



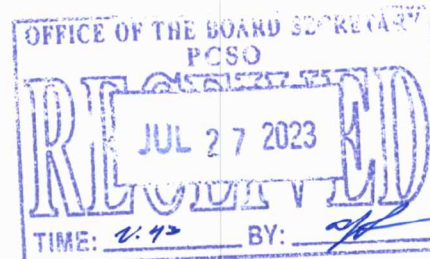
Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

July 27, 2022

THE BOARD OF DIRECTORS

Philippine Charity Sweepstakes Office
Sun Plaza Building
1507 Shaw Boulevard corner Princeton Street,
Mandaluyong City



Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the 1987 Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Philippine Charity Sweepstakes Office (PCSO)** for the years ended December 31, 2022 and 2021.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Year's Audit Recommendations and the Annex.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements in view of the following:

1. The Printing and Publication Expenses – Small Town Lottery (STL) account was understated by P568.561 million, consequently overstating the Retained Earnings account by the same amount due to the non-recognition of printing expense for STL tickets in the Calendar Year (CY) 2022, which is not accordance with Paragraph 4.50 of the Conceptual Framework for General Purpose Financial Reporting (CFGPFR) and Section 6 of Republic Act No. 1169, as amended.
2. The correctness of the balance of P120.853 million of the Play/Bet Slips and Thermal Rolls Supplies Inventories account as of December 31, 2022, could not be ascertained contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 due to the: (a) unaccounted discrepancy of P45.418 million between the balances per General Ledger (GL) and the Report on the Physical Count of Inventories (RPCI) for Luzon; (b) absence of RPCI for the supplies inventories of Visayas and Mindanao and Printing Materials amounting to P29.362 million and P0.426 million, respectively; and (c) non-maintenance of Supplies Ledger Cards, Stock Cards, and other required inventory records and reports.
3. The amount billed to and collected by PCSO from the Instant Sweepstakes Authorized Corporation pertaining to the PCSO guaranteed share, Documentary Stamp Tax (DST) and Prize Fund Tax (PFT) for the remaining

six months of its operation was short by P76.661 million due to the understatement of the guaranteed sales by P276.804 million, contrary to Section 58 of the Implementing Rules and Regulations (IRR) for Instant Sweepstakes Program.

4. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account in the amount of P20.343 billion as of December 31, 2022, cannot be ascertained due to the : (a) Discrepancy of P50.304 million between the balances per books and the confirmed bank balances of the Main, Operating Fund (OF), Charity Fund (CF) and PF accounts and (b) Closed bank accounts with outstanding balances in the books totaling P3.612 million (negative) and P0.483 million, contrary to Paragraph 15 of the PAS 1 and QC12 of the Conceptual Framework for Financial Reporting.
5. The faithful representation in the financial statements of the balance of the Accounts Receivable (AR) with a carrying amount of P5.064 billion as of December 31, 2022, cannot be ascertained in view of (a) discrepancies between the GL balances and the schedule of AR with Aging report totaling P558.437 million and P(13.133) million and (b) three (3) AR sub-accounts had abnormal (credit) balances totaling P6.531 million contrary to Paragraph 15 of the PASs No. 1 and QC26 of the CFGPFR.
6. The existence, completeness, validity and reliability of the Financial Liabilities totaling P9.169 billion could not be established due to (a) Discrepancy between the GL balances and the supporting schedules of the Financial Liabilities amounting to P466.566 million; (b) Existence of long outstanding payables amounting to P462.370 million, P3.889 billion and P745.232 million for PF, CF, and AP-Miscellaneous-OF, respectively; (c) Abnormal (debit) GL balances of AP-OF Head Office account, AP-Miscellaneous Branch account amounting to P45.762 million and P35.171 million, respectively; and abnormal balances presented in AP-CF Schedule and Aging of AP-Miscellaneous (OF) amounting to P0.845 million and P90.298 million, respectively; and (d) Understatement of AP-CF account in the amount of P12.140 million due to erroneous recording of a cancelled check as an issued check, contrary to PAS 1 and Sections 111 (1) and 114 (2) of PD No. 1445.
7. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with a carrying amount of P996.545 million as of December 31, 2022 could not be ascertained due to: (a) Variance of P276.970 million between the balance of the PPE account per books and the Report on the Physical Count of PPE (RPCPPE) of the Head Office and various Branch Offices; and (b) Variance of P265.787 million between the carrying amount of depreciable PPE per books and the corresponding Lapsing Schedules/PPE Ledger Cards (PPELCs), thus affecting the fair presentation of the balance of the account in the Financial Statements contrary to paragraph 15 of PAS 1.

For the afore-stated observations, we recommended that Management:

- 1.1. Instruct the concerned Accounting and Budget Department (ABD) to prepare an adjusting entry for the printing expenses of P568.561 million by debiting the RE and crediting the Other Provision – STL accounts both by the same amount; henceforth, observe Paragraph 4.50 of the CFGFR in recording income and expense.
- 2.1. Require the ABD and Asset and Supply Management Department (ASMD) personnel to: (a) Fast track the verification/reconciliation of the records/documents of the used inventories of P45.418 million and prepare the necessary adjustments or corrections in the books; (b) Submit to the respective Audit Team the RPCI of Play/Bet Slips and Thermal Rolls for VISMIN and Printing Materials for Lotto with book balances of P29.362 million and P0.426 million, respectively; and (c) Prepare/maintain SLC, SC and other inventory records/reports required in Section 17, Chapter 8, Volume 1 of the Government Accounting Manual.
- 3.1. Direct the ABD to: (a) Prepare an adjusting entry to correct the understatement of the guaranteed sales recorded in December 2022 amounting to P46.134 million, and the understatement of the guaranteed sales recorded for January to May 2023 totaling P230.670 million; and (b) Bill the Instant Sweepstakes Authorized Corporation, and accordingly collect therefrom, the amount of the understatement of the PCSO guaranteed share and the payments for DST and PFT, totaling P76.661 million.
- 4.1. Direct the concerned accounting personnel to: (a) Effect the necessary adjustments, after thorough verification of the long-outstanding reconciling items, to correct the affected accounts, the negative balances totaling P3.613 million of the Cash in Bank account and P0.483 million which pertained to the balance of closed PNB account; and (b) Intensify the efforts in coordinating with the corresponding depository banks to clear out the details of the bank reconciling items and investigate the cause/s of the alleged unposted deposit totaling P2.092 million so that appropriate action may be undertaken.
- 5.1. Direct the concerned personnel of the ABD and Branch Operating Sector to: (a) Examine and determine the causes of the discrepancies between the GL balances and the schedule of AR with Aging report as well as the abnormal (credit) balances totaling P558.437 million, P(13.133) million and P6.531 million, respectively and make the necessary adjustments of the affected accounts to ensure that the balances of the affected accounts are fairly presented in the financial statements pursuant to Paragraph 15 of PAS 1; and (b) Prepare a complete schedule of the AR with aging report and Subsidiary Ledgers (SLs) as required under Section 41(2) of PD No. 1445
- 6.1. Direct ABD to: (a) Analyze and determine the causes of the discrepancies between the GL balances and the supporting schedules for the Financial Liabilities and make the necessary adjustments. Henceforth, ensure that GL balances are duly supported with SL; (b) Verify the validity of the long outstanding payables under PF, CF and AP-Miscellaneous-OF amounting to P462.370 million, P3.889 billion and P745.232 million, respectively, after which prepare and record the required adjusting entries; and (c) Analyze the abnormal (debit) balances of the AP-OF, AP-CF and AP Miscellaneous accounts and book up the necessary adjustments.

- 7.1. Direct the ASMD to (a) Include in the RPCPPE the real properties and machinery & equipment, the land, other land improvements, buildings, other structures, leased assets, buildings and other structures, military, police and security equipment, printing equipment, other machinery and equipment; (b) Review the items in the RPCPPE and correct those that have been recorded twice; and (c) Conduct the annual physical inventory and prepare and submit a complete RPCPPE as required under COA Circular No. 80-124 dated January 18, 1980. Property records shall be updated based on the results of the physical inventory and the RPCPPE shall be reconciled with the PPELC, PC and the GL/control accounts. Any discrepancies shall be immediately verified and adjusted.
- 7.2. Direct the ASMD and ABD see to it that the correct amount of item of PPE are those that are recorded both in the property and accounting records.
- 7.3. Instruct the ABD to maintain Lapsing Schedule/PPELCs for all items of PPE accounts both at the head office and branches.
- 7.4. Evaluate the possible application of COA Circular No. 2020-006 dated January 31, 2020 on one-time cleansing of PPE account balance to come up with a reliable PPE balances that are verifiable as to existence, condition and accountability.

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

8. The expenses recorded under the PF of STL totaling P14.370 billion for CY 2022 were not duly supported with documents required under Section 18 (f.ii and f.iii) of the 2020 Revised IRR for STL, constituting non-conformance with Section 4(6) of PD No. 1445.
 - 8.1. We recommended Management to:
 - a. Require the ABD to submit the summary of all prizes and winnings paid and charged against the PF and the summary of the payroll and/or commissions paid to sales representatives;
 - b. Require the Authorized Agent Corporation to issue Official Receipt pertaining to the commission from STL Operations paid by PCSO and use it as an attachment to the recorded Agent's Commission Expense; and,
 - c. Ensure that the recorded expenses charged to STL PF are supported with complete documents evidencing the disbursement of fund
9. Deficiencies were noted in the grant and releases of the STL CF Share granted to the Philippine National Police (PNP) and the National Bureau of Investigation (NBI) amounting to P619.618 million in CYs 2017-2022 and P119.863 million in CYs 2019-2022, respectively, thus, affecting the evaluation and monitoring of the proper utilization and complete documentation of the funds.

- a. The lack of clear provisions in the Memorandum of Agreement (MOA) on the monitoring of the STL CF Shares granted to PNP and NBI, and the lack of proper dissemination of the copies of the MOA to the concerned PCSO departments resulted in the continuous release of the STL CF Share to PNP and NBI despite the absence of Fund Utilization Reports from the date of the execution of the MOA; and
- b. The rate of the PNP STL CF Share provided in the MOA was still the old rate of 2.50 percent, instead of the new rate of 0.50 percent as approved per Board Resolution No. 0178 series 2020.

9.1. We recommended Management to:

- a. Direct the ABD and the Charity Sector to strictly monitor the releases and utilization of the STL CF Share granted to PNP and NBI by requiring the submission of the Fund Utilization Reports for the previously transferred funds prior to the release of the additional fund and the submission of the Fund Utilization Reports and/or required reports within the period stipulated in the MOA;
- b. For the STL CF Share granted to PNP and NBI amounting to P619.618 million in CYs 2017-2022 and P119.863 million in CYs 2019-2022, respectively, require the immediate submission of the Fund Utilization Reports, otherwise, enforce the remedies provided in the MOA;
- c. Consider revision of the STL implementing guidelines to include the following and use the same to amend the MOA:
 - i. To whom the Fund Utilization Reports shall be submitted to establish accountabilities on the monitoring of the timely and complete submission of the required Fund Utilization Reports;
 - ii. To issue guidelines on the utilization of the grant of financial assistance to PNP and NBI;
 - iii. To change the rate of the PNP STL CF Share in accordance with the latest approved STL Revenue Allocation.

10. Lotto and STL CF shares granted to 13 out of the 17 Local Government Units in the National Capital Region totaling P166.245 million for CYs 2021 to 2022 were released despite the absence of Memorandum of Agreement (MOA) for the initial releases and Fund Utilization Reports for subsequent releases, thereby affecting the faithful adherence by the parties of their obligations under Executive Order 357-A series 1996, and the MOA, and the determination of the efficient and effective utilization of the fund.

10.1. We recommended Management ensure that the Lotto and STL CF shares granted to LGUs are covered with MOA for initial releases and Fund Utilization Report for subsequent releases and that the remedies available therein for the non-compliance thereof are enforced. We also recommend that the receipt of the grant other than the collecting officer be supported by proper authority and government-issued ID, as required.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 22, 2023 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

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

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:



ATTY. CHITO C. JANABAN
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library
The COA Central Library

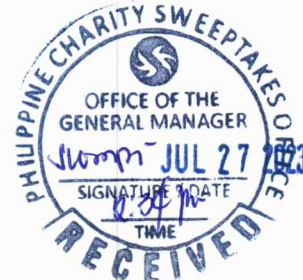


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 6 – Social, Cultural, Trading, Promotional and Other Services

July 27, 2023

Mr. MELQUIADES A. ROBLES
General Manager
Philippine Charity Sweepstakes Office
Sun Plaza Building
1507 Shaw Boulevard corner Princeton Street,
Mandaluyong City



Dear General Manager Robles:

Pursuant to Section 2, Article IX-D of the 1987 Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Philippine Charity Sweepstakes Office (PCSO)** for the years ended December 31, 2022 and 2021.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Year's Audit Recommendations and the Annex.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements in view of the following:

1. The Printing and Publication Expenses – Small Town Lottery (STL) account was understated by P568.561 million, consequently overstating the Retained Earnings account by the same amount due to the non-recognition of printing expense for STL tickets in the Calendar Year (CY) 2022, which is not accordance with Paragraph 4.50 of the Conceptual Framework for General Purpose Financial Reporting (CFGPFR) and Section 6 of Republic Act No. 1169, as amended.
2. The correctness of the balance of P120.853 million of the Play/Bet Slips and Thermal Rolls Supplies Inventories account as of December 31, 2022, could not be ascertained contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 due to the: (a) unaccounted discrepancy of P45.418 million between the balances per General Ledger (GL) and the Report on the Physical Count of Inventories (RPCI) for Luzon; (b) absence of RPCI for the supplies inventories of Visayas and Mindanao and Printing Materials amounting to P29.362 million and P0.426 million, respectively; and (c) non-maintenance of Supplies Ledger Cards, Stock Cards, and other required inventory records and reports.

3. The amount billed to and collected by PCSO from the Instant Sweepstakes Authorized Corporation pertaining to the PCSO guaranteed share, Documentary Stamp Tax (DST) and Prize Fund Tax (PFT) for the remaining six months of its operation was short by P76.661 million due to the understatement of the guaranteed sales by P276.804 million, contrary to Section 58 of the Implementing Rules and Regulations (IRR) for Instant Sweepstakes Program.
4. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account in the amount of P20.343 billion as of December 31, 2022, cannot be ascertained due to the : (a) Discrepancy of P50.304 million between the balances per books and the confirmed bank balances of the Main, Operating Fund (OF), Charity Fund (CF) and PF accounts and (b) Closed bank accounts with outstanding balances in the books totaling P3.612 million (negative) and P0.483 million, contrary to Paragraph 15 of the PAS 1 and QC12 of the Conceptual Framework for Financial Reporting.
5. The faithful representation in the financial statements of the balance of the Accounts Receivable (AR) with a carrying amount of P5.064 billion as of December 31, 2022, cannot be ascertained in view of (a) discrepancies between the GL balances and the schedule of AR with Aging report totaling P558.437 million and P(13.133) million and (b) three (3) AR sub-accounts had abnormal (credit) balances totaling P6.531 million contrary to Paragraph 15 of the PASs No. 1 and QC26 of the CFGPFR.
6. The existence, completeness, validity and reliability of the Financial Liabilities totaling P9.169 billion could not be established due to (a) Discrepancy between the GL balances and the supporting schedules of the Financial Liabilities amounting to P466.566 million; (b) Existence of long outstanding payables amounting to P462.370 million, P3.889 billion and P745.232 million for PF, CF, and AP-Miscellaneous-OF, respectively; (c) Abnormal (debit) GL balances of AP-OF Head Office account, AP-Miscellaneous Branch account amounting to P45.762 million and P35.171 million, respectively; and abnormal balances presented in AP-CF Schedule and Aging of AP-Miscellaneous (OF) amounting to P0.845 million and P90.298 million, respectively; and (d) Understatement of AP-CF account in the amount of P12.140 million due to erroneous recording of a cancelled check as an issued check, contrary to PAS 1 and Sections 111 (1) and 114 (2) of PD No. 1445.
7. The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with a carrying amount of P996.545 million as of December 31, 2022 could not be ascertained due to: (a) Variance of P276.970 million between the balance of the PPE account per books and the Report on the Physical Count of PPE (RPCPPE) of the Head Office and various Branch Offices; and (b) Variance of P265.787 million between the carrying amount of depreciable PPE per books and the corresponding Lapsing Schedules/PPE Ledger Cards (PPELCs), thus affecting the fair presentation of the balance of the account in the Financial Statements contrary to paragraph 15 of PAS 1.

For the afore-stated observations, we recommended that Management:

- 1.1. Instruct the concerned Accounting and Budget Department (ABD) to prepare an adjusting entry for the printing expenses of P568.561 million by debiting the RE and crediting the Other Provision – STL accounts both by the same amount; henceforth, observe Paragraph 4.50 of the CFGFR in recording income and expense.
- 2.1. Require the ABD and Asset and Supply Management Department (ASMD) personnel to: (a) Fast track the verification/reconciliation of the records/documents of the used inventories of P45.418 million and prepare the necessary adjustments or corrections in the books; (b) Submit to the respective Audit Team the RPCI of Play/Bet Slips and Thermal Rolls for VISMIL and Printing Materials for Lotto with book balances of P29.362 million and P0.426 million, respectively; and (c) Prepare/maintain SLC, SC and other inventory records/reports required in Section 17, Chapter 8, Volume 1 of the Government Accounting Manual.
- 3.1. Direct the ABD to: (a) Prepare an adjusting entry to correct the understatement of the guaranteed sales recorded in December 2022 amounting to P46.134 million, and the understatement of the guaranteed sales recorded for January to May 2023 totaling P230.670 million; and (b) Bill the Instant Sweepstakes Authorized Corporation, and accordingly collect therefrom, the amount of the understatement of the PCSO guaranteed share and the payments for DST and PFT, totaling P76.661 million.
- 4.1. Direct the concerned accounting personnel to: (a) Effect the necessary adjustments, after thorough verification of the long-outstanding reconciling items, to correct the affected accounts, the negative balances totaling P3.613 million of the Cash in Bank account and P0.483 million which pertained to the balance of closed PNB account; and (b) Intensify the efforts in coordinating with the corresponding depository banks to clear out the details of the bank reconciling items and investigate the cause/s of the alleged unposted deposit totaling P2.092 million so that appropriate action may be undertaken.
- 5.1. Direct the concerned personnel of the ABD and Branch Operating Sector to: (a) Examine and determine the causes of the discrepancies between the GL balances and the schedule of AR with Aging report as well as the abnormal (credit) balances totaling P558.437 million, P(13.133) million and P6.531 million, respectively and make the necessary adjustments of the affected accounts to ensure that the balances of the affected accounts are fairly presented in the financial statements pursuant to Paragraph 15 of PAS 1; and (b) Prepare a complete schedule of the AR with aging report and Subsidiary Ledgers (SLs) as required under Section 41(2) of PD No. 1445
- 6.1. Direct ABD to: (a) Analyze and determine the causes of the discrepancies between the GL balances and the supporting schedules for the Financial Liabilities and make the necessary adjustments. Henceforth, ensure that GL balances are duly supported with SL; (b) Verify the validity of the long outstanding payables under PF, CF and AP-Miscellaneous-OF amounting to P462.370 million, P3.889 billion and P745.232 million, respectively, after which prepare and record the required adjusting entries; and (c) Analyze the abnormal (debit) balances of the AP-OF, AP-CF and AP Miscellaneous accounts and book up the necessary adjustments.

- 7.1. Direct the ASMD to (a) Include in the RPCPPE the real properties and machinery & equipment, the land, other land improvements, buildings, other structures, leased assets, buildings and other structures, military, police and security equipment, printing equipment, other machinery and equipment; (b) Review the items in the RPCPPE and correct those that have been recorded twice; and (c) Conduct the annual physical inventory and prepare and submit a complete RPCPPE as required under COA Circular No. 80-124 dated January 18, 1980. Property records shall be updated based on the results of the physical inventory and the RPCPPE shall be reconciled with the PPELC, PC and the GL/control accounts. Any discrepancies shall be immediately verified and adjusted.
- 7.2. Direct the ASMD and ABD see to it that the correct amount of item of PPE are those that are recorded both in the property and accounting records.
- 7.3. Instruct the ABD to maintain Lapsing Schedule/PPELCs for all items of PPE accounts both at the head office and branches.
- 7.4. Evaluate the possible application of COA Circular No. 2020-006 dated January 31, 2020 on one-time cleansing of PPE account balance to come up with a reliable PPE balances that are verifiable as to existence, condition and accountability.

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

8. The expenses recorded under the PF of STL totaling P14.370 billion for CY 2022 were not duly supported with documents required under Section 18 (f.ii and f.iii) of the 2020 Revised IRR for STL, constituting non-conformance with Section 4(6) of PD No. 1445.
 - 8.1. We recommended Management to:
 - a. Require the ABD to submit the summary of all prizes and winnings paid and charged against the PF and the summary of the payroll and/or commissions paid to sales representatives;
 - b. Require the Authorized Agent Corporation to issue Official Receipt pertaining to the commission from STL Operations paid by PCSO and use it as an attachment to the recorded Agent's Commission Expense; and,
 - c. Ensure that the recorded expenses charged to STL PF are supported with complete documents evidencing the disbursement of fund
9. Deficiencies were noted in the grant and releases of the STL CF Share granted to the Philippine National Police (PNP) and the National Bureau of Investigation (NBI) amounting to P619.618 million in CYs 2017-2022 and P119.863 million in CYs 2019-2022, respectively, thus, affecting the evaluation and monitoring of the proper utilization and complete documentation of the funds.

- a. The lack of clear provisions in the Memorandum of Agreement (MOA) on the monitoring of the STL CF Shares granted to PNP and NBI, and the lack of proper dissemination of the copies of the MOA to the concerned PCSO departments resulted in the continuous release of the STL CF Share to PNP and NBI despite the absence of Fund Utilization Reports from the date of the execution of the MOA; and
- b. The rate of the PNP STL CF Share provided in the MOA was still the old rate of 2.50 percent, instead of the new rate of 0.50 percent as approved per Board Resolution No. 0178 series 2020.

9.1. We recommended Management to:

- a. Direct the ABD and the Charity Sector to strictly monitor the releases and utilization of the STL CF Share granted to PNP and NBI by requiring the submission of the Fund Utilization Reports for the previously transferred funds prior to the release of the additional fund and the submission of the Fund Utilization Reports and/or required reports within the period stipulated in the MOA;
- b. For the STL CF Share granted to PNP and NBI amounting to P619.618 million in CYs 2017-2022 and P119.863 million in CYs 2019-2022, respectively, require the immediate submission of the Fund Utilization Reports, otherwise, enforce the remedies provided in the MOA;
- c. Consider revision of the STL implementing guidelines to include the following and use the same to amend the MOA:
 - i. To whom the Fund Utilization Reports shall be submitted to establish accountabilities on the monitoring of the timely and complete submission of the required Fund Utilization Reports;
 - ii. To issue guidelines on the utilization of the grant of financial assistance to PNP and NBI;
 - iii. To change the rate of the PNP STL CF Share in accordance with the latest approved STL Revenue Allocation.

10. Lotto and STL CF shares granted to 13 out of the 17 Local Government Units in the National Capital Region totaling P166.245 million for CYs 2021 to 2022 were released despite the absence of Memorandum of Agreement (MOA) for the initial releases and Fund Utilization Reports for subsequent releases, thereby affecting the faithful adherence by the parties of their obligations under Executive Order 357-A series 1996, and the MOA, and the determination of the efficient and effective utilization of the fund.

10.1. We recommended Management ensure that the Lotto and STL CF shares granted to LGUs are covered with MOA for initial releases and Fund Utilization Report for subsequent releases and that the remedies available therein for the non-compliance thereof are enforced. We also recommend that the receipt of the grant other than the collecting officer be supported by proper authority and government-issued ID, as required.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 22, 2022 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days upon receipt hereof.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:



ATTY. CHITO C. JANABAN
Director IV
Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library
The COA Central Library

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

For the Calendar Year 20____

As of _____

[illegible]

Name and Position of Agency Officer

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed.
This template shall be used for Current Year's audit recommendations and Prior Years' recommendations as contained in the Parts II and III, respectively, of the Annual Audit Report.