**PART II – OBSERVATIONS AND RECOMMENDATIONS**

1. **FINANCIAL**
2. **The inclusion of an accrual for the 2020 Performance-Based Bonus (PBB) in the total amount of P24.504 million despite the absence of legal basis, hence not a valid obligation, resulted in the overstatement of the Financial Liabilities-Accounts Payable (FL-AP) and Other Bonuses and Allowances accounts by the same amount. Likewise, the faithful representation in the financial statements as of December 31, 2020 of the FL-AP account amounting to P8.488 billion could not be established due to the noted deficiencies enumerated below, contrary to Qualitative Characteristic (QC)12, QC15 and QC26 of the Conceptual Framework for General Purpose Financial Reporting (CFGPFR) and Paragraph 15 of the Philippine Accounting Standards (PAS) 1:** 
   1. **A discrepancy of P133.991 million existed between the balances of the Vouchers Payable – Charity Fund (VP-CF) account per General Ledger (GL) of P1,114.104 million and per supporting schedules of P980.113 million;**
   2. **Non-maintenance of Subsidiary Ledger (SL) for each creditor that would support the GL balances as of December 31, 2020 of the VP-CF account amounting to P1,114.104 million as well as the AP-Miscellaneous account in the amount of P6.976 billion; and**
   3. **Existence of P127.647 million and P2.195 billion liabilities under the VP-CF and AP-Miscellaneous accounts, respectively, that remained outstanding for more than two years, against which no actual claims had been filed.**

*Inclusion of an accrual for the 2020 PBB in the total amount of P24.504 million despite the absence of legal basis, hence, not a valid obligation resulted in the overstatement of the FL-AP and Other Bonuses and Allowances accounts by the same amount*

* 1. Paragraph 4.46 of the CFGPFR provides that:

*A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying future economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.*

* 1. Moreover, Section 59 of Presidential Decree (PD) No. 1445 states:

*In the audit of liabilities, the auditor shall seek to establish that all obligations of the agency have been accurately recorded; only bonafide/legitimate obligations of the agency have been included; the obligations incurred are properly authorized xxx.*

* 1. Examination of the Accounting records revealed that the PBB for CY 2020 amounting to P24.504 million were accrued as of December 31, 2020. The said accrual was supported merely by a list of names of employees with corresponding amount of incentive to be received. No validated Scorecard from the Governance Commission for Government-Owned or Controlled Corporations (GCG) was attached, as required under Paragraph 3 of GCG Memorandum Circular No. 2019-02, which provides:

*Applications for the grant of the PBB shall only be submitted to the GCG* ***upon receipt of the GCG-validated scorecard*** *and; provided it has obtained a weighted average score of at least 90% in its Performance Scorecard for the applicable year*. (Emphasis supplied).

* 1. The GCG informed, in response to the Audit Team’s inquiry, that the validation results for the CY 2020 Performance Scorecard of PCSO was not yet released. Hence, the accrual of the PBB had no legal basis and not a valid obligation of the PCSO. As a result the FL-AP and Other Bonuses and Allowances accounts were overstated by P24.504 million as at December 31, 2020.
  2. **We recommended that Management direct the Accounting and Budget Department (ABD) to reverse the accrual made for the 2020 PBB totaling P24.504 million and, henceforth ensure that recorded liabilities are bonafide obligations of the PCSO and properly authorized in accordance with Paragraph 4.46 of the CFGPFR.**
  3. Management informed that the 2020 PBB was accrued and not yet reversed pending the release by the GCG of the validation results for the CY 2020 Performance Scorecard of the PCSO. The PBB grant is based on the favorable assessment of the PCSO’s performance for the year that passed, which the GCG concurred to have not yet released its assessment validation of the said performance. The accrual made for the aforesaid PBB was to appropriately allocate the corresponding funds.
  4. As a rejoinder, the Audit Team maintains its stand that the CY 2020 PBB is not a valid obligation of PCSO as of December 31, 2020 considering that the results of the assessment has not been released yet by the GCG, hence, the amount of the benefit that would be granted to all officials and employees could not be reliably determined which is not in accordance with Paragraph 4.46 of CFGPFR.
  5. Aside from the overstatement noted above, further review disclosed that the faithful representation in the financial statements as of December 31, 2020 of the FL-AP account amounting to P8.488 billion could not be established due to the various deficiencies as discussed hereunder.
  6. QC12 of CFGPFR states that:

*Xxx. To be useful financial information must not only represent relevant phenomena, but must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral, and free from error.*

* 1. QC15 of CFGPFR further provides that:

*Faithful representation does not mean accurate in all respects. Free from errors means there are no errors or omissions in the description of the phenomenon and the process used to produce the reported information has been selected and applied with no errors in the process.*

* 1. Moreover, Paragraph 15 of PAS 1 provides that:

*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

*A discrepancy of P133.991 million existed between the balances of the VP-CF account per GL of P1,114.104 million and per supporting schedules of P980.113 million*

* 1. Section 111 of PD No. 1445 provides:

*(1) The accounts of an agency shall be kept in such detail as is necessary to meet the need of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*

*(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*

* 1. It was noted that the GL balance of the VP-CF account amounting P1,114.104 million as of December 31, 2020, representing various unpaid processed vouchers payable to hospitals and other institutions/agencies as payment for financial assistance under the Medical Access Program, mandatory contributions and other health and welfare programs of the PCSO differed with the balance indicated in the Schedule to support the said account amounting to P980.113 million, or a discrepancy of P133.991 million, as summarized in Table 1.

**Table 1- Discrepancy between GL Balance and Schedule of**

**theVouchers Payable Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **Account Classification** | **GL Balance** | **Balance**  **Per Schedule** | **Discrepancy** |
| VP- CF- Branch | P 791,252,063.83 | P 655,494,325.08 | P135,757,738.75 |
| VP- CF- Head Office | 322,852,408.18 | 324,619,188.46 | (1,766,780.28) |
|  | **P1,114,104,472.01** | **P980,113,513.54** | **P133,990,958.47** |

* 1. **We recommended and Management agreed to direct the ABD and Charity Assistance Department (CAD) personnel to conduct immediate reconciliation of their records in order to determine the cause/s of the noted discrepancy of P133.991 million and effect necessary adjustment or correction in the affected records.**

*Non-maintenance of SL for each creditor that would support the GL balances as of December 31, 2020 of the VP-CF account amounting to P1,114.104 million as well as the AP-Miscellaneous account in the amount of P6.976 billion*

* 1. QC26 of CFGPFR provides that:

*Verifiability helps assure that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.*

* 1. Appendix 6 of the Government Accounting Manual (GAM), Volume II, defines SL as:

*Subsidiary Ledgers 11. This ledger shows details of each control account in the General Ledger which is maintained per account and fund cluster by Accounting Division/Unit.*

* 1. The Audit Team noted that the ABD did not maintain an SL for each creditor comprising the VP-CF account and that its year-end balance of P1,114.104 million was supported only by a schedule showing the list of unpaid processed Disbursement Vouchers of the Head Office and list of unpaid guarantee letters for the various PCSO branches. It also included a line item amount for the unreleased checks and for the prior years’ transactions subject for verification. The said schedule lacked the necessary details that could prove the validity of the recorded liabilities nor can the individual balance of each creditor could be extracted therefrom at any given time.
  2. Moreover, it was noted that the “prior years’ transactions subject for verification” indicated in the CY 2020 schedule for the VP-CF account pertained to the discrepancy between the balances per GL and Schedule of the said account amounting to P0.846 million as of December 31, 2019.
  3. On the other hand, the balance of the AP-Miscellaneous account in the amount of P6.976 billion is composed of the various unpaid obligations of the PCSO that are being accrued every end of the year. However, the said accruals were not supported with complete documentation and SLs to validate the occurrence and completeness of the recorded liabilities. Although an Aging Schedule was submitted to the Audit Team for the subject account, this was found to be incomplete, unreliable and had a discrepancy of P58.870 million when compared with the corresponding GL balance.
  4. It is emphasized that an Aging Schedule, being not one of the books of accounts, could not compensate the absence of the required SLs since it merely categorizes the subject liabilities into how long they have remained outstanding. An SL, when properly maintained, captures all the transactions affecting each creditor with the corresponding references of the source documents, which can be verified to prove the validity of the recorded liability at any given time.
  5. **We recommended and Management agreed to direct the concerned ABD personnel to maintain an SL for each creditor to support the P1,114.104 million and P6.976 billion GL balances of the VP-CF and AP-Miscellaneous accounts, respectively.**

*Existence of P127.647 million and P2.195 billion liabilities under the VP-CF and AP-Miscellaneous accounts, respectively, that remained outstanding for more than two years, against which no actual claims had been filed*

* 1. Section 3.2(b) of COA Circular No. 99-004 dated August 17, 1999 provides:

*Payables – Unliquidated Obligations which has been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts should be reverted to the CROU.*

* 1. Verification of the schedule of VP-CF for the Head Office disclosed that there were payables amounting to P1.131 million that had been outstanding for more than two (2) years, composed of twelve (12) creditors under the Individual Medical Assistance Program (currently Medical Access Program) of the PCSO, for which no actual claims had been filed. In addition, the Aging Schedule for the various PCSO branches reflected a total amount of P126.516 million payables that had been outstanding for more than two (2) years for which no actual claims had been filed, details shown in Table 2.

**Table 2 - Payables of Branches which have been**

**Oustanding for more than 2 years**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Age of Payables** | **Account Name** | **NCL** | **STBR** | **Visayas** | **Mindanao** | **Total** |
| BRANCHES  (2 yrs) | Accounts Payable - Charity Fund | P11,697,946.23 | P48,100.00 | P15,417,857.47 | P20,605,252.78 | P47,769,156.48 |
| BRANCHES  (over 2 yrs) | Accounts Payable - Charity Fund | 30,083,478.63 | 124,000.00 | 26,460,592.63 | 22,078,880.85 | 78,746,952.11 |
| **Total** | | **P41,781,424.86** | **P172,100.00** | **P41,878,450.10** | **P42,684,133.63** | **P126,516,108.59** |

* 1. Considering that the above-stated payables in the total amount of P127.647 million [Head Office - P1.131 million + Branches – P126.516 million] had been outstanding for more than two (2) years without any formal claims from the creditors, the same may already be reverted back to the Retained Earnings in accordance with COA Circular No. 99-004 dated August 17, 1999.
  2. Likewise, analysis of the AP-Miscellaneous account revealed that P2.195 billion out of the P6.976 billion balance as of December 31, 2020 pertained to payables that had been outstanding for two (2) years or more. Considering the length of time that had elapsed, it appeared that no actual claims had been filed against the said payables, hence, may already be reverted back to the Retained Earnings pursuant to the above-mentioned COA Circular.
  3. **We recommended that Management instruct the ABD to evaluate thoroughly the validity of the VP-CF and AP-Miscellaneous accounts in the amounts of P127.647 million and P2.195 billion, respectively, which remained outstanding for more than two years, against which no actual claims had been filed and, if found not valid, revert the amount to the Retained Earnings account.**
  4. Management explained that they are conducting thorough evaluation of the long-outstanding payables so that proper disposition thereof shall be submitted for the approval of the Board.

1. **The faithful representation in the financial statements of the balance of the Receivables - Accounts Receivable (AR) account with carrying amount of P6.297 billion as of December 31, 2020 cannot be ascertained in view of: (a) four (4) AR sub-accounts for the National Capital Region (NCR) had abnormal (credit) GL balances totaling P578.541 million; (b) balances between the GL and the submitted Aging of AR account had discrepancies of P97.285 million; and (c) four (4) AR sub-accounts totaling P47.467 million were not properly supported with complete SLs and schedules, contrary to Paragraph 15 of PAS 1 and QC26 of CFGPFR.** 
   1. Paragraph 15 of PAS 1 provides:

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

* 1. Audit of the Receivables – AR account with carrying amount of P6.297 billion as of December 31, 2020 revealed several deficiencies presented below which cast doubt on the fair presentation of the account in the financial statements at year-end.

*Four (4) AR sub-accounts for the NCR had abnormal (credit) GL balances totaling P578.541 million*

* 1. Review of the AR account disclosed that there were four (4) sub-accounts for NCR that have abnormal (credit) balances per GL, details shown in Table 3.

**Table 3 - AR Sub-accounts with Abnormal Balances**

| **Account Name** | **Account Code** | **Balances as of December 31, 2020** |
| --- | --- | --- |
| AR- Mini Sweepstakes | 10301010-00-001-000001 | P (1,580,823.10) |
| AR- Sales Supervisor | 10301010-00-001-000007 | (76,181.54) |
| AR - STL | 10301010-00-004-000001 | (550,303,376.60) |
| AR- Peryahan | 10301010-00-005-000001 | (26,581,132.37) |
| **Total** | | **P(578,541,513.61)** |

* 1. The concerned ABD personnel informed that the abnormal balances of the subject NCR accounts were due to prior years’ errors in the posting of transactions that remained unreconciled and unadjusted as of December 31, 2020. Considering the length of time that has elapsed, it appeared that all efforts need to be exerted in order to determine the cause/s of the subject abnormal balances.
  2. **We recommended that Management require the concerned ABD personnel to conduct thorough evaluation/analysis of the transactions relating to the receivable accounts with abnormal (credit) balances to determine the cause/s thereof and to effect the necessary adjusting entries to fairly present the balance of the AR in the financial statements.**
  3. Management explained that the negative balances of the AR-STL are subject to further verification/reconciliation/analysis. Likewise, in the case of the abnormal balances of the AR-Peryahan, these were caused by the overpayments made by the Peryahan proponent which was credited to the A/R account. Eight branches including the NCR have negative SL balances because of overpayment. However, these balances were not reflected in the submitted Aging Schedule (which was the reference used by the COA) because all remittances by the Peryahan proponent went directly to the Head Office account. Moreover, the ABD has been directed to intensify its efforts in determining the causes of the abnormal balances of the AR account and, after thorough validation, effect the necessary adjustments to correct the errors.

*Balances between the GL and the submitted Aging of AR account had discrepancies of P97.285 million*

* 1. Comparison of the balances reflected in the submitted Aging of AR with the corresponding GL balances revealed significant discrepancies in the total amount of P97.285 million, as summarized in Table 4.

**Table 4- Variances between GL balances and Aging Report of AR**

| **Account Name** | **Outstanding Balance As Of December 31, 2020** | | **Variance** |
| --- | --- | --- | --- |
| **Per GL** | **Per Submitted Aging of AR** |
| AR- Authorized Sellers | 9,463,261.58 | 9,277,104.36 | 186,157.22 |
| AR- Special Draw | 3,758,575.56 | 4,195,395.34 | (436,819.78) |
| AR- Provincial Distributors/Sales Representative | 1,003,059.90 | 1,113,716.85 | (110,656.95) |
| AR-Defaulted Provincial Distributors | 37,141,973.50 | 36,648,743.45 | 493,230.05 |
| AR- Sales Supervisor | (76,181.54) | 157,934.11 | (234,115.65) |
| AR- Defaulted Sales Supervisor | 6,157,394.87 | 6,151,418.87 | 5,976.00 |
| AR- Ticket Account | 5,925,907.19 | 3,644,836.25 | 2,281,070.94 |
| AR-Account Receivables (Others) | 673,220.00 | 60,295.00 | 612,925.00 |
| AR-Trade- Branches | 55,132,971.54 | 62,781,878.36 | (7,648,906.82) |
| AR-Lotto Agents | 221,524,747.33 | 191,783,430.67 | 29,741,316.66 |
| AR-Ticket Sales-Keno | 11,886,546.63 | 8,554,201.41 | 3,332,345.22 |
| AR- STL | 5,983,952,257.12 | 5,958,840,514.22 | 25,111,742.90 |
| AR- Peryahan\* | 76,560,414.60 | 32,609,249.58 | 43,951,165.02 |
| **TOTAL** | **6,413,104,148.28** | **6,315,818,718.47** | **97,285,429.81** |

*\* Comparison of balances for AR-Peryahan pertains only to the balances of NCL, STBR and VisMin*

*branches since the Aging of AR-Peryahan (NCR) was not submitted*

* 1. Normally, the GL balances agree with the corresponding Aging Schedule showing the length of time that the receivables from agents/debtors remained unpaid. It was noted, however, that the balances of the subject AR sub-accounts per GL were greater by P97.285 million when compared with the balances per Aging of AR.
  2. The concerned ABD personnel explained that the noted discrepancies were accounts for reconciliation due to prior period errors in the posting of transactions which remained unreconciled and unadjusted as of December 31, 2020. Consequently, the said discrepancies cast doubt on the validity and accuracy of the AR balances.
  3. **We recommended that Management direct the concerned ABD personnel to reconcile the GL balances of the AR sub-accounts with the corresponding Aging schedules to pinpoint the reason for the noted discrepancies and take appropriate action accordingly.**
  4. Management informed that they have directed the ABD to make a thorough analysis of the non-moving receivable accounts so that proper disposition may be recommended to the Board and to maintain a monthly reconciliation of the balances per GL and SL so that timely and appropriate actions may be implemented.

*Four (4) AR sub-accounts totaling P47.467 million were not properly supported with complete SLs and schedules*

* 1. Section 41(2) of PD No. 1445 provides:

*The chief accountant or the official in charge or keeping the accounts of a government agency shall submit to the Commission year-end trial balances and such other supporting or subsidiary statements as may be required by the Commission not later than the fourteenth day of February.*

* 1. QC26 of CFGPFR provides that:

*Verifiability helps assure that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.*

* 1. Review of the submitted documents revealed that four (4) sub-accounts of AR totaling P47.467 million were not supported with complete SLs, schedules, i.e. Aging of AR, details shown in Table 5.

**Table 5- AR Sub-accounts without SLs and Supporting Schedule**

|  |  |  |
| --- | --- | --- |
| **Account Name** | **Account Code** | **Balance as of December 31, 2020** |
| AR- Mini Sweepstakes | 10301010-00-001-000001 | P 3,556,245.82 |
| AR- Partner Tayo-Mini SW | 10301010-00-001-000011 | 9,568,698.00 |
| AR- Powerball - Instant Sweepstakes Scratch It | 10301010-00-006-000001 | 60,923,004.11 |
| AR- Peryahan (NCR) | 10301010-00-005-000001 | (26,581,132.37) |
| **Total** | | **P 47,466,815.56** |

* 1. Due to inadequate SLs and lack of supporting schedules, the accuracy of the balances of AR sub-accounts totaling P47.467 million could not be verified, contrary to QC26 of the CFGPFR and Section 41(2) of PD No. 1445.
  2. **We recommended that Management require the ABD to maintain complete SLs and prepare schedules of the AR sub-accounts totaling P47.467 million, and submit the same to the Audit Team for verification/validation.**
  3. Management informed that they have directed the ABD to ensure that SLs are updated and complete and should support all amounts in the GL accurately.

1. **The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account in the amount of P14.206 billion as of December 31, 2020 was not established due to various deficiencies enumerated below, contrary to Paragraph 15 of PAS 1 and QC12 of the CFGPFR:**
2. **Discrepancies of P23.778 million and P46.930 million between the results of confirmation of the active bank accounts maintained for the Operating Fund (OF) & Main Account (MA) and the Charity Fund (CF) & Prize Fund (PF), respectively, and the corresponding balances of the subject bank accounts per GL as of December 31, 2020;**
3. Journal Entry Vouchers (JEVs) effecting the adjusting entries totaling P59.681 million representing prior years’ book reconciling items noted in the bank reconciliation statements had incomplete and/or no supporting documents, contrary to Appendix 36 (C) of the GAM, Volume II and QC26 of the CFGPFR; and
4. **Three (3) bank accounts maintained with the different depository banks for the various PCSO Branches and Head Office, which were already closed per bank confirmation have remaining net abnormal or negative book balance of P20.418 million, which reduced the balance of the Cash in Bank account presented in the financial statements as of December 31, 2020 by the same amount.**
   1. Paragraph 15 of PAS 1 provides:

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

* 1. The CFGPFR enumerates faithful representation as one of the qualitative characteristics of a useful financial information. As stated under QC12, “*to be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.”*
  2. As of December 31, 2020, the Cash and Cash Equivalents account had a balance of P14.206 billion. Audit of the account disclosed various deficiencies discussed below.

*Discrepancies of P23.778 million and P46.930 million between the results of confirmation of the active bank accounts maintained for the OF & MA and the CF & PF, respectively, and the corresponding balances of the subject bank accounts per GL as of December 31, 2020*

* 1. Results of confirmations with the various depository banks of the OF & MA as of December 31, 2020 disclosed a discrepancy of P23.778 million when compared with the balances reflected in the GLs, details shown in Table 6.

**Table 6 – Comparison of the Balances per Books vis-a-vis Bank Confirmations**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Account Title** | **Balance per Bank** | | **Balance per Books** | | **Discrepancy** | |
| **Main Account** |  |  |  |  |  |  |
| CIB-LC-SA- LBP Online Main Account |  | P 797,850,391.08 |  | P 798,529,458.92 |  | P (679,067.84) |
| CIB-LC-SA- PNB Online Main Account |  | 80,568.78 |  | 2,413,044.87 |  | (2,332,476.09) |
| **Operating Fund** |  |  |  |  |  |  |
| CIB-LC-CA- Operating Fund-LBP (E. RODRIGUEZ AVE.) |  | 438,252,316.26 |  | 412,236,248.59 |  | 26,016,067.67 |
| CIB-LC-CA- Operating Fund-(Combo)-LBP |  | 192,452,825.98 |  | 191,764,737.78 |  | 688,088.20 |
| CIB-LC-CA-Operating Fund-LBP (STL Remittances) |  | 103,413,976.56 |  | 103,328,939.63 |  | 85,036.93 |
| **TOTAL** |  | **P1,532,050,078.66** |  | **P1,508,272,429.79** |  | **P23,777,648.87** |

* 1. Examination of the Bank Reconciliation Statements (BRSs) as of December 31, 2020 for the bank accounts in Table 6 disclosed that the P23.778 million discrepancy pertained to unadjusted book and bank reconciling items totaling P1.458 million and P22.320 million presented in Tables 7 and 8, respectively.

**Table 7 – Summary of Unadjusted Book Reconciling Items**

**For CYs 2008-2020**

| **Account No.** | **Erroneous Recording of Transactions** | **Unrecorded Transactions** | **Total** |
| --- | --- | --- | --- |
| ***Main Account:*** |  |  |  |
| LBP Acct No. 3102-XXXX | P(1,189,049.65) | P 509,681.81 | P(679,367.84) |
| PNB Acct. No. 1212XXXX | (190,155.26) | 117,332.54 | (72,822.72) |
| ***Operating Fund:*** |  |  |  |
| LBP Acct No. 3102XXXX | 3,664,193.93 | (2,227,719.88) | 1,436,474.05 |
| LBP Acct. No. 3101XXXX (Combo) | (1,427,606.80) | 2,115,695.00 | 688,088.20 |
| LBP Acct. No. 3102XXXX (STL) | (53,788.31) | 138,825.24 | 85,036.93 |
| **TOTAL** | **P 803,593.91** | **P 653,814.71** | **P1,457,408.62** |

**Table 8 – Summary of Unadjusted Bank Reconciling Items**

**For CYs 2009-2020**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Account No.** | **Outstanding Checks** | **Unposted Deposits** | **Over posted Remittance** | **Bank Errors / Not on us** | **Total** |
| LBP Acct No. 3102XXXX  (Main Account) | P - | P - | P - | P (300.00) | P (300.00) |
| PNB Acct. No. 1212XXX  (Main Account) | - | 12,897,531.95 | (10,894,090.06) | 256,211.48 | 2,259,653.37 |
| LBP Acct No. 3102XXXX  (Operating Fund) | (24,579,593.62) | - | - | - | (24,579,593.62) |
| **TOTAL** | **P(24,579,593.62)** | **P12,897,531.95** | **P(10,894,090.06)** | **P255,911.48** | **P(22,320,240.25)** |

* 1. Examination of the book reconciling items revealed that there were errors in the recording of the transactions totaling P0.804 million (see Table 7), consisting mostly of remittances from agents and fund transfers from PCSO branches, and P0.654 million unrecorded remittances from agents, deposits from PCSO branches, issued checks, debit to bank accounts and credit memos from CYs 2006 to 2020 which remained outstanding in the BRSs as of December 31, 2020 due to lack of documents.
  2. The bank reconciling items, on the other hand, reflected an unposted deposit, over posted remittance and bank errors from CYs 2009 to 2018 amounting to P12.897 million, P10.894 million and P0.256 million, respectively, subject for verification with the concerned depository banks.
  3. The aforementioned book and bank reconciling items that remained unadjusted for long period cast doubt on the validity and reliability of the balance of the Cash in Bank account presented in the financial statements.
  4. Further, examination of the balances per books and the balances confirmed by the corresponding depository banks of the CF and PF accounts of the PCSO disclosed a total discrepancy of P46.930 million, as can be gleaned from Table 9.

**Table 9 – Discrepancy between the Balances per Books and Per**

**Confirmed Balances of the Cash-in-Bank – CF and PF**

| **Account No.** | **Balance per Bank Confirmation** | | **Balance per Books** | | **Net**  **Discrepancy** | |
| --- | --- | --- | --- | --- | --- | --- |
| ***Prize Fund:*** |  |  |  |  |  |  |
| LBP Acct No. 3102-(Prize Fund) |  | P 3,458,117,586.63 |  | P 3,456,425,012.31 |  | P 1,692,574.32 |
| LBP Acct No. 3102-(STL) |  | 39,324,196.71 |  | 38,113,024.58 |  | 1,211,172.13 |
| LBP Acct No. 3102-(Prize Fund- Peryahan) |  | 4,202,317.70 |  | 4,202,317.70 |  | - |
| ***Charity:*** |  |  |  |  |  |  |
| LBP Acct No. 3102-(Charity Fund) |  | 6,817,836,938.16 |  | 6,773,120,712.95 |  | 44,716,225.21 |
| LBP Acct No. 3102-(STL) |  | 265,462,341.57 |  | 266,152,669.35 |  | (690,327.78) |
| LBP Acct No. 3102-(Charity Fund – Peryahan) |  | 33,133,250.97 |  | 33,133,250.97 |  | - |
| **Total** |  | **P10,618,076,631.74** |  | **P10,571,146,987.86** |  | **P46,929,643.88** |

* 1. Review of the BRSs as of December 31, 2020 for the bank accounts in Table 9 revealed that the above-stated discrepancy was due to book reconciling items from CYs 2013 to 2020 amounting to P7.382 million [(P6.121 million + P1.850 million) – (P0.202 million + P0.387 million)] and bank reconciling items comprising of outstanding checks and bank error amounting to P39.548 million and P0.04 respectively, details shown in Table 10.

**Table 10 - Summary of Unadjusted Book Reconciling Items**

**For CYs 2013-2020**

| **Account No.** | **Unrecorded Collections /Deposits**  **(CYs 2015-2020)** | **Fund Transfers from PDOs**  **(CYs 2013-2020)** | **Difference in the amount of remittance**  **(CYs 2013-2018)** | **Erroneous Recording**  **(CYs 2015-2020)** | **Outstanding Checks** | **Bank Error**  **(CY2019)** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Prize Fund:*** |  |  |  |  |  |  |  |
| LBP Acct No. 3102-XXXX (Prize Fund) | - | (870,563.16) | - | - | 2,563,137.48 | - | 1,692,574.32 |
| LBP Acct No. 3102-XXXX (STL Remittance -Prize  Fund) | 768,101.54 | - | 661,183.47 | (218,112.88) | - | - | 1,211,172.13 |
| ***Charity:*** |  |  |  |  |  |  |  |
| LBP Acct No. 3102-XXXX (Charity Fund) | 5,000,000.00 | 2,720,225.33 | - | 11,408.00 | 36,984,591.84 | 0.04 | 44,716,225.21 |
| LBP Acct No.3102-XXXX (STL Remittance – Charity Fund) | 353,355.53 | - | (863,673.82) | (180,009.49) | - | - | (690,327.78) |
| **TOTAL** | **6,121,457.07** | **1,849,662.17** | **(202,490.35)** | **(386,714.37)** | **39,547,729.32** | **0.04** | **46,929,643.88** |

* 1. Verification disclosed that part of the book reconciling items was the amount of P2.316 million pertaining to the numerous errors in the recording of fund transfers and remittances from CYs 2013 to 2019 and the amount of P5.066 million represents unrecorded deposits for the months of May, July and December 2020.

*JEVs effecting the adjusting entries totaling P59.681 million representing prior years’ book reconciling items noted in the bank reconciliation statements had incomplete and/or no supporting documents, contrary to Appendix 36(C) of the GAM, Volume II and QC26 of the CFGPFR*

* 1. Appendix 36 - Instructions- Journal Entry Voucher, GAM, Volume II states:

*C. It shall be prepared in two (2) copies by the Accounting Division/Unit based on the transaction documents presented and distributed as follows:*

*Original - submitted to the COA Auditor together* ***with the supporting documents*** *after recording in the journals for post audit.*

*Copy 2 - retained by the Accounting Division/Unit for file*

* 1. QC26 of CFGPFR provides that:

*Verifiability helps assure that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. Quantified information need not be a single point estimate to be verifiable. A range of possible amounts and the related probabilities can also be verified.*

* 1. Verification of the BRSs disclosed that book reconciling items from CYs 2012 to 2019 totaling P59.681 million were already recorded in CY 2020, composing of 71 adjusting entries, as summarized in Table 11.

**Table 11 – Summary of Adjusted Book Reconciling Items Without**

**Supporting Documents**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Total No. of Adjustments** | **Amount Adjusted** |
| JEVs with no attachment/supporting documents (including branch adjustments) | 42 | P55,193,583.30 |
| JEVs with no supporting documents (original copy of JEV not submitted; verified from soft copy) | 8 | 11,213,250.28 |
| JEVs with incomplete attachments | 21 | (6,725,685.51) |
| **Total** | **71** | **P59,681,148.07** |

* 1. Further verification, however, disclosed that the subject JEVs had incomplete and/or no documents at all to support the adjustments made amounting to P59.681 million, which was not in accordance with the above-stated requirement of the GAM, Volume II.

*Three (3) bank accounts maintained with the different depository banks for the various PCSO Branches and Head Office, which were already closed per bank confirmation have remaining net abnormal or negative book balance of P20.418 million, which reduced the balance of the Cash in Bank account presented in the financial statements as of December 31, 2020 by the same amount*

* 1. Examination of the Accounting records disclosed that three (3) Cash in Bank accounts for the various Branch and Head Office accounts that were already closed from CYs 2013 to 2019 per bank confirmation still have remaining negative balances in the net amount of P20.418 million, thereby understating the Cash in Bank account by the same amount. Details presented in Table 12.

**Table 12- Closed Cash in Bank Accounts with Remaining**

**Balances per Books**

| **Account** | **Account Code** | **Remarks** | | **Balance** |
| --- | --- | --- | --- | --- |
| Cash in Bank-Local Currency, Current Account- Branches | 10102020-XXXX | Closed Branch | | P(21,442,512.88) |
| Cash in Bank-Local Currency, Current Account- Prize Fund (New) | 10102020-XXXX | Closed | | (375,763.76) |
| Cash in Bank-Local Currency, Current Account- Charity Fund (New) | 10102020-XXXX | Closed | | 1,400,000.00 |
| **Total** |  | |  | **P(20,418,276.64)** |

* 1. The concerned ABD personnel informed that bank accounts of the various branches were closed in the past and new accounts were re-opened. However, the said closed accounts have remaining balances, which were consolidated into one account in the Head Office with a net negative balance of P21.443 million as of December 31, 2020. Further verification revealed that the subject consolidated amount pertained to the unadjusted balances of the various closed accounts of 13 PCSO branches since CY 2013.
  2. On the other hand, the other two bank accounts with remaining balances of P0.376 million (negative) and P1.400 million, which were verified as closed effective January 4, 2019 and September 5, 2018, respectively, were subject of prior year’s audit observation but remained unreconciled/unadjusted to date.
  3. The abovementioned negative balances reduced the aggregate balance of the Cash and Cash Equivalents account presented in the financial statements as of December 31, 2020 by P20.418 million.
  4. In view of the foregoing deficiencies, the faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account in the amount of P14.206 billion as of December 31, 2020 was not established as well as the affected related accounts in the financial statements.
  5. **We recommended that Management instruct the concerned ABD personnel to:**

1. **Conduct further verification/reconciliation/analysis of the remaining long outstanding book reconciling items as well as the current year’s unrecorded fund transfers and effect the necessary adjusting entries accordingly to reconcile the balances of the Cash in Bank account with the balances per bank;**
2. **Submit the complete supporting documents for the P59.681 million adjustments effected on the Cash in Bank account, and henceforth, ensure that all JEVs are properly supported with complete documentation; and**
3. **Exert all efforts to investigate the cause/s of the remaining balances of the closed bank accounts and effect the necessary adjustments to fairly present the balance of the Cash in Bank account in the financial statements.**
   1. Management submitted the following comments:
4. ABD recognizes that some reconciling items from 2019 downwards are not yet cleared despite efforts exerted to clear all reconciling items of previous years.
5. It is, however, noted that the amount of discrepancies include outstanding checks amounting to P36.985 million for CF and P24.580 million for OF. The outstanding checks are bank reconciling items, and will clear itself, upon presentation to the bank for payment, or should be reverted back to Cash when already stale. Review of the outstanding checks will be undertaken to determine if there are already stale checks, so that necessary adjustments will be made.
6. With regard to the incomplete/no attachments or supporting documents to the several JEVs pertaining to the adjusting entries for the prior years’ book reconciling items, the ABD has exercised utmost diligence in the verification, analysis and reconciliation of each reconciling item. Due to the COVID-19 pandemic, all verification and analysis were done online with branches/offices concerned. The ABD has collected from the branches/offices concerned the necessary supporting documents for attachment to the JEVs, for submission to the COA.
7. Continuous reconciliation of SLs versus GL discrepancy, improvement on the timely recording of transactions affecting PCSO’s bank accounts, better coordination between ABD and Treasury Department in handling business procedures and system-related interventions will ensure a more systematic reconciliation of bank and book records. In all of these, Management shall continue to coordinate and monitor developments.
   1. As rejoinders, the Audit Team would like to inform Management that upon validation of the documents submitted to COA after the Exit Conference, it was noted that out of the total outstanding checks of P36.985 million for CF account, P25.496 million were already staled, hence, should have already been reverted back to the Cash in Bank account. On the other hand, the correctness of the outstanding checks for OF account amounting to P26.183 million is still subject for validation since the details were not yet submitted to the Audit Team. Moreover, the documents such as debit advices, debit memos, passbook and/or bank statements to support the JEVs submitted on June 30, 2021 for the adjustments made totaling P59.681 million were not attached thereto, hence the propriety of the recording thereof in the books could not be ascertained.
8. **The undercollection of the guaranteed shares of the PCSO from the sales of the Instant Sweepstakes tickets for CY 2020 amounting to P62.087 million was not recognized in the books resulting in the understatement of the Accounts Receivable and Income accounts by the same amount, contrary to Paragraphs 4.4 and 4.44 of CFGPFR.**
   1. Section 11 of the Implementing Rules and Regulations (IRR) for the Instant Sweepstakes Program (ISP) provides:

*Authorized Distributor shall undertake the production, warehousing advertising, marketing, and distribution nationwide of PCSO Instant Sweepstakes tickets on a non-exclusive basis. The Authorized Distributor guarantees a total sale of Instant Sweepstakes tickets of five (5) Billion Pesos (P5,000,000, 000.00) for a period of five (5) years or One Billion Pesos (P1,000,000,000.00) per year at no cost to PCSO, subject to revisions and amendments with regard to the volume of tickets and guaranteed sales, based on the business judgment of the Board.*

* 1. Item (i) under Section 4-Definition of terms and Section 57 of the IRR for ISP provide that:
     1. *Guaranteed Share - refers to 13% of Gross Receipts payable to PCSO based on the Five (5) Billion pesos ticket sales for a period of Five (5) years as described in Section 57.*

*Section 57 - To guarantee payment of the PCSO’s share of P650,000,000.00 for a period of five (5) years in the net proceeds of sale of the Instant Sweepstakes tickets, the Authorized Distrubutor shall submit to PCSO within one (1) week from the date of execution of the Memorandum of Agreement, sixty (60) post-dated checks in equal amounts of Ten Million Eight Hundred Thirty Three Thousand Three Hundred Thirty Three and 33/100 (P10,833,333.33) which shall fall due every 30th day of each and every month following initial launch and distribution of Instant Sweepstakes tickets.*

* 1. Paragraphs 4.4 and 4.44 of the CFGPFR provide the definition of and recognition criteria for asset and income, as follows:

*4.4. (a) An asset is a resource controlled by the entity as a result of past event and from which future economic benefits are expected to flow to the entity.*

*4.44. An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured.*

* 1. Verification disclosed that the PCSO recognized in its books the actual sales of the Instant Sweepstakes Authorized Corporation (ISAC) during CY 2020 instead of the annual guaranteed sales of P1.000 billion. Accordingly, the recorded guaranteed share was based on the actual ISP sales for CY 2020 amounting to P67.912 million when it should have been based on the said guaranteed share, or P130.000 million, resulting in the understatement of the Accounts Receivable and Income accounts by P62.087 million, contrary to Paragraph 4.4 of the CFGPFR. The computation of the undercollection of the guaranteed shares of the PCSO from the sales of the ISP tickets is presented in Table 13.

**Table 13 – Computation of Undercollection of the Guaranteed Shares of the PCSO from Sales of the Instant Sweepstakes Tickets for CY 2020**

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| 13% Guaranteed Share of PCSO based on the Annual Guaranteed Sales (P1 billion x 13% or P10,833,333.33/month x 12 months) | P130,000,000.00 |
| 13% Guaranteed Share based on the ISP sales in CY 2020 (P522.404 million x 13%) | 67,912,542.01 |
| **Undercollection** | **P 62,087,457.99** |

* 1. Inquiry with Management disclosed that the ISAC requested for the re-computation of its payables to PCSO based on the amount of actual sales of the instant sweepstakes for all the months that there was suspension/limitation of its authority to operate.
  2. Moreover, the 13% guaranteed shares of the PCSO amounting to P24.212 million computed from the actual sales for the months of March to October 2020 were not yet remitted by the ISAC as of December 31, 2020, as shown in Table 14.

**Table 14 – Unremitted Guaranteed Shares of the PCSO by the ISAC**

|  |  |  |
| --- | --- | --- |
| **Month** | **Actual Sales for the month** | **Unremitted 13% Guaranteed Share** |
| March | 41,275,000.00 | P 5,365,750.00 |
| April | No recorded sales | - |
| May | No recorded sales | - |
| June | No recorded sales | - |
| July | No recorded sales | - |
| August | 17,032,500.00 | 2,214,225.00 |
| September | 66,165,000.00 | 8,601,450.00 |
| October | 61,775,000.00 | 8,030,750.00 |
| **Total** |  | **P24,212,175.00** |

* 1. Management explained that the ISP is a “*5 Billion pesos for a period of five (5) years or One Billion pesos per year*” contract. Whatever is due or payable after the 5-year contract will be demanded by PCSO from the ISAC-PMLC.
  2. Considering that the annual guaranteed shares of the PCSO was already a settled obligation by the ISAC, hence, the CY 2020 shares was earned and the same should be recognized in the books as income with the corresponding receivable from ISAC pursuant to Paragraph 4.44 of the CFGPFR.
  3. **We recommended and Management agreed to require the ABD to:**

1. **Recognize in the books the undercollection of the 13 per cent guaranteed shares from the sales of the Instant Sweepstakes for CY 2020 in accordance with the IRR for the ISP; and**
2. **Collect from the Authorized Distributor the unremitted shares of the PCSO amounting to P24.212 million so that it could be utilized for the various charity programs of the PCSO.**
   1. Management informed that a letter of billing was already sent to ISAC-PMLC on June 29, 2021 for the amount due as of December 31, 2020.
3. **NON-FINANCIAL**
4. **Disbursements in the total amount of P154.212 million, representing payments made to the Philippine Television Network, Inc. (PTNI) for the airtime, production, technical equipment, microwave transmission facility and post production of the PCSO’s lottery draws were not properly supported with a Memorandum of Agreement (MOA), which was not in accordance with the procedure for an Agency to Agency mode of procurement provided under Annex H of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, or the government procurement law.**
   1. Annex H to the 2016 RIRR of RA No. 9184 provides the procedure to be followed of an Agency-to-Agency mode of procurement, as follows:
5. *Xxxx*
6. *Xxxx*
7. *Based on the assessment and recommendation of the End-User unit, the BAC shall issue a Resolution recommending the use of Agency to-Agency Agreement to the HOPE.*
8. *In case of approval,* ***the HOPE shall enter into a Memorandum of Agreement (MOA) with the Servicing Agency.*** (Emphasis supplied)
   1. It was noted that the payments made to the PTNI from January 2019 to March 2020 totaling P154.212 million (Table 14) were not supported with a MOA, contrary to the above-stated provisions.

**Table 14- Payments Made to PTNI**

| **Period Covered** | **Check No.** | **Check Date** | **Gross Amount** |
| --- | --- | --- | --- |
| **CY 2019:** | | | |
| January | 256076 | 07/02/19 | P 10,700,000.00 |
| February | 256077 | 07/02/19 | 10,700,000.00 |
| March | 256111 | 07/03/19 | 10,700,000.00 |
| April | 256571 | 07/16/19 | 10,700,000.00 |
| May | 256572 | 07/16/19 | 10,700,000.00 |
| June | 257129 | 08/08/19 | 10,700,000.00 |
| July | 258899 | 10/22/19 | 10,700,000.00 |
| August | 259295 | 11/14/19 | 10,700,000.00 |
| September | 259458 | 11/20/19 | 10,700,000.00 |
| October | 259806 | 12/04/19 | 10,700,000.00 |
| November | 261898 | 01/31/20 | 10,700,000.00 |
| December | 262487 | 02/18/20 | 10,700,000.00 |
| **Sub-total** | | | **128,400,000.00** |
| **CY 2020:** | | | |
| January | 267037 | 07/16/20 | 10,700,000.00 |
| February | 269692 | 12/21/20 | 10,700,000.00 |
| March 1-17 | 268337 | 10/08/20 | 4,412,500.00 |
| **Sub-total** | | | **25,812,500.00** |
| **Grand total** | | | **P154,212,500.00** |

* 1. Further verification disclosed that the latest MOA entered into by the PCSO with the PTNI expired in December 2018 and was not yet renewed.
  2. The absence of a MOA with the PTNI did not serve the best interest of the PCSO as there were no well-defined/concrete terms and conditions that should have bound both parties. In addition, sanctions and penalties, in case of non-fulfillment/partial fulfillment and/or poor rendition of services, cannot be enforced in the absence of a MOA.
  3. **We recommended that Management:**

1. **Ensure compliance with the provisions embodied under Annex H to the 2016 RIRR of RA No. 9184**, **particularly on the Agency to Agency mode of procurement; and**
2. **Execute immediately a MOA with the PTNI to protect the best interest of the PCSO.**
   1. Management explained that:
   2. The payments made to the PTNI were based on Board Resolution (BR) No. 195, series 2020which approved the automatic renewal of the previous MOA with the PTNI on a month-to-month basis, until such time that procurement of services for airtime, broadcasting and livestreaming have been completed under RA No. 9184, pursuant to Article XIV of the MOA perfected on 14 February 2021.
   3. The contracts renewing the services of PTNI were drafted for the periods 01 January to 30 June 2020 and 01 July to 31 December 2020, coursed through the Bids and Awards Committee (BAC) and approved by the Board of Directors (BOD). However, upon endorsement to the Office of the Government Corporate Counsel (OGCC), the renewal and extension of MOA was not given due course, citing the provision on automatic month-to-month extension in the previous contract and advising the execution of a new contract pending compliance with the 2016 RIRR of RA No. 9184. In the absence of the MOA, and using as authority the BR issued covering the approval on the matter, ABD caused the regular payments to said supplier.
   4. Moreover, the Gaming Technology Department (GTD) has also endorsed to the BAC on June 1, 2021, the documents needed for the procurement of airtime , livestreaming and broadcast services for the PCSO Lottery Draw and Sweepstakes Draw TV Program, for appropriate action. The BAC is presently preparing the bidding documents for the procurement project.
   5. As a rejoinder, the Audit Team acknowledged Management’s commitment to implement the recommendations, which will be monitored in the CY 2021 audit.
3. **The implementation of the Medical Transport Vehicle Donation Program (MTVDP), particularly those pertaining to the Emergency Medical Service Vehicles (EMSVs) and Patient Transport Vehicles (PTVs) released to the approved beneficiaries/recipients during CYs 2019 and 2020 disclosed the following deficiencies:**
   * + - 1. **Forty-five (45) units EMSV were purchased upon the approval of the PCSO Board despite that only 42 beneficiaries were identified and approved by the same Board, resulting in excess purchases of three (3) units costing P7.044 million that remained idle and not put into productive use as of December 31, 2020;**
         2. **Beneficiaries of the 42 units EMSV did not submit the proof of registration with the Department of Health (DOH) as Ambulance Service Provider (ASP), contrary to the requirement under Section XII (A.3) of the Guidelines for the PCSO MTVDP, casting doubt on whether the donated EMSVs have been approved as ambulances; and**
         3. **The release of the 293 units of PTV amounting to P464.423 million were not supported with the grant release documentations to prove that these units were turned over and accepted by the beneficiaries, contrary to Section XI (4) of the Guidelines for the MTVDP.**

*Forty-five (45) units EMSV were purchased upon the approval of the PCSO Board despite that only 42 beneficiaries were identified and approved by the same Board, resulting in excess purchases of three (3) units costing P7.044 million that remained idle and not put into productive use as of December 31, 2020*

* 1. On April 17, 2018, the PCSO Board approved the grant of EMSVs to 42 beneficiaries endorsed by the Charity Assistance Department (CAD). It was noted, however, that 45 units were purchased by virtue of BR No. 0097, s. 2018 which was over by three (3) units costing a total amount of P7.044 million, since there were no intended beneficiaries at the time of purchase, details are shown in Table 15.

**Table 15 - List of EMSVs without Identified Beneficiaries**

**At the time of Purchase**

| **Unit No.** | **Invoice No.** | **Delivery Receipt No.** | **Description** | **CS No.** | **Engine No.** |
| --- | --- | --- | --- | --- | --- |
| PCSO EMSV 8 | VI008007 | VDR08007 | NV350 Urvan | F2I950 | YD25053999B |
| PCSO EMSV 42 | VI007954 | VDR07954 | NV350 Urvan | F2I991 | YD25054473B |
| PCSO EMSV 45 | VI008024 | VDR08024 | NV350 Urvan | F1K419 | YD25035616B |

* 1. Records showed that the said 45 units of EMSV were delivered and accepted by the PCSO on September 19, 2019 and 42 units were eventually turned over to the approved beneficiaries during the same year.
  2. The remaining three (3) units costing a total amount of P7.044 million were excess procurement as there were no intended beneficiaries at the time of purchase. These were left in the custody of the PCSO and remained idle and not put into productive use as of December 31, 2020.

*Beneficiaries of the 42 units EMSV did not submit the proof of registration with the DOH as ASP, contrary to the requirement under Section XII (A.3) of the Guidelines for the PCSO MTVDP, casting doubt on whether the donated EMSVs have been approved as ambulances*

* 1. Section XII (A.3) of the Guidelines for the PCSO MTVDP provides:

*3. Beneficiaries of EMSVs shall submit proof of their registration with the DOH as an Ambulance Service Provider. Should an EMSV beneficiary not be a registered ASP at the time of the turnover of the EMSV unit, the beneficiary would have six (6) months from the date of the grant to comply with the requirement to register as an ASP with the DOH. Failure to register within the aforementioned time shall be grounds for PCSO to revoke the grant and the immediate redemption of the EMSV unit from the beneficiary’s custody. The concerned PCSO Branch Office shall be authorized by the General Manager to repossess the MTV unit granted under question, upon the recommendation of the Program Oversight Committee on the MTVDP, and shall maintain possession of the same until final resolution of the matter.*

* 1. Verification disclosed that 42 EMSVs were released to identified and approved beneficiaries, consisting of various government hospitals and non-DOH agencies. It was noted, however, that the said beneficiaries did not submit their registration with the DOH as an ASP, contrary to the above-stated provision. The said requirement aimed to ensure that the subject beneficiaries passed the DOH assessment tool for licensing ASP and that they were compliant with the policy guidelines and related issuances in delivering standard quality services to patients. The absence of proof of registration with the DOH as ASP casts doubt on whether the donated EMSVs have been approved as ambulances.

*The release of the 293 units of PTV amounting to P464.423 million were not supported with the grant release documentations to prove that these units were turned over and accepted by the beneficiaries*

* 1. Section XI (4) of the Guidelines for MTVDP provides:

*The CAD shall issue the following documents to the beneficiary: (i) signed DOD; (ii) MTV Unit Release Form; and (iii) Complete Set of Vehicle Documents provided by the MTV Supplier.*

*The ceremonial turn-over of the MTV unit granted shall be documented, and shall form part of the records maintained by the CAD for each particular MTV granted.*

* 1. Verification of the records disclosed that the PCSO released 293 units of PTV amounting P464.423 million to the concerned beneficiaries of the MTVDP during CYs 2019 and 2020, breakdown shown in Table 16.

**Table 16 - PTV Units Released to Beneficiaries in CYs 2019 – 2020**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Reference** | **No. Units Released** | **Amount** |
| 12/31/19 | JEV 19121738 | 40 | P 63,402,520 |
| 5/31/20 | JEV 20050237 | 50 | 79,253,150 |
| 8/31/20 | JEV 20080446 | 74 | 117,294,662 |
| 9/30/20 | JEV 20090537 | 34 | 53,892,142 |
| 11/30/20 | JEV 20110966 | 95 | 150,580,985 |
| **Total** |  | **293** | **P464,423,459** |

* 1. Examination of the Journal Entry Vouchers (JEVs), however, disclosed that the release of the subject PTV units were supported only by the unsigned report showing the list of beneficiaries and date of release. It was not supported with the MTV unit release form and other documents that would prove that the said PTV units were turned over and accepted by the beneficiaries, contrary to Section XI (4) of the Guidelines for MTVDP. It was also noted that the original copy of JEV No. 20050237 dated May 31, 2020 and its supporting documents for the release of the 50 PTV units amounting to P79.253 million were not submitted to the Audit Team.
  2. Likewise, it was noted that out of the 293 units of PTV that were turned over to the concerned beneficiaries during CYs 2019 and 2020, 80 PTV units were released without the signed DOD.
  3. The DOD is one of the important documents that will bind the PCSO and the beneficiary on the proper maintenance and utilization of the donated PTV.
  4. Considering that these PTV units were already turned over to the beneficiaries during CYs 2019 and 2020, the DODs for the release of the subject PTVs should have already been on file with the CAD pursuant to Section XI (4) of the Guidelines for MTVDP and copies thereof furnished to the Audit Team for evaluation.
  5. **We recommended that Management:**

1. **Direct the CAD to:**

**a.1 Ensure that the implementation of the MTVDP is well-planned and coordinated to avoid over procurement and where the items are not put into productive use, resulting in waste of government resources;**

**a.2 Cause the immediate submission by the 42 beneficiaries of the EMSVs of the required proof of registration with the DOH as ASP, otherwise, impose the sanctions provided under Section XII (A.3) of the Guidelines for the PCSO MTVDP; and**

**a.3 Cause the submission of the grant release documentations for the 293 units of PTV as****required under Section XI (4) of the Guidelines for the MTVDP.**

1. **Require the ABD to ensure that the JEVs relating to the release of donated PTVs are duly supported with complete documentation.**
   1. Management explained that:
2. The beneficiaries of the three (3) units of EMSV were identified through BR No. 0203, s. 2020.
3. The CAD will send letters to the 40 recipients requiring them to register the EMSVs with the DOH as ASP within 90 days. Otherwise, Section XII (A.3) of the Guidelines shall be applied.
4. The 80 DODs have pending status due to incomplete documentary requirements/not notarized and are still being followed up/gathered from the recipients by the CAD.
5. The ABD will comply and it has already coordinated with the CAD for the submission of complete supporting documents for the JEVs relating to the release of 293 units of PTV. Rest assured that the ABD will ensure the completeness of documentations to support all entries in the JEVs.
   1. As a rejoinder, the Audit Team would like to emphasize that the CAD should ensure that before the release of the donated PTVs to the concerned beneficiaries, all the documentary requirements under Section XI (4) of the Guidelines for MTVDP are duly complied with to prove that the PTV units are properly turned over and accepted by the beneficiaries.
6. **The PCSO disbursed/paid the amount of P95.107 million for its Special Share to the PCSO-Provident Fund, despite the disbursements/payments made thereto in previous years had been disallowed in audit and the yearly proposed budget therefor from CYs 2012 to 2020 has been consistently disapproved by the Department of Budget and Management (DBM) for want of legal basis.**
   1. Executive Order (EO) No. 641 issued on July 25, 2007 authorizes the establishment of a Provident Funds in government agencies to serve as savings and loan credit facility that may cater to the needs of government officials and employees as well as to provide supplementary welfare benefits from the Fund. DBM Budget Circular (BC) No. 2008-3 dated June 20, 2008 was issued thereafter to provide rules, regulations and procedural guidelines on the establishment of Provident Funds in the Philippine Government authorized under EO No. 641.
   2. An Audit Observation Memorandum (AOM) was issued in CY 2013 pertaining to the CY 2012 Special Share of PCSO to the Provident Fund, calling the attention of Management on its non-adherence with the provisions of DBM BC No. 2008-3 as the subject Special Share was neither included as one of the Provident Fund sources enumerated under the said DBM BC nor did the purpose thereof was clearly indicated. A Notice of Suspension (NS) wasissued thereafter requiring PCSO to submit the legal basis on the subject disbursements.
   3. In response to the subject AOM and NS, Management explained that the PCSO was excluded from the coverage of the said DBM BC considering that the PCSO Provident Fund was established in CY 2005, which was prior to the issuance of EO No. 641. The post facto approval by the Office of the President dated May 19, 2011 of the various benefits/incentives (included in the PCSO SEU-Collective Negotiation Agreement) included the Provident Fund and PCSO’s share.
   4. In an appeal from the Notice of Disallowance (ND) filed by the PCSO before the Office of the Director of the Corporate Government Sector (CGS)-Cluster 6, COA, the following arguments were raised by Appellant PCSO:
7. The disbursements of the Special Share correspond to the same benefits given by PCSO to its officials and employees;
8. The benefits were approved by the former Presidents;
9. The allowances were granted by the BOD as authorized by RA No. 1169 (PCSO Charter);
10. The benefits were in accordance and consistent with the EO No. 7 and the GCG Law; and
11. The Special Shares were released to the Provident Fund as equity enhancement of officials and employees pursuant to Section 3, paragraph F of EO No. 641 dated July 25, 2007.
    1. Upon evaluation of Appellant’s justifications and Appellees’ Answer, the Director of the CGS Cluster 6 affirmed the subject ND. It was emphasized therein that the approval by the PCSO BOD was inadequate since their statutory authority to fix the salaries and determine the reasonable allowances, bonuses and other incentives of PCSO’s officers and employees, as provided under RA No. 1169, is not absolute as it is subject to pertinent civil service and compensation laws.
    2. In addition, the disbursements of benefits and allowances in the guise of special share to PCSO Provident Fund have not only exceeded the limitations and categories set by existing compensation laws, such as EO No. 7, s. 2010 and Joint Resolution No. 4, s. 2009, but also violate the purpose of the Provident Fund under EO No. 641, as implemented by DBM BC No. 2008-3. Hence, the appeal from ND was denied as there was nothing in the PCSO’s arguments that would support the legal basis of the disbursement of Special Share to the PCSO Provident Fund and its conformity with existing laws, rules and regulations.
    3. A Petition for Review from the above-stated decision was filed by the PCSO with the COA Commission Proper, which has yet to be decided upon to date.
    4. It is noteworthy to mention that the proposed budget for the Special Share to the PCSO Provident Fund from CYs 2012 to 2020 has been consistently disapproved by the DBM. In the PCSO approved Corporate Operating Budget (COB) during the said period, the DBM has noted that the subject budget was without legal basis and indicated in its remark that the post facto approval dated May 19, 2011 given by the Office of the President did not constitute continuing authority pursuant to GCG Memorandum for the President dated June 18, 2012.
    5. Despite the issuance of the ND as well as the DBM’s disapproval of the proposed budget for the Special Share to the PCSO Provident Fund, the Audit Team noted that the PCSO continued to incur disbursements therefor, equivalent to 20 per cent of the employees’ salaries and for CY 2020, the amount disbursed/paid to the Provident Fund amounted to P95.107 million.
    6. Considering that the regularity of the disbursements for Special Share to the PCSO Provident Fund has not yet been resolved as well as the consistent disapproval by the DBM of the budget therefor, the Audit Team opines that same should be discontinued for lack of legal basis.
    7. **We recommended that Management discontinue the payment/disbursement of Special Share to the PCSO Provident Fund and cause the immediate refund of the P95.107 million paid in CY 2020, to avoid accumulation of disallowance in audit.**
    8. Management informed that the ABD was directed through Memorandum No. 05-OGM-197 dated 31 May 2021 to discontinue the payment of PCSO’s Special Share to the Provident Fund and for the immediate refund of the P95.107 million paid to the Provident Fund for CY 2020.
    9. As a rejoinder, the Audit Team acknowledged Management’s commitment to implement the recommendation, which will be monitored in the CY 2021 audit.

**GENDER AND DEVELOPMENT (GAD)**

1. **The PCSO was not able to submit its annual GAD Plan and Budget (GPB) and the GAD Accomplishment Report (GAD AR) for CY 2020 to the Philippine Commission on Women (PCW); hence, the duly endorsed GPB and GAD AR were not submitted to the Audit Team, contrary to PCW Memorandum Circular (MC) Nos. 2019-02 and 2021-01 dated August 1, 2019 and January 20, 2021, respectively.**
   1. Section 1.2.2.1 of the PCW MC No. 2019-02 dated August 1, 2019 provides:

*All line departments, constitutional bodies, judicial and legislative bodies, attached agencies/bureaus, other executive offices (OEOs), and government-owned and/or –controlled corporations (GOCCs) shall prepare and submit their agency-consolidated GPB directly to PCW, for review and endorsement.*

* 1. Section 4 of the same MC provides that the deadline for the encoding and submission of the Fiscal Year (FY) 2020 GPB through the Gender Mainstreaming Monitoring System (GMMS) was on September 30, 2019 and agencies were allowed to resubmit their GPBs if there are revisions to be made for the months of August to November 2019.
  2. Moreover, Section 1.2.4.2 of the said MC requires that the authenticated copy of the PCW-endorsed GPB, signed by the head of the agency, shall be submitted to PCW and their respective COA Audit Team within five (5) working days from endorsement.
  3. On March 2, 2021, the Audit Team issued a Memorandum requesting for the submission of the various documents in relation with the audit of the CY 2020 accounts and transactions of the PCSO, including the CY 2020 endorsed GPB and GAD AR. However, the documents submitted relative to GAD did not pertain to the GPB, but just a summary of disbursements that were attributed to GAD, which was not sufficient basis to assess the gender-responsiveness of the programs, projects and activities (PPAs) implemented by the Agency.
  4. Meanwhile, the PCW MC No. 2021-01 dated January 20, 2021 provides that the deadline of encoding and submission to the PCW of the FY 2020 GAD AR of the GOCCs through GMMS was on March 19, 2021. Moreover, Section 7 of the same MC states that the concerned agencies shall print the GMMS-authenticated GAD AR for signature of their agency head and submit signed copies to PCW and their respective Audit Team.
  5. Verification with the PCW revealed that PCSO did not comply with the preparation and submission of the GPB and GAD AR for CY 2020, as required under MC Nos. 2019-02 and 2021-01. Due to the non-submission of the copy of the GPB and GAD AR, the Audit Team was not able to determine whether the allotted funds for GAD were actually used for gender-related PPAs within the context of the Agency’s mandate.
  6. **We recommended that Management** **direct the GAD Focal Point System to strictly comply with the requirements contained in the various MCs issued by the PCW relative to the preparation and submission of GPB and GAD AR to the PCW for endorsement/review.**
  7. Management informed that the CY 2020 Annual GAD AR is ready for uploading to the PCW GMMS account of PCSO.

**COVID RELATED EXPENSES**

1. **The Financial Assistance granted to PCSO officials, employees, Board of Directors (BOD), Job Order (JO) workers and Confidential Agents (CAs) in the total amount of P61.330 million was bereft of legal basis, thus considered an irregular expenditure as defined under Section 3.0 of COA Circular No. 2012-003 dated October 29, 2012.**
   1. Audit disclosed that the payment of the financial assistance to PCSO officials, employees, BOD, JO workers and CAs in the total amount of P61.330 million was based on the approval by the BOD, thru Board Resolution (BR) No. 0090, s. 2020 dated May 17, 2020, in response to Proclamation No. 922 dated March 8, 2020 declaring a State of Public Health Emergency throughout the Philippines due to COVID-19. In the same BR, the nature on the grant of the assistance was as follows:

*Whereas, the Charity Assistance Program Guidelines provide that the PCSO may also grant direct financial assistance to its internal workforce in case of pandemic of national and international concern which threaten individual’s health and safety and national security.*

*Whereas the Management recommended to the Board, through PCSO’s existing* ***Calamity Assistance Program*** *for its employees and other beneficiaries, the approval of the Financial Assistance for PCSO employees in Crisis Situation xxx.*

* 1. It was noted, however, that there is no provision in the Charity Assistance Program Guidelines stating that *“the PCSO may also grant direct financial assistance to its internal workforce in case of pandemic of national and international concern.”* The clear intents and purposes of the said Calamity Assistance Program of the PCSO are to provide for health and medical assistance as well as charities of national character to areas and persons affected by calamities, in support of the disaster response measure of the national and local governments.
  2. Moreover, Section 3 of RA No. 11469, clearly states that one of the reasons for the declaration of the existence of national emergency arising from the COVID-19 was the urgent need to mobilize assistance in the provision of basic necessities to families and individuals affected by the imposition of the community quarantine, especially indigents and their families.
  3. While it is true that the PCSO officials, employees, BOD, JO workers and CAs were in areas placed under the community quarantine, nevertheless, they were not adversely affected by the imposition thereof. Unlike other individuals who lost their jobs or sources of livelihood, the PCSO officials, employees, BOD, JO workers and CAs who received the financial assistance continued receiving their regular compensation/pay.

* 1. It is worth mentioning that actual payment for the financial assistance was made as early as March 13, 2020, pursuant to BR No. 0090, Series 2020 dated March 17, 2020, however, amendments to the existing guidelines of the Calamity Assistance Program, which served as the basis for the grant thereof was contained under BR No. 0100, Series 2020 dated March 31, 2020.
  2. The amendments to the existing guidelines for the Calamity Assistance Program of the PCSO contained in BR No. 0100, Series 2020 had the prime objective of granting additional employees’ benefits, which required prior approval by the Office of the President (OP). Absence thereof resulted in irregular disbursement of government funds for lack of legal basis. Section 3.0 of COA Circular No. 2012-003 dated October 29, 2012, provides for the definition of irregular expenditure, to wit:

*The term “irregular expenditure” signifies an expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles, or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed without conforming with prescribed usages and rules of discipline. There is no observance of an established pattern, course, mode of action, behavior, or conduct in incurring an irregular expenditure. A transaction conducted in a manner that deviates or departs from or does not comply with standards set is deemed irregular. A transaction that fails to follow or violates appropriate rules of procedure is likewise irregular.*

* 1. Further, the financial assistance in the total amount of P61.330 million granted to PCSO officials, employees, BOD, JO workers and CAs was made, appear to be in line with the Calamity Assistance Program, one of PCSO’s charity programs being regularly undertaken pursuant to its mandate. Accordingly, related expenses should be properly charged to the Charity Fund. However, the disbursement of financial assistance was charged to the Operating Fund making it part of the recipients’ additional compensation/benefits requiring prior approval of the OP.
  2. Granting the financial assistance has been charged to the Charity Fund, prior approval of the OP is also necessary pursuant to BR No. 028, s. 2013, which requires disbursement charged against the Charity Fund for amounts exceeding P10 million shall be approved by the OP.
  3. Thus, whether the financial assistance of P61.330 million was charged to the Operating Fund or the Charity Fund, both required prior approval of the OP. Absence thereof constituted irregular disbursement that is disallowable in audit pursuant to COA Circular No. 2012-003 dated October 29, 2021.
  4. **We recommended that Management:**
  5. **Submit approval of the OP on the financial assistance granted to officers, employees, BOD, JO workers and CAs in the total amount of P61.330 million; otherwise, the same shall be disallowed in audit pursuant to COA Circular No. 2012-003 dated October 29, 2012; and**
  6. **Henceforth, exercise at all times the diligence of a good father of a family in running the affairs of the PCSO by ensuring that disbursements of government’s funds are clothed with pertinent legal basis.**
  7. Management commented that:

As early as 2012, under BR No. 0068, s. 2012, the PCSO BOD approved the policy on calamity assistance to PCSO employees. In the said policy, a maximum amount of P50,000.00 may be granted to employees depending on the gravity or magnitude of damages suffered.

The amount granted as financial assistance was a result of careful deliberation among the Board members, taking into consideration the possible length of time a big portion of the country would be placed in quarantine/lockdown where major establishments providing basic necessities may/would be closed.

In this case, the financial assistance granted to the PCSO officials and employees aimed to mitigate the impact caused by the declaration of the state of public health emergency through the provision thereof, assist the employees and their dependents in dealing with the current crisis situation, and serve as financial aid to preserve the life and health of PCSO officials and employees. The request for the financial assistance was made by the Sweepstakes Employees Union (SEU) and was duly acted upon by PCSO Management, taking into consideration the direness of the COVID-19 situation.

While the premise used in the grant was in consonance with the Charity Assistance Program Guidelines which were amended in late March 2020, the very purpose of the financial assistance is a one-time grant that has to be immediately disbursed prior to the pending quarantine/lockdown; hence, it was charged to the Operating Fund. There is no intent to treat such as additional employee benefits. PCSO relied only on the directive that the agency may use its available resources to curtail the COVID-19 threat, which is not only a public health issue but an economic issue.

Considering Presidential Proclamation No. 922, s. 2020 (March 8, 2020), PCSO deemed it wise, as a good father of the family, to properly equip and protect its workforce from the threats of COVID-19 considering that the country, at that time, was officially under a “State of National Health Emergency” and after a few days, a “State of National Calamity” was declared under Proclamation No. 929, s. 2020.

While the audit observation specifically mentioned Section 3 of RA No. 11469, it must be remembered that this law was promulgated for reasons, among others to “promote and protect the collective interests of all Filipinos in these challenging times.”[[1]](#footnote-1) The term “especially indigents and their families” should not be construed to be limiting only to these groups in the grant of assistance.

The grant of the financial assistance was justified by the uncertainty and imminent threat that COVID-19 posed against the health, well-being, and economic conditions of the PCSO officials and personnel, and their dependents. It bears stressing that during this period, it was difficult for the Agency to immediately procure face masks, face shields or other protective supplies and equipment to provide for the employees.

* 1. As a rejoinder, the Audit Team maintains its stand that the financial assistance granted to the PCSO officials, employees, BOD, JO workers and CAs was bereft of legal basis since it was given without authority from the OP.

1. **The granting of COVID-19 Hazard Pay in the total amount of P5.335 million to PCSO officers, employees, JOs and CAs, disclosed the following deficiencies:**
2. **The COVID-19 Hazard Pay given to various recipients totaling P4.587 million was not supported with the written authority from the Head of the Agency/Office to physically report for work at their respective offices or work stations on the prescribed working hours, contrary to Section 4.3 of DBM Budget Circular (BC) No. 2020-1 dated March 24, 2020;**
3. **Out of the P4.587 milion disbursements for Hazard Pay, P1.074 million were paid to recipients who lacked concrete proof of actual physical presence in the workplace during the Enhanced Community Quarantine (ECQ) and Modified ECQ (MECQ); and**
4. **Payment of COVID-19 Hazard Pay amounting to P236,000 was inconsistent with the guidelines and conditions set forth under Sections 4.4 and 4.5 of DBM BC No. 2020-1, resulting in overpayment by the same amount.**

*The COVID-19 Hazard Pay given to various recipients totaling P4.587 million was not supported with the written authority from the Head of the Agency/Office to physically report for work at their respective offices or work stations on the prescribed working hours, contrary to Section 4.3 of DBM BC No. 2020-1 dated March 24, 2020 and Section 4(5) of PD No. 1445*

* 1. Administrative Order (AO) No. 26 dated March 23, 2020 authorizes the grant of Hazard Pay to government personnel occupying regular, contractual or casual positions, or are engaged through contract of service (COS) or job order basis who physically report for work during the implementation of an ECQ relative to the COVID-19 outbreak.
  2. Accordingly, DBM BC No. 2020-1 dated March 24, 2020 was issued to prescribe the guidelines in the implementation of the said AO. Section 4.0 thereof states:

*The heads of government agencies may grant the COVID 19 Hazard Pay to their personnel/workers without the need for further approval by the DBM, subject to the following guidelines and conditions:*

*Xxxx*

*4.3 The personnel/workers have been authorized to physically report for work at their respective offices or work stations on the prescribed official working hours by the head of the agency/office during the period of implementation of Enhanced Comminity Quarantine measures in the area of such office work station.*

* 1. Verfication of the documents submitted to support the payment of the COVID-19 Hazard Pay disclosed the absence of written authority from the Head of the Agency/Office to physically report for work at their respective offices or work stations on the prescribed working hours, contrary to Section 4.3 of DBM BC No. 2020-1.

*Out of the P4.587 milion disbursements for Hazard Pay, P1.074 million were paid to recipients who lacked concrete proof of actual physical presence in the workplace during the ECQ and MECQ*

* 1. Section 4(6) of PD No. 1445 provides, “*Claims against government funds shall be supported with complete documentation.”*
  2. Examination of the documents supporting the payments of COVID-19 Hazard Pay in the total amount of P1.074 million revealed that P253,000 of which were paid to recipients based on the list of attendance without signature by the concerned department/office head to certify the correctness of the said list. Likewise, no attendance sheet was submitted by the recipients of COVID-19 Hazard Pay totaling P820,500.
  3. Considering the absence of the Monthly/Daily Attendance Reports of the concerned employees/officials duly certified by their respective authorized heads during the implementation of ECQ/MECQ, there was no proof that they had physically reported to work, hence, they should have not been allowed to receive the COVID-19 Hazard Pay.

*Payment of COVID-19 Hazard Pay amounting to P236,000 was inconsistent with the guidelines and conditions set forth under Sections 4.4 and 4.5 of DBM BC No. 2020-1, resulting in overpayment by the same amount*

* 1. Sections 4.4 and 4.5 of DBM BC No. 2020-01 dated March 24, 2020, provide the following and conditions for the grant of the COVID-19 Hazard Pay:

*4.4 The total rate of the COVID-19 Hazard Pay shall be based on the number of days an employee/worker physically reports for work during the Enhanced Comminity Quarantine period using the formula under Item 4.1 hereof.*

*4.5 Personnel who are already entitled to Hazard Pay, Hazardous Duty Pay, Hazard Allowance or other similar benefits under existing laws, issuances, rules, and regulations, such as public health workers, public social workers, science and technology personnel, and military and uniformed personnel, shall continue to be entitled to such benefits or the COVID-19 Hazard Pay, whichever is higher.*

* 1. Examination of the attendance report/list of attendance duly certified or approved by the departments/office/unit heads revealed that COVID-19 Hazard Pay in the total amount of P157,500 was paid to PCSO personnel who reported to their work stations despite the community quarantine was already shifted to General Community Quarantine (GCQ), hence, inconsistent with the condition under Section 4.4 of DBM BC No. 2020-01.

* 1. It was also noted that a total amount of P54,000 COVID-19 Hazard Pay was granted to certain personnel who were on work from home (WFH) arrangement or did not physically report to their work stations per validation of the submitted Monthly Attendance Reports. Likewise, examination of the submitted list of attendance, duly signed/certified by the respective department/office/unit heads, revealed discrepancies between the number of days the personnel had reported to work vis-a-vis the amount of COVID-19 Hazard Pay actually granted to them, resulting in an overpayment of P24,500.
  2. Considering that the payments of COVID-19 Hazard Pay totaling P236,000 were inconsistent with the guidelines set under DBM BC No. 2020-01, concerned employees should have not been paid accordingly and this would tantamount to overpayment of Hazard Pay.
  3. **We recommended that Management:**

1. **Require the Human Resource Department (HRD) and ABD to submit: (a) written authority from the head of the agency/office of the personnel concerned who physically reported for work at their respective office or work station on the prescribed working hours; and (b) Daily Time Records/proof of attendance, duly approved by the respective department/office/unit head for the recipients of COVID-19 Hazard pay totaling to P1.074 million, to avoid issuance of Notice of Suspension.**
2. **Instruct the personnel concerned who availed of the COVID-19 Hazard Pay amounting to P236,000 to refund the amount received, otherwise a Notice of Disallowance will be issued.**
   1. Management commented that all the Departments were requested to submit Monthly Attendance Report (MAR) for reconciliation and verification. Eight Departments have already submitted the MAR showing the names of employees who were required to physically report for work during the ECQ/MECQ. Also, the list of attendance of personnel that were required to physically report for work during the ECQ/MECQ period duly signed by the concerned personnel and certified by their respective Department Heads will be submitted.

**COMPLIANCE WITH TAX LAWS**

1. For the period January to November 2020, PCSO remitted taxes withheld and documentary stamp taxes amounting to P4.244 billion to the Buerau of Internal Revenue (BIR). Likewise, taxes withheld for the month of December 2020 amounting to P817.673 million were remitted to the BIR in January 2021, as shown in Table 17.

**Table 17 – Remittances of Taxes Withheld in the Month of December 2020**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Amount** | **Date Remitted** |
| Final Income Taxes Withheld | 186,267,174.63 | January 29, 2021 |
| Creditable Income Taxes Withheld (Expanded) | 48,380,216.09 | January 29, 2021 |
| VAT and Other Percentage Taxes Withheld | 35,485,230.06 | January 11, 2021 |
| Documentary Stamp Tax | 547,540,114.01 | January 5, 2021 |
| **Total** | **817,672,734.79** |  |

**COMPLIANCE WITH GSIS, PAG-IBIG AND PHILHEALTH DEDUCTIONS AND REMITTANCES**

1. In compliance with RA No. 8291, otherwise known as the GSIS Act of 1997, PCSO remitted for CY 2020 premium contributions to the GSIS amounting P61.974 million. Likewise, in compliance with the inventory and insurance of all insurable assets and interest of the government pursuant to RA No. 656, otherwise known as the Property Insurance Law, PCSO paid to the GSIS a total of P1.495 million as premiums in CY 2020. PCSO also remitted the amounts of P1.987 million and P2.765 million to the Home Development Mutual Fund (HDMF), which represent the contributions and loan payments, respectively, in compliance with Rule VII, Section 3 of the IRR of RA No. 9679, or the Pag-IBIG Fund Law of 2009. Further, contributions in the total amount of P7.569 million were also remitted to PhilHealth in CY 2020.

**SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES**

1. The unsettled audit suspensions and disallowances as of December 31, 2020 amounted to P87.197 million and P2.778 billion, respectively, as summarized in Table 18 and the details thereof are shown in Part IV-Annex A of this Report. There was no Notice of Charge issued during the year.

**Table 18 – Summary of Audit Suspensions and Disallowances**

**As of December 31, 2020**

| **Particulars** | **Balance,**  **1/1/2019** | **Adjustments** | **Issued**  **This period** | **Settlement**  **This period** | **Balance,**  **12/31/2019** |
| --- | --- | --- | --- | --- | --- |
| Notices of Suspension | P 37,999,107.81 | P 23,392,618.37 | P 82,876,878.13 | P 57,071,326.00 | P 87,197,278.31 |
| Notices of Disallowance | 2,076,481,493.17 | - | 619,487,091.47 | 5,000,000.00 | 2,690,968,584.64 |
| **Total** | **P 2,114,480,600.98** | **P 23,392,618.37** | **P 702,363,969.60** | **P 62,071,326.00** | **P 2,778,165,862.95** |

1. Republic Act No. 11469, Sec. 3(h). [↑](#footnote-ref-1)