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

Out of the 47 audit recommendations embodied in the previous year’s Annual Audit Report (AAR), 29 were implemented and 18 were not implemented. Details as follows:

| **REFERENCE** | **OBSERVATIONS** | **RECOMMENDATIONS** | **ACTION TAKEN/ COMMENTS** |
| --- | --- | --- | --- |
| **Financial Audit** | | | |
| Audit Observation (AO) No. 1  Page 92-94 | 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 2022, which is not accordance with Paragraph 4.50 of the Conceptual Framework for General Purpose Financial Reporting and Section 6 of Republic Act No. 1169, as amended. | We recommended and Management agreed to instruct the concerned ABD personnel 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. | Fully Implemented |
| AO No. 2  Page 94-96 | 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 1 due to the: (a) unaccounted discrepancy of P45.418 million between the balances per General Ledger 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. | We recommended and Management agreed to require the ABD and ASMD personnel to:   1. 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. 2. Submit to the 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. 3. Prepare/maintain SLC, SC and other inventory records/reports required in Section 17, Chapter 8, Volume 1 of the GAM. | Fully Implemented  Fully Implemented  Fully Implemented |
| AO No. 3  Page 96-102 | The amount billed to and collected by PCSO from the Instant Sweepstakes Authorized Corporation pertaining to the PCSO guaranteed share, Documentary Stamp Tax and Prize Fund Tax 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 for Instant Sweepstakes Program | We recommended that Management direct the ABD to:   1. 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. 2. Bill the ISAC, 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. | Not Implemented  Not Implemented |
| AO No. 4  Page 102-106 | 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, Charity Fund and Prize Fund 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 Philippine Accounting Standard 1 and QC12 of the Conceptual Framework for Financial Reporting | We reiterated our prior year’s audit recommendation that Management direct the concerned accounting personnel to:   1. 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 P483,683.30 which pertained to the balance of closed PNB account 2. 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 | Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 10 of this report.  Fully Implemented |
| AO No. 5  Page 106-110 | 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 Philippine Accounting Standards No. 1 and QC26 of the Conceptual Framework for General Purpose Financial Report | We reiterated our previous year’s audit recommendations that Management direct the concerned personnel of the ABD and Branch Operating Sector to:   1. 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 2. Prepare a complete schedule of the AR with aging report and SLs as required under Section 41(2) of PD No. 1445 | Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 5 of this report.  Fully Implemented |
| AO No. 6  Page 110-119 | The existence, completeness, validity and reliability of the Financial Liabilities totaling P9.169 billion could not be established due to the following deficiencies, contrary to Philippine Accounting Standard 1 and Sections 111 (1) and 114 (2) of Presidential Decree No. 1445:  a. Discrepancy between the General Ledger (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 Prize Fund, Charity Fund, and AP-Miscellaneous-Operating Fund, 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;  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; and  e. Non-maintenance of SL for each creditor/payee to support the GL balances of the Financial Liabilities. | We recommended Management to direct ABD to:   1. Analyze and determine the causes of the discrepancies between the General Ledger balances and the supporting schedules for the Financial Liabilities and make the necessary adjustments. Henceforth, ensure that GL balances are duly supported with SL 2. Verify the validity of the long outstanding payables under Prize Fund, Charity Fund and AP-Miscellaneous-Operating Fund amounting to P462.370 million, P3.889 billion and P745.232 million, respectively, after which prepare and record the required adjusting entries 3. Analyze the abnormal (debit) balances of the AP-OF, AP-CF and AP Miscellaneous accounts and book up the necessary adjustments 4. Prepare the SL per creditor/payee to support the General Ledger balances of the AP-PF, AP-CF, AP-GL, AP-OF and AP-Miscellaneous accounts both for Head Office and Branches | Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this report.  Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this report.  Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this report.  Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 4 of this report. |
| AO No. 7  Page 119-124 | 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 Property, Plant and Equipment 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 Philippine Accounting Standard 1 | We recommended Management to:   1. Direct the concerned personnel of ASMD to: 2. 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.    1. Review the items in the RPCPPE and correct those that have been recorded twice.       1. 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.   b. Direct the ASMD and ABD to see to it that the correct amount of item of PPE are those that are recorded both in the property and accounting records.  c. ABD to Maintain Lapsing Schedule/PPELCs for all items of PPE accounts both at the head office and branches.  d. Furthermore, 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. | Fully Implemented  Fully Implemented  Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 6 of this report.  Fully Implemented  Fully Implemented  Fully Implemented |
| AO No. 8  Page 124-127 | The Semi-Expendable Machinery and Equipment Expenses, Retained Earnings and Accumulated Depreciation–Office Equipment accounts were overstated by P5.383 million, P1.166 million and P4.217 million, respectively, due to incorrect recording of semi-expendable properties previously classified as Property, Plant and Equipment contrary to Paragraph 15 of Philippine Accounting Standard 1. Moreover, management failed to maintain the prescribed forms, registries, and reports required under COA Circular No. 2022-004, dated May 31, 2022. | We recommended Management to:   1. Direct the ABD personnel to provide an adjusting entry to adjust the overstatement of the Semi-Expendable Machinery and Equipment Expenses, RE and Accumulated Depreciation– Office Equipment accounts of P5.383 million, P1.166 million and P4.217 million, respectively. 2. Direct all concerned personnel to prepare and maintain the forms, registry and reports required under Section 4.7 of COA Circular No. 2022-004 dated May 31, 2022. | Fully Implemented  Fully Implemented |
| AO No. 9  Page 127-130 | Journal Entry Voucher for the donation of the 12 units of Patient Transport Vehicle (PTV) to Local Government Units involving a total amount of P23.868 million was drawn despite the absence of Deeds of Donation, contrary to Section 5 of the Implementing Rules and Regulations for the Medical Transport Vehicle Donation Program. Likewise, two PTVs for donation still in the custody of PCSO were already recorded as donated, thereby understating the Other Assets-Mobile Clinics/Ambulance for Donation account and overstating the Charity Expenses-Other Charity Expenses-Ambulance Donation Program account both by P3.978 million. | We recommended Management to direct the ABD to:   1. Ensure that JEVs drawn to record the release of PTVs were supported with DODs. 2. Prepare the necessary adjusting entries to correct the understatement of Other Assets-Mobile Clinics/Ambulance for Donation account and Retained Earning – Charity Fund amounting to P3.978 million resulting from the erroneous recording of the PTV units still for donation. | Fully Implemented  Fully Implemented |
| AO No.  10 Page 130-132 | The validity and reliability of the Miscellaneous Payable-Congressional Claims (STL) account as of December 31, 2022, amounting to P156.951 million could not be established due to (a) the long outstanding claims by the Congressional Districts (CD) from the STL Charity Fund, and (b) the non-maintenance of Subsidiary Ledgers to support the General Ledger balance of the account with details of the amount due each CD, contrary to Paragraph 15 of Philippine Accounting Standard 1 and Sections 111 and 114 (2) of Presidential Decree No. 1445. | We recommended Management to:   1. Conduct an assessment on the validity of the long outstanding MPCC Claims and accordingly make the necessary adjustments in the books of accounts. 2. Direct the ABD to maintain SL for all valid claims. | Not Implemented  Not Implemented |
| **Non-Financial** | | | |
| AO No. 11 Page 133-135 | Allocations of the Net Receipts from gaming operations of PCSO for the CY 2022 to the Prize, Charity and Operating Funds were short by P462.089 million, P252.049 million and P126.024 million, respectively, or a total of P840.162 million due to the misapplication of the two (2) percent printing cost to arrive at the Net Receipts contrary to Section 6 of the Republic Act No. 1169, as amended by Batas Pambansa Blg. 42 and Presidential Decree No. 1157. | We recommended Management to:   1. Consider the actual printing cost in the computation of the Net Receipts, which shall not exceed two percent of the Gross Receipts in compliance with Section 6 of RA No. 1169, as amended. Subsequently, allocate the Net Receipts to the different funds in accordance with the rates indicated in the RA. 2. Provide the additional fund allocations for Prize, Charity and Operating funds amounting to P462.089 million, P252.049 million and P126.024 million, respectively. | Fully Implemented  Fully Implemented |
| AO No. 12 Page 135-138 | The expenses recorded under the Prize Fund of Small Town Lottery totaling P14.370 billion for calendar year 2022 were not duly supported with documents required under Section 18 (f.ii and f.iii) of the 2020 Revised Implementing Rules and Regulations for STL, constituting non-conformance with Section 4(6) of Presidential Decree No. 1445 | We recommended Management to:   1. Require the ABD to submit the summary of all prizes and winnings paid and charged against the Prize Fund and the summary of the payroll and/or commissions paid to sales representatives. 2. Require the AAC 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. 3. Ensure that the recorded expenses charged to STL Prize Fund are supported with complete documents evidencing the disbursement of fund. | Not Implemented  Not Implemented  Not Implemented |
| AO No. 13 Page 138-142 | Deficiencies were noted in the grant and releases of the Small Town Lottery Charity Fund 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 MOA on the monitoring of the STL Charity Fund 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 Charity Fund 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 Charity Fund 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. | We recommended Management to:   1. Direct the ABD and the Charity Sector to strictly monitor the releases and utilization of the STL Charity Fund 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. 2. For the STL Charity Fund 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 3. Consider revision of the STL implementing guidelines to include the following and use the same to amend the MOA: 4. 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. 5. To issue guidelines on the utilization of the grant of financial assistance to PNP and NBI. 6. To change the rate of the PNP STL Charity Fund Share in accordance with the latest approved STL Revenue Allocation. | Fully Implemented  Not Implemented  Fully Implemented  Fully Implemented  Fully Implemented |
| AO No. 14 Page 142-145 | Lotto and Small Town Lottery Charity fund shares granted to 13 out of the 17 Local Government Units in the National Capital Region totaling P166.245 million for calendar years 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. | We recommended Management ensure that the Lotto and STL charity fund 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. | Not Implemented |
| AO No. 15 Page 145-149 | Accomplishment and Liquidation Reports for the financial assistance under the Calamity Assistance Program (CAP) granted to 105 beneficiaries totaling P65.005 million and under the Financial Assistance for the Procurement of Medical Equipment Program (FAPMEP) granted to three beneficiaries amounting to P25.705 million were not submitted to PCSO, contrary to Item C(1) Section VI of the Revised Implementing Guidelines for CAP and the Memoranda of Agreement between PCSO and the beneficiaries, thus affecting the PCSO’s verification on the proper utilization of the financial assistance. Likewise, two financial assistance grants under FAPMEP amounting to P34.940 million were partially liquidated. | We recommended that Management require the beneficiaries the immediate submission of liquidation reports under CAP and FAPMEP totaling P65.005 million and P25.705 million, respectively; and to submit complete liquidation documents for the partially liquidated financial assistance in the amount of P34.940 million, and/or cause the refund of any unutilized amount. | Not Implemented |
| AO No. 16 Page 149-154 | The Philippine Charity Sweepstakes Office could have avoided the incurrence of rent and leasehold improvements expenses totaling P714.411 million from April 2016 to December 2022 and the effects of the increase in the cost of construction materials and labor due to inflation had it expedited the implementation of the construction of its own building with target completion date in March 2016, considering that the funds for the project was already available in calendar year 2013. | We recommended that Management expedite the completion of the design and hasten the implementation of the construction of the PCSO building in order to avoid the incurrence of expenses for rent and leasehold improvements as well as the effects of the increase in the cost of construction materials and labor due to inflation. | Fully Implemented |
| AO No. 17 Page 154-156 | Disposal of unserviceable properties costing P25.941 million has not been undertaken, contrary to Section 79 of Presidential Decree No. 1445. | We recommended that Management direct the concerned ASMD and ABD officials and personnel to:   1. Require the Disposal and Appraisal Committee to undertake the immediate disposal of the unserviceable property in compliance with Section 79 of PD No. 1445 2. Submit the duly accomplished IIRUP to the ABD to serve as a basis for dropping from the books of accounts the unserviceable property | Fully Implemented  Fully Implemented |
| **GENDER AND DEVELOPMENT (GAD)** | | | |
| AO No. 18 Page 156-163 | Gender and Development (GAD) Focal Point System was not created for calendar year 2022 that would catalyze and accelerate the gender mainstreaming of the agency, contrary to Section 37-C of the Implementing Rules and Regulations (IRR) for Republic Act No. 9710 Magna Carta of Women and Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2011-01, resulting in the following:  a. Non-preparation of the GAD Agenda in compliance with PCW MC No. 2018-04, thus, the direction in the setting of the agency’s GAD initiatives towards the achievement of their gender equality and women's empowerment goals and the monitoring of such initiatives has not been met.  b. The institutionalization of the GAD database/Sex-disaggregated data was not implemented as required under Section 37-D of the IRR for RA No. 9710 and Section 4.4 of the PCW-National Economic Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular No. 2012-01, casting doubt on whether the PCSO’s GAD Plan and Budget (GPB) truly reflect the existing gender issues of the Agency’s employees and external clients.  c. The propriety of the attributed programs of PCSO in its GAD Accomplishment Report for CY 2022 amounting to P492.095 million could not be established due to the non-submission of supporting documents.  d. The GAD fund has not been fully utilized, thus, various GAD-related PAPs of PCSO for CY 2022 GPB were not implemented.  e. Delayed submission of the GAD Accomplishment Report which precluded the Audit Team to conduct a more comprehensive audit of GAD to determine the economy, efficiency, and effectiveness of interventions in addressing gender issues. | We recommended that:   1. Management reconstitute its GFPS every year to catalyze and accelerate the gender mainstreaming of the PCSO. 2. Closely coordinate with the PCW and prepare the GAD Agenda in compliance with PCW MC No. 2018-04 3. Institutionalize GAD database/Sex-disaggregated data to better identify the actual gender issues faced by PCSO and consider these issues in the preparation of the GPB for a more gender-responsive PAPs 4. Submit supporting documents to substantiate the propriety of the attributed program and to facilitate the validation of the GAD Accomplishment Report. Likewise, we recommended to ensure the implementation of the GAD-related PAPs to achieve gender mainstreaming in PCSO’s overall operations 5. Maximize the utilization of GAD funds and provide capacity-building activities to PCSO officials and employees to ensure the proper implementation of the GAD-related PAPs. We also recommended the attribution of the direct GAD-related programs and activities in the annual GAD Accomplishment Report 6. Strictly comply with the submission deadlines of the GAD Accomplishment Reports to enable the Audit Team to conduct a more comprehensive audit on PCSO’s GAD-related PAPs | Fully Implemented  Fully Implemented  Fully Implemented  Not Implemented  Reiterated with updates under Part II – Observation and Recommendation No. 22 of this report.  Fully Implemented  Fully Implemented |