

OBSERVATIONS AND RECOMMENDATIONS

Unliquidated Cash Advances – ₱438,000.00

1. Cash advances amounting to ₱438,000.00 remained unliquidated as of December 31, 2015 which is contrary to COA Circular No. 97-002 dated February 10, 1997. Moreover, additional cash advances were granted despite non-liquidation of the previous cash advance.

1.1 Section 5 of COA Circular No. 97-002 states that the accountable officer shall liquidate his cash advance as follows:

5.1.1 *salaries, wages, etc. - within five (5) days after each fifteen-day/end of the month pay period; and*

5.8 *All cash advances shall be fully liquidated at the end of each year except for petty cash fund.*

1.2 Failure of the accountable officer to liquidate is cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the instruction of other sanctions as provided for under paragraph 9.2 and 9.3 thereof.

1.3 Section 5.9 of COA Circular No. 90-331 dated May 3, 1990 also states:

5.9 *At the start of an ensuing year, a new cash advance may be granted, provided that a list of expenses against the previous cash advance is submitted. However, when no liquidation of the previous cash advance is received on or before January 20, the Accountant shall cause the withholding of the AO's salary.*

1.4 During the year the total cash advances of the cashier who also acts as disbursing officer for the VIDA projects amounted to ₱1,009,000.00 of which ₱ 571,000.00 was liquidated, leaving an unliquidated balance of ₱438,000.00 as of December 31, 2015, as shown in Table 1:

Purpose	Date of Cash Advance	Amount of Cash Advance	Liquidation	Unliquidated Balance
VIDA allowance for October, 2015	October	₱ 229,000.00	₱ 163,000.00	₱ 66,000.00
VIDA allowance for November, 2015		204,000.00	90,000.00	114,000.00

Purpose	Date of Cash Advance	Amount of Cash Advance	Liquidation	Unliquidated Balance
VIDA allowance for December, 2015		₱ 226,000.00	-	₱ 226,000.00
		15,000.00	₱ 15,000.00	-
Cash prize of the National Volunteer Month (NVM) Photo Contest winners		32,000.00	-	32,000.00
Total		₱ 706,000.00	₱ 268,000.00	₱ 438,000.00

- 1.5 It can be gleaned in Table 1 that although the previous cash advance of ₱229,000.00, granted in October 2015 had an unliquidated balance of ₱66,000.00, new cash advances were still granted in the amounts of ₱204,000.00, ₱15,000.00, ₱226,000.00 and ₱32,000.00 less a liquidation amounting to ₱15,000.00 or a total amount of ₱462,000.00. This remained unliquidated at the end of the year and until January 20, 2016. Details are presented in **Annex A**.
- 1.6 Based on the information gathered, the volunteers' accomplishment reports for the VIDA projects were not submitted on time as required, as these were coming from different areas, causing delay in the payment of their allowances which subsequently resulted in the non-liquidation of the cash advances on time.
- 1.7 Along with these cash advances for VIDA purposes, is another cash advance drawn for cash prize for photo contest in connection with the National Volunteer Week. However, the date of the event was not yet set due to the unavailability of the judges, hence, the cash remained in the custody of the accountable officer as of date.
- 1.8 This is violative of the cited provisions of COA Circular No. 97-002. It also indicated lack of planning of activities and weak internal control in the granting, utilization and liquidation of cash advances.
- 1.9 **We recommended and Management agreed to:**
- a. **Instruct the accountable officer to liquidate her cash advances as required under COA Circular No. 97-002 and COA Circular No. 90-331;**
 - b. **Refrain from granting additional cash advances unless the liquidation of the previous cash advance is submitted; and**
 - c. **Instruct the VIDA officials to require the volunteer workers to comply with the requirements and submit immediately accomplishment reports as stipulated in their contracts to facilitate the payment of allowances.**

- 1.10 Management agreed with the recommendation and has directed the Accountable Officer to liquidate the remaining cash advances amounting to ₱438,000.00. Said balance was already liquidated as of March 29, 2016.

Negative Inter-Agency Payable account balances on the first three quarters of CY 2015

2. **The remittances of contributions for PhilHealth, GSIS, PAG-IBIG and other GOCCs (NHMFC premiums) were recorded prior to the recognition of the liabilities resulting in negative balances of the payable accounts in the books which is contrary to the recognition criteria for liabilities under the Revised Chart of Accounts.**

2.1 COA Circular No. 2013-002 dated January 30, 2013 prescribed the adoption of the Revised Chart of Accounts for National Government Agencies (RCA). Under the RCA, Inter-Agency Payables is composed of due to GSIS, due to PAG-IBIG among others. As defined, these accounts are used to record the withholding of employees' premium payments and other payables to the agencies concerned, and debited for the remittance of the withheld amounts. The normal balances of the accounts, as well as the Due to GOCCs account are credit balances.

2.2 The analysis of the Inter-Agency Payable accounts disclosed negative balances for quarters ending March 31, June 30, and September 30, 2015, to wit:

Table 2 – Quarterly Schedule of Remittances

Accounts	March 31, 2016		June 30, 2015		September 30, 2015	
	Amount	Date of payment	Amount	Date of payment	Amount	Date of payment
Due to PhilHealth	(5,687.50)	4/1/2015	(6,087.50)	7/1/2015	(6,962.50)	10/1/2015
Due to GSIS	(100,054.11)	5/4/2015	(99,448.33)	7/2/2015	-	-
Due to GOCC	(1,952.32)	No date	(1,952.32)	7/1/2015	-	-
Due to Pag-IBIG	(58,403.69)	4/1/2015	(63,018.89)	7/7/2015	-	-

2.3 The aforementioned negative balances arose due to the agency's practice of preparing the disbursement vouchers and check for PhilHealth, GSIS, PAG-IBIG, and Due to GOCCs, and recording the same in the books prior to recognition of the liabilities in order to make use of the NCA prior to its reversion at the end of the month.

2.4 **We recommend that Management stop the practice of drawing checks as payment for Inter-Agency Payables and recording the same prior to the recognition of the liabilities.**

2.5 Management approved the preparation of check in advance to pay GSIS, Philhealth and PAGIBIG but remitted the contributions within the applicable month. Management instructed the Chief, Administrative Office and Accountant to follow

strictly the criteria in the recognition of liabilities in order not to present inter-agency liability in negative or unusual balances.

Auditor's Rejoinder:

- 2.6 The Auditor maintains her stand that Inter-Agency Payables should be recognized first prior to the preparation of checks.

Small tangible assets were recorded as PPE

3. Items with estimated useful life of more than one year but small enough to be considered as *Property, Plant and Equipment* totaling ₱227,690.19 were not recorded as *Inventories* resulting in the overstatement of *PPE, Depreciation Expense and Accumulated Depreciation* accounts by ₱42,045.67, ₱12,726.68 and ₱185,644.52, respectively. Likewise, *Office Supplies Expense* account is understated by ₱227,690.19 representing the issuance of said inventories, the net effect of which is the overstatement of *Accumulated Surplus* by ₱214,963.51 (₱227,690.19 less ₱12,726.68) contrary to COA Circular No. 2005-002.

3.1 COA Circular No. 2005-002 states that “*small tangible items with estimated useful life of more than one year but small enough to be considered as PPE shall be recorded as inventories upon acquisition and expense upon issuance. Only items classified as PPE shall be subject to depreciation.*”

3.2 COA Circular No. 97-005 dated July 1, 1997 also provides that “*in order to maintain adequate control over furniture, fixtures, equipment, books and work animals costing below ₱10,000.00 per unit of item shall be recorded and classified as Inventories-Semi-expendable Property. For monitoring, control and accountability of the above subject item, an Inventory Custodian Slip (ICS) shall be prepared upon issuance of small tangible items covered by an approved Requisition and Issue Slip (RIS).*”

3.3 Verification of the schedule of Property, Plant and Equipment as of December 31, 2015 disclosed that small tangible items with useful life of more than one year with original cost of less than ₱10,000.00 each unit were included therein and subjected to depreciation contrary to COA Circular No. 2005-002 and 97-005. The summary of inventory items classified as PPE is presented below in Table 3:

Table 3-Inventory Items Classified as PPE

Accounts	Acquisition cost	Depreciation CY 2015	Accumulated Depreciation CY 2015	Carrying Value CY 2015
Office Equipment	₱ 13,654.14	-	₱ 12,971.42	₱ 682.72
IT Equipment and Hardware	5,900.00	-	5,605.00	295.00
Other Machinery and Equipment	22,503.85	-	21,378.64	1,125.21
Furniture and Fixture	185,632.20	₱ 12,726.68	145,689.46	39,942.74
Total	₱ 227,690.19	₱ 12,726.68	₱ 185,644.52	₱ 42,045.67

3.4 This resulted in the overstatement of the *PPE and Depreciation Expense* account by ₱42,045.67 and ₱12,726.68 respectively. Likewise, *Office Supplies Expense* account is understated by ₱227,690.19 representing the inventories that were already issued. The net effect of which the overstatement of Accumulated Surplus by ₱214,963.51.

3.5 We recommended and Management agreed to:

a. Instruct the Accountant to recognize small tangible items as inventory items upon purchase and expense upon issuance. Prepare journal entry voucher (JEV) to adjust the affected accounts; and

b. Prepare Inventory Custodian Slip (ICS) for the small items issued to agency personnel to establish accountability for these items.

3.6 Management instructed the Accountant to reclassify the inventory items included as Property, Plant and Equipment (PPE) and prepare the schedule as attachment to the JEV. Also, Management instructed the Property Officer to prepare Inventory Custodian Slip (ICS) to concerned employees for the small items issued, in coordination with the Accountant.

Unsubmitted contracts for mandatory COA review – ₱1,105,731.41

4. Copies of approved purchase orders and contracts with aggregate amount of ₱1,105,731.41 were not forwarded to the auditor contrary to the provisions of COA Circular No. 2009-001, thus auditorial review could not be undertaken.

4.1 Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009, states that:

“Within five (5) working days from execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government owned or controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. xxx”

4.2 Section 3.2.1 of the same Circular also provides that:

“A copy of any purchase order irrespective of amount and each and every supporting document, shall, within five (5) days from issuance thereof, be submitted to the Auditor concerned. xxx”

4.3 During the year, the PNVSCA had 30 purchase orders (Annex C) amounting to ₱599,761.41 for deliveries of goods and services in connection with its operations. In addition to these, four contracts (Annex D) amounting to ₱505,970.00 were entered into with private individuals and entities for consultancy services and development of information technology of Volunteer Management Information and Development Systems (VMIDS). Copies of these contracts and purchase orders were not, however, furnished the COA Auditor.

- 4.4 This is contrary to the provisions of the aforementioned COA Circular. As a result, the auditor was precluded from conducting the necessary evaluation particularly on the legal aspect of the contract and the reasonableness of the cost.
- 4.5 We recommended and Management agreed to submit copies of purchase orders and contracts with all the supporting documents to the auditor within the prescribed period in order to facilitate review and evaluation thereon as required under COA Circular No. 2009-001.
- 4.6 Management furnished the Office of the Auditor copies of approved purchase orders and contracts amounting to ₱100,000.00 and above thru email. Management likewise instructed the Chief, Administrative Office and Accountant to furnish the Auditor with approved contracts, effective immediately.

Programs/Projects Evaluation based on the Major Final Outputs (MFOs)

5. Evaluation of actual accomplishments of the agency vis-à-vis identified performance indicators under the MFO 1 showed that the agency favorably surpassed its target, as shown in Table 4 below:

Table 4 – Programs/Projects Evaluation based on MFO

Key Programs/Activities/ Projects and Performance Indicator	Target	Actual	Percentage of Accomplishment
<i>MFO 1: Volunteer Program Planning/ Programming/Monitoring and Evaluation Services:</i>			
No. of Projects Assisted	600	596	99.33%
% of stakeholders who rate the service as good or better	85%	100%	118%
% of requests for assistance that are responded to within 24 hours	85%	99.7%	117%

- 5.1 The GAA for FY 2015 provided the Agency with one Major Final Output and a budget of ₱9,350,000.00.
- 5.2 The Volunteer for Information and Development Assistance (VIDA) is a major component of the Volunteer Information and Support Service under the agency's Major Final Output (MFO) whereby a total of 117 VIDA volunteers were deployed in 2015 for the continuance of the development projects of 41 local partner institutions (LPIs) in their communities. The volunteers were assigned to 27 provinces across 12 regions in the Philippines as shown in Table 5:

Table 5- Location and number of Vida Volunteers

Regions	No. of Volunteers Validated
Region 3	5
CALABARZON	10
NCR	20
MIMAROPA	2
Region 5	14
Region 7	1
Region 8	16
Region 9	10
Region 10	13
Region 11	12
Region 12	4
ARMM	10
Total	117

Status of Settlement of Audit Suspension and Disallowances

6. No audit suspension, disallowance or charge was issued in CY 2015. The ₱58,868.15 balance of disallowance as of December 31, 2015 pertains to previous years' disallowances which has remained unsettled for several years now.
 - 6.1 The said disallowances have been lifted per NGAO 1 Decision No. 2000-049 and forwarded to the Commission Proper for review and approval. To date, the Agency has not yet received any feedback or reply on their follow-up letter dated 12 November 2014 sent to the COA regarding finality of the decision.

Gender and Development (GAD)

7. The agency formulated plans for GAD with a budget of ₱756,120.00 of which the amount of ₱740,097.22 was actually spent. Presented in Table 6 are the GAD attributed projects.

Table 6- GAD Projects

GAD Mandate/ Gender Issue	Relevant Agency MFO/PAP	GAD Activity	Actual Results (Outputs/ Outcomes)	Actual Cost/ Expenditures
Client Focused				
Adopt GAD as a cross cutting theme in the national and international volunteer programs	Development and Coordination of the National Volunteer Service Program	Provision of direct volunteer assistance to GAD-related projects.	GAD integrated in the Foreign Volunteer Deployment Framework (FVDF)	

GAD Mandate/ Gender Issue	Relevant Agency MFO/PAP	GAD Activity	Actual Results (Outputs/ Outcomes)	Actual Cost/ Expenditures
		Assignment of Volunteers for Information and Development Assistance (VIDA) volunteers in projects with GAD components.	16 out of 117 VIDA volunteers were involved in GAD related programs and projects corresponding to 103 volunteers months.	₱350,220.00
		Inclusion of GAD in the foreign volunteer deployment used in programming and assessing request for foreign volunteer assistance.	100% of foreign volunteer sending organizations adopted GAD as a cross cutting theme in their volunteer deployment which adopted the FVDF.	340,200.00
Client Focused	Development and Coordination of the National Volunteer Service Program	Purposive assistance session on GAD in the VIDA Orientation Seminar	One orientation session on PWDs, senior citizens, and GAD on November 25 participated in by 25 volunteers	22,177.22
			33 IO for volunteers conducted and 14 co-management meetings and turn-over ceremonies conducted.	7,500.00
Organization Focused	Low appreciation of GAD concerns among Agency officials and staff	General Administration and Support	GAD Awareness forum, training and team building	178 LPis and assigned volunteers were oriented.
			PNVSCA personnel appreciated GAD practices in the work place.	20,000.00
Total				₱740,097.22

Program/Project Related to Senior Citizens and Persons with Disability

8. The PNVSCA undertook projects and activities for the senior citizens and persons with disability (PWDs) without plans and projects formulated.

- 8.1. Section 35 of the General Provisions of the General Appropriations Act, FY 2015 (RA No. 10651), states that *all agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities.*
- 8.2 The PNVSCA spent ₱165,592.22 on the projects concerning senior citizens and persons with disability. These expenses were mainstreamed on the activities of the VIDA volunteers.
- 8.3 The 2015 Accomplishment Report and actual expenses of the Agency relative to Senior Citizens and Persons with Disability were as follows:

Table 7 - Accomplishment Report and Actual Expenses

Program/Activity	Accomplishments	Actual Expenditures
1. Deployment of volunteers from (VIDA) and International Volunteers	<ul style="list-style-type: none"> • 23 foreign volunteers assisted in the programs and projects in support of senior citizens and PWDs. • 9 VIDA volunteers provided support to PWDs in Quezon and Laguna, and the elderly in Quezon City and Surigao del Sur. • Coordinated capacity building activities aimed at strengthening training programs and improving special delivery to senior citizens and PWDs. 	<p>₱ 15,400.00</p> <p>22,500.00</p> <p>105,515.00</p>
2. Conducted VIDA Orientation Training	<ul style="list-style-type: none"> • 25 VIDA volunteers participated in orientation training on working with the senior citizens and PWDs. Included in the discussion were international and national policies adopted by the Philippines in promoting and protecting the PWDs and the elderly. 	<p>22,177.22</p>
Total Expenses		₱ 165,592.22

8.4 With the assistance of VIDA volunteers the Agency was able to provide support to the senior citizens and the differently-abled persons in various places.

8.5 In order to pursue this project better we recommend that Management formulate plan and projects concerning senior citizen and PWDs, and allocate budget thereof as provided for under Section 35 of the General Provisions of the 2015 GAA.

Compliance with Tax Laws

9. As of December 31, 2015, the agency has a balance of ₱84,089.09 under Due to BIR account. The amount represented income tax withheld from officers and employees in relation to CNA Incentives which was remitted to BIR on January 4, 2016.

Compliance with GSIS Premium Deductions and Remittances (RA 8291)

10. The PNVSCA regularly remitted all GSIS premium contributions, loan amortizations, premium payments and other amounts due the GSIS within the deadline as required leaving no balance as of December 31, 2015.

Priority Development Assistance Fund and Disbursement Acceleration Program

11. The agency has not received any fund coming from the Priority Development Assistance Fund (PDAF) and Disbursement Acceleration Program (DAP) for CY 2015 as borne by the agency's record.