**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR’S AUDIT RECOMMENDATIONS**

Out of the 24 audit recommendations embodied in the previous year’s Annual Audit Report (AAR), two were implemented, 18 were partially implemented and four were not implemented. Details as follows:

| **REFERENCE** | **OBSERVATIONS** | **RECOMMENDATIONS** | **ACTION TAKEN/ COMMENTS** |
| --- | --- | --- | --- |
| **Financial Audit** | | | |
| Audit Observation (AO) No. 1  Page 85-90 | 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. | 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.  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.    We recommended and Management agreed to direct the concerned ABD personnel to maintain an SL for each creditor to support the P1.114 billion and P6.976 billion GL balances of the VP-CF and AP- Miscellaneous accounts, respectively.  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. | Partially Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 3 of this Report.  Partially Implemented  Partially Implemented  Partially Implemented |
| AO No. 2 Page 90-94 | 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:   1. Four (4) AR sub-accounts for the National Capital Region (NCR) had abnormal (credit) GL balances totaling P578.541 million; 2. Balances between the GL and the submitted Aging of AR account had discrepancies of P97.285 million; and 3. 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. | 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.  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.  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. | Partially Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 5 of this Report.  Partially Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 5 of this Report.  Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 5 of this Report. |
| AO No. 3 Page 94- 101 | 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:   1. 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; 2. 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 3. 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. | 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. | Partially Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this Report.  Partially Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this Report.  Partially Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this Report. |
| AO No. 4 Page 101- 103 | 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. | We recommended and Management agreed to require the ABD to:   1. Recognize in the books the under collection 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. | Not Implemented  The proponent understands that it should remit the full amount of guaranteed shares to the PCSO at the end of the 5 – year contract.  Follow-up with the Office of the President for the approval of the IRR is being done.  Reiterated with updates under Part II – Observation and Recommendation No. 23 of this Report.  Not Implemented |
| **Compliance Audit** | | | |
| AO No. 5 Page 104-105 | 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. | 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. | Partially Implemented  Transactions with PTNI have been regularized with the extension on a monthly basis until a new contract is executed by PCSO and PTNI, pursuant to the procedures under RA 9184 and its IRR.  Fully Implemented |
| AO No. 6 Page 106-109 | 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. | 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. | Partially Implemented  Partially Implemented  Partially Implemented  Partially Implemented |
| AO No. 7 Page 110-112 | 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. | 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. | Partially Implemented  Per COA’s recommendation, the payment of Special Share to the PCSO Provident Fund has already been discontinued since December, 2020. However, the refund of the P95.107 million disbursements made during CY2020 is not yet done as based on the manifestation of the Provident Fund Board even right after the Exit Conference, it is waiting for the maturity of its several investments. Upon maturity, the same shall be remitted to the PCSO Fund. |
| **GENDER AND DEVELOPMENT (GAD)** | | | |
| AO No. 8 Page 112-113 | 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. | 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. | Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 25 of this Report. |
| **COVID RELATED EXPENSES** | | | |
| AO No. 9 Page 113-116 | 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. | We recommended that Management:   1. 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 2. 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. | Partially Implemented  The HRD made again a follow-up letter to the Office of the President requesting for the approval of the grant. Nevertheless, the General Manager has issued a memorandum instructing the Accounting and Budget Department to deduct the amount of the Financial Assistance granted from those retiring or separated from the services.  Partially Implemented |
| AO No. 10 Page 117-119 | 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:   1. 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; 2. Out of the P4.587 million 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 3. 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. | We recommended that Management:   1. Require the Human Resource Department (HRD) and ABD to submit:   (i) 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  (ii) 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.  b. 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. | Fully Implemented  Partially Implemented  The collection of the disallowed Hazard Pay has started June 2021. Collections amounting to P56,500 has been made of the disallowed Hazard Pay of Jos and Confidential Agents. |