No. 94-013 sets forth the rules and regulations in the grant, utilization and liquidation of funds transferred to implementing agencies (IAs), as follows:

Section	Provisions
4.6	Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds
4.9	The IA shall return to the SA any unused balance upon completion of the project
5.4	The SA shall require the IA to submit the reports and furnish the IA with a copy of the journal voucher taking up the expenditures

The schedule of the Due from NGAs is shown as follows:

Implementing Agency	Year Granted	Fund Transfer		Liquidation		Balance	
		CY	PYs	CY	PYs	As of 12/31/2022	
						CY	PYs
Amount (in ₱)							
Bu. of Plant Industry	1972		6,870.60				6,870.60
Forest Product Research	1982		509.17				509.17

Implementing Agency	Year Granted	Fund Transfer		Liquidation		Balance	
		CY	PYs	CY	PYs	As of 12/31/2022	
						CY	PYs
Amount (in ₱)							
Industry							
Office of the OGCC	1985		18,000.00				18,000.00
Dept. of Agriculture RO IX	1995		681.79				681.79
Rizal State College	1999		12,064.56				12,064.56
National Printing Office	2009-2013		44,280.10		20,000.00		24,280.10
	2022	10,000.00				10,000.00	
Sericulture Research & Dev't Center	1994		20,000.00				20,000.00
University of the Phils., Los Banos	2001-2014		2,261,483.83				2,261,483.83
University of the Phils., Diliman	2009-2020		7,867,805.90				7,867,805.90
	2022	4,218,821.76				4,218,821.76	
Total		4,228,821.76	10,231,695.95	-	20,000.00	4,228,821.76	10,211,695.95
Balance of FT 12/31/22		14,460,517.71		20,000.00		14,440,517.71	
% to Total		100%	0%	.20%	0%	99.80%	100%

CY – Current Year; PYs – Prior Years

As shown in the table above, the prior years' balances pertained to fund transfers granted as early as CY 1972 or aged 2 to 50 years. As of year-end, out of the fund transfer in prior years of ₱10,231,695.95, only ₱20,000.00 or 0.20 percent were liquidated, leaving a balance of ₱10,211,695.95 or 99.80 percent.

Considering the age of the accounts, particularly those granted for over one year, the purposes of which should have been accomplished and the funds already expended, thus, the liquidation reports/fund utilization reports should have been submitted by the IAs.

During the year, fund transfer amounting to ₱4,228,821.76 or 100 percent of the funds transferred remained unliquidated. The Status of Unliquidated FTs Report showed that additional funds were released to IAs even without submission of fund utilization and accomplishment reports of previous fund transfers.

The non-submission of the liquidation documents/reports violates the provisions of the above-cited regulations and caused the accumulation of substantial unliquidated fund transfer. Likewise, it may result in the overstatement of the receivable accounts and the understatement of the related expense/asset accounts.

This could be attributed to management's failure in the monitoring of projects' status of implementation/accomplishment, and weak enforcement of liquidation of fund transfers.

The above deficiency casts doubt on certainty of liquidation, the reliability and validity of the Due from NGAs account.

This is a reiteration of prior year's audit observation.

We recommended, and Management agreed, to direct the Chief Accountant to:

- a. coordinate with concerned IAs for the status of fund transfers and demand submission of liquidation documents of expended fund transfers and completed projects and the refund/proof of refund of the unexpended balance to serve as basis in recording liquidations;**
- b. refrain from releasing additional funds unless fund utilization and accomplishment reports of the previous fund transfers are submitted in accordance with COA Circular No. 94-013; and**
- c. request for authority to write-off dormant unliquidated fund transfer following the guidelines in COA Circular No. 2016-005.**

d) Unreliable Office Supplies Inventory account

The accuracy of the year-end balance of Inventory accounts of ₱41,367,699.38 could not be ascertained due to (a) non-conduct of complete physical count of Accountable Forms, Plates and Stickers Inventory and all the semi-expendable inventories, totaling ₱40,778,737.24; (b) discrepancy of ₱17,457.08 between the balances per books and inventory report of the Office Supplies Inventory account, the only account with physical count; and (c) non-preparation/maintenance of Stock Cards for all inventory. Likewise, regular purchases of inventories amounting to ₱566,961.25 were directly charged as outright expense, contrary to existing rules and regulations.

As of December 31, 2022, the Inventory account total balance of ₱41,367,699.38 comprised of the following:

Account	Amount (in ₱)
Office Supplies Inventory	588,962.14
Accountable Forms, Plates and Stickers Inventory	8,000.00
Semi-Expendable Machinery Equipment	106,054.22
Semi-Expendable Office Equipment	999,055.56
Semi-Expendable ICT Equipment	8,064,783.70

Account	Amount (in ₱)
Semi-Expendable Agricultural & Forestry Equipment	26,310,508.30
Semi-Expendable Communication Equipment	800,796.87
Semi-Expendable Disaster Response and Rescue Equipment	19,944.00
Semi-Expendable Military, Police and Security Equipment	4,560.00
Semi-Expendable Technical and Scientific Equipment	928,829.00
Semi-Expendable Other Equipment	680,101.72
Semi-Expendable Furniture & Fixtures	2,847,415.72
Semi-Expendable Books	8,688.15
Total	41,367,699.38

The account showed various deficiencies and non-compliance with rules and regulations on the monitoring and reconciliation of the accounts, to wit:

- i. Non-conduct of physical count of Accountable Forms, Plates and Stickers Inventory and all the Semi-Expendable inventories

Section 17(i), Chapter 8 of the Government Accounting Manual (GAM), Volume I, provides that:

Report on the Physical Count of Inventories (RPCI) (Appendix 66) – shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.

Appendix 66 of GAM, Volume II, provides that the RPCI shall be prepared semi-annually by the Inventory Committee and by fund cluster. The report shall be reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly. It shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

Management failed to conduct physical count of the Accountable Forms, Plates and Stickers Inventory and all the Semi-Expendable inventories with a balance of ₱40,778,737.24.

The conduct of physical count of inventories is necessary to substantiate the balance recorded per books. If there are discrepancies between physical and book inventories, it must be investigated and cleared immediately. If necessary, written explanations shall be required from persons responsible.

The non-conduct of complete physical count due to absence of inventory committee to conduct physical count and prepare the prescribed RPCI put to doubt the existence of the recorded inventories.

- ii. Discrepancy between the balances per books and inventory report for Office Supplies Inventory - ₱17,457.08

During the year, the agency conducted physical count only for the office supplies inventory amounting to ₱588,962.14 or 1.4 percent of the total reported balance of Inventories of ₱41,367,699.38. Comparison of the balance of the submitted report on the physical count against the book balance showed a discrepancy of ₱17,457.08, as follows:

Office Supplies Inventory (in ₱)		
Per Books	Per Inventory Report	Discrepancy
588,962.14	571,505.06	17,457.08

The discrepancy could be attributed to the following:

- use of different inventory item number and description per supplies ledger cards;
- discrepancy in quantity; and
- discrepancy in unit price.

Moreover, the submitted report on the physical count of the Office Supplies Inventory was not prepared in accordance with the format prescribed in Appendix 66 of GAM, Volume II. It does not contain the necessary information as to the quantity balance per stock card to determine if there are shortage/overage against the items on hand per count.

- iii. Non-preparation/maintenance of Stock Cards

Section 9 of the same Manual further states that:

[The] Inventory Accounting System requires accounting records to show the amount of inventory on hand at all times through the maintenance of the Supplies Ledger Cards (SLC) by the Accounting Division/Unit and Stock Card (SC) by the Supply and/or Property Division/Unit for each item in stock.

Moreover, Paragraph D, Appendix 57 of the GAM Volume II provides that:

The semestral physical inventory of supplies shall be reconciled with the SLCs and controlling accounts and Supply and/or Property records. Any discrepancies shall be immediately verified and adjusted.

The SLCs for each type of supplies of the above inventory account to support the Inventory balance of ₱14,272,876.18 are generated from the e-NGAS.

On the other hand, the Property Section's SCs pertain only to Office Supplies Inventory. It did not prepare and maintain SCs for other inventories including the semi-expendable items, due to lack of manpower. The non-maintenance of the required SCs rendered no basis to check on the accuracy of the reported inventory balance.

Due to the non-conduct of complete physical count of inventory and consequently the non-preparation of the RPCI to compare the recorded balance ₱14,272,876.18, the discrepancy of ₱17,457.08 between the balances per books and inventory report for Office Supplies Inventory account, the absence of RPCI, and the non-maintenance of SCs, reconciliation of the accounting and property records is improbable; hence, the existence, completeness and accuracy of recorded purchases and issuances of inventories in the books could not be ascertained.

- iv. Regular purchases of inventories directly charged as an outright expense – ₱566,961.25

Section 9, Chapter 8 of Government Accounting Manual (GAM), Volume I states that:

Regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of PCF for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.

The Accounting Section recorded the purchases of office supplies, other office supplies and medical, dental and laboratory supplies amounting to ₱566,961.25 as outright expense instead of recording the same to its corresponding inventory account thus, contrary to the above regulation.

Since the abovementioned purchases were not paid out of Petty Cash fund, such items should not be recorded as outright expense. Instead, these should have first been recorded under the appropriate inventory accounts in accordance with the above cited provision. As a result, said supplies were already considered consumed at the time of purchase, thus, resulted in the understatement of the *Inventory* account and the overstatement of the corresponding expense account by ₱566,961.25 at the time of purchase.

We recommended, and Management agreed, to require the:

- a. **Inventory Team to conduct physical count of all inventories on a semestral basis and prepare the RPCI to serve as basis in checking the recorded inventory accounts;**

- b. Chief Accountant and Property Officer to coordinate and reconcile the noted difference on the recorded office supplies inventory, and prepare the necessary adjusting entries;
- c. Property Officer to prepare and maintain an updated SCs for each type of inventories where all receipts and issuances shall be recorded promptly to facilitate reconciliation; and
- d. Chief Accountant to ensure that regular purchases of inventories pass through the Inventory account prior to recording as expense.

e) *Unreliable PPE accounts*

The accuracy and validity of the year-end balance of PPE accounts of ₱582,170,871.82 was unreliable due to: (a) failure to conduct physical count of PPE and non-preparation/submission of the RPCPPE; and (b) non-maintenance of Property Cards.

As of December 31, 2022, the PPE accounts showed a total balance of ₱582,170,871.82, as follows:

PPE Accounts	Balance	Accumulated Depreciation	Net Book Value
Land	2,128,533.65		2,128,533.65
Other Land Improvements	6,435,800.90	3,476,044.53	2,959,756.37
Water Supply Systems	774,070.19		774,070.19
Power Supply Systems	369,891.80		369,891.80
Buildings	59,237,720.93	48,104,484.47	11,133,236.46
Other Structures	24,221,817.92	5,987,770.06	18,234,047.86
Machinery	14,699,391.20	6,621,722.14	8,077,669.06
Office Equipment	20,451,053.52	15,194,147.22	5,256,906.30
Information & Communication Technology Equipment	38,388,294.25	22,127,379.48	16,260,914.77
Agricultural & Forestry Equipment	129,455,148.13	46,533,873.52	82,921,274.61
Communication Equipment	846,281.80	459,849.67	386,432.13
Medical Equipment	533,580.91	23,591.52	509,989.39
Technical & Scientific Equipment	152,494,498.81	129,074,119.11	23,420,379.70
Other Equipment	5,261,435.13	2,439,248.63	2,822,186.50
Motor Vehicles	47,112,023.87	20,938,668.52	26,173,355.35
Furniture and Fixtures	10,806,982.93	5,996,914.69	4,810,068.24
Books	120,746.43	37,124.20	83,622.23
Leased Assets Improvements, Land	24,356.40	5,358.40	18,998.00
Leased Assets Improvements, Building and Other Structure	298,664.70		298,664.70
Construction in Progress - Buildings & Other Structures	68,185,424.15		68,185,424.15
Work/Zoo Animals	26,350.00		26,350.00
Other Property, Plant and Equipment	298,804.20	358,825.08	(60,020.88)
Total	582,170,871.82	307,379,121.24	274,791,750.58

Verification of the accounts showed various deficiencies and non-compliance with rules and regulations on the monitoring and reconciliation of the accounts, to wit:

- i. Failure to conduct physical count of PPE and non-preparation/submission of the RPCPPE

Section 38 of Chapter 10 of the Government Accounting Manual (GAM), Volume I provides that:

The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 73) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.

Section 42.g of the same Manual provides that the RPCPPE shall be used to report the physical count and condition of PPE by type as at a given date, including those which are unrecorded and those which could not be accounted for. It shows the balance of PPE per property cards and per count and the shortage/overage, if any. It shall be rendered by the Inventory Committee, on its yearly physical count of properties owned by the entity.

The conduct of physical count of PPE is necessary to substantiate the balance recorded per books. If there are discrepancies between physical and book balance, it must be investigated and cleared immediately. If necessary, written explanations shall be required from persons responsible.

For CY 2022, the agency did not conduct physical count of all PPEs and the corresponding RPCPPE was not prepared despite the issuance of previous audit observation memorandum, thus, the accuracy, existence and completeness of the recorded amount could not be ascertained.

- ii. Non-maintenance of Property Cards

Section 42, Chapter 10 of the GAM, Volume I, states that:

[For] check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

x x x

42.d Property Card (Appendix 69) – this card shall be used by the Supply and/or Property Division/Unit to record the description, acquisition, transfer, disposal, and other information about the PPE. It shall be kept for each class of PPE.

Moreover, Paragraph D, Appendix 70 of the GAM Volume II provides that:

The PPELC shall be reconciled with the report on the physical count of the PPE, PC and the control accounts. Any discrepancies shall be immediately verified and adjusted.

The Property Section did not prepare and maintain PCs for all PPE, which according to the personnel was due to lack of manpower.

In the absence of RPCPPE, due to non-conduct of physical count of PPE, and the non-maintenance of PCs, reconciliation of the accounting and property records is improbable, hence, the existence, completeness and accuracy of recorded PPEs in the books could not be ascertained.

We recommended, and Management agreed, to require the Property Officer to:

- a. conduct physical count of PPE on an annual basis and prepare the RPCPPE to counter check the balance per books; and**
- b. prepare and maintain PC for each type of PPE where all receipts and issuances shall be recorded promptly to facilitate reconciliation thereof and take up the reconciling items in the books, if any.**

f) Unsupported Accounts Payable

The reported balance of the Accounts Payable account of ₱52,922,578.17 could not be validated due to (a) non-submission of supporting documents; and (b) failure to prepare the Aging of Due and Demandable Obligations (ADDO) - Financial Accountability Report (FAR) No. 3.

As defined in the GAM, Accounts Payable refers to valid and legal obligations of NGAs/OU, for which goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year when these obligations were incurred.

- i. Non-submission of supporting documents

Paragraph 2 of Section 37, Chapter 2 of GAM Volume I provides that:

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. x x x

The supporting documents for the Accounts Payable of the PhilFIDA's obligations amounting to ₱52,922,578.17 were not submitted to the Audit Team despite repeated verbal request; hence, the recorded obligations could not be validated/ascertained.

- ii. Non-preparation of the Aging of Due and Demandable Obligations (ADDO) - Financial Accountability Report (FAR) No. 3

Under COA-DBM Joint Circular No. 2014-1⁴ dated July 2, 2014, national government agencies are required to submit BFARs to the Department of Budget and Management and Commission on Audit. Among the reports to be submitted is the ADDO-FAR No. 3. The report shall reflect the balance of unpaid obligations as indicated in the Obligation Request and Status (ORS) as at year-end. This report is to be submitted to COA and DBM within 30 days after the end of the year.

As of report, no ADDO prepared and submitted to the audit team for the year then ended. The balance of due and demandable obligation shall be the one recorded/reported in the ADDO-FAR 3 and shall serve as the basis in the preparation of the schedule of accounts payable. It shall serve as support to the payables reported in the books. In the absence of the ADDO, there is no assurance on the accuracy of the reported accounts payable.

We recommended, and Management agreed, to require the Chief Accountant to:

- a. **ascertain the validity of the accounts payable and revert invalid, unsupported and past due payables to the Accumulated Surplus or Deficit of the General Fund of the National Government pursuant to COA and DBM Joint Circular No. 1, s. 2021 dated March 8, 2021;**
- b. **prepare and submit to the Audit Team the ADDO within the prescribed period; and**

⁴ Guidelines prescribing the use of modified formats of the Budget and Financial Accountability Reports (BFARs)

c. ensure that all obligations certified to Accounts Payable are duly supported with sufficient documents and with valid claims.

g) Unreliable various expense/asset accounts due to unsupported JEVs caused by non-submission of Liquidation Reports

Records showed that various Journal Entry Vouchers (JEVs) were drawn to record Liquidation Reports (LRs) submitted by the different PhilFIDA Regional Offices (ROs) with an aggregate amount of ₱205,898,902.53, however, the said LRs remained unsubmitted to the audit team as of year-end, as follows:

Month	Amount (in ₱)
August	49,863,218.80
September	23,981,286.16
October	14,498,109.15
November	11,925,558.57
December	105,630,729.85
Total	205,898,902.53

The non-submission of LRs as supporting documents to the JEVs precluded the audit team from conducting the audit of the transactions to obtain sufficient and appropriate evidence on the validity and accuracy of the account balances affected.

We recommended, and Management agreed, to require the Chief Accountant to submit to the Audit Team the LRs already recorded in the books; otherwise, Notice of Suspension shall be issued by the Audit Team.

3. **Various accounting reports were not submitted within the required period; thus, affecting the timely verification and communication of audit results to Management, which could have served as an aid in management decisions and inputs in enhancing financial accountability. Likewise, Bank Reconciliation Statements (BRS) were submitted late or were not submitted at all by concerned officials, the number of delays ranges from 2-289 days, precluded the Audit Team to conduct timely verification on the correctness of the cash balance.**

During the year, the following accounting and property reports with their supporting documents were not submitted to the Audit Team within the prescribed period with delays ranging from one to 289 days, or were not submitted at all:

Report/ Document	Rules and Regulations	Timeline/ Due Date	No. of Reports with delay (Monthly)		Range of days delayed
			Not Submitted	With delay	
Monthly/Quarterly Trial Balance and Financial Statements (FSs) and Supporting	Section 60 (c), Chapter 19, Government Accounting	Within ten (10) days after the end of the month	-	1	20

Report/ Document	Rules and Regulations	Timeline/ Due Date	No. of Reports with delay (Monthly)		Range of days delayed
			Not Submitted	With delay	
Schedules (SSs)	Manual (GAM) Volume I	14 th day of February of the ensuing year	-	-	-
Year-end TB, FSs and SSs			-	-	-
RCI/RADAI with all paid DVs and SDs	Section 10, Chapter 6, GAM Volume I	Daily or as often as necessary	-	8 RF 8 TF	1-36 1-36
RCD with all ORs, DSs and SDs	Section 39, Chapter 5, GAM Volume I	Daily or as often as necessary	-	12RF 10TF	11-94 11-94
Liquidation Reports			4 RF	8RF 7 TF	100-161 11-57
Bank Reconciliation Statements (BRS)	Section 17 (i), Chapter 8 of the GAM Volume I	Within 20 days after receipt of the monthly Bank Statement	77	211	2-289
Report on the Physical Count of Inventories (RPCI)		Not later than July 31 and January 31 of each year for the first and second semesters, respectively	11	-	-
Report on the Physical Count of Property, Plant and Equipment		Not later than January 31 of each year	1	-	-
Inventory and Inspection of Unserviceable Property			1	-	-

The year-end Trial Balance, Financial Statements and supporting schedules were submitted to the Audit Team on February 10, 2023.

The delayed/non-submission of liquidation reports, disbursement vouchers, supporting documents and other accounting and property reports way beyond their prescribed period prevented the timely verification of the financial accounts and transactions and communication of audit results to Management, which could have served as an aid in management decisions and inputs in enhancing financial accountability.

On unsubmitted BRS

Bank reconciliation is a standard procedure in the management of the cash accounts to determine the correctness and completeness of the cash transactions recorded in the books.

Section 74 of PD 1445 provides that:

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

Section 5, Chapter 21 of GAM for NGAs Volume I states that:

The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.

Also, Section 7 of the same Manual provides that the Chief Accountant shall submit the BRS within twenty days after receipt of the monthly BS to the COA Audit Team.

The PhilFIDA maintained a total of 22 Cash-LCCA accounts and two Cash-MDS accounts at the Land Bank of the Philippines (LBP). It has 10 ROs wherein each RO maintains two accounts for funds received from PhilFIDA Central Office to defray Personal Services and Maintenance and other Operating Expenses.

As of December 31, 2022, the Accountant/Designated Staff did not submit the BRS and its supporting documents within the prescribed period, with delays ranging from 2 to 289 days, or were not submitted at all, as shown below:

Office/ RO	Account No.	No. of Days Delayed	Period Unsubmitted
CO	MDS-Regular - 2023-9023-83	12-162	September-November
	MDS-Trust Fund - 2023-9027-91	12-162	November
	LCCA-FIDA - 3212-1018-92	-	January - November
	LCCA-CODA -0232-1125-30	16-162	November
RO I	PS - 1372-0078-73	16-289	November
	MOOE - 1372-0078-81	16-289	November
RO IV	PS - 0232-1143-71	-	January- November
	MOOE - 0232-1143-80	-	January- November
RO V	PS - 0132-1020-15	16-289	November

Office/ RO	Account No.	No. of Days Delayed	Period Unsubmitted
	MOOE - 0132-1020-07	16-289	November
RO VI	PS - 3292-1024-60	16-230	January, February, November
	MOOE - 3292-1024-79	16-289	November
RO VII	PS - 0142-0197-87	-	January- November
	MOOE - 0142-0197-79	-	January- November
RO VIII	PS - 0182-1097-11	-	January- November
	MOOE - 10182-1097-20	108-289	August-November
RO IX	PS - 0522-1193-26	2-214	November
	MOOE - 0522-1193-34	2-214	November
RO X	PS - 2412-1005-17	2-214	October-November
	MOOE - 2412-1004-44	2-214	October-November
RO XI	PS - 1472-1014-19	16-47	January-August, November
	MOOE - 0162-0070-68	-	January- November
RO XIII	PS - 0362-1060-95	2-214	November
	MOOE - 0362-1058-70	2-214	November

Management informed that it has enrolled its accounts with the *We-Access* services of the LBP for the timely retrieval and printing of BS for the eventual preparation of BRS. Hence, the conservative computation of the delay of submission of BRS is within twenty days after receipt of the monthly BS as prescribed in Section 7, Chapter 21 of GAM for NGAs Volume I. However, despite such enrollment with the LBP *We-Access*, still Management could not submit the BRSs on time.

The delayed/non-submission of the BRS prevented the timely verification on the correctness of the cash balance per books and in banks; thus, may result to non-immediate detection of possible discrepancies and for adjustments in the books against the bank balance, if any.

We recommended, and Management agreed, to:

- a. **direct the Heads of Regional Offices to submit to the Chief Accountant the LRs with all the supporting documents on a monthly basis for funds transferred for personal services, operating expenses and project funds as soon as the purpose has been accomplished for the preparation of JEV and recording purposes;**
- b. **require the Chief Accountant, the Property Officer, the Cashier and concerned accountable officers in the ROs to observe the prescribed timelines on the submission of all accounting and property reports;**
- c. **require the Chief Accountant to submit within the prescribed period the BRS with all the supporting documents; and**

- d. direct the Heads of the ROs IV, VII, VIII and XI to require their designated staff to prepare and submit immediately the BRS to the Audit Team.

B. Compliance Audit

Idle cash/non-remittance of collections to the BTr

4. Collections of performance bonds posted by various suppliers amounting to **₱174,069.06** remained unremitted to the National Treasury contrary to law and regulations.

Section 7 of the General Provisions (GP) of the General Appropriations Act (GAA) of FY 2022 states that:

Performance bonds and deposits filed or posted by private persons or entities with departments, bureaus, offices, and instrumentalities of the National Government, including Constitutional Offices enjoying fiscal autonomy and SUCs shall be deposited with the National Treasury and recorded as trust receipts in accordance with E.O. No. 338, as implemented by COA-DBM-DOF J.C. 1-97, and such other guidelines issued thereon.

Further, the Department of Finance, Department of Budget and Management and Commission on Audit (DOF-DBM-COA) Permanent Committee Joint Circular No. 4-2012⁵ dated September 11, 2012, directs the reversion of all unnecessary special and trust funds to the General Fund and for other purposes.

As of year-end, the performance bonds posted by various suppliers amounted to **₱174,069.06** and deposited under Cash in Bank, LCCA No. 0232-1125-30.

Payor	Amount (in ₱)	Remarks
Climaco Pitiluna	6,000.00	Balance from Post Trial Balance as of Dec. 31, 2017 as indicated in the Subsidiary Ledger
Dr. Augusto Sumalde	6,000.00	
Dr. Avelino Raymundo	7,000.00	
Eugenio Castro	1,500.00	
Macare Medicals, Inc.	27,500.00	
Marcus Phoenix Media Production	23,500.00	
Novotel (Hotel) Corp.	40,425.00	
Ormoc Diesel Center	6,000.00	
Tropics Agro Industries, Inc.	31,500.00	

⁵ Rules and Regulations implementing Executive Order No. 431 dated May 30, 2005 directing the reversion of all dormant accounts, unnecessary Special and Trust Funds to the General Fund and other purposes

Payor	Amount (in ₱)	Remarks
SI Technologies, Inc	9,647.06	
Sub-total	159,072.06	
Next Innovation Inc	14,997.00	September 2022
Total	174,069.06	

The Accounting personnel explained that they are in the process of validating the balances, and that the cash receipts of the performance bonds were not remitted with the National Treasury because it takes time to request from the DBM for the release of Notice of Cash Allocation (NCA) for the return of the bonds to the suppliers.

However, as shown in the above table, the performance bonds amounting to ₱159,072.06 have been inactive since CY 2017 and no claims have been made since then, thus should rightfully be remitted to the National Treasury.

The non-remittance of the said performance bonds is contrary to Section 7 of the GP of the GAA for FY 2022 as implemented by the Permanent Committee Joint Circular No. 4-2012, and COA Circular No. 2015-001⁶ dated January 29, 2015 and deprive the government of the much needed cash for the implementation of priority programs and projects.

This is a reiteration of prior year's observation.

We reiterated our previous recommendation, and Management agreed, to cause the immediate remittance of all the performance bonds posted by various suppliers with the National Treasury pursuant to Section 7 of the GP of GAA 2022.

Granting, utilization and liquidation of cash advances

5. **Cash advances for official local and foreign travels and special purpose/time-bound undertakings in prior years amounting to ₱704,417.09 or 73.47 percent of prior year's balance of ₱958,809.49 remained unliquidated, thus, exposes government funds to possible misuse. Moreover, advances to officers and employees included negative balances amounting to ₱36,367.60 which understated the supposed balance of ₱836,420.19.**

The following are the established rules and regulations on the granting and liquidation of cash advances:

Regulations	Provisions
Section 4.1 of COA Circular No. 97-002 dated February 10, 1997	A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be

⁶ Rules and Regulation on Performance Bonds and Deposits

Regulations	Provisions
	allowed to any official or employee unless the previous cash advance is first settled or a proper accounting thereof is made
Section 1.2 of COA Circular No. 2012-001 dated June 14, 2012	Travel Expenses - within 30 days after the return of the official employee concerned to his official station for local travel and within 60 days after the return of the official/employee concerned in the Philippines in the case of foreign travel Special Purpose - as soon as the purpose of the cash advance has been served.
Section 89 of Presidential Decree (PD) No. 1445	No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported and liquidated as soon as the purpose for which it was given has been served
Article 217 of the Revised Penal Code	The failure of a public officer to have duly forthcoming any public funds or property with which he is chargeable, upon demand by any duly authorized officer, shall be prima facie evidence that he has put such missing funds or property to personal use

Analysis of the accounts *Advances to Officers and Employees and Advances to SDO* as of December 31, 2022, showed the following:

Nature of Cash Advances	Cash Advance		Liquidation		Balance As of 12/31/2022	
	CY	PYs	CY	PYs	CY	PYs
	(in ₱)					
Advances to Officers and Employees	2,884,493.48	793,545.57	2,788,857.98	89,128.48	95,635.50	704,417.09
Advances to SDO	1,695,598.06	165,263.92	1,695,598.06	165,257.35	-	6.57
Total	4,580,091.54	958,809.49	4,484,456.04	254,385.83	95,635.50	704,417.09
Balance	5,538,901.03		4,738,841.87		800,059.16	
As of 12/31/2022						
% to Total	100%		97.91%	26.53%	2.09%	73.47

Out of the prior year's balance of ₱958,809.49, the amount of ₱704,417.09 or 73.47 percent represents cash advances granted from as early as 1986 and have been dormant for 2 to 36 years, to various officers, employees and accountable officers (AOs) who were no longer connected with PHILFIDA due to retirement, resignation, or transfer of office.

The accumulation of unliquidated balance in prior years could be attributed to management's laxity in monitoring the liquidation of cash advances and non-submission of liquidation reports within the prescribed period.

Moreover, verification of the Schedule of Advances to Officers and Employees showed that the balance of ₱800,052.59 includes negative amounts totaling ₱36,367.60, which resulted in the decrease of the supposed balance of ₱836,420.19.

According to the accounting personnel, the negative balances were due to erroneous posting of liquidation reports and double recording of adjustments which were subject to further verification, analysis and reconciliation and/or adjustments.

This is a reiteration of prior year's observation.

We recommended, and Management agreed, to:

- a. send demand letters to concerned accountable officers who are still active in the service to submit liquidation reports and/or refund the unused cash advances; and**
- b. require the Chief Accountant to review the accounts with negative balances and prepare adjusting journal entries to effect the adjustments duly supported with necessary documentations.**

Unaccounted fund transferred to PhilFIDA Regional Offices

- 6. Funds transferred to PhilFIDA Regional Offices for personal services, regular operating expenses and project implementation totaling ₱79,642,108.77 remained unaccounted as of year-end thus, exposing substantial amount of public funds to risk of possible loss and misuse. Thus, related disbursements/expenses were not recorded in the books of accounts.**

The present set-up of the PhilFIDA is that all cash requirements covering the monthly Personal Services, regular MOOE and funds for the implementation of projects of Regional Offices (ROs) are transferred to ROs by the Central Office (CO). These funds were deposited in the bank accounts of the respective ROs and then disbursed by the ROs, through the issuance of checks, with the Disbursing Officer and the PhilFIDA Regional Director as signatories. Each of the ROs maintained separate bank account for PS and MOOE. All funds transferred (FT) were subject to liquidation within the prescribed period.

Since the PhilFIDA practices the mode of centralized accounting system, the funds transferred and corresponding liquidation of expenses were recorded in the books of the CO. The funds transferred were recorded as Cash in Bank-Local Currency Current Account (CIB-LCCA). Disbursements/expenses are recorded upon submission of Liquidation Reports (LRs)/fund utilization with all the necessary supporting documents by the RO Disbursing Officer (DOs) to the Accounting Section for the preparation of the JEV. Subsequently, a Disbursement Voucher (DV) with its supporting documents will be prepared for the replenishment of the RO funds.

Analysis of the account as of December 31, 2022, showed the following:

Nature of Fund Transfer	Fund Transfer		Liquidation		Balance	
	CY	PYs	CY	PYs	As of 12/31/2022	
					CY	PYs
(in ₱)						
PS (Payroll)	141,057,187.45	6,909,751.85	134,693,622.05	5,779,577.47	6,363,565.40	1,130,174.38
MOOE (Operating Expenses)	13,326,017.98	13,611,978.92	9,304,772.38	8,296,385.36	4,021,245.60	5,315,593.56
Project Funds (Advances to SDO)	81,595,850.18	129,923,095.42	59,407,770.94	89,299,644.83	22,188,079.24	40,623,450.59
Total	235,979,055.61	150,444,826.19	203,406,165.37	103,375,607.66	32,572,890.24	47,069,218.53
Balance	386,423,881.80		306,781,773.03		79,642,108.77	
As of 12/31/2022						
% to Total	100%		86.20%	68.71%	13.80%	31.29%

The prior year's balance of ₱47,069,218.53 or 31.29 percent represents FT to RO DOs but the period these were granted could not be determined since the subsidiary ledgers (SLs) contain only the transactions from April 2019 onwards, due to reclassification of the accounts from Advances for Payroll, Advances for Operating Expenses and Advances to SDO to CIB-LCCA with the implementation of *e-NGAS* in 2018.

Further, verification of the SLs showed that RO DOs failed to liquidate properly the FT released to them for more than one month since the purpose of these FT was mostly for the monthly operating expenses and personal services of the ROs. These should have been expended on a monthly basis and liquidation reports should have been submitted to CO as soon as the purpose has been served. Despite non-submission of fund utilization of previous fund transfers, Management continued to transfer funds to ROs contributing to the accumulation of unliquidated/unaccounted balances.

These only showed Management's laxity in the granting of fund transfers, lack of monitoring of RO's liquidation, failure to compel the AOs to submit LRs.

Moreover, records showed that ₱29,797,189.91 or 37.50 percent of ₱79,642,108.77 (₱32,572,890.24 + ₱47,069,218.53) unliquidated fund transfer pertains to AOs who were no longer connected with PhilFIDA due to retirement, as follows:

RO	Amount (in ₱)			Date of Retirement	Remarks
	Regular Fund	Trust Fund	Total		
VII	22,552,895.04	54,158.57	22,607,053.61	Nov.12, 2022	No Office Clearance
VIII	144,757.03	-	144,757.03	July 27, 2022	with pending accountabilities

RO	Amount (in ₱)			Date of Retirement	Remarks
	Regular Fund	Trust Fund	Total		
IV	51,742.02	15,991.61	67,733.63	July 1, 2022	with pending accountabilities
I	(143,835.99)	1,950,000.00	1,806,164.01	Feb. 1, 2021	with pending accountabilities
IX	423,029.42	3,004.97	426,034.39	Feb. 18, 2020	No Office Clearance
IV	950,105.80	160,170.50	1,110,276.30	Feb. 1, 2021	Cleared/ TLB paid
XI	1,430,251.49	2,204,919.45	3,635,170.94	Feb. 1, 2021	with pending accountabilities
Total	25,408,944.81	4,388,245.10	29,797,189.91		

The clearances of the AOs were pending upon settlement of their accountabilities. But it was noted that one AO with unliquidated fund transfer of ₱1,110,276.30 was cleared from her accountabilities upon retirement and was eventually paid her terminal leave benefits.

The non-submission of LRs resulted in the accumulation of long outstanding FT, unaccounted/unrecorded expenses in the books in the period they were incurred, exposure of cash to possible risk of loss and misuse.

Further, verification of the Schedule of CIB-LCCA showed that the balance of ₱79,642,108.77 included negative amounts totaling ₱3,309,091.51, which resulted in the decrease of the supposed balance of ₱82,633,453.89, as follows:

RO	Amount (in ₱)		
	Regular Fund	Trust Fund	Total
IV		3,580.00	3,580.00
V	52,573.88		52,573.88
VI	910,704.21		910,704.21
CO	3,653.59		3,653.59
V		2,169.01	2,169.01
V	130,246.08		130,246.08
I	143,835.99		143,835.99
VII	432,902.35		432,902.35
X	273,747.75		273,747.75
V	1,315,333.60		1,315,333.60
CO	40,344.91		40,344.91
Total	3,303,342.36	5,749.01	3,309,091.51

The above lapses showed that the Management was remiss in its duty to enforce the rules and regulations to safeguard the assets of the agency.

We recommended, and Management agreed, to:

- a. **evaluate the present set-up and consider adopting the payment of payroll thru centralized payroll system and close the bank account maintained for the purpose;**

- b. **issue directive to the RO SDOs to immediately submit to the CO the LRs/Fund Utilization Reports of all unliquidated FT together with the supporting documents; otherwise enforce the non-liquidation/non-replenishment policy, until such time that the requirement is complied with; and**
- c. **instruct the Chief Accountant to:**
 - i. **refrain from processing the additional FT without first submission of LRs on the previous one and to monitor periodically the submission of LRs;**
 - ii. **issue demand letter to all retired AOs to settle their accountability; and**
 - iii. **evaluate/analyze the negative balances and prepare necessary adjusting entries with proper documentation.**

Dormant accounts for write-off

- 7. **Dormant receivable accounts amounting to ₱98,732,585.83 aged 10 to 29 years, collection of which could not be ascertained, yet Management failed to take action to cleanse the books of accounts, despite previous years' observation and recommendation, thus, affected the fairness of the presentation of the accounts in the financial statement.**

COA Circular No. 2016-005⁷ dated December 19, 2016 provides, among others, that *all government entities shall conduct regular monitoring and analysis/reconciliation of receivable accounts;*

- *Section 5.4 - Dormant Receivable Accounts - accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.*
- *Section 5.5 - Dormant Unliquidated Cash Advances – advances granted to disbursing officers, agency officers and employees which remained non-moving for ten (10) years or more and where settlement/collectability could no longer be ascertained.*
- *Section 5.6 - Dormant Unliquidated Fund Transfers – advances granted by the source entity to implementing entity for the*

⁷ Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs)

implementation of programs/projects which remained non-moving for ten (10) years or more and where settlement could no longer be ascertained.

- Section 8.2 - *The Head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA).*

Schedules of Receivables showed that a total receivables of ₱98,732,585.83 have been dormant for 10 years and over, with details shown below:

Particulars	Age	Amount (in ₱)	Remarks
Receivables			
- Accounts Receivable	1982-2006	86,737,397.75	Uncollected service fees of Fiber Industry Development Authority (FIDA) from various stakeholders
- Notes Receivables	30 yrs dormant	6,967,148.64	Accounts of Imperial Textile Mills and Atlas Development Corporation
- Loans Receivables	1998-2000	360,836.64	Uncollected production loans granted to different participating cooperatives under the Pilot Assistance to Cotton Farmers Project (PACFP) and the development of Model Farms for Cotton Industry enhancement Project (DMFCIE))
- Due from Officers and Employees	1986-2008	61,556.63	Receivables from resigned/deceased/retired employees of FIDA whose whereabouts are unknown
- Other Receivables	1988-2011	302,528.14	Receivables from resigned employees of CODA and FIDA whose whereabouts are unknown
<i>Sub-total</i>		<i>94,429,785.77</i>	
Cash advances			
- Official local and foreign travels	1986-2010	723,826.79	
<i>Sub-total</i>		<i>723,826.79</i>	
Fund transfer			
- NGAs	1972-2011	3,554,851.44	Fund transfer (FT) to IAs and PS-DBM
- GOCCs	1991	24,439.80	FT to National Irrigation Administration
<i>Sub-total</i>		<i>3,579,291.24</i>	
Grand Total		98,732,585.83	

The agency failed to request for write-off of dormant receivable accounts, unliquidated cash advances and fund transfers. The existence of dormant accounts for 10 years and over indicates Management's inadequate monitoring and reconciliation of receivable accounts.

According to the accounting personnel, they have difficulty in complying with the requirements in requesting authority to write-off dormant accounts due to lack/absence of supporting records/documents. Likewise, demand letters could not be sent due to unknown addresses of the recipients of the loans and employees that are no longer connected with PhilFIDA. Hence, the settlement and collectability of the above accounts could not be ascertained.

This is a reiteration of prior year's observation.

We recommended, and Management agreed, to require the Chief Accountant to validate and evaluate the existence of receivables, unliquidated cash advances and fund transfer aged 10 years or more and, if warranted, request authority to write-off dormant accounts in accordance with the procedures under COA Circular No. 2016-005.

Non-disposal of unserviceable property

8. **Unserviceable property with book value of ₱2,792,458.98 remained not disposed of, contrary to Section 79 of Presidential Decree (PD) No. 1445, thus, exposing them to further deterioration and decreasing their realizable value.**

The Inventory and Inspection Report of Unserviceable Property showed various unserviceable PPE with book value of ₱2,792,458.98. However, the said unserviceable PPE remained undisposed, thus, exposing them to further deterioration and decreasing their realizable value, contrary to Section 79 of P.D. No. 1445 which provides that:

When government property has become unserviceable for any cause, or is no longer needed, it shall upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.

The Disposal Committee informed that the said unserviceable will be disposed thru public bidding in the first quarter of CY 2023.

We recommended, and Management agreed, to require the Chief of General Services Section and BAC Disposal Committee to immediately dispose of the unserviceable PPE, pursuant to Section 79 of P.D. No. 1445.

Fund utilization/obligation, disbursement and cash utilization

9. **Of the agency's appropriation/allotment for CY 2022 of ₱387,783,611.03, the agency registered a high utilization rate of 99.75 percent or ₱386,817,909.26 while ₱336,000,342.23 or 86.86 percent only was disbursed until December 31, 2022. While the agency's total cash allocation of ₱437,598,895.00 received during the year was 96.78 percent utilized, the balance of ₱14,102,610.10 was reverted to the National Treasury. Also, of the agency's total appropriation/allotment, 55 percent or ₱211,265,488.58 was appropriated for Fiber Development Program, of which fund utilization/obligation amounted to ₱210,395,581.25 or 99.60 percent while the disbursement rate was posted at 80.30 percent or ₱168,856,546.87.**

Sec. 61, GP, FY 2022 GAA, as implemented by Item 3.3 of National Budget Circular No. 583, dated January 4, 2021 states that:

All appropriation authorized in this Act, including budgetary support to GOCCs, shall be available for release and disbursement for the purpose specified, and under the same general and special provisions applicable thereto, until December 31, 2022. X x x.

After the end of validity period, all unreleased appropriations shall lapse, while unexpended or undisbursed funds shall revert to the unappropriated surplus of the General Fund in accordance with Section 28, Chapter 4, Book VI of E.O. No. 292 and shall not thereafter be available for expenditure except by subsequent legislative enactment. Department, bureaus and offices of the National Government, including constitutional offices enjoying fiscal autonomy, SUCs and GOCCs, shall strictly observe the validity of appropriations and the reversion of funds.

For FY 2022, x x x. On the other hand, appropriations for MOOE and other capital outlays items shall likewise be valid for obligation until December 31, 2022, while the delivery, inspection and payment shall be made not later than March 31, 2023.

Section 1.a, Executive Order 91⁸ dated September 9, 2019 states that:

All authorized appropriations shall be available for obligation and disbursement only until the end of each fiscal year.

For CY 2022, the PhilFIDA received allotment totaling ₱387,783.611.03 from the DBM for the implementation of its programs/projects/activities. Of the total allotment received during the year of ₱387,783,611.03, ₱386,817,909.26 or 99.75 percent thereof was obligated, while ₱336,000,342.23 was disbursed or 86.86 percent out of the total obligation, shown as follows:

Allotment Class	Appropriation/ Allotment	Obligation	Unobligated Balance	Disbursement	Utilization Rate	Disbursement Rate
	(in ₱)					
Current Appropriation						
Personnel Services	211,730,036.00	211,695,448.70	34,587.30	196,986,218.94	99.98	93.05
MOOE	128,277,000.00	128,215,792.86	61,207.14	124,979,723.04	99.95	97.48
Capital Outlay	43,000,000.00	42,160,092.67	839,907.33	9,835,751.28	98.05	23.33
Fin Ex	50,000.00	50,000.00	-	50,000.00	100.00	100.00
<i>Sub-total</i>	<i>383,057,036.00</i>	<i>382,121,334.23</i>	<i>935,701.77</i>	<i>331,851,687.26</i>	<i>99.76</i>	<i>86.84</i>
Continuing Appropriation						
Personnel Services	-	-	-	-	-	-
MOOE	1,713,575.03	1,708,575.03	5,000.00	1,429,778.18	99.71	83.88
Capital Outlay	3,013,000.00	2,988,000.00	25,000.00	2,718,876.79	99.17	90.99
<i>Sub-total</i>	<i>4,726,575.03</i>	<i>4,696,575.03</i>	<i>30,000.00</i>	<i>4,148,654.97</i>	<i>99.37</i>	<i>88.33</i>
Grand Total	387,783,611.03	386,817,909.26	965,701.77	336,000,342.23	99.75	86.86

The PhilFIDA was able to report a high rate of obligation of 99.75 percent of the total allotment received, which showed that it was able to maximize the utilization of its available funds. However, the disbursement rate is only 86.86 percent or ₱336,000,342.23 of the total obligations of ₱386,817,909.26.

The Fiber Development Program (FDP) is one of the major programs being implemented by the Agency. In order to effectively attain its objective and implement its various activities for FY 2022, the FDP was allocated with total funds of ₱211,265,488.58, as shown in the FAR prepared and submitted. Of the allotment of ₱211,265,488.58 for FDP, the fund utilization/obligation of ₱210,395,581.25 or 99.60 percent and disbursement of ₱168,856,546.87 or 80.30 percent were in accordance with the purpose of appropriation/allotment as provided in Section 80, GP of FY 2022 GAA, as follows:

⁸ Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes

Allotment Class	Appropriation/ Allotment	Obligation	Unobligated Balance	Disbursement	Utilization Rate	Disburse ment Rate
	(in PhP)					
Current Appropriation						
Personnel Services	79,391,000.00	79,391,000.00	-	72,310,048.53	100.00	91.10
MOOE	84,591,000.00	84,591,000.00	-	82,958,172.85	100.00	98.10
Capital Outlay	43,000,000.00	42,160,092.67	839,907.33	9,835,757.28	98.10	23.40
<i>Sub-total</i>	<i>206,982,000.00</i>	<i>206,142,092.67</i>	<i>839,907.33</i>	<i>165,103,972.66</i>	<i>99.60</i>	<i>80.10</i>
Continuing Appropriation						
Personnel Services	-	-	-	-	-	-
MOOE	1,270,488.58	1,265,488.58	5,000.00	1,033,697.42	99.60	81.70
Capital Outlay	3,013,000.00	2,988,000.00	25,000.00	2,718,876.79	99.20	91.00
<i>Sub-total</i>	<i>4,283,488.58</i>	<i>4,253,488.58</i>	<i>30,000.00</i>	<i>3,752,574.21</i>	<i>99.30</i>	<i>88.30</i>
Grand Total	211,265,488.58	210,395,581.25	869,907.33	168,856,546.87	99.60	80.30

The Chief Accountant explained that the low disbursement rate of 80.30 percent under the FDP was due to unpaid obligations for the procurement of machinery/transportation equipment and other structures outlay which were obligated but still remained undelivered as of year-end with request for extension of delivery and failure of biddings for the procurement of machinery in CY 2022.

The low cash utilization/disbursement of funds has an effect on the overall implementation of the program and in the attainment of its objectives and deprived the beneficiaries of the possible benefits that can be derived therefrom.

We recommended, and Management agreed, to ensure full utilization of cash allocated for the implementation of various activities in accordance with the programs/projects or purposes for which the fund were allocated.

PROGRAM EVALUATION

Lack of Guidelines in the implementation of Fabrication and Distribution of MASKs

10. **The implementing guidelines of the Modified Abaca Stripping Knife (MASKs), proof of receipt or acknowledgement forms by the farmer beneficiaries, and status/ accomplishment report on the distribution of MASKs, amounting to ₱24,171,203.60, were not submitted; thus, evaluation of the result of the Fabrication and Distribution of MASKs could not be made.**

The current fiber extraction process of the abaca in the country is 92 percent through manual method. Some of the farmers manually modified their stripping knife by increasing the distance between the teeth to make the stripping easy and this will result to the fiber extracted bigger in size or with low-quality output, thus, the pulp recovery will decrease, resulting in additional cost to the processors. Hence, the immediate intervention needed is the fabrication, production and

distribution of MASKs, an induction hardened and tempered steel (45-50HRC) with 18 serrations per inch, to increase production of high quality abaca fibers.

The PhilFIDA implemented the project “Fabrication and Distribution of MASKs” to ensure sustainable supply of excellent quality abaca fibers and increased income of abaca farmers through the increase in price of their produced. One of the specific objectives was to fabricate an initial 4,877 sets of MASKs to be distributed to farmer-beneficiaries in the nine (9) regional offices (ROs).

The fabrication of the 4,877 sets of MASKs amounted to ₱24,171,203.60 as follows:

Date	ADA No.	JEV No.	Amount (in ₱)
03/08/2022	03-011-2022	2022-03-000493	21,371,203.60
12/27/2021	12-035-2021	2021-12-003254	1,800,000.00
12/13/2021	12-019-2021	2021-12-003113	1,000,000.00
Total			24,171,203.60

Records showed that the 4,877 sets of MASKs were delivered by the supplier directly to the PhilFIDA’s Regional Offices (ROs), to wit:

ROs	Delivery Receipt No.		Date of Receipt	Serial Nos.	No. of set
	Date	Number			
IV – Quezon	07/02/2021	57168	07/02/21	0001 - 0150	150
V – Legazpi City	undated	58041	08/02/21	0151 - 1050	900
VI – Iloilo City	undated	57389	07/19/21	1051 - 1300	250
VII – Cebu City	undated	57390	07/14/21	1031 - 1377	77
VIII – Tacloban City	undated	58042	07/09/21	1378 - 2177	800
IX – Pagadian City	undated	58410	07/12/21	2178 - 2677	500
X – Cagayan de Oro City	undated	58044	07/12/21	2678 - 3177	500
XI – Davao City	undated	58543	07/12/21	3178 - 4177	1,000
XIII – Butuan City	undated	58076	07/12/21	4178 - 4877	700
Total					4,877

Management informed that the MASKs have been distributed or issued to farmers-beneficiaries amounting to ₱24,171,203.60; however, evaluation of the same could not be made due to non-submission of pertinent documents and information on the distribution. The details are as follows:

a) Non-submission of implementing guidelines of MASKs

The implementing guideline serves as guide in the formulation of the terms and conditions in the implementation of the project. It should include provisions on the criteria/qualifications of the intended beneficiaries, as well as procedures and documentary requirements. It is important that specific role and responsibilities of the intended beneficiaries be stipulated in the guidelines.

However, no implementing guidelines were submitted as basis in verifying whether the recipients are qualified or bonafide beneficiaries and if all other provisions were observed in the distribution of MASKs.

b) Non-submission of proof of receipt of the MASKs or acknowledgement forms

Moreover, it was noted that proof of receipt or acknowledgement forms by the beneficiaries of the 4,877 MASKs were not submitted and attached to the various disbursement vouchers (DVs). The proof of receipt or acknowledgement forms shall be duly signed by the farmer-beneficiary with their printed name and signature and complete address indicated therein acknowledging the receipt of the MASK. Without the complete addresses of the beneficiaries/recipients it would be difficult to locate the beneficiaries to confirm if they actually received the MASK.

Despite the verbal request for the submission of proof of receipt, still the same were not yet submitted as of this report. Thus, the Audit Team was precluded from issuing confirmation letters whether the said MASKs were distributed to the intended beneficiaries in accordance with the purpose of the project.

c) Non-submission of status/accomplishment report

Furthermore, the Management has submitted accomplishment report for CY 2022, however, there was no mention on the status and accomplishment of the said project considering the substantial cost of the project of ₱24,171,203.60, wherein the final payment was made in CY 2022.

Accomplishment/status report is necessary tool to show the result if the ultimate purpose of the fabrication and distribution of MASK to ensure sustainable supply of excellent quality abaca fibers and increased the income of abaca farmers through the increase in price of their produced has been attained and in effect has greatly help improved the life of the farmer-beneficiaries.

d) Failure to notify COA of the deliveries within twenty-four (24) hours from acceptance as required under COA Circular No. 96-010 dated August 15, 1996 and non-submission of the inspection report by the audit team.

Section 2 of COA Circular No. 96-010⁹ dated August 15, 1996 provides that:

The agency official responsible for accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, notify the Auditor of the time and date of the scheduled deliveries (COA) Circular No. 95-006 dated May 18, 1995). In case of partial

⁹ Guidelines in the Preparation and Submission of Purchase Orders Relative to the Procurement of Supplies and Equipment

delivery of any item in the P.O., the copy to be submitted shall indicate which items have been delivered, and which have not.

Records showed that the MASKs were directly delivered to various ROs. The Management did not notify the concerned Regional COA Audit Teams of the deliveries within twenty-four hours from acceptance thereof and request for inspection together with all the delivery documents were not submitted. Since they were directly delivered to ROs, the request for inspection from the RO COA Audit Team should have been made by the PhilFIDA RO Property Officer.

Considering the substantial amount of the MASKs, it is but a must that inspection of the deliveries of the same be conducted by the Audit Team for validation purposes and to ensure that actual deliveries has been made and government funds were not put into waste or misused.

The failure to notify of the deliveries within the prescribed period and non-submission of the request for inspection is contrary to the above regulation and defeats its purpose for a timely inspection and veracity of the actual deliveries and generation of a relevant audit result/s.

We recommended, and Management agreed, to require the official/s concerned to submit the following:

- a. implementing guidelines of MASKs;**
- b. proof of receipt of the MASKs or acknowledgement forms by the farmer-beneficiaries with their complete name, address and signature; and**
- c. status/accomplishment report for evaluation purposes if the intended benefits were attained.**

Unutilized Abaca Spindle-Deco Fiber Extraction Machine

- 11. The Series-type Combined Abaca Spindle-Deco Fiber Extraction Machine costing ₱2,500,000.00, delivered on July 25, 2022, remained idle until this report, and the installation, testing and training of operators were not done, due to the non-completion of the ATBSP Processing Center where the machine is supposed to be installed; thus, the purpose of the project was not achieved.**

The Abaca Tuxy Buying Special Project (ATBSP) is a priority project of the PhilFIDA to support the required processing facilities of the abaca farmers. The project includes construction of three buildings for the bodega, stripping and drying shed, a small office and trading center. It also provides logistics equipment, stripping machines, and application software. The initial project was launched in Caramoran, Catanduanes.

The project was implemented with a tripartite memorandum of agreement among the PhilFIDA, cooperative-beneficiary, and the LGU-Caramoran. As stipulated in the MOA, the LGU shall provide a hectare of land, including clearing, in a strategic location in the municipality. The Abaca Spindle-Deco Fiber Extraction Machine is to be installed at the ATBSP Processing Center located in Caramoran, Catanduanes. Management procured a spindle-deco extraction machine costing ₱2,500,000.00 which was delivered by the supplier on July 25, 2022 without any delay. Management paid the amount of ₱1,250,000.00 or 50 percent of the total cost under ADA No. 11-045-2022 dated November 29, 2022, and was recorded in the books of accounts as Agricultural and Forestry Equipment under JEV No. 2022-11-004167 dated November 29, 2023. Only 50 percent payment was made since the machine was not yet installed, due to non-completion of the processing plant where the machine is supposed to be installed. Consequently, installation, testing and in-house training of personnel who will man the machine were not conducted.

Management justified that prior to the procurement of the machinery, the procurement of infrastructure for the construction of the ATBSP Processing Center where the spindle-deco extraction machine is supposed to be installed was already made. The construction however, was stalled due to frequent and prolonged occurrences of heavy rains in Caramoran, Catanduanes, which greatly hampered the conduct of site clearing operations, the responsibility of which is lodged with the LGU Caramoran.

Review of documents relative to the construction of the ATBSP Processing Center with Guilland Construction and Trading showed the following:

- a. Original contract – construction will be completed within 120 days or by March 15, 2022
- b. Supplemental Contract dated Feb, 15, 2022 – Extension of 97 days from March 15, 2022 to June 20, 2022
- c. Contract Extension Agreement dated May 10, 2022 – Additional Extension of 90 days from June 20, 2022 to September 18, 2022

Records showed that the Management resorted to negotiated procurement of the spindle-deco extraction machine since there has been already two-failed public bidding, as follows:

Particulars	Date	Remarks
1 st bidding	Feb. 7, 2022	BAC Resolution No. 001-2022 dtd Feb. 7, 2022 declaring first failure of bidding
2 nd bidding	Mar. 4, 2022	BAC Resolution No. 002-2022 dtd Mar. 4, 2022 declaring 2 nd failure of bidding
3 rd bidding	Mar. 25, 2022	Negotiated Procurement
	Apr. 18, 2022	BAC Resolution No. 003-2022 dtd Apr. 18, 2022 award of contract
Notice of Award	undated	Acknowledged by the supplier on May 2, 2022
Supply Contract Agreement No. N2FB-	undated	Notarized on May 18, 2022 at Imelda, Zamboanga Sibugay

Particulars	Date	Remarks
001-2022		
Notice to Proceed	May 19, 2022	Acknowledged by the supplier on May 31, 2022 - 75 calendar days to fabricate, deliver, install and test the machines as well as to provide on-site testing upon delivery

Review of the minutes of meeting on February 7, 2022, showed that the Head of the BAC Secretariat raised concern on the letter-request of Guiland Construction and Trading for the suspension of work schedule on the construction of the ATBSP Processing Center in Caramoran, Catanduanes. A copy of the said letter request for extension was dated November 14, 2021, and supplemental contract dated February 15, 2022 was drawn authorizing the extension from March 15, 2022 to June 20, 2022.

It can be gleaned from the information that there was already a problem with the construction of the ATBSP Processing Center as early as November 14, 2021. Management knew beforehand that various extensions were made totalling 187 days for the completion of the construction from March 15, 2022 to September 18, 2022, yet it pushed through with the procurement of the machine even though it cannot possibly be installed and tested since there was no ATBSP Processing Center to house the said machine.

It goes to show that Management failed to judiciously plan the procurement, since it did not consider the concerns/problems encountered in the construction of the ATBSP Processing Center where the spindle-deco extraction machine was supposed to be installed. The machine was housed in a certain Barangay sitting idle, eight months after receipt of delivery, defeating the very purpose of the project.

It is emphasized that proper planning, coordination and synchronization is crucial/essential in decision-making for the efficient implementation of various projects to avoid delay and wastage of government resources.

We recommended, and Management agreed, to:

- a. judiciously plan any project before implementation to preclude unnecessary delay in its performance and wastage of government resource; and**
- b. store properly the idle machinery to ensure that it will still be fully operationalized upon installation and to prevent deterioration thereof.**

OTHER COMPLIANCE ISSUES

GAD Budget, Utilization and Accomplishments

12. The agency allocated **₱26,981,624.00** or seven percent of the total appropriation of **₱370,151,000.00** for GAD related activities, in compliance with Section 34 of the General Provisions, GAA for FY 2022. However, the submitted GAD Plan and Budget and Accomplishment Report for CY 2022 were not PCW-endorsed contrary to Item 10.2, page 10 of PCW, DBM, NEDA Joint Circular-2022-01. Moreover, the veracity of the fund utilization of **₱28,625,494.56** reported in the Accomplishment Report could not be validated due to absence of financial details and related documents.

Section 34 of the GAA for FY 2022 provides that:

All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under R.A. No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025) and the Philippine Development Plan (2017-2022).

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

Item 8.5 of PCW-NEDA-DBM Joint Circular No. 2012-01¹⁰ dated January 18, 2012 states that:

"PCW shall acknowledge in writing receipt of the GPBs within two (2) working days. It shall then review and inform the agency of its comments or action on the GAD plans within fifteen (15) working days. If there are revisions to be made or questions to be answered about the submissions, the agency shall be given thirty (30) days to resubmit the GPB. Upon receipt and acceptance of the revised GPBs,

¹⁰ Guidelines for the Preparation of Annual Gender and Development (GAD) Plans and Budgets and Accomplishment Reports to Implement the Magna Carta of Women

PCW shall endorse all revised GPBs and return these to the different line departments or central agencies for their submission to DBM."

Item 10.2, page 10 of PCW-DBM-NEDA, Joint Memorandum Circular No. 2022-01¹¹ states that:

Agencies shall submit signed copies of their endorsed GPB and GAD AR with PCW final remarks to their respective COA Audit Team five (working days) upon receipt. An advance copy of the GAD ARs shall be provided to the COA Audit Team on or before the 10th of January of the ensuing year, or until further contrary circular is issued, for post-audit purposes.

The Audit Team was not provided with the PCW-endorsed GAD Plan and Budget (GPB) for CY 2022, and was informed that the agency submitted a revised GPB to PCW on June 7, 2022. On July 5, 2022, the PCW returned the revised GPB with comments and observation for compliance by the agency within 15 calendar days from the receipt date. However, the agency did not agree with the comments/observations and sent an email to PCW requesting clarification thereof and awaiting for the PCW to respond before submitting the revised GPB. As of this report, the GPB was not approved by PCW.

The agency allocated ₱26,981,624.00 or seven percent of the total appropriation of ₱370,151,000.00 for GAD related activities, in compliance with Section 34 of the GP, GAA for FY 2022.

The advance copy of the accomplishment report showed a fund utilization of ₱28,625,494.56 or 106 percent of the GAD budget of ₱26,981,624.00, but were not duly supported with financial details and related documents, thus, evaluation on the utilization of GAD budget based on GAD performance indicators and compliance with existing regulations on GAD could not be made.

In the absence of the approved and PCW-endorsed GPB and Accomplishment Report, the outputs/accomplishments on planned activities could not be assessed and there was no assurance that the GAD activities and expenses were in accordance with the priority agenda for women's empowerment and gender equality.

This is a reiteration of prior year's observation.

¹¹ Revised Guidelines for the Preparation of Annual Gender and Development Plans and Budgets and GAD Accomplishment Reports to Implement the Magna Carta of Women

We recommended, and Management agreed, to:

- a. require the GAD focal person to strictly adhere to Item V of COA Circular No. 2014-001 dated March 18, 2014 on the timely submission of the PCW-endorsed GPB and Accomplishment Report; and
- b. prepare and submit a complete/detailed GAD accomplishment report duly supported with financial details for evaluation and verification of the correctness of the actual utilization.

Formulation and implementation of programs/activities for SCPD

13. **The agency did not submit plans, programs and projects and accomplishment reports intended to address the concerns of Senior Citizens (SCs) and Persons with Disability (PWD) contrary to Sec. 35 of the GP of the GAA for FY 2022.**

Sec. 35 of the General Provisions, General Appropriations Act for FY 2022 provides that:

All agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities. X x x.

Further, Batas Pambansa Bilang 344 and R.A. 7277, as amended, was enacted for PWD in order to promote the rights of disables persons and provide equal opportunities available to other citizens. It is an act requiring certain buildings, institutions, establishments and public utilities to install facilities and other devices for easy mobility of PWDs.

For CY 2022, the agency did not submit plans, programs and projects and accomplishment reports relative to SC and PWD. Hence, compliance of the agency with the requirement under Sec. 35 of the GP, GAA could not be validated.

Moreover, the failure to submit the said plans, programs, projects and accomplishment reports precluded the Audit Team from evaluating and validating as to whether the agency was able to undertake activities, programs and projects to fully address the issues and concerns beneficial to the SC and PWD.

We recommended, and Management agreed, to require the focal person to prepare and submit the plans, programs and projects and accomplishment reports intended to address the concerns of SC and PWD and strictly follow the provisions of GAA relative thereto.

Compliance with GSIS Law

14. The GSIS personal share and loan payments of employees amounting to ₱25,637,557.03 were deducted properly and remitted without delay, in accordance with RA No. 8291, the GSIS Act of 1997. Likewise, the employer's share amounting to ₱16,553,306.51 was remitted without delay.

Compliance with PhilHealth Law

15. The agency deducted and remitted intact the PhilHealth personal contributions of employees for the year amounting to ₱2,441,635.19 in accordance with R.A. No. 7875, as amended by R.A. No. 9241 (National Health Insurance Act of 1995). Likewise, the government's share of ₱2,216,433.80 was remitted without delay.

Compliance with Pag-IBIG Law

16. The agency deducted and remitted intact the Pag-ibig personal contributions and loan amortizations of employees for the year amounting to ₱2,955,094.60 in accordance with RA No. 9679 (Home Development Mutual Fund Law of 2009). Likewise, the government's share of ₱354,600.00 was remitted without delay.

Compliance with Tax Law

17. The taxes on gross compensation income from officials and employees and government purchases and contract of services from suppliers/contractors amounting to ₱17,804,821.77 and ₱17,793,930.04, respectively, were properly withheld and remitted without delay, in accordance with Revenue Regulation No. 11-2018¹² dated January 31, 2018. The balance of ₱13,989.30 was refunded in March 2023.

Hiring of and payments to job orders, contractual and consultants

18. The agency hired 208 individuals covered with Contract of Service (COS) or Job Order (JO) as of December 31, 2022 on a semestral basis, in accordance with CSC COA DBM Joint Circular No. 1¹³ dated June 15, 2017, as updated by CSC COA DBM Joint Circular No. 2, s 2020¹⁴, dated October 20, 2020, to augment the regular plantilla employees of 286, due to lack of manpower. Their salaries were charged against Maintenance and Other Operating Expenses (MOOE) in the total

¹² Implementing pertinent provisions of Republic Act No. 9504, "An Act amending Sections 22, 24, 34, 35, 51 and 79 of RA No. 8424, as amended, otherwise known as the 'National Internal Revenue Code' relative to the withholding of income tax on compensation and other concerns

¹³ Rules and Regulations Governing Contract of Service and Job Order Workers in the Government

¹⁴ Updated Rules and Regulations Governing Contract of Service (COS) and Job Order (JO) Workers in the Government

amount of ₱25,249,838.10, as authorized under DBM Circular Letter (CL) No. 2013-5¹⁵ dated July 22, 2013.

Receipt and utilization and implementation of FAPs and ODA Funded Projects

19. The agency did not receive and disburse funds for the implementation of Foreign-Assisted Projects (FAPs) and Official Development Assistance (ODA) Funded Projects.

Receipt and utilization of Disaster Related Fund/NTF-ELCAC

20. The agency did not receive and disburse funds for the Disaster Risk Reduction Management (DRRM) Fund and/or Quick Response Fund (QRF) and National Task Force - End Local Communist Armed Conflict (NTF-ELCAC).

Audit suspensions, disallowances and charges

21. The total audit suspensions, disallowances and charges found in the audit of various transactions as of December 31, 2022 based on the NS/ND/Notice of Charge (NC)/NSSDC issued by this Commission, is summarized as follows:

Particulars	Amount (in ₱)			Ending Balance (As of 12/31/2022)
	Beginning Balance (As of 12/31/2021)	Issued this period January 1 to December 31, 2022		
		NS/ND/NC	NSSDC	
NS	170,878,333.70	272,160,622.87	315,253,177.73	127,785,778.84
ND	28,069,380.59	473,850.54*	2,427,560.74	26,115,670.39
NC	-	-	-	-
Total	198,947,714.29	272,634,473.41	317,680,738.47	153,901,449.23

*Adjustment

The details of the unsettled suspension was shown below:

NS/ND/NC No.	Date	Particulars/Nature	Amount (in ₱)	Status
NS# 22-007-101 22)	12/9/2022	Non-submission of LRs together with its supporting documents for the period of June to October 2022	127,785,778.84	
Total			272,160,622.87	

¹⁵ Guidelines On The Filling Of Positions And The Hiring Of Personnel For Agencies Whose Rationalization Plan (RP) Is Yet To Be Approved By The Department Of Budget And Management (DBM), Those Whose Plan Was Withdrawn, Returned Without Action Or Not Submitted Within The Deadline, And Those With Approved Plan

During the year, there was no notice of disallowance issued and settlement of ₱2,427,560.74 or 8.5 percent has been made on the prior years' disallowances of ₱28,543,231.13, leaving a total unsettled disallowances of ₱26,115,670.39.

We recommended, and Management agreed, to:

- a. enforce the settlement of the audit suspension and disallowance in accordance with Section 7 of the 2009 RRSA;**
- b. in case the persons liable opt to settle the disallowance through installments, request for authority from the COA, pursuant to COA Resolution No. 2017-021 dated November 3, 2017; and**
- c. comply with laws, rules and regulations to avoid audit suspension and disallowance.**

PART III

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

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

Of the 41 audit recommendations in previous years, 27 were implemented, 14 were not implemented and 14 were reiterated. Details are shown below:

Audit Observations and Recommendations	Reference	Action Taken by Management	Auditor's Validation Results
CY 2021			
<p>1. Various accounting errors/omissions amounting to ₱6,652,750.70 misstated the affected accounts in the financial statements and exceeded the materiality level of ₱5,347,455.59. On the other hand, accounting deficiencies on 37 accounts with an aggregate amount of ₱276,621,491.76 were also noted.</p> <p>a) Unrecorded delivery of application software from PS-DBM – ₱2,550,697.21</p> <p>b) Non-derecognition of disposed unserviceable PPE reported in IIRUP – ₱4,102,053.49</p> <p>c) Non-maintenance of Supplies Ledger Cards (SLCs) - ₱14,272,876.18</p> <p>d) Non-maintenance of PPE Ledger Cards (PPELC) - ₱262,348,615.58</p> <p>We recommended, and Management agreed, to require the Chief Accountant to:</p>	<p>CY 2021 AAR p. 40-43</p>		

Audit Observations and Recommendations	Reference	Action Taken by Management	Auditor's Validation Results
<p>a) effect the necessary adjustments on the errors/omissions;</p> <p>b) prepare and maintain SLCs for each type of supplies where all receipts and issuances shall be recorded promptly to facilitate reconciliation; and</p> <p>c) prepare and maintain PPELCs for each type of PPE where all receipts and issuances shall be recorded promptly to facilitate reconciliation thereof and take up the reconciling items in the books, if any.</p>		<p>a) Delivery of application software were taken up under JEV# 2022-02-000214 dated February 28, 2022.</p> <p>Disposal of unserviceable PPE was taken under JEV# 2022-07-002198 dated July 14, 2022.</p> <p>b) Management will comply with the audit recommendation.</p> <p>c) Management will comply with the audit recommendation.</p>	<p>Implemented</p> <p>JEV #2022-02-000214 dtd Feb. 28, 2022 validated</p> <p>JEV #2022-07-002198 dtd Jul. 14, 2022 validated</p> <p>Implemented</p> <p>SLCs are maintained in e-NGAS</p> <p>Implemented</p> <p>PPELCs are maintained in e-NGAS</p>
<p>2. Various accounting reports were not submitted within the required period; thus, affecting the timely verification and communication of audit results to Management, which could have served as an aid in management</p>	<p>CY 2021 AAR p. 43-44</p>		

Audit Observations and Recommendations	Reference	Action Taken by Management	Auditor's Validation Results
<p>decisions and inputs in enhancing financial accountability.</p> <p>We recommended, and Management agreed, to instruct the Chief Accountant to devise a strategy for the timely submission of all financial reports within the prescribed timelines.</p>		<p>A deadline tracker has been devised and is presently utilized to monitor the submission of various accounting reports.</p>	<p>Not Implemented</p> <p>Liquidation Reports (LRs) for the months of Oct-Nov remained unsubmitted.</p> <p>AOM and NS were issued on the non-submission of LRs.</p> <p>Reiterated in Observation No. 3 of this report.</p>
<p>3. The agency's appropriation/allotment for CY 2021 of ₱471,699,979.57, the agency registered a high utilization rate of 97.91 percent or ₱461,839,189.55 while ₱377,250,830.53 or 81.68 percent only was disbursed until December 31, 2021. While the agency's total cash allocation of ₱427,492,473.00 received during the year was 99.99 percent utilized, the balance of ₱43,412.27 was reverted to the National Treasury. Also, of the agency's total appropriation/allotment, 61 percent or ₱284,237,021.57 was appropriated for Fiber Development Program, of which fund utilization/obligation</p>	<p>CY 2021 AAR p. 45-47</p>		

Audit Observations and Recommendations	Reference	Action Taken by Management	Auditor's Validation Results
<p>amounted to ₱275,891,930.85 or 97.06 percent while the disbursement rate was posted at 76.96 percent or ₱212,323,724.73.</p> <p>We recommended, and Management agreed, to:</p> <p>a) instruct the Budget Officer to request funds for the settlement of prior year's payables and coordinate with the DBM for the timely release of NCA; and</p> <p>b) ensure full utilization of cash allocated for the implementation of various activities in accordance with the programs/projects or purposes for which the fund was intended.</p>		<p>a) Requested fund (NCA) for the settlement of prior years' payables was already released in the first quarter of 2022 and prior years payables were duly settled.</p> <p>b) Fund utilization is strictly monitored on a daily basis to ensure that funds are properly and fully utilized as programmed</p>	<p>Implemented</p> <p>NCA was released for the payment of prior years' payables.</p> <p>Not Implemented</p> <p>For CY 2022, the disbursement rate was posted at 86.86 percent.</p> <p>Reiterated in Observation No. 9 of this report.</p>
<p>4. Unnecessary trust fund for performance bonds posted by various suppliers amounting to ₱259,219.53 which remained dormant since CY 2017 were not reverted to the National Treasury</p> <p>We reiterated our previous recommendation, and</p>	<p>CY 2021 AAR p. 47-48</p>	<p>Management will immediately comply</p>	<p>Not Implemented</p>

Audit Observations and Recommendations	Reference	Action Taken by Management	Auditor's Validation Results
<p>Management agreed, to immediately remit all the performance bonds posted by various suppliers with the National Treasury pursuant to Section 7 of the GP of GAA 2021.</p>		<p>with the recommendation. Said amount will be remitted to the National Treasury.</p>	<p>The balance remained unremitted as of to date. Reiterated in Observation No. 4 of this report.</p>
<p>5. Cash advances for official local and foreign travels and special purpose/time-bound undertakings amounting to ₱137,606.91 or three percent of the cash advances granted during the year amounting to ₱4,263,666.45 were not liquidated. Also, there were still unliquidated cash advances in prior years amounting to ₱821,202.58 or 81.26 percent of prior year's balance of ₱1,010,661.83.</p> <p>We recommended, and Management agreed, to:</p> <p>a) adhere strictly to the rules and regulations on the grant, utilization and liquidation of cash advances pursuant to COA Circular No. 97-002;</p> <p>b) send demand letter to retired/inactive accountable officers with outstanding cash advances; if found futile, request for authority to</p>	<p>CY 2021 AAR p. 49-50</p>	<p>a) Management will comply with the audit recommendation.</p> <p>b) Management have sent demand letters to some inactive employees concerned.</p>	<p>Implemented</p> <p>Rules and regulations on the grant, utilization and liquidation of cash advances are being implemented.</p> <p>Not Implemented</p> <p>No request for authority for write-off was submitted.</p>