

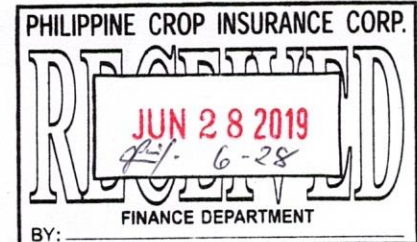


Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

**CORPORATE GOVERNMENT SECTOR**  
**Cluster 5 – Agricultural and Natural Resources**

June 28, 2019

**ATTY. JOVY C. BERNABE**  
President  
Philippine Crop Insurance Corporation  
7<sup>th</sup> Floor, Building A, NIA Complex, EDSA, Quezon City



**Dear President Bernabe:**

Pursuant to Section 2, Article IX-D of the 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 Crop Insurance Corporation (PCIC)**, for the years ended December 31, 2018 and 2017.

The Management was not able to provide the Audit Team with financial statements with complete disclosures required under the applicable Philippine Financial Reporting Standards; hence, we cannot issue an Independent Auditor's Report on PCIC's financial position as at December 31, 2018 and 2017, and financial performance, and cash flows for the years ended December 31, 2018 and 2017. We are issuing this ML, in lieu of the Annual Audit Report, to bring to your attention the result of our audit, which was communicated through the Audit Observation Memoranda and formally discussed during the exit conference held on May 28, 2019 with the officials of PCIC. Their comments on the audit observations and recommendations are incorporated in this ML, where appropriate.

The report consists of the Introduction, Background Information, Overall Results of the Audit, Observations and Recommendations and Annexes.

The significant observations and recommendations are as follows:

1. The existence, completeness and reliability of six receivable and 12 payable accounts with total balances of P78.286 million and P3.255 billion, respectively, cannot be ascertained due to inadequate information brought about by the absence of module for subsidiary ledgers (SLs) and schedules for receivables and payables accounts in the PCIC Financial Management System (PFMS).

1.1 We reiterated our prior year's recommendation and Management agreed to:

a. Direct the Information Technology Officer I who spearheaded the development of PFMS to continue to enhance the capability of the system to be able to generate SLs and schedules supporting the General Ledger (GL) consistent with Sections 111 (1) and 114 of PD No. 1445 and Conceptual Framework for Financial Reporting specifically on the qualitative characteristics of useful financial information; and

b. Require the Accounting Division to:

b.1 Assign a personnel who will be tasked to prepare and maintain SLs in manual or Excel format in the meantime that the PFMS cannot generate the same, and reconcile the GL and SLs on a regular basis, so that any discrepancy between the two records could be immediately analyzed and appropriate adjustments be made accordingly; and

b.2 Prepare schedules to support the six receivable and 12 payable accounts indicating therein relevant information such as name of debtor or creditor, address, contact person and amounts, using the SLs as reference, which will serve as basis in the preparation of Statement of Accounts, collection of receivables and settlement of liabilities.

1.2 We further recommended that Management require the Accounting Division to fast track the updating and completion of manual SL and its reconciliation with the GL control account, so that the data for encoding will be ready once the SL module in the PFMS has been installed. We also recommend the parallel running of the manual SL and the PFMS until the reliability of the system is ensured.

2. The Gross insurance premiums (GIP) in the Statement of Comprehensive Income (SCI) vis-à-vis Consolidated Premium Registers (CPR) differed by P182.924 million while the Consolidated Claims Registers (CCR) generated from the PCIC Automated Business System (PABS) differed by P306.219 million from the SCI and CCR for Insurance benefits. Thus, the balances of GIP and Insurance benefits accounts amounting to P4.906 billion and P3.397 billion cannot be relied upon.

2.1 We reiterated our prior year's recommendation that Management:

a. Instruct the Administrative and Finance Division (AFD), Marketing and Sales Division and Claims Adjustment Division (CAD) of PCIC Regional Offices (ROs) to:

a.1 Prioritize the reconciliation of discrepancy between the SCI and CPR for GIP, SCI and CCR for Insurance benefits paid, and make appropriate adjusting entries, if warranted;

a.2 Coordinate with each division on a monthly basis to reconcile the balances of GIP and Insurance benefits in SCI with the balances in the CPR and CCR generated from PABS;

b. Request the Planning and Management Information Office (PMIO) to generate a copy of the CPR and CCR on a monthly basis for verification and validation by the AFD in ROs to detect errors, if any, and submit report thereon so that this would be addressed promptly by the PMIO; and

c. Require the CAD and Regional Managers to review thoroughly the data encoded in PABS by job order personnel, including its supporting documents, prior to on-line approval to ensure completeness and prevent occurrence of error in encoding.

3. Out of the 6.846 million, farmers and fisherfolks with insurable interest included in the Registry System for Basic Sectors in Agriculture (RSBSA) list, only 1.800 million or



26.30 per cent were included in the PCIC insurance production target for CY 2018. However, actual insurance production of 1.343 million insured farmers and fisherfolks fell short by 457,352 or 25.41 per cent despite the excess of P113.100 million actual premium utilization over the Government Premium Subsidy of P3.500 billion. As such, 5.046 million farmers and fisherfolks or 73.70 per cent included in the RSBSA list were not given the opportunity to avail of the free insurance offered by the government in view of the low absorption capacity within the year.

3.1 We recommended that Management:

- a. Increase the production target based on the targeted farmers and fisherfolks included in the RSBSA list, to give equal opportunity to all subsistence farmers and fisherfolks;
- b. Direct the ROs to exert vigorous efforts to meet their respective approved production target in terms of the number of farmers and fisherfolks, in compliance with Item II of the IG, by formulating strategies or plans, to give all the target farmers and fisherfolks included in the RSBSA list, the opportunity to avail of the free insurance program of the government; and
- c. Request for the updated RSBSA list of farmers and fisherfolks from the Department of Agriculture as basis in granting free insurance coverage.

We respectfully request that the recommendations contained in Part IV of this ML be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:



**MARY S. ADELINO**

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  
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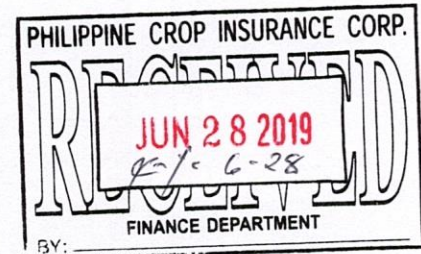
**CORPORATE GOVERNMENT SECTOR**  
**Cluster 5 – Agricultural and Natural Resources**

June 28, 2019

**THE BOARD OF DIRECTORS**

Philippine Crop Insurance Corporation  
7<sup>th</sup> Floor, Building A, NIA Complex, EDSA, Quezon City

**Gentlemen:**



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b.1 Assign a personnel who will be tasked to prepare and maintain SLs in manual or Excel format in the meantime that the PFMS cannot generate the same, and reconcile the GL and SLs on a regular basis, so that any discrepancy between the two records could be immediately analyzed and appropriate adjustments be made accordingly; and

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b. Request the Planning and Management Information Office (PMIO) to generate a copy of the CPR and CCR on a monthly basis for verification and validation by the AFD in ROs to detect errors, if any, and submit report thereon so that this would be addressed promptly by the PMIO; and

c. Require the CAD and Regional Managers to review thoroughly the data encoded in PABS by job order personnel, including its supporting documents, prior to on-line approval to ensure completeness and prevent occurrence of error in encoding.

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26.30 per cent were included in the PCIC insurance production target for CY 2018. However, actual insurance production of 1.343 million insured farmers and fisherfolks fell short by 457,352 or 25.41 per cent despite the excess of P113.100 million actual premium utilization over the Government Premium Subsidy of P3.500 billion. As such, 5.046 million farmers and fisherfolks or 73.70 per cent included in the RSBSA list were not given the opportunity to avail of the free insurance offered by the government in view of the low absorption capacity within the year.

3.1 We recommended that Management:

- a. Increase the production target based on the targeted farmers and fisherfolks included in the RSBSA list, to give equal opportunity to all subsistence farmers and fisherfolks;
- b. Direct the ROs to exert vigorous efforts to meet their respective approved production target in terms of the number of farmers and fisherfolks, in compliance with Item II of the IG, by formulating strategies or plans, to give all the target farmers and fisherfolks included in the RSBSA list, the opportunity to avail of the free insurance program of the government; and
- c. Request for the updated RSBSA list of farmers and fisherfolks from the Department of Agriculture as basis in granting free insurance coverage.

In our transmittal letter of even date, we request the President of PCIC 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 Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**MARY S. ADELINO**  
Director IV  
Cluster Director

**Copy furnished:**

*The President of the Republic of the Philippines  
The Vice President  
The President of the Senate  
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Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

# **MANAGEMENT LETTER**

**on the**

## **PHILIPPINE CROP INSURANCE CORPORATION (PCIC)**

**For the Years Ended December 31, 2018 and 2017**



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

June 28, 2019

**Dear Chairman Ignacio,**

**Management Letter on the Audit of the  
Philippine Crop Insurance Corporation  
For the Years Ended December 31, 2018 and 2017**

**I. INTRODUCTION**

1. Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we are mandated to audit the transactions pertaining to the operations of the Philippine Crop Insurance Corporation (PCIC) for the years ended December 31, 2018 and 2017.
2. Our audit covered the examination, on a test basis, of the accounts and financial transactions of PCIC for the period January 1 to December 31, 2018 in accordance with International Standards for Supreme Audit Institutions to enable us to express an opinion on the fairness of the presentation of the financial statements for the years ended December 31, 2018 and 2017. Also, we conducted our audit to assess compliance with applicable laws, rules and regulations, as well as adherence to prescribed policies and procedures.
3. Management was not able to provide the Audit Team with financial statements with complete disclosures required under the applicable Philippine Financial Reporting Standards; hence, we cannot issue an Independent Auditor's Report on PCIC's financial position as at December 31, 2018 and 2017, and financial performance, and cash flows for the years ended December 31, 2018 and 2017. Thus, we only issued a Management Letter (ML) instead of a complete Annual Audit Report.

**Honorable CRISOLOGO DP. IGNACIO**  
Chairman of the Board  
Philippine Crop Insurance Corporation  
7<sup>th</sup> Floor, Building A, NIA Complex, EDSA, Quezon City

**Attention: Atty. JOVY C. BERNABE**  
President – PCIC



4. We are issuing this ML to bring to your attention the result of our audit including our observations and recommendations, which were communicated through the Audit Observation Memoranda. The audit observations and recommendations were formally discussed during the Exit Conference held on May 28, 2019 attended by PCIC officials. Their comments on the audit observations and recommendations are incorporated in this ML, where appropriate.

## **II. BACKGROUND INFORMATION**

5. The PCIC was created as a socially-oriented agency under PD No. 1467 dated June 11, 1978, as amended by PD No. 1733 dated October 21, 1980 and Executive Order No. 708 dated July 27, 1981 and further amended by Republic Act (RA) No. 8175 which was enacted on December 29, 1995. Its principal mandate is to provide insurance protection to the country's agricultural producers, particularly the subsistence farmers, against: (a) crop losses arising from natural calamities such as typhoons, floods, droughts, earthquakes and volcanic eruptions as well as plant diseases and pest infestations; and (b) non-crop agricultural asset losses due to perils for which the asset has been insured.

6. The PCIC's insurance programs consisted of regular and special insurance. Its regular insurance covers rice and corn crop insurance, high-value commercial crop insurance and non-crop agricultural asset insurance. On the other hand, its special insurance program covers livestock insurance and term insurance power packages.

## **III. OVERALL RESULTS OF THE AUDIT**

7. The audit observations and recommendations are discussed in detail in Part IV of this report and are summarized as follows:

8. The existence, completeness and reliability of six receivable and 12 payable accounts with total balances of P78.286 million and P3.255 billion, respectively, cannot be ascertained due to inadequate information brought about by the absence of module for subsidiary ledgers (SLs) and schedules for receivables and payables accounts in the PCIC Financial Management System (PFMS).

8.1 We reiterated our prior year's recommendation and Management agreed to:

a. Direct the Information Technology Officer (ITO) I who spearheaded the development of PFMS to continue to enhance the capability of the system to be able to generate SLs and schedules supporting the General Ledger (GL) consistent with Sections 111 (1) and 114 of PD No. 1445 and Conceptual Framework for Financial Reporting specifically on the qualitative characteristics of useful financial information; and

b. Require the Accounting Division to:

b.1 Assign a personnel who will be tasked to prepare and maintain SLs in manual or Excel format in the meantime that the PFMS cannot generate the same, and reconcile the GL and SLs on a regular basis, so that any

discrepancy between the two records could be immediately analyzed and appropriate adjustments be made accordingly; and

b.2 Prepare schedules to support the six receivable and 12 payable accounts indicating therein relevant information such as name of debtor or creditor, address, contact person and amounts, using the SLs as reference, which will serve as basis in the preparation of Statement of Accounts, collection of receivables and settlement of liabilities.

8.2 We further recommended that Management require the Accounting Division to fast track the updating and completion of manual SL and its reconciliation with the GL control account, so that the data for encoding will be ready once the SL module in the PFMS has been installed. We also recommend the parallel running of the manual SL and the PFMS until the reliability of the system is ensured.

9. The Gross insurance premiums (GIP) in the Statement of Comprehensive Income (SCI) vis-à-vis Consolidated Premium Registers (CPR) differed by P182.924 million while the Consolidated Claims Registers (CCR) generated from the PCIC Automated Business System (PABS) differed by P306.219 million from the SCI and CCR for Insurance benefits. Thus, the balances of GIP and Insurance benefits accounts amounting to P4.906 billion and P3.397 billion cannot be relied upon.

9.1 We reiterated our prior year's recommendation that Management:

a. Instruct the Administrative and Finance Division (AFD), Marketing and Sales Division (MSD) and Claims Adjustment Division (CAD) of PCIC Regional Offices (ROs) to:

a.1 Prioritize the reconciliation of discrepancy between the SCI and CPR for GIP, SCI and CCR for Insurance benefits paid, and make appropriate adjusting entries, if warranted;

a.2 Coordinate with each division on a monthly basis to reconcile the balances of GIP and Insurance benefits in SCI with the balances in the CPR and CCR generated from PABS;

b. Request the Planning and Management Information Office (PMIO) to generate a copy of the CPR and CCR on a monthly basis for verification and validation by the AFD in ROs to detect errors, if any, and submit report thereon so that this would be addressed promptly by the PMIO; and

c. Require the CAD and Regional Managers (RMs) to review thoroughly the data encoded in PABS by job order personnel, including its supporting documents, prior to on-line approval to ensure completeness and prevent occurrence of error in encoding.

10. Receivable accounts aggregating P576.827 million or 31.44 per cent of total Receivables of P1.835 billion remained uncollected or past due for more than two years, while the amount of P105.377 million receivables remained dormant for 15 to 39 years. In addition, P27.408 million receivables were not supported with documents. Thus, the



reliability and collectability of the balance of the Receivable accounts as at year end cannot be ascertained.

10.1 We recommended that Management direct the Accounting Division to:

- a. Regularly monitor, analyze, verify and validate the existence of the receivable accounts and exert utmost effort to collect the dormant and long outstanding receivable accounts following the guidelines set forth in Commission on Audit (COA) Circular No. 2016-005 by sending demand letters and appropriate legal action, if warranted; and
- b. Prepare an Aging of Receivable accounts that contain separate column for those accounts aged 10 years or more to determine long outstanding and past due accounts.

11. The combined Report on the Physical Count of Property, Plant and Equipment (RPCPPE) of Head Office (HO) and ROs was not prepared to substantiate the net carrying value (NCV) of Property and equipment (PE) account amounting to P94.682 million as at December 31, 2018. In HO alone, the cost shown in the SFP differed by P8.596 million against the RPCPPE, while the cost and accumulated depreciation in SFP differed by P10.175 million and P4.900 million, respectively, against the Lapsing Schedule (LS). The PPE Ledger Cards (PPELCs) and the updated Property Cards (PCs) were not maintained by the Accounting Division and Property Management and General Services Division (PMGSD). Hence, the existence and completeness of PE account cannot be ascertained.

11.1 We recommended that Management prepare the combined RPCPPE of HO and 13 ROs.

11.2 We reiterated our prior year's recommendation that Management require the Accounting Division and PMGSD to:

- a. Coordinate on a regular basis and exert effort to update and reconcile the discrepancy between the balance in the books and RPCPPE; and
- b. Maintain a complete and updated PPELCs and PCs to facilitate the reconciliation of accounting and property records, and prepare the necessary adjustments accordingly.

11.3 We also recommended that Management require the Accounting Division to exert effort to update the records and reconcile the cost and accumulated depreciation and LS.

12. A discrepancy of P21.701 million exists between the book and bank balance of the Cash in bank (CIB) accounts due to the delayed submission of insurance documents as basis of recording the remittance of insurance premiums through the Land Bank of the Philippines (LBP) savings and current accounts of PCIC within the period prescribed under Section 14, Part 3 of PCIC Rice and Corn Crop Insurance Operations Manual (RCCIOM), and non-preparation of Bank Reconciliation Statements (BRS) since April 2017. Thus, the reliability of the CIB and other related accounts affected cannot be ascertained.

12.1 We recommended that Management:

- a. Direct the underwriting agents (UA) to submit to the concerned Provincial Extension Office (PEO) of the RO the insurance documents within the period prescribed under Section 14, Part 3 of the PCIC RCCIOM to facilitate the recording on the same date of the payment of remittance;
- b. Require the Accountant to:
  - b.1 Ensure that all direct remittances to One-Way Savings Deposit Account or on-line remittance to the bank are recorded in the books; and
  - b.2 Prepare and submit the required BRS on a timely basis pursuant to Section 74 of PD No. 1445 and COA Circular No. 96-011, and make adjustments when appropriate.

12.2 We further recommended that the Management require the PEOs to transmit the original copies of the insurance documents to the AFD of the RO on a weekly basis, either through courier or hand-carried by the PEO Team Leaders or by a regional-based Insurance Adjuster, taking into consideration the expenses to be incurred in transmitting these documents to the RO.

13. Out of the 6.846 million, farmers and fisherfolks with insurable interest included in the Registry System for Basic Sectors in Agriculture (RSBSA) list, only 1.800 million or 26.30 per cent were included in the PCIC insurance production target for CY 2018. However, actual insurance production of 1.343 million insured farmers and fisherfolks fell short by 457,352 or 25.41 per cent despite the excess of P113.100 million actual premium utilization over the Government Premium Subsidy (GPS) of P3.500 billion. As such, 5.046 million farmers and fisherfolks or 73.70 per cent included in the RSBSA list were not given the opportunity to avail of the free insurance offered by the government in view of the low absorption capacity within the year.

13.1 We recommended that Management:

- a. Increase the production target based on the targeted farmers and fisherfolks included in the RSBSA list, to give equal opportunity to all subsistence farmers and fisherfolks;
- b. Direct the ROs to exert vigorous efforts to meet their respective approved production target in terms of the number of farmers and fisherfolks, in compliance with Item II of the IG, by formulating strategies or plans, to give all the target farmers and fisherfolks included in the RSBSA list, the opportunity to avail of the free insurance program of the government; and
- c. Request for the updated RSBSA list of farmers and fisherfolks from the Department of Agriculture as basis in granting free insurance coverage.

14. In RO Nos. IV and VIII, settlement of indemnity claims totaling P14.746 million to 1,425 farmers registered under the various insurance programs/insurance lines were delayed by one to 379 days from the prescribed period set in PCIC's Operational



Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

14.1 We recommended that Management:

- a. Require the OICs of MSD and CAD to prioritize the prompt processing the claims of farmers and fisherfolks and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for them to timely restore their farm lands; and
- b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable beneficiaries to immediately recover and restore their farmlands.

14.2 As a rejoinder, we further recommend that Management:

- c. Require the PMIO to immediately act on the problems encountered by the ROs in the use of PABS to avoid delay in the settlement of claims; and
- d. Come up with doable strategies that will expedite the submission of documents by affected farmers and fisherfolks, to facilitate the timely processing and settlement of claims within the prescribed period.

15. Property and equipment (PE) with an NCV of P14.963 million were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS), thus exposing PCIC to risk of non-indemnification for damaged or lost of uninsured property in case of calamities or fortuitous event.

15.1 We recommended that Management:

- a. Require all ROs to submit the complete and updated Property Inventory Form (PIF), for consolidation at the HO by the PMGSD; and
- b. Insure all PCIC PE with the GIF of the GSIS pursuant to RA No. 656 as implemented by COA Circular No. 2018-002.

16. In RO No. XII, payroll fund for Job Order (JO) personnel totalling P10.112 million were disbursed despite the absence of duly verified/accepted accomplishment reports, contrary to Section 1.2.1 of COA Circular No. 2012-001, casting doubt on the validity and regularity of payments made.

16.1 We recommended that Management submit duly verified/accepted accomplishment reports to support all the claims and/or disbursements made for Payroll fund of JO personnel as at December 31, 2018.

17. The PCIC's Gender and Development (GAD) Plan and Budget (GPB) for FY 2018 was not endorsed by Philippine Commission on Women (PCW) due to the non-resubmission of the revised GPB to PCW. As such, there is no assurance that the funds

totaling P14.635 million were utilized for GAD activities that are responsive to the gender sensitivity issues of the Corporation and its clients. Moreover, there is no gender analysis database in PCIC's GAD, hence, it lacks the necessary data to be used in its policy and program development, to address gender issues in their respective sectors, particularly in the preparation of their annual GPB and accomplishment reports.

17.1 We reiterated our prior years' recommendation that Management require the GAD Focal Point System to:

- a. Observe the scheduled GAD Planning and Budgeting as provided by PCW and other relevant issuances; and
- b. Ensure that the approved GPB is maximized in undertaking GAD related activities.

17.2 We further recommended that Management require the GFPS to enhance and update their GAD database pursuant to PCW Memorandum Circular No. 2014-05; and to comply with the relevant issuances and provisions related to GAD.

18. In HO, the untimely monitoring of taxes withheld vis-à-vis remittances to the Bureau of Internal Revenue (BIR) and the lack of review by the Officer-in-Charge (OIC) – Accounting Division for the remittances made, resulted in discrepancy of P361,345 between the amount of taxes withheld per books and amount remitted to the BIR as at December 31, 2018.

18.1 We reiterated our prior year's recommendation that Management:

- a. Require the Accounting Division to assign a personnel to prepare and maintain equivalent records for monitoring of all taxes withheld and instruct the same to reconcile on a monthly basis the taxes withheld with the taxes remitted to the BIR, so that the necessary adjustments, be made prior to remittance or in succeeding remittances, meantime that SLs cannot be generated from PFMS; and
- b. Require the OIC – Accounting Division to review the taxes for remittance to ensure the correctness and timeliness of monthly remittance to the BIR.

18.2 We also recommended that Management require the Accounting Division to make the necessary adjusting entries, if warranted, on the identified unrecorded withholding taxes to correct the accumulated variance in previous years.

#### **IV. OBSERVATIONS AND RECOMMENDATIONS**

19. The detailed discussion of the observations noted in the course of our audit and the corresponding recommendations therefor are presented in the succeeding paragraphs.



## **A. FINANCIAL**

**20. The existence, completeness and reliability of six receivable and 12 payable accounts with total balances of P78.286 million and P3.255 billion, respectively, cannot be ascertained due to inadequate information brought about by the absence of module for SLs and schedules for receivables and payables accounts in the PFMS.**

20.1 The Receivables, Financial liabilities, Inter-agency payables, Trust liabilities, Deferred credits and Other payable accounts presented in the Statement of Financial Position (SFP) showed a balance of P1.729 billion (net), P1.447 billion, P19.991 million, P319.174 million, P2.929 billion and P350.688 million, respectively.

*Absence of module in the PFMS that will generate SLs to support the details of the GL control accounts*

20.2 Sections 111 (1) and 114 of PD No. 1445 provide that:

*The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. [Section 111(1)]*

*The government accounting system shall be on a double entry basis with a general ledger in which all financial transactions are recorded. [Section 114 (1)]*

*Subsidiary records shall be kept where necessary. [Section 114 (2)]*

20.3 The qualitative characteristics of useful financial information as provided in the Conceptual Framework for Financial Reporting describes faithful representation, verifiability and understandability, to wit:

*To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. (Paragraph 2.13)*

*A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. (Paragraph 2.14)*

*Verifiability helps assure users 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. (Paragraph 2.30)*

*Classifying, characterizing and presenting information clearly and concisely makes it understandable. (Paragraph 2.34)*

20.4 PCIC's current financial accounting system is the PFMS which is an in-house developed computerized accounting system, replacing the A Complete and Comprehensive Program for Accounting Control, the 1980s computerized accounting system of PCIC that malfunctioned in August 2017. The PFMS was able to generate computerized books of accounts composed of the GL, General Journal, Cash Receipts Books, Cash Disbursements Books and Trial Balance (TB).

20.5 The books of accounts and TB generated from the PFMS showed that the SLs that support the details of six receivable and 12 payable GL control accounts with balances of P78.286 million and P3.255 billion, respectively, could not be generated from the system, details shown in Table 1.

**Table 1 – Receivables and Payables Accounts without SLs**

<b>Account Title</b>	<b>Amount</b>
<b>Receivables:</b>	
Due from National Government Agencies (NGAs)	P 1,622,112
Receivable-disallowance/charges	11,754,972
Due from officers and employees	338,613
Other receivable-others	10,426,023
Guarantee receivables	51,857,868
Claims on banks-unremitted recoveries	2,286,634
	<b>P 78,286,222</b>
<b>Payables:</b>	
Accounts payable	P 1,446,271,472
Due to officers and employees	365,364
Due to NGAs	659,415
Due to BIR	3,352,035
Due to GSIS	1,851,260
Due to Pag-IBIG	211,143
Due to PhilHealth	157,725
Due to Local Government Units (LGUs)	13,759,328
Trust liabilities	317,970,483
Guarantee/security deposits	1,203,989
Deferred credits	1,402,762,144
Other payables - others	66,207,522
	<b>P 3,254,771,880</b>

20.6 Except for Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts which have remittance schedules, there were neither SLs nor schedules to support the balances of the other accounts enumerated in Table 1. The absence of SLs and schedules provides difficulty in the verification of the details of receivables and payables, resulting further in the inability of both COA and Management to verify the correctness of the collections/payments and balances.

20.7 The PMIO was still not able to address this issue mainly due to the conversion of accounts to the Revised Chart of Accounts prescribed under COA Circular No. 2015-010 dated December 1, 2015, wherein its personnel were required to travel to PCIC ROs and spent significant time as more than 4,000 accounts were created in the system.

20.8 In the absence of SLs, reconciliation of the GL balances with the corresponding SLs balances could not be performed, thus resulting in inadequate information to ascertain the existence, completeness and reliability of the six receivable and 12 payable accounts with balances of P78.286 million and P3.255 billion, respectively.

**20.9 We reiterated our prior year's recommendation and Management agreed to:**

**a. Direct the ITO I who spearheaded the development of PFMS to continue to enhance the capability of the system to be able to generate SLs and schedules supporting the GL consistent with Sections 111 (1) and 114 of PD No. 1445 and Conceptual Framework for Financial Reporting specifically on the qualitative characteristics of useful financial information; and**

**b. Require the Accounting Division to:**

**b.1 Assign a personnel who will be tasked to prepare and maintain SLs in manual or Excel format in the meantime that the PFMS cannot generate the same, and reconcile the GL and SLs on a regular basis, so that any discrepancy between the two records could be immediately analyzed and appropriate adjustments be made accordingly; and**

**b.2 Prepare schedules to support the six receivable and 12 payable accounts indicating therein relevant information such as name of debtor or creditor, address, contact person and amounts, using the SLs as reference, which will serve as basis in the preparation of Statement of Accounts, collection of receivables and settlement of liabilities.**

20.10 The Management explained that enhancement on PFMS in close coordination with the Finance Department is on-going to generate SLs and schedules to be implemented at the end of first semester of 2019. The Due to GSIS, Due to Pag-IBIG, and Due to PhilHealth already have SLs, however, due to voluminous transactions, the Accounting Division is having a hard time updating the SLs of other accounts since it still need in-depth analysis, thus will be lumped to a temporary SL. Once the PFMS is enhanced/updated, the data contained in the manually maintained SLs will be encoded in the system.

20.11 In HO, validation of submitted accounting records and documents disclosed that one receivable account (Due from officers and employees) was provided with manual SL while Receivables-disallowances/charges was provided with schedule, balance of which to be reconciled with the GL. The six SLs for the payable accounts were submitted but transactions and balances are as at December 2017 only and backward analysis was performed by the Accounting Division for several accounts, the earliest period analyzed was Calendar Year (CY) 2015.

**20.12 We further recommended that Management require the Accounting Division to fast track the updating and completion of manual SL and its reconciliation with the GL control account, so that the data for encoding will be ready once the SL module in the PFMS has been installed. We also recommend the parallel running of the manual SL and the PFMS until the reliability of the system is ensured.**



21. The Gross insurance premiums (GIP) in the Statement of Comprehensive Income (SCI) vis-à-vis Consolidated Premium Registers (CPR) differed by P182.924 million while the Consolidated Claims Registers (CCR) generated from the PCIC Automated Business System (PABS) differed by P306.219 million from the SCI and CCR for Insurance benefits. Thus, the balances of GIP and Insurance benefits accounts amounting to P4.906 billion and P3.397 billion cannot be relied upon.

21.1 The PCIC adopted three systems under the PABS, consisting of Underwriting and Marketing System (UMS), Claims Processing and Settlement System (CPSS) and Information Management System (IMS). The CPR is a registry of all insurance premiums which were generated from UMS. On the other hand, the CCR is a registry of all claims of beneficiaries per insurance line containing information such as RO number, insurance line, policy number, farmer name or name of insured, barangay, municipality, province, farm name or product, date of loss, cause of loss, amount of cover, amount paid, date paid and check number. These data are generated from the CPSS.

21.2 The balances of GIP and Insurance benefits accounts as shown in the SCI amounted to P4.906 billion and P3.397 million, respectively.

*Discrepancy of P182.924 million between the SCI and CPR for GIP and P306.219 million between SCI and CCR for Insurance benefits*

21.3 The amount of GIP shown in the SCI for the year ended December 31, 2018 differed by P182.924 million as compared with the total premiums in CPR, details shown in Table 2.

**Table 2 – Discrepancy between Balances of GIP in SCI and CPR**

<b>Particulars</b>	<b>Amount</b>
GIP per SCI	<b>P 4,906,497,322</b>
Per CPR	
Rice	2,193,845,675
Corn	709,667,032
High value crops (HVC)	1,124,400,895
Livestock	557,892,389
Fisheries	40,465,596
Non-crop	58,108,360
Credit and life term insurance (CLTI)	39,193,780
	<b>4,723,573,727</b>
<b>Discrepancy</b>	<b>P 182,923,595</b>

21.4 Moreover, the balance of Insurance benefits paid in SCI vis-a-vis CCR also showed discrepancy of P306.219 million, details shown in Table 3.

**Table 3 – Discrepancy between Balances of Insurance Benefits Paid  
in SCI and CCR**

<b>Insurance line</b>	<b>SCI</b>	<b>CCR</b>	<b>Discrepancy (Absolute Figure)</b>
Rice	P 2,431,183,257	P 2,508,890,581	P 77,707,324
Corn	565,099,952	471,797,797	93,302,155
HVC	148,317,055	34,468,334	113,848,721
Livestock	45,265,514	29,064,523	16,200,991
CLTI	27,560,709	28,034,772	474,063
Fisheries	5,422,123	3,595,718	1,826,405
Non-crop	5,417,179	2,557,698	2,859,481
	<b>P 3,228,265,789</b>	<b>P 3,078,409,423</b>	<b>P306,219,140</b>

21.5 The discrepancy of P182.924 million and P306.219 million can be attributed to the lack of thorough review and coordination of the MSD and CAD with the AFD in the ROs. Moreover, the different cut-off dates in the recording of production or premiums and claims in ROs and closing of books in HO affected the balances generated from PABS and PFMS as at year-end.

21.6 The Finance Manager verbally informed that a memorandum dated March 12, 2019 was sent via electronic mail to the AFD of all ROs requiring them to prepare reconciliation statements between the data reported in PFMS and PABS for production and claims in CYs 2018 and 2017.

21.7 In RO No. I, inquiry with the Chief of the AFD disclosed that the discrepancy was due to the accrual of indemnity claims which was not reflected in the Report of Approved Claims generated from PABS. Also, the accruals made by the AFD were based only on estimates and not on the approved claims from the CAD, hence the validity and completeness of the recorded liability were not established.

21.8 The discrepancies noted as presented in Table Nos. 2 and 3 increased by a total of P395.662 million or 423.25 per cent as compared with the discrepancy noted in CY 2017, details shown in Table 4.

**Table 4 – Increase in Discrepancy**

<b>Particulars</b>	<b>CY 2018</b>	<b>CY 2017</b>	<b>Increase</b>	
			<b>Amount</b>	<b>Percentage</b>
Discrepancy between balances per SCI and CPR for GIP	P 182,923,595	P 43,488,572	P139,435,023	320.62
Discrepancy between balances per SCI and CCR for Insurance benefits	306,219,140	49,991,776	256,227,364	512.54
	<b>P 489,142,735</b>	<b>P 93,480,348</b>	<b>P 395,662,387</b>	<b>423.26</b>

21.9 In view of the deficiencies noted, the balances of GIP and Insurance benefits accounts amounting to P4.906 billion and P3.397 billion cannot be relied upon.

**21.10 We reiterated our prior year's recommendation that Management:**

**a. Instruct the AFD, MSD and CAD of PCIC ROs to:**

**a.1 Prioritize the reconciliation of discrepancy between the SCI and CPR for GIP, SCI and CCR for Insurance benefits paid, and make appropriate adjusting entries, if warranted;**

**a.2 Coordinate with each division on a monthly basis to reconcile balances of GIP and Insurance benefits in SCI with the balances in the CPR and CCR generated from PABS;**

**b. Request the PMIO to generate a copy of the CPR and CCR on a monthly basis for verification and validation by the AFD in ROs to detect errors, if any, and submit report thereon so that this would be addressed promptly by the PMIO; and**

**c. Require the CAD and RMs to review thoroughly the data encoded in PABS by job order personnel, including its supporting documents, prior to on-line approval to ensure completeness and prevent occurrence of error in encoding.**

21.11 During the exit conference on May 28, 2019, the Finance Manager informed that the discrepancies were due to the recording of accruals of claims and premiums in the PFMS. He added that he already required the ROs to prepare and submit statements of reconciliation, and as of to date, the ROs are still in the process of preparing said reconciliation statements and will be submitted to the Audit Team for validation and verification.

21.12 Management agreed to comply with the recommendations b and c above.

**22. Receivable accounts aggregating P576.827 million or 31.44 per cent of total Receivables of P1.835 billion remained uncollected or past due for more than two years, while the amount of P105.377 million receivables remained dormant for 15 to 39 years. In addition, P27.408 million receivables were not supported with documents. Thus, the reliability and collectability of the balance of the Receivable accounts as at year end cannot be ascertained.**

22.1 Section 5.4 of COA Circular No. 2016-005 dated December 19, 2016 on the "Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of NGAs, Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs)", defines dormant receivable accounts as:

*Accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could not be ascertained.*



22.2 The Aging of Receivable accounts of PCIC as at December 31, 2018 is shown in Table 5.

**Table 5 – Aging of Receivable Accounts as at December 31, 2018**

Account Title	Amount	Amount Due					
		Current			Past Due		
		1 to 90 days	91 days to 1 year	Total	Over 1 year to 2 years	Over 2 years	Total
Contributions and premiums receivable	P 1,697,688,002	P 1,225,000,000	P 11,711,861	P 1,236,711,861		P 460,976,141	P 460,976,141
Guarantee receivables	73,736,089		494,683	494,683	P 40,132	73,736,089	73,736,089
Other receivables	30,883,831					30,349,016	30,389,148
Interest receivables	16,047,139	1,978,107	14,069,032	16,047,139			
Receivable-disallowances/charges	11,754,972					11,754,972	11,754,972
Other receivables - Special Revolving Trust Fund (SRTF)	2,657,178		2,657,178	2,657,178			
Due from NGAs	1,622,112		1,608,376	1,608,376	13,736		13,736
Due from officers and employees	338,614	338,614		338,614			
Unremitted recoveries	9,212					9,212	9,212
Reinsurance receivables	1,161					1,161	1,161
	1,834,738,310	1,227,316,721	30,541,130	1,257,857,851	53,868	576,826,591	576,880,459
Less: Allowance for impairment	105,303,889						105,303,889
	<b>P 1,729,434,421</b>	<b>P 1,227,316,721</b>	<b>P 30,541,130</b>	<b>P 1,257,857,851</b>	<b>P 53,868</b>	<b>P 576,826,591</b>	<b>P 471,576,570</b>

22.3 Based on the preceding table, 31.44 per cent or P576.827 million of the total Receivables of P1.835 billion are aged over two years, of which P105.377 million are aged 15 to 39 years in RO Nos. I, II, III-A and V. The status of Receivable accounts in HO and other ROs showed the following deficiencies:

**Table 6 – Status of Receivable Accounts in ROs**

Office	Amount (in millions)	Status
HO	P 1.568	Aged three to over 25 years; the Management and the Finance Manager verbally informed that they are still gathering the required documents for the request for write off of this account.
III	15.508	Without supporting documents. No action taken by the RO due to absence of documents although Allowance for impairment was provided totaling P13.075 million.
VIII	1.317	Prepared the documentation of the request for write-off and submitted them including the original copies to the HO for verification and evaluation.
	<b>18.393</b>	
I	11.900	Aged more than 15 to 17 years and no supporting documents were submitted. The Allowance for impairment provided amounted only to P11.666 million. The OIC – Administrative and Finance Division (AFD) informed that they already sent three collection letters and request for write-off forwarded to the HO last December 19, 2016. According to the Manager of Internal Audit Services (IAS) Department in HO, the preparation of documents for the request for authority to write-off is still ongoing.

Office	Amount (in millions)	Status
II	5.074	Aged 15 to 35 years. The Finance Manager at HO already drafted a letter for the request for authority to write-off PCIC's dormant accounts, awaiting completion of the documents to support said request.
III-A	83.002	Aged 25 to 39 years. Collection letters were continuously sent to the different lending institutions (LIs), the latest were sent in April and July 2018 but still, no reply was received from these LIs.
V	5.401	Aged 15 to 22 years. The necessary documents for the centralized writing-off of these accounts were already sent to the HO and were already provided with 100 per cent Allowance for impairment.
	<b>105.377</b>	
	<b>123.770</b>	

22.4 RO Nos. III-A and V have already submitted to HO the request for authority to write-off dormant receivable accounts, including the necessary documents.

22.5 The long-outstanding and dormant receivables totaling P576.827 million; doubtful existence of Receivable accounts in RO Nos. I and III of P27.408 million due to absence of documents and remote collectability of P105.377 million aged 15 to 39 years in RO Nos. I, II, III-A and V made the receivable account balance in the financial statements unreliable.

22.6 **We recommended that Management direct the Accounting Division to:**

- a. **Regularly monitor, analyze, verify and validate the existence of the receivable accounts and exert utmost effort to collect the dormant and long outstanding receivable accounts following the guidelines set forth in COA Circular No. 2016-005 by sending demand letters and appropriate legal action, if warranted; and**
- b. **Prepare an Aging of Receivable accounts that contain separate column for those accounts aged 10 years or more to determine long outstanding and past due accounts.**

22.7 The OIC – Accounting Division in HO informed that it will continue the analysis and review of the accounts and prepare the corresponding adjustments and corrections if necessary.

22.8 During the exit conference on May 28, 2019, the OIC of IAS Department informed that they started the analysis of receivables, and that an RO has already sent three demand or collection letters to concerned debtors or clients. The Finance Manager added that they are in the process of gathering documents to support the authority to request for write-off of dormant accounts, including those in the ROs. With regards to the receivable accounts way back CY 1980's, 100 per cent Allowance for impairment has already been provided but the analysis of these accounts is continuously done.

23. The combined Report on the Physical Count of Property, Plant and Equipment (RPCPPE) of HO and ROs was not prepared to substantiate the net carrying value (NCV) of Property and equipment (PE) account amounting to P94.682 million as at December 31, 2018. In HO alone, the cost shown in the SFP differed by P8.596 million against the RPCPPE, while the cost and accumulated depreciation in SFP differed by P10.175 million and P4.900 million, respectively, against the Lapsing Schedule (LS). The PPE Ledger Cards (PPELCs) and the updated Property Cards (PCs) were not maintained by the Accounting Division and Property Management and General Services Division (PMGSD). Hence, the existence and completeness of PE account cannot be ascertained.

23.1 The preparation of the combined RPCPPE is necessary in reconciling with the balance per books and as basis in the preparation of PIF to insure properties owned by PCIC with the GIF of the GSIS as required under COA Circular No. 2018-002 dated May 31, 2018.

*Discrepancy of P8.596 million between the cost of PE shown in the SFP and RPCPPE in HO*

23.2 The PE account has an NCV of P94.682 million as at year-end as shown in the SFP. A discrepancy of P8.596 million exists between the cost of PE shown in the SFP and RPCPPE at HO as shown in Table 7.

**Table 7 - Discrepancy between Cost of PE per SFP and RPCPPE in HO**

<b>Account Title</b>	<b>SFP</b>	<b>RPCPPE</b>	<b>Discrepancy (Absolute Figure)</b>
Office equipment	P 3,917,756	P 2,558,674	P 1,359,082
Information and communication technology equipment (ICTE)	8,655,202	6,038,099	2,617,103
Motor vehicles	8,551,271	9,647,073	1,095,802
Furniture, fixtures and books	830,907	422,060	408,847
Leased assets improvements, buildings	6,072,062	3,479,017	2,593,045
Other property and equipment	521,819	-	521,819
			<b>P 8,595,698</b>

23.3 The submitted RPCPPE showed that there were unserviceable Office equipment and ICTE classified as Other assets amounting to P110,869 and P0.678 million or totaling P0.789 million, however, these properties were not reclassified to Other assets account in the books, thus, could be attributed to the variance shown in Table 7.

*Discrepancy of P10.175 million and P4.900 million in the cost and accumulated depreciation between the balances in the SFP and LS in HO*

23.4 The PE balances of HO as shown in the SFP vis-à-vis LS showed a discrepancy of P10.175 million and P4.900 million on the PE cost and accumulated depreciation, respectively, details shown in Table 8.



**Table 8 - PE Balances per SFP vis-à-vis LS**

Account Title	Per SFP		Per LS		Discrepancy (Absolute Figure)	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Office equipment	P 3,917,756	P 2,713,488	P 2,611,108	P 1,571,634	P 1,306,648	P 1,141,854
ICTE	8,655,202	5,139,771	6,034,976	3,914,786	2,620,226	1,224,985
Motor vehicles	8,551,271	4,424,230	10,907,073	6,034,242	2,355,802	1,610,012
Furniture, fixtures and books	830,907	751,170	422,060	291,403	408,847	459,767
Leased assets improvements, buildings	6,072,062	1,070,774	3,110,775	887,612	2,961,287	183,162
Other property and equipment	521,819	279,989	-	-	521,819	279,989
					<b>P 10,174,629</b>	<b>P 4,899,769</b>

23.5 It can be gleaned in Table 8 that the cost and accumulated depreciation of motor vehicles in LS are greater than P2.356 million and P1.610 million, respectively, as compared with the balance in SFP, while for other PE items, the cost and accumulated depreciation in SFP is greater than the amount in the LS.

23.6 The LS attached to Journal Entry Voucher (JEV) to record the Depreciation expense for December 2018 revealed that PE acquired during CY 2018 classified as Leased assets improvements, buildings costing P282,720 was not included in the computation.

23.7 In addition, there is a discrepancy of P92,777 for Depreciation expense in CY 2018 between the balance per GL and LS, as shown in Table 9.

**Table 9 – Discrepancy between Depreciation Expense per GL and LS**

Account Title	Depreciation Expense for CY 2018		Discrepancy (Absolute Figure)
	GL	LS	
Office equipment	P 216,198	P 210,800	P 5,398
ICTE	758,279	736,846	21,433
Motor vehicles	901,352	835,526	65,826
Furniture, fixtures and books	29,773	29,893	120
			<b>P92,777</b>

23.8 Verbal inquiry with the Accountant disclosed that properties included in the CY 2018 LS were taken from the data provided by the Property Management and General Services Division (PMGSD) since prior years' LS excluded fully depreciated properties. Moreover, the deficiencies noted were also discrepancies which accumulated from prior years' that remained unidentified and unreconciled.

*Non-maintenance of PPELCs and PCs in HO  
by the Accounting Division and PMGSD*

23.9 Section 43 of the Government Accounting Manual, Volume I, requires the Accounting Unit to maintain Supplies Ledger Cards (SLCs) for each inventory stock,

PPELCs for each category of PE including work and other animals, livestock, etc. The SLCs shall contain the details of the GL accounts.

23.10 For check and balance, the Property and Supply Unit shall maintain PCs for PE, and Stock Cards (SC) for inventories. The balance in quantity per PC and SC should be reconciled with the ledger cards of the Accounting Division.

23.11 However, the PE balances in the books were not supported with updated PPELCs while the PMGSD did not maintain the updated PCs for purchases made prior to CY 2018 due to lack of information or incomplete records on prior years' transactions, as well as inadequate manpower. Thus, the reconciliation between the accounting and property records cannot be performed.

23.12 In view of the foregoing deficiencies, the existence and completeness of PE account with the NCV of P94.682 million as at December 31, 2018 cannot be ascertained.

**23.13 We recommended that Management prepare the combined RPCPPE of HO and 13 ROs.**

**23.14 We reiterated our prior year's recommendation that Management require the Accounting Division and PMGSD to:**

- a. Coordinate on a regular basis and exert effort to update and reconcile the discrepancy between the balance in the books and RPCPPE; and**
- b. Maintain a complete and updated PPELCs and PCs to facilitate the reconciliation of accounting and property records, and prepare the necessary adjustments accordingly.**

**23.15 We also recommended that Management require the Accounting Division to exert effort to update the records and reconcile the cost and accumulated depreciation and LS.**

23.16 In HO, Management explained that they have exerted their efforts to update and reconcile its records. However, it remained unreconciled due to absence of supporting documents despite all efforts to locate it. They are considering the use of the RPCPPE since these are found to be in the records and based on physical count conducted by the Inventory Team and such move will enable and facilitate the reconciliation of the books of accounts and physical inventory.

23.17 As a rejoinder, the RPCPPE is prepared to determine the existence of properties owned by PCIC, unaccounted and missing properties but recorded in the books, as such, accountable officers or to whom the PE were issued should be held accountable and liable for the replacement value of the missing PE.

24. A discrepancy of P21.701 million exists between the book and bank balance of the Cash in bank (CIB) accounts due to the delayed submission of insurance documents as basis of recording the remittance of insurance premiums through the Land Bank of the Philippines (LBP) savings and current accounts of PCIC within the period prescribed under Section 14, Part 3 of PCIC Rice and Corn Crop Insurance Operations Manual (RCCIOM), and non-preparation of Bank Reconciliation Statements (BRS) since April 2017. Thus, the reliability of the CIB and other related accounts affected cannot be ascertained.

24.1 Section 74 of PD No. 1445 provides that:

*Monthly Reports of Depositories to Agency the books of the Head – At the close of each month, depositories shall report to the agency head in such forms as he may direct, the conditions of the agency account standing on their books. The Head of the Agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.*

24.2 Moreover, Section 3.2 of COA Circular No. 96-011 dated October 2, 1996 requires that the agency Accountant shall within 10 days from receipt of the bank statement, reconcile the same with the GL and prepare the BRS in five copies.

24.3 In RO Nos. VII and IX, a discrepancy totaling P21.701 million exists between the book and bank balance of the CIB accounts as shown in Table 10.

**Table 10 – Discrepancy between Balance per Books and Bank**

Office	Account	Per Books	Per Bank	Discrepancy (Absolute Figure)
VII	Local currency, savings account (LCSA) – LBP	P(1,067,224)	P 2,873	P1,070,097
IX	Local currency, current account, claims fund, LBP	32,994,506	12,363,873	20,630,633
				<b>P21,700,730</b>

24.4 In RO No. VII, the BRS for the month of December 2018 showed reconciling item pertaining to unrecorded direct remittances to One-Way Savings Deposit Account (OSDA) totaling P1.070 million made by unidentified clients or depositors starting June 2018, with deposits ranging from less than P100 to more than P420,000.

24.5 The reconciling item cannot be recorded due to delayed and non-submission by the Provincial Extension Office (PEO) of the applicable underwriting documents to the RO to support the deposit/remittance of premium, hence, the official receipts (ORs) could not be issued, contrary to Section 14, Part 3 of the PCIC RCCIOM, which provides that on-line premium remittance is made in accordance with the prescribed period in which the underwriting agents (UA) shall remit the premium to the RO within 15 calendar days from the date of the issuance of the Certificate of Insurance Covers, provided finally, that the required applicable supporting documents shall be submitted by the UA to the concerned RO on the same date of premium remittance.



24.6 In RO No. IX, the discrepancy of P20.631 million between the balance in the books and bank was due mainly to the non-preparation of BRS since April 2017, thus identification of the reconciling items and necessary adjustments could not be made.

24.7 Thus, the reliability of the CIB and other related accounts affected cannot be ascertained.

24.8 **We recommended that Management:**

a. **Direct the UA to submit to the concerned PEO of the RO the insurance documents within the period prescribed under Section 14, Part 3 of the PCIC RCCIOM to facilitate the recording on the same date of the payment of remittance;**

b. **Require the Accountant to:**

b.1 **Ensure that all direct remittances to OSDA or on-line remittance to the bank are recorded in the books; and**

b.2 **Prepare and submit the required BRS on a timely basis pursuant to Section 74 of PD No. 1445 and COA Circular No. 96-011, and make adjustments when appropriate.**

24.9 The PEO Team Leaders (TLs) in RO No. VII expressed their difficulties in sending the soft copy of the Application for Crop Insurance through electronic mail due to the volume of transactions. Thus, these are submitted to the RO twice a month as practiced. In order to minimize delay in submitting these documents, Management decided that PEOs will submit these documents weekly either through courier or to be hand carried by the PEOs TL during their bi-monthly meetings with the Regional Managers (RMs) at the RO or will be hand carried by a regional-based Insurance Adjuster upon return from official travel.

24.10 With regards to the on-line premium remittance, the Management commented that it will send a Memorandum Circular to the UAs like the LIs, lending conduits and cooperatives to inform and remind them of the date of submission of the insurance documents of the borrowing farmers (BF) to their respective PEO and to the RO before they deposit, to check the completeness of the documents and correctness of the computation of the premium.

24.11 **We further recommended that the Management require the PEOs to transmit the original copies of the insurance documents to the AFD of the RO on a weekly basis, either through courier or hand-carried by the PEO TL or by a regional-based Insurance Adjuster, taking into consideration the expenses to be incurred in transmitting these documents to the RO.**

24.12 During the exit conference on May 28, 2019, the Department Manager of IAS informed that RO No. VII was able to identify the depositors/clients and adjust the negative balance and reduced it to negative P194,405 prior to the closing of nominal accounts in RO books on February 18, 2019, however, the Management was not able to submit the documents to the Audit Team for verification.

## B. PERFORMANCE

25. Out of the 6.846 million, farmers and fisherfolks with insurable interest included in the Registry System for Basic Sectors in Agriculture (RSBSA) list, only 1.800 million or 26.30 per cent were included in the PCIC insurance production target for CY 2018. However, actual insurance production of 1.343 million insured farmers and fisherfolks fell short by 457,352 or 25.41 per cent despite the excess of P113.100 million actual premium utilization over the Government Premium Subsidy (GPS) of P3.500 billion. As such, 5.046 million farmers and fisherfolks or 73.70 per cent included in the RSBSA list were not given the opportunity to avail of the free insurance offered by the government in view of the low absorption capacity within the year.

25.1 The Special Provisions, National Expenditure Program Fiscal Year (FY) 2018, Volume III of the FY 2018 General Appropriations Act (GAA), RA 10964, provides that:

*1. Subsidy to the Philippine Crop Insurance Corporation (PCIC). The amount of Three Billion Five Hundred Million Pesos (P3,500,000,000) appropriated herein shall be used for the full insurance premiums of subsistence farmers and fisherfolks to cover crop, livestock, fisheries and non-crop agricultural asset. The PCIC shall ensure that the beneficiaries identified are registered under the Registry System for Basic Sectors in Agriculture and are not insured for the same types of insurance, with priority given to those in localities declared as critical geo-hazard areas or no build zones identified by the Mines and Geo-sciences Bureau.*

*Release of funds shall be subject to the submission of the list of subsistence farmers and fisherfolks duly endorsed by the DA.*

25.2 Section XXXV on the Budgetary Support to Government Corporations, National Expenditure Program FY 2018, Volume III, of the FY 2018 GAA, RA 10964 (page 872) states that:

*Sector outcome should be (1) economic opportunities in agriculture, forestry and fisheries expanded and (2) access to economic opportunities by small farmers and fisherfolk increased, while the Organization outcome should be that financial risk protection for agricultural producers increased. (underscoring supplied for emphasis)*

25.3 Item Nos. I.2 and II of the Implementing Guidelines (IG) in the Utilization of GPS to the PCIC under FY 2018 GAA, RA No. 10964 approved by the President of PCIC mentioned that:

*There are two (2) versions of lists of farmers and fisherfolk furnished to PCIC by the DBM. Upon tabulation by PCIC, the total consolidated number of farmers and fisherfolk under RSBSA as of December 31, 2017 is 13,516,337 (i.e., 9,670,900 version 1> +3,845,437 <version 1.1.>), xxx: [Item I.2]*

#### *Allocation of P3.5 billion GPS*

*Considering the large number of subsistence farmers and fisherfolk listed under RSBSA and the limited amount of GPS available for FY 2018, there is a need to issue guidelines that will maximize the utilization of the limited GPS in the provision of insurance protection to the target sectors. The P3.5 billion GPS shall be utilized in accordance with the approved PCIC Regional Production Targets for FY 2018. [Item II] (Underscoring supplied for emphasis)*

25.4 The number of farmers and fisherfolks of 13.516 million is the same with that mentioned in the Revised IG on the Utilization of GPS to the PCIC under FY 2017 GAA, RA No. 10924 as approved by the President of PCIC. Items I.2 and II thereof states that:

*Item I.2 Based on the two (2) lists of farmers and fisherfolk furnished to PCIC by the DBM, the total number of farmers and fisherfolk under RSBSA as of December 31, 2016 is 13,516,337, xxx*

#### *Analysis of farmers and fisherfolk listed under RSBSA*

*The two (2) lists described above have been reviewed and analyzed by the PMIO-IT Team using the PABS. Based on PABS generated report, after adjusting the lists due to names of farmers which were included in the lists twice, the number of RSBSA farmers and fisherfolk was reduced to 10,915,180, consisting of 5,481,428 farmers, 1,364,319 fisherfolk and 4,069,433 laborers.*

25.5 As such, there are 6.846 million intended beneficiaries with insurable interests, consisting of 5.482 million farmers and 1.364 million fisherfolks.

25.6 Item III of the IG on the Utilization of GPS to the PCIC under FY 2018 GAA, RA 10964 provides for the Underwriting Policies, among others, as follows:

#### *1. Amount of Cover (AC)*

##### *➤ Rice and Corn*

*a. Borrowing farmer – amount of loan, subject to cover ceiling per hectare per PCIC rules and regulations. Provided, not to exceed the three hectares of farmland limit per household.*

*b. Self-financed farmer – maximum of P20,000 per hectare*

*➤ Other insurance lines, such as: High-Value Crop (HVC), Livestock, Non-Crop Agricultural Asset and Fisheries and Fisheries/Aquaculture – follow existing guidelines and procedures in determining the amount of cover, subject to the limitations specified under guidelines no. 6, Other Conditions, letter d.*

## 6. Other Conditions

Priority shall be given to the RSBSA farmers under the following conditions:

- a. *The order of prioritization shall be based on the farmer's landholdings size as follows: 1st - Farmers tilling an area of 1.50 hectares and below; 2nd Farmers tilling an area of more than 1.50 hectares up to 2.00 hectares; 3rd Farmers tilling an area of more than 2.00 hectares up to 3.00 hectares; and 4th Farmers tilling an area of more than 3.00 hectares, subject to the limitation that only 3.00 hectares shall be entitled to full (100 per cent) premium subsidy. The areas in excess of 3.00 hectares may be insured at the option of the farmer, provided, that he/she shall pay the full cost of insurance premiums. xxx*
- d. *Insurance covers/policies for RSBSA Program are subject to the following limitations:*
  - *Crops*
    - *Rice, corn, High-Value Crop (HVC), maximum of three hectares of farmland per household.*
  - *Livestock*
    - *Cattle, carabao, horse, swine, goat and sheep: the insurance coverage must be under the non-commercial mortality insurance cover category*
    - *Poultry: Broiler – maximum of 5,000 heads/birds per rearing period; pullets/layers – maximum of 1,000 heads/birds*
  - *Fisheries*

*Aquaculture Projects:*

    - *Inland fishpond – maximum of 1,000 square meters;*
    - *Mariculture parks/off shore (fishcage/fishpen) – maximum of 1,000 square meters*
    - *Seaweed farm – maximum of 1,000 square meters*
  - *Non-Crop Agricultural Asset*
    - *Fisheries – Maximum of three units of fishing boats/equipment for fishing activities within the municipal water. The maximum gross tonnage for fishing boat is three tons;*
      - *For Fishing Boat: BoatR issued by BFAR to fisherfolk shall be the basis for eligibility for the insurance coverage of the fishing boat.*
      - *For fishcage/fishpen/fishpond: facilities within the allowed area mentioned above*

- *Livestock – Poultry house/piggery house/stable used for housing of the allowed number of livestock and poultry heads mentioned above*
- *Farming – Maximum of three agricultural equipment/machines used in farming operations*

*Out of the 6.846 million farmers and fisherfolks with insurable interest included in the RSBSA list, only 1.800 million or 26.30 per cent was targeted in CY 2018*

25.7 As mentioned in the IG on the Utilization of GPS to the PCIC under FY 2018 GAA, there are 6.846 million farmers and fisherfolks with insurable interest included in the RSBSA list provided by the Department of Budget and Management (DBM). However, as shown in the RSBSA Insurance Production Target (RIPT) for FY 2018 provided to the Audit Team by the Actuarial Research and Product Valuation Department, there were only 1.800 million farmers and fisherfolks included in the production target, thus leaving 5.046 million farmers and fisherfolks, representing 73.70 per cent, who were not given the opportunity to avail of the free insurance offered by the government for CY 2018, details shown in Table 11.

**Table 11 - Comparison between No. of Farmers and Fisherfolks in RSBSA database in PABS vis-à-vis Production Target**

RO No.	No. of Farmers and Fisherfolks		Over/(Under)	
	RSBSA Database (PABS)	Production Target	No. of Farmers and Fisherfolks	Percentage
I	665,783	125,422	540,361	(81.16)
II	532,080	145,371	386,709	(72.68)
III	386,805	88,261	298,544	(77.18)
III-A	134,966	75,437	59,529	(44.11)
IV	830,535	201,745	628,790	(75.71)
V	570,693	158,768	411,925	(72.18)
VI	711,929	192,639	519,290	(72.94)
VII	808,911	173,018	635,893	(78.61)
VIII	436,658	129,210	307,448	(70.41)
IX	412,206	106,992	305,214	(74.04)
X	588,916	150,289	438,627	(74.48)
XI	473,837	146,998	326,839	(68.98)
XII	292,428	105,994	186,434	(63.75)
	<b>6,845,747</b>	<b>1,800,144</b>	<b>5,045,603</b>	<b>(73.70)</b>

25.8 The production target set by Management was not compliant with Section XXXV on the Budgetary Support to Government Corporations, National Expenditure Program FY 2018, Volume III, of the FY 2018 GAA because it was not able to maximize or cover all the 6.846 million farmers and fisherfolks included in the RSBSA list, as such, financial risk protection for agricultural producers was also not provided to the maximum level.



*Actual production fell short by 457,352 farmers and fisherfolks or 25.41 per cent despite the excess of P113.100 million actual utilization over the GPS*

25.9 For the RSBSA Program for CY 2018, the National Government (NG) allotted the amount of P3.500 billion to PCIC based on Special Allotment Release Order No. SARO-BMB-C-18-0018869 dated August 22, 2018. However, out of the P3.500 billion, only 65 per cent or P2.275 billion was received by PCIC in CY 2018 based on Notice of Cash Allocation No. NCA-BMB-C-18-0017416. The amount of P2.275 billion were credited to the Investment Fund account in two batches P2.013 billion on September 3, 2018 and the P262.500 million on September 7, 2018. The balance of P1.225 billion or 35 per cent was taken up as Contributions and premiums receivable –NG.

25.10 Management informed that the funds received from the NG for GPS is intended to subsidize the insurance premiums that the insured farmers and fisherfolks are supposed to pay to PCIC for insuring their crops, livestock and agricultural assets. The Corporation bills the NG the amount corresponding to the actual amount of insurance underwritten. The basis of the fund utilization is the amount of insurance premiums underwritten, not the amount of indemnity paid. Since the NG pays PCIC after the farmers and fisherfolks are insured, the subsidy is already utilized before the GPS is received by PCIC from the NG.

25.11 In the Highlights of Regional Operations provided by the PMIO, the production target of 1.800 million farmers and fisherfolks was not achieved by Management and fell short by 457,352 or 25.41 per cent, despite the over utilization in GPS by P113.100 million, thereby depriving other farmers and fisherfolks included in the RSBSA list the opportunity to avail of the free insurance offered by the government. The details of comparison of production target vis-à-vis actual production per line and per RO are shown in Table Nos. 12 and 13.

**Table 12 - Comparison of RIPT per Line  
vis-à-vis Actual Production**

Insurance Lines	Production Target		Actual Production		Difference between Production Target and Actual Production			
	No. of Farmers and Fisherfolks	GPS (in thousands)	No. of Farmers and Fisherfolks	GPS (in thousands)	No. of Farmers and Fisherfolks	Percentage	GPS (In thousands)	Percentage
	(a)	(b)	(c)	(d)	[(c) – (a)]		[(d) – (b)]	
Rice	583,333	P 1,400,000	587,346	P 1,544,271	4,013	0.69	P 144,271	10.31
Corn	352,273	775,000	191,350	566,364	(160,923)	(45.68)	(208,636)	(26.92)
HVC	411,591	550,000	260,338	961,942	(151,253)	(36.75)	411,942	74.90
Livestock	233,333	525,000	267,344	458,845	34,011	14.58	(66,155)	(12.60)
Fisheries	121,791	175,000	33,331	70,169	(88,460)	(72.63)	(104,831)	(59.90)
NCI	97,823	75,000	3,083	11,509	(94,740)	(96.85)	(63,491)	(84.65)
	<b>1,800,144</b>	<b>P 3,500,000</b>	<b>1,342,792</b>	<b>P 3,613,100</b>	<b>(457,352)</b>	<b>(25.41)</b>	<b>P 113,100</b>	<b>3.23</b>

**Table 13 - Comparison of RIPT per RO  
vis-à-vis Actual Production**

RO	Production Target		Actual Production		Difference between Production Target and Actual Production			
	No. of Farmers and Fisherfolks	GPS (in thousands)	No. of Farmers and Fisherfolks	GPS (in thousands)	No. of Farmers and Fisherfolks	Percentage	GPS (in thousands)	Percentage
I	125,422	P 243,856	116,783	P 244,380	(8,639)	(6.89)	P 524	0.21
II	145,371	282,643	106,517	296,827	(38,854)	(26.73)	14,184	5.02
III	88,261	171,606	55,357	175,793	(32,904)	(37.28)	4,187	2.44
III-A	75,437	146,671	46,456	146,937	(28,981)	(38.42)	266	0.18
IV	201,745	392,250	100,016	454,977	(101,729)	(50.42)	62,727	15.99
V	158,768	308,691	151,919	312,098	(6,849)	(4.31)	3,407	1.10
VI	192,639	374,546	180,843	376,554	(11,796)	(6.12)	2,008	0.54
VII	173,018	336,398	174,087	337,556	1,069	0.62	1,158	0.34
VIII	129,210	251,222	120,493	256,036	(8,717)	(6.75)	4,814	1.92
IX	106,992	208,023	69,778	211,662	(37,214)	(34.78)	3,639	1.75
X	150,289	292,204	99,404	292,273	(50,885)	(33.86)	69	0.02
XI	146,998	285,807	57,368	293,321	(89,630)	(60.97)	7,514	2.63
XII	105,994	206,083	63,771	214,686	(42,223)	(39.84)	8,603	4.17
	<b>1,800,144</b>	<b>P 3,500,000</b>	<b>1,342,792</b>	<b>P 3,613,100</b>	<b>(457,352)</b>	<b>(25.41)</b>	<b>P 113,100</b>	<b>3.23</b>

25.12 Board Resolution No. 2019-022 was passed by the Board of Directors on April 30, 2019, approving the allocation of Premium Subsidy amounting to P113.100 million to augment the P3.500 billion GPS for RSBSA Program for FY 2018 and cover the excess of utilization of GPS amounting to P113.100 million, chargeable against the Agri-Agra Fund remittance from Bangko Sentral ng Pilipinas.

25.13 Apparently, except for RO No. VII, which exceeded its production target by 1,069 farmers and fisherfolks, with corresponding GPS of P337.556 million, the remaining 12 ROs were not able to meet their respective production target in terms of the number of farmers and fisherfolks, which was used as basis in apportioning the P3.500 billion GPS allotted to PCIC by the NG, as provided under Item II of the IG on the Utilization of GPS to the PCIC under FY 2018 GAA.

25.14 In RO No. III, there was improper implementation of the fisheries line due to minimal accomplishment and utilization of the allotted GPS, thereby depriving other intended farmers and fisherfolks included in the RSBSA list to avail the free insurance offered by PCIC as shown in Table 14.

**Table 14 – Fisheries Production of PCIC RO No. III as at December 31, 2018**

Insurance Line Fisheries	No. of Fisherfolks			No. of Policy			Amount of Cover (in million)			GPS (in Million)		
	Target	Actual	%	Target	Actual	%	Target	Actual	%	Target	Actual	%
RSBSA	4,086	370	9.06	4,086	370	9.06	P122.575	P14.295	11.66	P8.58	P0.577	6.72

25.15 The actual accomplishment as shown in the preceding table refers to six inland fishpond and 364 fishing boats insured under the Fisheries line of RSBSA with total amount of cover amounting to P14.295 million and GPS of P0.577 million. This means that the GPS allotted for insurance of fisheries under the FY 2018 RSBSA program was not fully utilized and the target number of beneficiaries was not achieved.

25.16 The Management informed that other farmers/fisherfolks listed in the RSBSA are: (i) already deceased; (ii) only farm workers who have no insurable object or have no insurable interests; and (iii) cannot be located anymore, thus, they are waiting for an

updated RSBSA list from the Department of Agriculture (DA), it having authority to update the list of RSBSA farmers and fisherfolks, which will address the proportionate allocation and distribution of GPS.

25.17 In effect, there were 5.046 million farmers and fisherfolks or 73.70 per cent included in the RSBSA list who were deprived of the opportunity to avail of the free insurance offered by the government in view of the low absorption capacity.

**25.18 We recommended that Management:**

- a. Increase the production target based on the targeted farmers and fisherfolks included in the RSBSA list, to give equal opportunity to all subsistence farmers and fisherfolks;**
- b. Direct the ROs to exert vigorous efforts to meet their respective approved production target in terms of the number of farmers and fisherfolks, in compliance with Item II of the IG, by formulating strategies or plans, to give all the target farmers and fisherfolks included in the RSBSA list, the opportunity to avail of the free insurance program of the government; and**
- c. Request from the DA for the updated RSBSA list of farmers and fisherfolks as basis in granting free insurance coverage.**

25.19 During the exit conference on May 28, 2019, the President of PCIC gave the following comments:

- (a) Various factors are considered in the preparation of production target such as terrain, however, circumstances change;
- (b) They aim to attain the set targets as much as they can. If not attained, what is important is that they have utilized the GPS given to them by the DBM, and that they have absorbed and increased the number of farmers and fisherfolks insured;
- (c) In comparison also with CY 2016 data, the increase in the number of farmers is more than 100 per cent, from 1.100 million to 2.300 million;
- (d) It is not about meeting the target but instead a social insurance for the farmers. Adjustments on the targets per insurance line are made so that more farmers may be benefited. As such, the targets in livestock and other high value crops are lowered down and allocated to insurance lines wherein indemnity claims are most likely to occur such as rice and corn. In that way, they will focus more on giving protection to more farmers than generating revenues.

25.20 The PCIC Management in its written comments, informed that they will continuously remind the ROs to exert vigorous efforts to meet their respective target number of farmers and fisherfolks, and will ensure regular monitoring of their accomplishment and PCIC is participating in the Juan Magsasaka Task Force of the DA to update the RSBSA wherein once the registry is updated by DA, PCIC will secure a copy of updated list of farmers and fisherfolks.

26. In RO Nos. IV and VIII, settlement of indemnity claims totaling P14.746 million to 1,425 farmers registered under the various insurance programs/insurance lines were delayed by one to 379 days from the prescribed period set in PCIC's Operational Manual, thus, defeating the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

26.1 The Operations Manual on Rice and Corn Insurance, High Value Crops (HVC) Insurance, Fisheries Insurance, Livestock Insurance, Non-Crop Insurance and Credit and Life Term Insurance (CLTI) Packages provide the period for settlement of insurance claims. The policies are enumerated in Table 15.

**Table 15 - Policies on Settlement of Insurance Claims**

<b>Insurance Line</b>	<b>Reference</b>	<b>Settlement Policy</b>
<i>Rice and corn</i>	<i>Section 10.7, Part I- Statement of Policy and Administrative Provisions</i>	<i>A claim shall be settled expeditiously, but not later than sixty (60) calendar days from submission by the insured of complete claims documents to the Corporation.</i>
<i>HVCC</i>	<i>Section 20.1, Part 2- Rules and Regulations</i>	<i>-do-</i>
<i>Fisheries</i>	<i>Section 21.1, Part 2- Implementing Rules and Regulations</i>	<i>-do-</i>
<i>Livestock</i>	<i>Section 24.1, Part 2-Rules and Regulations on Livestock Insurance</i>	<i>A claim shall be settled in the following manner:  24.1 A claim shall be approved/disapproved within forty-five (45) calendar days from the submission of complete set of claims documents by the assured to the concerned PCIC RO.</i>
<i>Non-crop agricultural asset insurance</i>	<i>Section 13.03, Part I- Statement of Policy and Administrative Provisions</i>	<i>An approved claim shall be settled not later than forty (40) days from date of approval of the claim or as specified under Section 11.4 of the RA No. 8175.</i>
<i>Term insurance packages</i>	<i>Section 11.1, Part 2-Master Policy Contract</i>	<i>A claim shall be settled not later than 30 calendar days from the submission by the beneficiary or his/her representative of complete documents to the PCIC RO or its underwriting agency. Any deficiencies noted on the documents shall suspend the processing of claim until such deficiencies are submitted/complied with.</i>

26.2 In addition, Section 10.7, Part I - Statement of Policy and Administrative Provisions of the RCCIOM provides that:

*Any claim not acted upon sixty (60) calendar days from submission by the affected farmer of complete claims documents to the concerned PCIC Regional Office shall be considered approved, provided that such documents are not questionable. Deficiencies attributable to the claimant*

*or any party other than PCIC may lead to deferment of action or suspension of processing until such deficiencies are completed/complied with. The time period which PCIC's action is under suspension shall be excluded in counting the 60-day period.*

26.3 The last two sentence of the above provision was also included under Section 20.1, Part 2- Rules and Regulations on HVC Insurance Operations Manual.

26.4 Settlement of 1,425 insurance claims of farmers under various insurance programs totaling P14.746 million were delayed ranging from one to 379 days as shown in Table 16.

**Table 16 – Days Delayed in Settlement of Various Insurance Programs**

RO Nos.	1-60 Days		61-120 Days		121-180 Days		More than 180 Days – 379 Days		Total	
	No. of Farmers	Amount	No. of Farmers	Amount	No. of Farmers	Amount	No. of Farmers	Amount	No. of Farmers	Amount
IV	309	P3,753,708	608	P6,476,952	195	P2,243,702	56	P 966,219	1,168	P 13,440,581
VIII	108	520,579	87	476,751	38	196,138	24	111,836	257	1,305,304
	<b>417</b>	<b>P 4,274,287</b>	<b>695</b>	<b>P6,953,703</b>	<b>233</b>	<b>P2,439,840</b>	<b>80</b>	<b>P 1,078,055</b>	<b>1,425</b>	<b>P 14,745,885</b>

26.5 Initial processing of claims for indemnity is being prepared by the CAD in coordination with the MSD and finally in the AFD for payment. However, in RO No. IV, evaluation of insurance records from the MSD is made upon submission of the Application for Claim/Notice of Loss (NL) by the farmers/fisherfolks to the CAD, before assigning an Adjuster to inspect the farmer's farmland; and there were instances when there were delays in the retrieval, encoding and validation of insurance documents/records, due to lack of manpower from the MSD.

26.6 The delay in the settlement of indemnity claims to affected farmers defeats the purpose of providing speedy assistance to farmers and fisherfolks in the restoration of their farm land and the prompt settlement of their financial obligations to lending institutions.

**26.7 We recommended that Management:**

**a. Require the OICs of MSD and CAD to prioritize the prompt processing of the claims of farmers and fisherfolks and designate personnel from other departments in times of substantial pay outs of indemnity claims, to assist in the review of the completeness of supporting documents, encoding and processing of checks, to expeditiously release payments to beneficiaries for them to timely restore their farm lands; and**

**b. Address the lack of manpower to prevent delays in the processing and release of checks to claimants to enable beneficiaries to immediately recover and restore their farmlands.**

26.8 In RO No. IV, the Management commented that unavailability of sea transportation and communication becomes an inevitable problem for the timely receipt of NLs/Claims for Indemnity especially during typhoon months.



26.9 The issues and problems related to Claims Settlement Response Time were already referred to the PMIO in HO and have already implemented various steps to prevent the reoccurrence of delayed indemnification.

26.10 However, the Management ensured that it will continue to strictly comply with the audit recommendations and will see to it that payment of indemnity claims are released expeditiously.

26.11 In RO No. VIII, the Management commented during the exit conference that they experience system delay affecting the main control of their PABS in the HO, which is beyond their control, hence, they exerted much effort in explaining the causes of delay to the farmers and they have not received complaint from them.

26.12 However, the Management commented that the audit recommendations were well-taken and that they will try their best to expedite claims payment to provide speedy assistance to the affected farmers and fisherfolks.

26.13 **As a rejoinder, we further recommend that Management:**

**a. Require the Planning and Management Information Office (PMIO) to immediately act on the problems encountered by the ROs in the use of PABS to avoid delay in the settlement of claims; and**

**b. Come up with doable strategies that will expedite the submission of documents by affected farmers and fisherfolks, to facilitate the timely processing and settlement of claims within the prescribed period.**

26.14 During the exit conference on May 28, 2019, the President of the PCIC informed that they will address the issue at hand as they are pro-active and aggressive in the settlement of claims by looking into the reasons of being remiss in their duties and responsibilities that contributed to the cause of delay and taking appropriate actions such as reshuffling of personnel concerned.

## **C. COMPLIANCE**

**27. Property and equipment (PE) with an NCV of P14.963 million were not insured with the General Insurance Fund (GIF) of the GSIS, thus exposing PCIC to risk of non-indemnification for damaged or loss of uninsured property in case of calamities or fortuitous event.**

27.1 Section 5 of RA No. 656, otherwise known as the "Property Insurance Law" dated June 16, 1951, as amended by PD No. 245 dated July 13, 1973, states that:

*Every government, except municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies: Provided, however, That the system reserves the right to disapprove the whole or a portion of the amount of insurance applied for. Provided, further, That such property or part thereof as may not be*

*insurable or acceptable for insurance may be insured with any private insurance company. Xxx.*

27.2 Verification of records and audit of PE as well as Insurance expenses accounts disclosed that PE with the NCV of P14.963 million was not insured with the GIF as at December 31, 2018, details shown in Table 17.

**Table 17 - PE not insured with the GIF of the GSIS**

Office	Leased Assets Improvement, Building	Motor Vehicles	Office Equipment	ICTE	Furniture, Fixtures and Books	Other PE	Total
HO	P 5,001,288	-	P 34,935	P 873,384	-	P 241,831	P 6,151,438
III	339,362	-	279,531	576,856	P 32,568	-	1,228,317
III-A	-	-	150,959	55,489	9,649	-	216,097
VII	1,290,111	-	806,779	1,748,630	1,055,084	-	4,900,604
VIII	-	P 274,469	736,002	1,122,176	209,433	-	2,342,080
IX	-	55,565	7,789	60,998	-	-	124,352
	<b>P 6,630,761</b>	<b>P 330,034</b>	<b>P 2,015,995</b>	<b>P 4,437,533</b>	<b>P 1,306,734</b>	<b>P 241,831</b>	<b>P 14,962,888</b>

27.3 As confirmed with the Regional Auditors, the properties in RO Nos. I, II, IV, V, VI, X, XI and XII are insured with the GIF.

27.4 COA Circular No. 2018-002 dated May 31, 2018 was issued prescribing the guidelines on the submission of the PIF as a basis for the assessment of general insurance coverage over all insurable assets, properties and interests of the government with the GIF of the GSIS. Section 5.1 (b) thereof provides that:

*Heads of government agencies shall direct the pertinent official under his/her supervision to:*

*(a) Xxx;*

*(b) Prepare the Property Inventory Form (PIF) listing of all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location, and other information (Annex A);*

*(c) Extract from the Report on the Physical Count of Property, Plant and Equipment, as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties for disposal);*

*(d) Xxx;*

*(e) Submit the consolidated PIF to the Supervising Auditor/Audit Team Leader and the GIF, GSIS, not later than April 30 of each year;*

*(f) Xxx*

*(g) Ensure centralized payment of insurance premiums of all assets/property whether located in the Central/Head Office (C/HO) or Regional/District Offices, Branches and/or Operating Units (R/DOs/Bs/OU) in order to avoid double payment. The Head of the agency shall issue specific guidelines/instructions to the R/DOs/Bs/OU to submit their respective accurate and updated PIF for consolidation at the C/HO.*

27.5 In HO, the Property Officer III submitted the finalized RPCPPE to the Audit Team only on April 10, 2019, thus, PIF preparation was also delayed.

27.6 The attention of Management is invited to Section 5.3 of COA Circular No. 2018-002 which states that:

*The Head of Agency, Accountant, Property Officer, Administrative Office, Cashier, Treasurer, or any government official of the National Government Agencies/Local Government Units/Government-Owned or Controlled Corporations, who are responsible for the payment of the premiums prescribed, who refuses or habitually neglects to comply within the time frame prescribed, shall be held liable for the payment of said premiums and shall pay to GSIS a fine of two per centum (2%) per month of said premiums from their due dates until received by the GIF, as provided under Section 6(b) of RA No. 656.*

27.7 The absence of insurance coverage for the properties mentioned in Table 17 exposes PCIC to the risk of non-indemnification for damaged or lost of uninsured property in case of calamities or fortuitous event.

**27.8 We recommended that Management:**

- a. Require all ROs to submit the complete and updated PIF, for consolidation at the HO by the PMGSD; and**
- b. Insure all PCIC PE with the GIF of the GSIS pursuant to RA No. 656 as implemented by COA Circular No. 2018-002.**

27.9 The Management in HO was able to insure properties with NCV of P3.942 million out of the total P9.313 million with insurance policy dated May 29, 2019 effective May to December, 2019.

**28. In RO No. XII, payroll fund for Job Order (JO) personnel totalling P10.112 million were disbursed despite the absence of duly verified/accepted accomplishment reports, contrary to Section 1.2.1 of COA Circular No. 2012-001, casting doubt on the validity and regularity of payments made.**

28.1 Section 4(6) of PD No. 1445 states that claims against government funds shall be supported with complete documentation.

28.2 Moreover, Section 1.2.1 of COA Circular No. 2012-001 dated June 4, 2012 provides documentary requirements for liquidation of cash advances on payroll fund for salaries, wages, allowances, honoraria and other similar expenses, viz:

*In case of payment of personnel under the "job order" status, duly verified/accepted accomplishment report;*

28.3 The transactions recorded under Professional services account include payments of the salaries and wages of JO personnel. In RO No. XII, verification of records disclosed that the Payroll fund for JO personnel totalling P10.112 million were processed and paid without the required duly verified/accepted accomplishment reports, contrary to the above cited COA Circular.

28.4 According to Management, even prior transactions for claim of payroll for JOs were not supported with accomplishment reports and these reports were only required for claims of overtime pay. Further, Management assumed that the Daily Time Records sufficed the documentary requirement for payment of salaries and wages of JO personnel.

28.5 In effect, we raised doubt on the validity and regularity of the payments of salaries and wages to the JO personnel.

**28.6 We recommended that Management submit duly verified/accepted accomplishment reports to support all the claims and/or disbursements made for Payroll fund of JO personnel as at December 31, 2018.**

28.7 The Management agreed with the recommendations and committed to provide the required supporting documents as soon as possible and ensures that pertinent deficiency will not recur in the succeeding years of operations.

**29. The PCIC's Gender and Development (GAD) Plan and Budget (GPB) for FY 2018 was not endorsed by Philippine Commission on Women (PCW) due to the non-resubmission of the revised GPB to PCW, as such, there is no assurance that the funds totaling P14.635 million were utilized for GAD activities that are responsive to the gender sensitivity issues of the Corporation and its clients. Moreover, there is no gender analysis database in PCIC's GAD, hence, it lacks the necessary data to be used in its policy and program development, to address gender issues in their respective sectors, particularly in the preparation of their annual GPB and accomplishment reports.**

29.1 The PCW issued Memorandum Circular (MC) No. 2016-05 dated September 30, 2016 relative to the preparation and online submission of FY 2018 GPBs and FY 2016 GAD Accomplishment Reports (ARs) and other matters. The pertinent provisions of said MC are as follows:

*Paragraph 1.4.1 To streamline the process of review and endorsement of GPBs, all line departments, constitutional bodies, judicial and legislative bodies, national government agencies and government-owned and/or controlled corporations (GOCCs) shall submit their GPBs and GAD ARs directly to PCW. Xxx*

*Paragraph 1.6. Schedule. Timelines for the preparation, submission and endorsement of GPBs and GAD ARs:*

*January 31, 2017 - Deadline for submission of all GPBs and GAD ARs to PCW through Gender Mainstreaming Monitoring System (GMMS).*

*January – March 2017 – PCW reviews submitted GPBs and GAD ARs. Agencies and/or their regional offices shall resubmit their GPBs if there are revisions to be made.*

*April 2017 – Concerned agencies submit their endorsed GPB and GAD AR as attachments to their agency budget proposal to DBM.*

29.2 Likewise, PCW MC No. 2014-05 dated November 28, 2014 was issued relative to the adoption and generation of data support to the Magna Carta of Women (MCW) Indicators, requiring Agencies to regularly collect and generate sex-disaggregated data and statistics in support of the MCW indicators relevant to their agency.

29.3 Sections 3.4 of PCW-National Economic Development Authority-DBM Joint Circular No. 2012-01 state that to aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the Harmonized Gender and Development Guidelines, to ensure that the different concerns of women and men are addressed equally and equitably in their Programs, Activities and Projects (PAPs).

29.4 Review of the Annual GAD AR for CY 2018 revealed that a total of P14.635 million was utilized for GAD activities in PCIC HO and its ROs, details shown in Table 18.

**Table 18 - GAD Targets vis-à-vis GAD Accomplishment in CY 2018**

<b>GAD Activities</b>	<b>Approved GAD Budget</b>	<b>Actual Accomplishment</b>	<b>Actual Expenses</b>
<b>CLIENT FOCUSED</b>			
Inconvenience experienced by walk in clients especially toddlers, senior citizens and persons with disabilities (PWDs) when transacting business at PCIC	P 200,000	<ul style="list-style-type: none"> <li>Provision of tent to be used as waiting area for clients outside the office</li> </ul>	P 17,275
Low level of awareness on gender related laws, issues and concerns among clients	2,000,000	<ul style="list-style-type: none"> <li>Conducted meetings, orientations, and seminars with/for PCIC farmer clients</li> </ul>	693,016
		RO Nos. III-A, VI, X and XI	
		<ul style="list-style-type: none"> <li>Distributed GAD related Information and Education Campaign materials to walk-in clients</li> </ul>	
		ROs No. II and III	
	2,200,000		710,291
<b>ORGANIZATION FOCUSED</b>			



<b>GAD Activities</b>	<b>Approved GAD Budget</b>	<b>Actual Accomplishment</b>	<b>Actual Expenses</b>
Inadequate awareness on gender issues and concerns among employees	11,500,000	<ul style="list-style-type: none"> <li>Conducted seminar workshop and conference attended by representatives from ROs, among others, such as:               <ul style="list-style-type: none"> <li>➤ Seminar on the Use of Harmonized Gender and Development Guidelines for GAD Focal Persons</li> <li>➤ GAD Equality "Going Beyond Boundaries"</li> <li>➤ GAD Mainstreaming Seminar</li> <li>➤ Seminar on Good Housekeeping</li> <li>➤ Seminar on Change Through Gender Equality</li> <li>➤ Disaster Preparedness and Health and Wellness</li> </ul> </li> </ul>	11,900,102
Proclamation No. 224, s. 1988, declaring the First of March each year as Women's week and March 8 as Women's Rights and International Peace Day	1,500,000	<ul style="list-style-type: none"> <li>Conducted National Women's Month Celebration activities attended/ participated by employees of all Offices</li> </ul>	1,292,500
Proclamation No. 227, s. 1988 providing for the observance of the month of March as women's role in history month			
Gender issues and concerns not integrated in PCIC programs (Conduct of Mainstreaming Activities)	1,500,000	<ul style="list-style-type: none"> <li>Conducted Capability Building Conference to Enhance and Refine Claims Adjustment and Settlement Procedures, Reorientation on PCIC Programs and Gender Equality Planning for Mainstreaming for GAD</li> <li>Attended Seminar on GAD entitled "Operations Review and GAD Mainstreaming"</li> </ul>	732,549
	14,500,000		13,925,151
	<b>P 16,700,000</b>		<b>P 14,635,442</b>

29.5 Perusal of related documents revealed that the PCIC submitted its FY 2018 GPB and FY 2016 AR to PCW on January 31, 2017. The PCW returned to PCIC the Plan on July 19, 2017 for revision and was given sufficient time to revise the GPB. Consequently, on June 19, 2018, the PCIC requested access to the GMMS for the resubmission of its FY 2018 revised GPB, however, PCW, in its letter dated June 28, 2018, denied PCIC's request stating that PCIC had been given sufficient time to revise and resubmit, hence the GPB was not endorsed.

29.6 Inquiry with the GAD Focal Point Person who is the Division Chief III of Human Resource Management Division disclosed that Management was not able to submit on time the revised GPB to PCW due to absence of turn-over by her staff who was reshuffled, of the monitoring of the submission via GMMS online, and which she herself overlooked.

29.7 Further, the PCIC, as shown in Table 18, partially carried out its GAD activities for both Client and Organization focused activities, incurring 87.64 per cent or P14.635 million out of the total approved budget of P16.700 million, with emphasis on Client focused activities where it incurred only 32.29 per cent or P0.710 million out of the approved budget of P2.200 million. Due to partial utilization, the intended GAD beneficiaries were deprived of the opportunity to avail of the benefits that could be derived therefrom due to the foregoing observations.

29.8 With regards to the establishment and maintenance of GAD database required under PCW MC No. 2014-05, the Corporation has insufficient sex-disaggregated data on file and has no gender analysis due to non-monitoring and updating of their GAD database, hence, it lacks the necessary data to be used in its policy and program development, to address gender issues in their respective sectors, particularly in the preparation of their annual GPB and accomplishment reports.

29.9 Foregoing considered, there is no assurance that the GAD activities enumerated in Table 18 were supportive or had contributed and addressed the gender issues of the Agency and its clients.

**29.10 We reiterated our prior years' recommendation that Management require the GAD Focal Point System (GFPS) to:**

- a. Observe the scheduled GAD Planning and Budgeting as provided by PCW and other relevant issuances; and**
- b. Ensure that the approved GPB is maximized in undertaking GAD related activities.**

**29.11 We further recommended that Management require the GFPS to enhance and update their GAD database pursuant to PCW MC No. 2014-05; and to comply with the relevant issuances and provisions related to GAD.**

29.12 The GFPS in HO verbally admitted that they were unable to update their database as they lack sufficient knowledge on Gender Analysis because they had just attended training relative to this matter during the last quarter of CY 2018. On the re-submission of revised GPB, based on the written Management comments, they were unable to submit the revised GPB due to the recall of the staff in charge of the GMMS, thus a lapse in the monitoring of the status.

## **COMPLIANCE WITH TAX LAWS**

30. In HO, the untimely monitoring of taxes withheld vis-à-vis remittances to the Bureau of Internal Revenue (BIR) and lack of review by the OIC – Accounting Division for the remittances made, resulted in discrepancy of P361,345 between the amount of taxes withheld per books and amount remitted to the BIR as at December 31, 2018. Details are shown in Table 19.

**Table 19 - Remittance of Taxes Withheld for CY 2018 in HO**

<b>Month Covered</b>	<b>Amount Withheld</b>	<b>Amount Remitted (for the Month covered)</b>	<b>Dated Remitted</b>	<b>Discrepancy</b>
Beginning balance	P 336,368	P 772,817	1/6/2018	P 436,449
January	1,186,146	1,150,718	2/6/2018	(35,428)
February	373,514	384,285	3/7/2018	10,771
March	458,888	447,043	4/5/2018	(11,845)
April	394,010	394,010	5/8/2018	-
May	383,363	388,333	6/7/2018	4,970
June	365,706	360,654	7/5/2018	(5,052)
July	494,761	486,490	8/8/2018	(8,271)
August	391,340	397,233	9/4/2018	5,893
September	474,091	469,392	10/9/2018	(4,699)
October	488,695	485,159	11/8/2018	(3,536)
November	544,429	538,309	12/7/2018	(6,120)
December	520,380	498,593	1/9/2019	(21,787)
	6,075,323	6,000,219		(75,104)
	<b>P 6,411,691</b>	<b>P 6,773,036</b>		<b>P 361,345</b>

30.1 Inquiry with the Accountant III revealed that the basis in preparing the Alphabetical List of Payees from whom taxes were withheld attached to BIR Form Nos. 1600, 1601-E and 1601-C were the Daily Cash Position Report prepared by the Treasury Division, Liquidation Report and payroll. The discrepancy was due mainly to the lack of monitoring and proper review since the Senior Investment Specialist, in-charge of withholding taxes based the computation on the said documents without checking if the amount withheld were actually recorded in the books.

30.2 Moreover, the schedule of remittances prepared by the Accountant III, reviewed by OIC – Accounting Division and noted by Finance Manager, was only prepared and submitted in March 2019. The late preparation of the said schedule defeats its main purpose which is to ensure that the amount of taxes withheld during the month tallies with the amount to be remitted to the BIR on or before the 10th day of the ensuing month. Thus, necessary adjustments prior to remittance or in succeeding remittances were not immediately reflected.

30.3 The monitoring of taxes withheld vis-à-vis remittances for CY 2014 to 2017 were also submitted to the Audit Team in March 2019. Review of the submitted schedules disclosed that these were unrecorded taxes withheld, however, no adjusting entries were made to correct the beginning balance as they are still analyzing these accounts.

30.4 **We reiterated our prior year's recommendation that Management:**

a. Require the Accounting Division to assign a personnel to prepare and maintain equivalent records for monitoring of all taxes withheld and instruct the same to reconcile on a monthly basis the taxes withheld with the taxes remitted to the BIR, so that the necessary adjustments, be made prior to remittance or in succeeding remittances, meantime that SLs cannot be generated from PFMS; and

b. Require the OIC – Accounting Division to review the taxes for remittance to ensure the correctness and timeliness of monthly remittance to the BIR.

30.5 We also recommended that Management require the Accounting Division to make the necessary adjusting entries, if warranted, on the identified unrecorded withholding taxes to correct the accumulated variance in previous years.

#### **COMPLIANCE WITH GSIS, Pag-IBIG and PhilHealth REGULATIONS**

31. The pertinent provisions of Section 6 of RA No. 8291 otherwise known as the GSIS Act of 1997, Section 20 paragraph b of Title III Rule III of the Revised Implementing Rules and Regulations of the National Health Insurance Act of 1995 RA No. 7875 as amended by RA No. 9241 and RA No. 7742, an Act amending PD No. 1752, known as the Pag-IBIG Fund Law were duly complied with within the period prescribed for the withholding of contributions and remittance of employees' and employer's share to the GSIS, PhilHealth and Pag-IBIG, respectively.

#### **SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

32. As at December 31, 2018, the unsettled audit disallowances and suspensions amounted to P7.232 million and P6,409, respectively, details and status are shown in Annex A. There were no unsettled audit charges at year-end. Summary is shown in Table 20.

**Table 20 – Summary of Unsettled Audit Suspensions, Disallowances and Charges  
As at December 31, 2018**

<b>Particulars</b>	<b>Beginning Balance</b>	<b>Issuances</b>	<b>Settlements</b>	<b>Ending Balance</b>
Disallowances	P 7,293,764	P 5,234	P 67,392	P 7,231,606
Suspensions	539,609	-	533,200	6,409
Charges	-	-	-	-
	<b>P 7,833,373</b>	<b>P 5,234</b>	<b>P 600,592</b>	<b>P 7,238,015</b>

32.1 The Financial statements disclosed the recorded Receivables-disallowances/charges of P11,754,972 and P12,237,879 as at December 31, 2018 and 2017, respectively, or a decrease of P482,907.

32.2 The recorded disallowances include the amount of P4,523,366 as at December 31, 2018 pertaining to disallowances issued before the effectivity of the 2019 Rules and Regulations on the Settlement of Accounts under the COA Circular No. 2009-006 dated

September 15, 2019. These disallowances have been outstanding for more than 10 years, however reconciliation cannot be made due to absence of SLs.

## **V. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

33. Of the 112 audit recommendations embodied in the Annual Audit Report (AAR) for CYs 2017 and prior years, 51 were fully implemented, thus deleted and excluded from this Status. A Notice of Disallowance issued for one audit recommendation was also excluded in this Status but incorporated in Annex A (Status of Unsettled Disallowances, Suspensions and Charges). Lastly, 20 were partially implemented; 21 were not implemented; and 19 were revised and reformulated to be more specific, measurable and doable. Details are presented in Annex B of this Management Letter (ML).

## **VI. ACKNOWLEDGEMENT**

34. We wish to acknowledge and express our appreciation to the concerned officials and staff of the PCIC for the cooperation and assistance extended to the Audit Team, thus facilitating completion of this ML.

Very truly yours,

**For the Commission on Audit  
By:**



**MARITA A. YAP**

OIC - Supervising Auditor  
Audit Group F

Cluster 5 – Agricultural and Natural Resources  
Corporate Government Sector



**STATUS OF UNSETTLED AUDIT DISALLOWANCES AND SUSPENSIONS**  
**As at December 31, 2018**

**A. Notices of Disallowance (NDs)**

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Reason for Disallowance</b>	<b>Amount</b>	<b>Status/Remarks</b>
<b>I. NDs that attained its Finality (15 NDs)</b>				
<b>HO</b> 16-005-721 (2014)/ 07-29-16	PCIC officers and employees	Overpayment of Representation and Transportation Allowance (RATA)	P 4,250	Settled in January 2019 per Notice of Settlement of Suspension/ Disallowance/ Charge (NSSDC) No. 19-001 dated 03-29-19
17-002-713/714/ 11-27-17	PCIC officers and employees	Overpayment of RATA	250	No Appeal was filed within the reglementary period; For issuance of Notice of Finality of Decision (NFD) and COA Order of Execution (COE)  With partial settlement of P12,500 out of the total disallowance of P12,750
16-010-766/ 11-04-16	PCIC officers and employees	Overpayment of Performance- Based Bonus (PBB)	83,825	No Appeal was filed within the reglementary period; For issuance of NFD and COE  With partial settlement of P36,851 out of the total disallowance of P113,230; For issuance of NSSDC

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Reason for Disallowance</b>	<b>Amount</b>	<b>Status/Remarks</b>
16-009-889(2015)/ 10-25-16	PCIC officer	Overpayment of loyalty pay	2,500	No Appeal was filed within the reglementary period  Fully settled in February 2019; For issuance of NSSDC
16-005-721/ 07-29-16	PCIC employees	Overpayment of loyalty pay	7,500	With NFD dated 07-07-17; For issuance of COE  With partial settlement of P2,500 out of the total disallowance of P7,500 under NSSDC No. 19- 002 dated 03-29- 19
16-004-721/ 07-29-16	PCIC employees	Overpayment of loyalty pay	2,000	With NFD dated 07-07-17; For issuance of COE  With partial settlement of P2,000 out of the total disallowance of P4,000; For issuance of NSSDC
16-003-721/ 07-15-16	PCIC officer	Overpayment of loyalty pay	2,500	With NFD dated 07-07-17; For issuance of COE
09-002-111/ 09-23-09	PCIC officer	Erroneous credits to payroll ATM account	13,300	For issuance of NSSDC
<b>RO No. VI</b>				
2014-001(2010)/ 01-21-14	PCIC officers and employees	Anniversary incentives CY 2010	9,000	Person liable for the balance no longer connected with PCIC

ND No./Date	Persons Liable	Reason for Disallowance	Amount	Status/Remarks
				With partial settlement of P111,000 out of the total disallowance of P120,000
<b>RO No.VIII</b>				
2018-06-004 (2017)/ 07-19-18	PCIC officers and employees	Advertisement not allowed/ irregular disbursement	2,134	No Appeal was filed within the reglementary period; For issuance of NFD and COE
2018-06-003 (2017)/ 07-19-18	PCIC officers and employees	Advertisement not allowed/ irregular disbursement	1,600	No Appeal was filed within the reglementary period; For issuance of NFD and COE
2018-06-002 (2017)/ 07-19-18	PCIC officers and employees	Funeral wreath not allowed/ irregular disbursement	1,500	No Appeal was filed within the reglementary period; For issuance of NFD and COE
2015-002-GAF/ 10-21-15	PCIC officers and employees	Overpayment of salary differential	1,258	No Appeal was filed within the reglementary period; For issuance of NFD and COE
2015-001- CF(2014)/ 01-07-15	PCIC officers and employees	Indemnity claims CY 2014 (Double Insurance)	94,907	No Appeal was filed within the reglementary period; For issuance of NFD and COE
2014-001-GAF (2010)/ 02-25-14	PCIC officers and employees	No legal basis on the grant of anniversary Incentives CY 2014	120,000	No Appeal was filed within the reglementary period; For issuance of NFD and COE
<b>Sub -Total</b>			<b>P346,524</b>	

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Reason for Disallowance</b>	<b>Amount</b>	<b>Status/Remarks</b>
<b>II. NDs with Corporate Government Sector (CGS) Cluster 5 Decisions (4NDs)</b>				
<b>HO</b> 014-004- 751(13)/ 04-25-14	PCIC officers and employees	Overpayment of traveling expenses	4,400	With COA CGS-5 Decision No. 2017-017 dated 03-14-17  With partial settlement of P4,000 out of the disallowance of P8,400
<b>RO No.II</b> 2014-001 (2010)/ 02-27-2014	PCIC officers and employees	Payment of Anniversary Bonus for CY 2010	8,500	With COA CGS-5 Decision No. 2016-022 dated 08-30-16  Total disallowance was P140,000 with partial settlements of P10,000 under NSSDC No. 2017- 001 (2010) dated 6-22-2017, P98,500 under NSSDC No. 2017- 002-GAF dated 12-19-2017 and P23,000 under NSSDC No. 2018- 001 dated 6-19- 2018  The balance of P8,500 was settled under NSSDC No. 2019- 001 dated 03-11- 19
<b>RO No. III</b> 01/ 02-25-14	PCIC officers and employees	Overpayment of Anniversary bonus	130,000	With COA CGS-5 Decision No. 2016-023 dated 08-28-16
<b>RO No. III-A</b> 01/ 02-25-14	PCIC officers and employees	Overpayment of Anniversary bonus	120,000	With COA CGS-5 Decision No. 2016-021 dated 08-26-16

ND No./Date	Persons Liable	Reason for Disallowance	Amount	Status/Remarks
				With partial settlement of P10,000 out of the total of P130,000 disallowance
<b>Sub - Total</b>			<b>P 262,900</b>	

**III. NDs with Appeal Memorandum (4 NDs)**

**HO**

16-008-889(2015)/09-30-16	PCIC officers and employees	Grant of gift checks without legal basis	2,555,000	With Appeal Memorandum dated 02-27-17 filed by Segundo H. Guerrero, Jr., Gilbert D. Jalbuena, Nomer D. Viray, and Atty. Jovy C. Bernabe, et. al.  With partial settlement of P70,000; For issuance of NSSDC
16-007-889(2015)/09-30-16	PCIC officers and employees	Grant of gift checks without legal basis	3,140,000	With Appeal Memorandum dated 02-13-17 filed by Segundo H. Guerrero, Jr., Gilbert D. Jalbuena, Nomer D. Viray, and Atty. Jovy C. Bernabe, et. al.  With partial settlement of P70,000; For issuance of NSSDC
16-001-738d(15)/05-23-16	PCIC officials	Payment of medical expenses without appropriation	387,182	With CGS- Cluster 5 Decision No. 2017-048 dated 11-22-17; With Petition for review filed before the COA CP
014-003-	PCIC officers	Overpayment of	540,000	With COA CGS-5

<b>ND No./Date</b>	<b>Persons Liable</b>	<b>Reason for Disallowance</b>	<b>Amount</b>	<b>Status/Remarks</b>
889(10)/ 02-25-14	and employees	Anniversary bonus		Decision No. 2016-019 dated 08-11-16; With Petition for review filed before the COA Commission Proper (CP)  With partial settlement of P40,000; For issuance of NSSDC
<b>Sub - Total</b>			<b>P 6,622,182</b>	
<b>Grand Total</b>			<b>P 7,231,606</b>	

**B. Notices of Suspension (NS)**

<b>NS No./Date</b>	<b>Persons Responsible</b>	<b>Reason for Suspension</b>	<b>Amount</b>	<b>Status/Remarks</b>
<b>Region VIII</b> 2015-002-GAF/ 10-31-15	D. S. Digamon, MN Medino	Purchase of food and cell cards not allowed/lacking documentary requirements.	P 6,409	Not complied as at 12-31-18
<b>Grand Total</b>			<b>P6,409</b>	

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 112 audit recommendations embodied in the Annual Audit Report for Calendar Years (CYs) 2017 and prior years, 51 were fully implemented, thus deleted and excluded from this Status. A Notice of Disallowance issued for one audit recommendation was also excluded in this Status but incorporated in Annex A (Status of Unsettled Disallowances, Suspensions and Charges). Lastly, 20 were partially implemented; 21 were not implemented; and 19 were revised and reformulated to be more specific, measurable and doable, as follows:

Observations and Recommendations	Status of Implementation
<b><u>CY 2017 AAR</u></b>	
<p>1. The absence of modules for special journals, subsidiary ledgers (SLs) and schedules for receivables and payables and program to generate periodic totals of the books of accounts in the PCIC Financial Management System (PFMS) resulted in inadequate information to ascertain the existence and completeness of the receivables and liabilities with balances of P130.411 million and P888.869 million, respectively.</p> <p>We recommended and Management agreed to:</p> <p>a. Direct the Information Technology Officer (ITO) I who spearheaded the development of PFMS to:</p> <p style="padding-left: 40px;">a.1 Enhance the capability of the system to be able to generate SLs and schedules compliant with Sections 111 (1) and 112 of Presidential Decree (PD) No. 1445; and</p> <p style="padding-left: 40px;">a.2 Communicate in writing with the Manager, Project Management and Information Office (PMIO), the deficiencies noted in the outputs generated from the PFMS and monitor the actions taken thereon to ensure that these deficiencies were properly addressed.</p>	<p>Revised and reformulated under Paragraph No. 20 of this Management Letter (ML).</p> <p>Not Implemented.</p> <p>No copy of communications/ correspondences were provided to the Audit Team.</p>



Observations and Recommendations	Status of Implementation
<p>2. The Consolidated Claims Registers (CCR) generated from the PCIC Automated Business System (PABS) have several deficiencies such as: (a) unreconciled variance of P49.992 million between the Trial Balance (TB) and CCR for Insurance benefits; (b) incorrect reporting of hospitalization, accident, burial assistance and death benefit of beneficiaries under Credit and Life Term Insurance (CLTI) and Rice and Corn Insurance as well as error in encoding livestock and High Value Crop (HVC) insurance in the CCR that resulted in a variance of P5.156 million and P46,596, respectively, between the insurance cover and indemnity; (c) no information as to date of payment and check number for 20,924 claims totaling P188.961 million; (d) similar information in the CCR for 11,521 claims totaling P223.457 million, except for amounts paid and check numbers, which cast doubts on the validity and reliability of claims paid in the Regional Offices (ROs), among others. Moreover, a variance of P43.488 million exists between the Statement of Comprehensive Income (SCI) and the Consolidated Premium Registers (CPR) for Insurance Premiums and Government Premium Subsidy (GPS). Hence, the balances of Insurance Benefits and Gross Insurance Premiums accounts amounting to P1,879.252 million and P3,389.755 million cannot be relied upon.</p> <p>We recommended and Management agreed to:</p> <p>a. Direct the Manager, PMIO and Finance Manager to instruct the ITO I to consider enhancement of the system and the Officer-in-Charge (OIC) - Accounting Division to review the enhancement which includes (i) providing a separate column for hospitalization, accident, burial assistance and death benefit of insured beneficiaries under CLTI and Rice and</p>	<p>Not Implemented.</p>

Observations and Recommendations	Status of Implementation
<p>Corn Insurance as well as other insurance lines in the CCR to facilitate control and for proper recording and reporting of insurance benefits; and (ii) work out for the immediate completion of interface between the PABS and PFMS in the RO level to address the lacking information on check number and date of payment;</p>	
<p>b. Instruct the Accounting personnel to reconcile the variances between the SCI and CPR for Insurance Premiums and GPS, TB and CCR for Insurance Benefits and check payments with similar information in the CCR to ensure validity of claims paid. Moreover, direct the Marketing and Sales Division (MSD), Claims Adjustment Division (CAD) and Accounting Division of ROs to coordinate on a monthly basis in order to reconcile balances of Insurance Premiums, GPS and Insurance Benefits with the balances in the CPR and CCR generated from PABS;</p>	<p>Revised and reformulated under Paragraph No. 21 of this ML.</p>
<p>c. Request the PMIO to generate a copy of the CPR and CCR on a monthly basis for validation by the Accounting Division to detect errors, if any, and submit report thereon so that this would be addressed promptly by the PMIO;</p>	<p>Revised and reformulated under Paragraph No. 21 of this ML.</p>
<p>d. Require the CAD and Regional Managers (RMs) to review the data for encoding by job order personnel including supporting documents prior to on-line approval to ensure completeness and prevent occurrence of error in encoding; and</p>	<p>Revised and reformulated under Paragraph No. 21 of this ML.</p>
<p>e. Require the ITO I to provide security features embedded in the system that will detect the errors noted.</p>	<p>Partially Implemented.</p>
<p>3. The Other Receivables account totaling P154.793 million which remained dormant for 11 to 37 years and collectability of which is already remote was not provided</p>	

Observations and Recommendations	Status of Implementation
<p>with adequate allowance for impairment as required under Philippine Accounting Standard (PAS) 36, thereby overstating the said account by more or less P36.869 million.</p>	<p>Revised and reformulated under Paragraph No. 22 of this ML.</p>
<p>We recommended and Management agreed to require the Finance Manager to facilitate the request for authority to write-off the dormant receivable accounts aged more than 10 years totaling P138.942 million, by coordinating with concerned Accountants of ROs, and following the guidelines provided under Commission on Audit (COA) Circular No. 2016-005 dated December 19, 2016, if collection efforts proved futile.</p>	
<p>4. The existence and completeness of Property and Equipment (PE) account with net carrying amount of P90.329 million as at December 31, 2017 could not be ascertained due to unreconciled variances of P31.533 million between the general ledger (GL) balance and the Report on the Physical Count of PPE (RPCPPE) and also P28.010 million and P10.114 million between the cost and accumulated depreciation in the books and Lapsing Schedule (LS). Moreover, there is net overstatement of the PE account by P7.013 million and understatement of Intangible Assets, Semi-expendable items and Income from Grants and Donations in Kind by P6.129 million, P1.752 million and P0.869 million, respectively, among others, due to: (a) inclusion of acquisition, development and other related cost of a Computer Software totaling P6.129 million; (b) non-adjustment to appropriate account of semi-expendable properties below the P15,000 threshold in Head Office (HO) and RO No. XI of P1.752 million; and (c) non-recognition in HO, RO Nos. X and XI of project equipment transferred from the Weather Index-Based Insurance (WIBI) Mindanao-United Nations Development</p>	

Observations and Recommendations	Status of Implementation
<p>Program (UNDP) funded Project with carrying amount of P0.869 million.</p>	
<p>We recommended and Management agreed to:</p>	
<p>a. Require the OIC-Accounting Division to:</p>	
<p>a.1 Reconcile the variance of P31.533 million between the balance in the books and RPCPPE as well as the variance of P28.010 million (PE cost) and P10.114 million (Accumulated Depreciation) between the book balances and LS, and prepare the necessary adjustments where appropriate;</p>	<p>Revised and reformulated under Paragraph No. 23 of this ML.</p>
<p>a.2 Instruct the personnel in-charge of preparing LS to include all properties acquired, be it fully depreciated or not and ensure that the acquisition cost, depreciation expense and accumulated depreciation tally with the amounts in the corresponding GL accounts;</p>	<p>Revised and reformulated under Paragraph No. 23 of this ML.</p>
<p>a.3 Reclassify Computer Software under Intangible Assets and provide monthly amortization in accordance with existing regulations. Likewise, provide costing for accomplishments of hired personnel attributable to the development of PABS from the date of contract up to the date of acceptance by PCIC of their respective deliverables, and reclassify the same from Expense to Intangible Asset under Computer Software account. Moreover, reclassify the remaining tangible assets below the capitalization threshold of P15,000 and provide the Property Officer with the list of items as basis of dropping from the RPCPPE and subsequently adjust any overstatement or understatement</p>	<p>Partially Implemented.</p> <p>Computer Software totaling P6.129 million was reclassified through conversion of accounts from New Government Accounting System (NGAS) to Philippine Financial Reporting Standards (PFRS) under Journal Entry Voucher (JEV) No. 2018-09-1. Monthly amortization is being provided properly. However, accomplishment report on the deliverables of hired personnel attributable to the development of PABS has not been provided.</p>

Observations and Recommendations	Status of Implementation
<p>in the reclassification from PE to Inventories – Semi-expendable Machinery and Equipment and/or Semi-expendable Furniture and Fixtures once reconciliation has been completed; and</p>	
<p>a.4 Recognize in the books the project equipment transferred from UNDP under the WIBI Mindanao Project; and</p>	<p>Partially Implemented.</p> <p>In HO, transfer of UNDP equipment was recognized in the books under JEV No. 2017-12-392 dated December 2017. Likewise, monthly depreciation of the said properties were provided.</p> <p>In RO No. XI, properties were recorded in the books on May 31, 2018.</p> <p>While in RO No. X, properties were already identified and inspected, but still awaiting from HO the exchange rate to be used in booking up the said properties.</p>
<p>b. Instruct the Property Officer to reconcile the property records with accounting records and prepare the necessary adjustments accordingly.</p>	<p>Revised and reformulated under Paragraph No. 23 of this ML.</p>
<p>5. The balance of Investment in Bonds account of P1.684 billion was overstated by the net amount of P3.676 million due to error in recording accrued interest and other related transaction costs to the account which did not conform to Paragraphs 4.1.2 and 5.1.1 of the PFRS 9 and Paragraph 9 of PAS 39 - Financial Instruments on the Recognition and Measurement.</p> <p>We recommended and Management agreed to require the Accounting Personnel to:</p>	
<p>a. Comply with PFRS 9 and PAS 39 in accounting for Investment in Bonds;</p>	<p>Not Implemented.</p>

Observations and Recommendations	Status of Implementation
<p>b. Require the Bookkeeper/Accountant to attend seminars and trainings relative to PAS 39 to update knowledge on recognition and measurement of Investment in Bonds and other financial instruments to come up with reliable balances, which are compliant with said Standards.</p>	<p>No documents were submitted as basis for validation of action taken by Management.</p>
<p>6. In RO No. I, Premium Reserve with debit balance of P45.598 million and Reserve for Unearned Premium accounts with credit balance of P67.257 million as at December 31, 2017 were misstated due to incomplete provision of the required reserve for the unearned premium amounting to P5.713 million, thus overstating the net income and understating the liability account by the same amount.</p>	<p>Not Implemented.</p>
<p>We recommended and Management agreed to require the Accounting Division to have a thorough analysis and review of the accounts and prepare the necessary adjustments in the books to correct the overstatement of income and understatement of liability accounts.</p>	<p>Partially Implemented.</p> <p>On-going analysis and review of the accounts.</p>
<p>7. In RO No. VIII, checks for indemnity claims totaling P1.207 million for crop and non-crop insurance under the claims fund, which were not released to the insured beneficiaries were staled due to inability of the Claims and Settlements Division (CSD) to personally inform the beneficiaries, lack of response from the beneficiaries for information sent and failure to communicate due to incomplete addresses; thus depriving the rightful beneficiaries of immediately recouping/recovering their losses. Moreover, the staled checks which were not reverted back to Cash in Bank</p>	

Observations and Recommendations	Status of Implementation
understated said account and overstated Claims Paid account.	
We recommended and Management agreed to:	
a. Improve the process of releasing indemnity pay to farmers/beneficiaries by: (i) directing the Disbursing Officers (DOs) to set specific date/s of releasing checks in the field offices particularly in cases of calamities; (ii) updating records of farmers as to their complete address/es and contact numbers; and (iii) consider the designation of a Special Disbursing Officer (SDO) among the regular employees and have him/her bonded, to release checks in the field office on a weekly basis, in the absence of the DO, to prevent accumulation of staled checks and to serve the purpose of the insurance;	Partially Implemented.
b. Identify the causes why checks remained unclaimed and explore the possibility of entering into Memorandum of Agreement (MOA) with rural banks, Local Government Units (LGUs) and/or barangays which may facilitate the release of checks to claimants; and	Partially Implemented.
c. Prepare adjusting entry to recognize the liability account in the books for the staled checks.	Partially Implemented.
8. The Agri-Agra Funds (AAF) totaling P1.853 billion were not transferred on a quarterly basis from the Bangko Sentral ng Pilipinas (BSP) to the account of PCIC in CYs 2014 and 2017, and were not supported with Statements of Account (SAs), contrary to Subsection 15.2 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 10000 or the "Agri-Agra Law", hence the completeness of the amounts credited to PCIC account could not be determined. Moreover, the absence of a separate bank account maintained for the Fund	



Observations and Recommendations	Status of Implementation
<p>may result in the unauthorized use for other purposes other than for insurance.</p>	
<p>We recommended that Management:</p>	
<p>a. Instruct the Finance Department to communicate in writing to BSP requesting SAs to support the funds transferred to PCIC, as required in Subsection 15.2 of the IRR;</p>	<p>Not Implemented.</p> <p>The Audit Team however wrote a letter dated February 26, 2019 to the Office of the Auditor, BSP asking for data/information/schedules which the latter provided based on their letter dated March 18, 2019.</p>
<p>b. Require the Accounting Division to verify and check the completeness of remittances made by BSP once the SAs are received from BSP; and</p>	<p>Not Implemented.</p>
<p>c. Establish a separate bank account for AAF to facilitate recording, monitoring and reporting purposes, which shall be reconciled on a regular basis with the schedule or report maintained by the Accounting Division.</p>	<p>Not Implemented.</p>
<p>9. The PCIC was not able to regularly collect the 10 per cent of the net earnings of Philippine Charity Sweepstakes Office (PCSO) from lotto operations as payment of government subscription, mandated under Section 6.5 of RA No. 8175 dated December 20, 1995, thus depriving PCIC of additional funds of P249.046 million, representing unpaid subscription of the National Government (NG).</p>	
<p>We recommended and Management agreed to instruct:</p>	
<p>a. The Accounting Division to determine the years within which PCSO was not able to remit to PCIC its 10 per cent share in the net earnings from lotto operation and communicate in writing to PCSO of its arrears supported with schedule; and</p>	<p>Partially Implemented.</p> <p>Schedule showing the arrearages were not provided. However, letter-request dated August 24, 2018 to PCSO to pay PCIC's share was provided.</p>

Observations and Recommendations	Status of Implementation
<p>b. The Collecting Officer and Accountant to provide complete information in the Official Receipt (OR) and JEV as to the nature of collection as basis in recording in the Cash Receipts and Deposits Journal (CRDJ) and General Journal (GJ), then to the GL, to facilitate monitoring of remittances made by PCSO.</p>	<p>Partially Implemented.</p> <p>Information was provided in the OR but the related JEV was not yet submitted for review.</p>
<p>10. In HO, the absence of monitoring taxes withheld and remittances to the Bureau of Internal Revenue (BIR) and review by the OIC - Accounting Division and non-maintenance of subsidiary records for taxes resulted in over remittance of P400,999.</p> <p>We recommended and Management agreed to require the OIC-Accounting Division to review the taxes for remittance to ensure the correctness and timeliness of monthly remittance to the BIR.</p>	<p>Revised and reformulated under Paragraph No. 31 of this ML.</p>
<p>11. Physical assets in HO and seven ROs with carrying value of P20.911 million were not insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) as required under Section 5 of RA No. 656 as amended by PD No. 245, thus exposing PCIC to risk of non-indemnification in case of natural or man-made calamity.</p> <p>We recommended and Management agreed to insure all its property and equipment with the GIF of the GSIS to protect the interest of PCIC.</p>	<p>Revised and reformulated under Paragraph No. 27 of this ML.</p>
<p>12. The grant of multiple insurance coverage to farmer-beneficiaries in RO Nos. III and VII under the Registry System for Basic Sectors in Agriculture (RSBSA) and other insurance programs, was not compliant with Section 2.B.10, Part III of the Operations Manual for Rice and Corn Insurance and pertinent provisions of RA</p>	

Observations and Recommendations	Status of Implementation
<p>No. 10924 [General Appropriations Act (GAA) for FY 2017], due to absence of security features embedded in the PABS; thereby depriving other eligible farmers and fisherfolk to avail free insurance program of the government.</p>	
<p>We recommended that Management require the PMIO to enhance the PABS-Underwriting and Marketing System (UMS) to provide security features in the system to detect Application for Crop Insurance (ACI) with the same: (a) name, (b) subject matter/object, (c) subject matter is separately insured two or more times, and (d) interest of the assured and risk or peril insured against, in order to prevent double insurance.</p>	Not Implemented.
<p>As a rejoinder, we further recommended that Management:</p>	
<p>a. Require the encoders in PABS to observe extra prudence to check the Farmer Ledger Cards (FLC) containing complete data as to full name, middle initial and surname, to ensure that no application for double insurance is processed; and</p>	Not Implemented.
<p>b. Determine other causes of double insurance and come up with doable solutions to address the same.</p>	Not Implemented.
<p>13. In RO No. III, 671 farmers were granted advance free insurance premium covering the wet season of CY 2018, utilizing the GPS of P1.944 million under the CY 2017 RSBSA in violation of Part 1, Section 1.3 of PCIC Operations Manual on Rice and Corn Insurance, resulting in the over utilization of CY 2017 RSBSA Fund.</p>	
<p>We recommended that Management comply strictly with the provisions of Operations Manual on Rice and Corn Insurance particularly on the term of insurance coverage and refrain from</p>	Not Implemented.
	Advance free insurance was granted again for CY 2018.

Observations and Recommendations	Status of Implementation
granting in advance free insurance coverage.	
<p>14. The PCIC's Gender and Development (GAD) Plan and Budget (GPB) for CY 2017 reviewed by the Department of Agriculture (DA) was not approved and endorsed to the Department of Budget and Management (DBM) by the Philippine Commission on Women (PCW) as required under Joint Circular No. 2012-01 of the PCW, National Economic Development Authority (NEDA) and DBM; hence, the Corporation was not assured that the GAD projects/activities undertaken by the PCIC-HO and its ROs in the total amount of P9.046 million were really responsive to the gender sensitivity issues.</p> <p>We recommended that Management:</p> <p>a. Require the Chair of the PCIC GAD Focal Point and the Finance Manager to comply with the provisions of PCW-NEDA-DBM Joint Circular No. 2012-01 to ensure PCW's approval of GPB that is responsive to gender sensitivity issues; and</p> <p>b. Ensure that the approved budget is maximized in undertaking the GAD activities.</p>	<p>Revised and reformulated under Paragraph No. 29 of this ML.</p> <p>Revised and reformulated under Paragraph No. 29 of this ML.</p>
<p>15. The Revised Implementing Guidelines (RIG) on the utilization of the GPS of P2.500 billion received from the NG for RSBSA Program did not provide policy and procedures on how it will be prorated to targeted beneficiaries in each recipient municipality to ensure that control mechanism is in place so that farmers and fisherfolk who had already availed of the program in previous years' would not be entitled to another free insurance, until all the 6,845,747 farmers and fisherfolk included in the RSBSA list have been served to give equal opportunity to all</p>	

Observations and Recommendations	Status of Implementation
eligible beneficiaries.	
<p>We recommended that Management consider the inclusion of policy and procedures in the RIG on the utilization of GPS received from the NG on how it will be pro-rated to targeted beneficiaries in each recipient municipality to ensure that control mechanism is in place, such as but not limited to, list of targeted farmers/fisherfolk and their addresses so that all eligible farmers be given equal opportunity to avail of the free insurance program of the government.</p>	<p>Revised and reformulated under Paragraph No. 25 of this ML.</p>
<p>16. In RO Nos. I, IV, VIII and XI, the payment of indemnity claims totaling P39.788 million to 11,049 farmers registered under various insurance programs/lines was delayed ranging from 1 to 312 days from the prescribed period set in PCIC's Operations Manual; thereby defeating the purpose of providing speedy assistance to farmers in the restoration of their farm land which is the source of livelihood.</p>	
<p>We recommended that Management:</p>	
<p>a. Consider the designation of personnel from different departments of PCIC during time of pay out of indemnity claims to facilitate review of completeness of documents, encoding as well as check processing in order to expeditiously release payment to claimants for them to be able to immediately restore their farmlands in the meantime that PCIC lack the necessary manpower for the purpose; and</p>	<p>Revised and reformulated under Paragraph No. 26 of this ML.</p>
<p>b. Study the possibility of having a stand by computer server which can be immediately used as replacement in case of bug down to avoid delay in claims processing and other transactions encoded and processed by the PABS.</p>	<p>Not Implemented.</p>

Observations and Recommendations	Status of Implementation
<p>17. The RSBSA was not effectively and efficiently implemented due to inadequate information dissemination campaign in RO Nos. III and VII and low satisfaction of farmers-beneficiaries in RO Nos. III and III-A as the pay-outs or indemnity received were not sufficient to restore their farm needs, affecting their ability to immediately recover their losses which might also affect the attainment of the goals and objectives of the program.</p> <p>As a rejoinder, we further recommended that Management:</p> <p>a. Consider incorporating in the brochures or pamphlets the computation of indemnity claims per insurance line and factors considered thereof for information.</p>	<p>Not Implemented.</p> <p>Management said that the indemnity computation is highly technical to be incorporated in the brochures/pamphlets. However, this topic on indemnity computation along with other factors affecting claims computation are usually being discussed during farmers orientation, particularly on topic about Claims Settlement for transparency.</p>

**CY 2016 AAR**

18. The correctness and completeness of the Property, Plant and Equipment (PPE) account with carrying value of P66.107 million as at December 31, 2016 could not be relied upon due to significant variance of P20.092 million between the accounting records and the RPCPPE in HO and RO No. V, which could be attributed to, among others, the non-maintenance of PPE Ledger Cards (PPELCs) and Property Cards (PCs), misclassification of accounts worth P394,990, and unaccounted cost of unserviceable properties in the absence of Inventory and Inspection Report for Unserviceable Property (IIRUP) as basis to record dropping of these unserviceable PPE items from the books as provided in

Observations and Recommendations	Status of Implementation
<p>Section 64 of the Manual on the New Government Accounting System (MNGAS), Volume II. Moreover, unserviceable properties found at the storeroom of HO and RO No. XII were not disposed of contrary to Section 79 of PD No. 1445.</p>	
<p>We recommended and Management agreed to direct:</p>	
<p>a. The concerned Accountants and Property Officers to:</p>	
<p>a.1 Reconcile accounting records and RPCPPE and effect adjustments accordingly to reflect the correct balance of the PPE account;</p>	<p>Revised and reformulated under Paragraph No. 23 of this ML.</p>
<p>a.2 Maintain PPELC and PC for every item of property; and</p>	<p>Revised and reformulated under Paragraph No. 23 of this ML.</p>
<p>b. The HO Property Officer to address the lapses in property management by: (i) updating the RPCPPE as to location and names of persons accountable for each PPE item; (ii) renewing Acknowledgement Receipt of Equipment (ARE) every three years and updating the same once the property is transferred from one accountable personnel to another; and (iii) correcting the property tags of those PPE items with similar property number and effect corresponding corrections in the RPCPPE.</p>	<p>Partially Implemented.</p> <p>The location and names of persons accountable are provided for each PPE item in the RPCPPE. However, AREs were not renewed and updated. Moreover, new format of property sticker are adopted for new purchases only with information as to acquisition cost, date acquired, designation of accountable officer and location, but the name of the accountable officer was not indicated in the property sticker.</p>
<p>19. The collectability and recovery of Receivables-Non-Current accounts of P430.011 million or 99.10 per cent of the total book balance of P433.905 million as at December 31, 2016 are doubtful since these accounts have been dormant for more than 21 to 36 years, due to inability to collect from the NG of the premium subsidy, absence of supporting documents of several accounts and laxity by the RO to enforce collections from</p>	



Observations and Recommendations	Status of Implementation
<p>farmer-borrowers, among others. We recommended that Management:</p>	
<p>a. Determine the likelihood/probability of collecting the Premium Receivable arrearages from the NG totaling P315.665 million and provide Allowance to present fairly the account Receivables-Non-Current in the financial statements;</p>	<p>Partially Implemented.</p> <p>Management informed that the receivable from the NG had always been included in the PCIC annual budget proposal. It added that collectability of the said premium share may not be remote, considering that their annual budget has been programmed to increase yearly to cover the grant of GPS to subsistence farmers.</p>
<p>b. Exert all efforts to collect receivables from defaulting borrowers. When all collection measures proved futile, instruct the Regional Accountants to set time frame in complying with the documentation requirements in filing the request for authority to write-off of dormant accounts pursuant to COA Circular No. 2016-005 dated December 19, 2016.</p>	<p>Revised and reformulated under Paragraph No. 22 of this ML.</p>
<p>20. The validity and correctness of the balance of Accounts Payable-Non-Business Lines-Accrued Expenses of P11.565 million as at December 31, 2016 are doubtful due to adjustment made without source documents of prior years' accrued expenses totaling P4.518 million and erroneous recording of prior year's expenses totaling P98,212 which were not accrued in CY 2015, thereby affected the fair presentation of the Accounts Payable-Non-Business Lines-Accrued Expenses account and other related accounts in the financial statements.</p>	
<p>We recommended and Management agreed to instruct the HO Accountant to:</p>	
<p>a. Submit the source documents to support the adjusting entry totaling P4.518 million under JEV No. 2015-12-</p>	<p>Not Implemented.</p> <p>The source document to support the</p>

Observations and Recommendations	Status of Implementation
174; otherwise non-submission thereof will cause the reversion of the entry made; and	adjusting entry was not submitted to the Audit Team as at audit date.
b. Review all the journal entries made to record expenses amounting to P98,212 and adjust accordingly the affected accounts to correct their balances, for proper financial statements presentation.	Not Implemented.
<p>21. In HO, outstanding checks totaling P0.755 million which included stale and cancelled checks were not adjusted/reverted back to cash in bank and corresponding liability accounts; thus, understating their balances by the same amount at year-end. In RO Nos. VII and X, negative balances in the amounts of P401,858 and P0.577 million, respectively, exist in their cash-in bank accounts. Moreover, in RO Nos. VI and VII, Bank Reconciliation Statements (BRSs) covering CYs 2015 and 2016 were not prepared and submitted to COA, contrary to Section 52 of MNGAS, Volume I and Section 74 of PD No. 1445.</p> <p>We recommended that Management instruct the:</p> <p>a. RM of RO No. VII to require the concerned Insurance Underwriters (IUs) and Provincial Extension Personnel (PEPs) to set time frame to submit complete supporting documents corresponding to the unrecorded deposits covering CYs 2012 to 2016 as basis for issuance of the OR to support recording of the transactions in the books by the Accountant;</p>	
<p>22. GPS discounts of P1.346 million were granted in full to 41 farmers who are not eligible under the Department of Agriculture-Land Bank of the Philippines (DA-LBP) Sikat Saka Program (SSP) and the National Irrigation Administration's (NIA) Early Cropping Program, as the</p>	Revised and reformulated under Paragraph No. 24 of this ML.

Observations and Recommendations	Status of Implementation
<p>areas of farmlands of the covered farmers were more than the required five hectares and some of the beneficiaries were from the Province of Biliran, which is not among those provinces identified to be covered by the Programs. Moreover, in RO No. VII, there was an over provision of GPS totaling P1.196 million due to incorrect computation of premium rates. Consequently, other qualified/eligible subsistence farmers were deprived of availing full GPS under these Programs.</p>	<p>Partially Implemented.</p> <p>In compliance with Board Resolution No. 2015-050, PCIC ROs shall conduct Post Planting Inspection (PPI). However, in RO No. III, the conduct of PPI was minimal.</p> <p>In RO No. VI, verification is still on-going whether or not the GPS was granted only to qualified beneficiaries.</p> <p>RO No. VIII informed that it already communicated with the Agricultural Training Institute (ATI) regarding the inclusion of farmers from the Province of Biliran. It also acknowledged that LBP erred in issuing Certificates of Insurance Cover (CICs) for free insurance to the farmers and committed to comply with the audit recommendation.</p>
<p>23. Absence of security features in the PABS of RO Nos. III, III-A and VII to serve as control for insurance application of farmers resulted in the granting of double insurance coverage to 267 farmer-beneficiaries who were given GPS totaling P3.880 million under the RSBSA and other insurance programs, contrary to the provisions of the Operations Manual for Rice and Corn Insurance; thus, defeating the purpose of the automated system to detect errors which affect the</p>	

Observations and Recommendations	Status of Implementation
efficient delivery of services.	
We recommended and Management agreed to enhance the PABS of the ROs to ensure that no double insurance and double payment of GPS exist that may also result in payment of double indemnity claims.	Partially Implemented.  Double insurance still exists in RO No. III. Management informed that the PABS is undergoing enhancement.
24. The PCIC's production accomplishment of 651,132 or 93.60 per cent compared with the production target of 695,673 farmer-beneficiaries under the RSBSA could be considered significant. However, this production target set by PCIC of 695,673 was only 7.19 per cent of the 9,670,900 farmer-beneficiaries endorsed by DA due to lack of sufficient budgetary support from the NG, thus the objective of the Program to provide full insurance premium to substantial number if not all of the farmer-beneficiaries identified in the RSBSA was not achieved.	
We recommended and Management agreed to:	
a. Conduct information dissemination of the RSBSA Program in the Regions which were not able to meet their targets;	Partially Implemented.
b. Prepare budget plan for the 9.671 million farmer-beneficiaries submitted by the DA under the RSBSA Program for inclusion in the PCIC's future Corporate Operating Budget (COB) to support request for augmentation of the National Government budgetary support in order to attain the Program's objective; and	Not Implemented.  PCIC targets for the RSBSA Program are dependent on the yearly allocation received from the National Government.
c. Propose for augmentation of plantilla position of personnel in the ROs affected in the implementation of the Program. Pending approval of the plantilla position, hire competent insurance underwriters as well as personnel in the Accounting Division in order to carry out the Program efficiently.	Partially Implemented.

<b>Observations and Recommendations</b>	<b>Status of Implementation</b>
<p>25. The PCIC had partially carried out its GAD programs, projects and activities utilizing a total of P5.663 million or 52.44 per cent only of P10.800 million budget allocation for CY 2016, thereby depriving its employees and clients of the benefits that could have been derived from the activities that were not fully or carried out at all. Moreover, the budget allocation of P10.800 million was lower by P8.011 million than the required of at least five per cent of its total appropriations of P376.223 million, contrary to the pertinent provision of the GAA for FY 2016.</p> <p>We recommended and Management agreed to implement GAD activities in accordance with the approved plan and budget to ensure that all programmed activities during the year are carried out efficiently.</p>	<p>Revised and reformulated under Paragraph No. 29 of this ML.</p>
<p>26. The JEVs drawn by the PCIC-HO to record expenses of P0.721 million incurred by the ROs which were charged from the Special Revolving Trust Fund (SRTF) were not supported with any document, thus casting doubt on the validity of the expenses and contrary to Section 4(6) of PD No. 1445.</p> <p>We recommended and Management agreed to require the Finance Manager to ensure completeness of supporting documents prior to signing the JEVs and recording the transactions in the books of accounts.</p>	<p>Not Implemented.</p> <p>In CY 2018, the JEVs for expenses incurred in ROs during the first quarter were only supported with Schedule of HO/RO Expenses prepared by HO personnel and Trial Balance or Statement of Expenses from ROs. Copies of debit memos corresponding to the expenses incurred were not attached to the JEV. While during second quarter to last quarter of CY 2018, JEVs were only supported with Schedule of HO/RO Expenses.</p>

<b>Observations and Recommendations</b>	<b>Status of Implementation</b>
<b><u>CY 2015 AAR</u></b>	
<p>27. The existence, accuracy, and validity of the PPE account cannot be established due to unreconciled book balance and inventory reports in RO Nos. VIII and IX aggregating P0.533 million and non-reclassification of unserviceable properties in RO No. IV, VI and XI totaling P0.550 million from PPE to Other Assets account. Meanwhile, the regularity of the procurement of vehicles in CYs 2014 and 2015 by the HO totaling P19.367 million is questionable in view of the absence of complete and appropriate documents as well as non-compliance with the pertinent provisions of RA No. 9184.</p> <p>a. Instruct the RMs of RO Nos. IV, VI, VIII, IX and XI to: (i) require the Property Officer to prepare the IIRUP and undertake steps toward the disposal of all unserviceable and idle properties to generate income from sale thereof, as required by Section 79 of PD No. 1445; (ii) direct the Accountant to prepare necessary journal entries to reclassify unserviceable properties to Other Assets account and (iii) require the concerned Regional Accounting and Supply Officers to reconcile the PPE account balances and issue AREs to the persons having custody and control of the property.</p> <p>b. Direct the Head of Finance Department to submit the original copies of the supporting documents, i.e., Certificates of Acceptance, Vehicle Sales Invoice (VSI) and Inspection Reports, etc. that were not submitted as well as documents submitted in Xerox/Photo copies;</p>	<p>Partially Implemented.</p> <p>RO Nos. IV, VIII, IX and XI had fully implemented the recommendations. However in RO No. VI, unserviceable assets were reclassified to "Other Assets" account, but these items have not been disposed of, as of this writing.</p> <p>Partially Implemented.</p> <p>As at audit date, the vehicle's sales invoice remained unsubmitted. The submission of the VSI and Vehicle Delivery Receipt (VDR) issued by the winning bidder has not been complied with as of this writing. Management commented that Hallasan and Matterhorn Inc. are both under the ownership of ANC Group of Companies, and it is the practice for Matterhorn to represent the company in public bidding with government</p>

Observations and Recommendations	Status of Implementation
<p>c. Submit a written explanation on the disparity in the number of bidders indicated in Bids and Awards Committee (BAC) Resolution No. 2014-017 dated April 28, 2014 and the Attendance Sheet on the opening of bids dated April 25, 2014 relative to the purchase of Hyundai Starex and on the inconsistencies on the VSI and VDR which were issued by non-winning bidder.</p>	<p>agencies and Hallasan to issue VSI and VDR as their internal arrangement.</p> <p>Not Implemented.</p> <p>Management has not yet submitted to the Audit Team the written explanation on the disparity of documents relative to the procurement of Hyundai Starex.</p> <p>The Audit Team retained this recommendation in the CY 2015 AAR. The Auditor stated in its rejoinder that the attendees of the BAC Meeting on April 24, 2014 did not come from the same company, contrary to Management allegation.</p>
<p>28. The propriety and validity of 121 Purchase Orders (POs) for procurement of supplies in the total amount of P5.740 million for CY 2015 could not be ascertained due to absence of necessary information, i.e. date, delivery terms, payment terms, date of receipt by the supplier, among others. Likewise, the POs were not submitted to COA within the prescribed period as required under COA Circular No. 2009-001 dated February 12, 2009.</p>	
<p>We recommended and Management agreed to require the Property Management and General Services Division (PMGSD) to:</p>	<p>Partially Implemented.</p> <p>Some of the information required in the PO remained not complied in CY 2019, i.e. delivery term and payment term.</p>
<p>a. Ensure that all the necessary information are provided/indicated in the POs; and</p>	
<p>b. Strictly comply with the provisions of COA Circular No. 2009-001 on the submission of POs to the Office of the Auditor.</p>	<p>Partially Implemented.</p> <p>From January to April 2019, 19 out of 47 POs were not submitted to the Audit Team within five days from the date of PO.</p>



Observations and Recommendations	Status of Implementation
<p>29. There are no more claimants as well as developments related to the primary purpose for which the SRTF was created; thus, its existence is not any longer essential and the remaining cash of P301.717 million as at December 31, 2015 could already be considered unnecessary special and trust fund as defined under Section 3.4 of the Department of Finance (DOF), DBM and COA Permanent Committee Joint Circular No. 4-2012 dated September 11, 2012.</p>	
<p>We recommended that Management:</p>	
<p>a. Review and evaluate whether the purpose for which the SRTF has been established is already accomplished and if the Fund is no longer needed, return the remaining cash to the NG pursuant to Executive Order (EO) No. 431;</p>	<p>Not Implemented.</p>
<p>b. Require the Finance Department to make the necessary reconciliation, consolidation, adjustment, and closing of the books of accounts of SRTF when the same is no longer needed; and</p>	<p>Not Implemented.</p>
<p>c. Coordinate with the Bureau of Treasury (BTr) on the requirements and procedures of returning the Fund to the National Government.</p>	<p>Not Implemented.</p>
<p><b><u>CY AAR 2012</u></b></p>	
<p>30. As of December 31, 2012, the balance of COA audit suspensions and disallowances amounted to P3.181 million and P11.642 million, respectively.</p>	
<p>We recommended that Management vigorously enforce the settlement/ collection of the outstanding disallowances especially those that have become final and executory.</p>	<p>Partially Implemented.</p>