



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

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

July 27, 2021

THE BOARD OF DIRECTORS

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



Gentlemen/Mesdames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Philippine Charity Sweepstakes Office (PCSO)**, for the years ended December 31, 2020 and 2019.

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

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

1. The inclusion of an accrual for the 2020 Performance-Based Bonus (PBB) in the total amount of P24.504 million despite the absence of legal basis, hence not a valid obligation, resulted in the overstatement of the Financial Liabilities-Accounts Payable (FL-AP) and Other Bonuses and Allowances accounts by the same amount. Likewise, the faithful representation in the financial statements as of December 31, 2020 of the FL-AP account amounting to P8.488 billion could not be established due to the following, contrary to Qualitative Characteristic (QC)12, QC15 and QC26 of the Conceptual Framework for General Purpose Financial Reporting (CFGPFR) and Paragraph 15 of the Philippine Accounting Standards (PAS) 1:
 - a. A discrepancy of P133.991 million existed between the balances of the Vouchers Payable – Charity Fund (VP-CF) account per General Ledger (GL) of P1,114.104 million and per supporting schedules of P980.113 million;

- b. Non-maintenance of Subsidiary Ledger (SL) for each creditor that would support the GL balances as of December 31, 2020 of the VP-CF account amounting to P1,114.104 million as well as the AP-Miscellaneous account in the amount of P6.976 billion; and
 - c. Existence of P127.647 million and P2.195 billion liabilities under the VP-CF and AP-Miscellaneous accounts, respectively, that remained outstanding for more than two years, against which no actual claims had been filed.
- 2. The faithful representation in the financial statements of the balance of the Receivables - Accounts Receivable (AR) account with carrying amount of P6.297 billion as of December 31, 2020 cannot be ascertained in view of: (a) four (4) AR sub-accounts for the National Capital Region (NCR) had abnormal (credit) GL balances totaling P578.541 million; (b) balances between the GL and the submitted Aging of AR account had discrepancies of P97.285 million; and (c) four (4) AR sub-accounts totaling P47.467 million were not properly supported with complete SLs and schedules, contrary to Paragraph 15 of PAS 1 and QC26 of CFGPFR.
- 3. The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account in the amount of P14.206 billion as of December 31, 2020 was not established due to the following, contrary to Paragraph 15 of PAS 1 and QC12 of the CFGPFR:
 - a. Discrepancies of P23.778 million and P46.930 million between the results of confirmation of the active bank accounts maintained for the Operating Fund (OF) & Main Account (MA) and the Charity Fund (CF) & Prize Fund (PF), respectively, and the corresponding balances of the subject bank accounts per GL as of December 31, 2020;
 - b. Journal Entry Vouchers (JEVs) effecting the adjusting entries totaling P59.681 million representing prior years' book reconciling items noted in the bank reconciliation statements had incomplete and/or no supporting documents, contrary to QC26 of the CFGPFR; and
 - c. Three (3) bank accounts maintained with the different depository banks for the various PCSO Branches and Head Office, which were already closed per bank confirmation have remaining net abnormal or negative book balance of P20.418 million, which reduced the balance of the Cash in Bank account presented in the financial statements as of December 31, 2020 by the same amount.
- 4. The undercollection of the guaranteed shares of the PCSO from the sales of the Instant Sweepstakes tickets for CY 2020 amounting to P62.087 million was not recognized in the books resulting in the understatement of the AR and Income accounts by the same amount, contrary to Paragraphs 4.4 and 4.44 of CFGPFR.

For the afore-stated observations, which caused the issuance of a qualified opinion, we recommended that Management:

- 1.1. Direct the Accounting and Budget Department (ABD) and Charity Assistance Department (CAD) personnel to conduct immediate reconciliation of their records in order to determine the cause/s of the noted discrepancy of P133.991 million and effect necessary adjustment or correction in the affected records.
- 1.2. Direct the ABD to:
 - a. Reverse the accrual made for the 2020 PBB totaling P24.504 million and, henceforth ensure that recorded liabilities are bonafide obligations of the PCSO and properly authorized in accordance with Paragraph 4.46 of the CFGPFR.
 - b. Maintain an SL for each creditor to support the P1,114.104 million and P6.976 billion GL balances of the VP-CF and AP-Miscellaneous accounts, respectively.
 - c. Evaluate thoroughly the validity of the VP-CF and AP-Miscellaneous accounts in the amounts of P127.647 million and P2.195 billion, respectively, which remained outstanding for more than two years, against which no actual claims had been filed and, if found not valid, revert the amount to the Retained Earnings account.
- 2.1. Require the concerned ABD personnel to:
 - a. Conduct thorough evaluation/analysis of the transactions relating to the receivable accounts with abnormal (credit) balances to determine the cause/s thereof and to effect the necessary adjusting entries to fairly present the balance of the AR in the financial statements.
 - b. Reconcile the GL balances of the AR sub-accounts with the corresponding Aging schedules to pinpoint the reason for the noted discrepancies and take appropriate action accordingly.
 - c. Maintain complete SLs and prepare schedules of the AR sub-accounts totaling P47.467 million, and submit the same to the Audit Team for verification/validation.
- 3.1. Instruct the concerned ABD personnel to:
 - a. Conduct further verification/reconciliation/analysis of the remaining long outstanding book reconciling items as well as the current year's unrecorded fund transfers and effect the necessary adjusting entries accordingly to reconcile the balances of the Cash in Bank account with the balances per bank;

- b. Submit the complete supporting documents for the P59.681 million adjustments effected on the Cash in Bank account, and henceforth, ensure that all JEVs are properly supported with complete documentation; and
- c. Exert all efforts to investigate the cause/s of the remaining balances of the closed bank accounts and effect the necessary adjustments to fairly present the balance of the Cash in Bank account in the financial statements.

4.1. Require the ABD to:

- a. Recognize in the books the undercollection of the 13 per cent guaranteed shares from the sales of the Instant Sweepstakes for CY 2020 in accordance with the IRR for the ISP; and
- b. Collect from the Authorized Distributor the unremitted shares of the PCSO amounting to P24.212 million so that it could be utilized for the various charity programs of the PCSO.

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

- 5. Disbursements in the total amount of P154.212 million, representing payments made to the Philippine Television Network, Inc. (PTNI) for the airtime, production, technical equipment, microwave transmission facility and post production of the PCSO's lottery draws were not properly supported with a Memorandum of Agreement (MOA), which was not in accordance with the procedure for an Agency to Agency mode of procurement provided under Annex H of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, or the government procurement law.
- 5.1. We recommended that Management: (a) ensure compliance with the provisions embodied under Annex H to the 2016 RIRR of RA No. 9184, particularly on the Agency to Agency mode of procurement; and (b) execute immediately a MOA with the PTNI to protect the best interest of the PCSO.
- 6. The implementation of the Medical Transport Vehicle Donation Program (MTVDP), particularly those pertaining to the Emergency Medical Service Vehicles (EMSVs) and Patient Transport Vehicles (PTVs) released to the approved beneficiaries/recipients during CYs 2019 and 2020 disclosed the following deficiencies:
 - a. Forty-five (45) units EMSV were purchased upon the approval of the PCSO Board despite that only 42 beneficiaries were identified and approved by the same Board, resulting in excess purchases of three (3) units costing P7.044 million that remained idle and not put into productive use as of December 31, 2020;
 - b. Beneficiaries of the 42 units EMSV did not submit the proof of registration with the Department of Health (DOH) as Ambulance Service Provider

(ASP), contrary to the requirement under Section XII (A.3) of the Guidelines for the PCSO MTVDP, casting doubt on whether the donated EMSVs have been approved as ambulances; and

- c. The release of the 293 units of PTV amounting to P464.423 million were not supported with the grant release documentations to prove that these units were turned over and accepted by the beneficiaries, contrary to Section XI (4) of the Guidelines for the MTVDP.

6.1. We recommended that Management:

a. Direct the CAD to:

- a.1 Ensure that the implementation of the MTVDP is well-planned and coordinated to avoid over procurement and where the items are not put into productive use, resulting in waste of government resources;
- a.2 Cause the immediate submission by the 42 beneficiaries of the EMSVs of the required proof of registration with the DOH as ASP, otherwise, impose the sanctions provided under Section XII (A.3) of the Guidelines for the PCSO MTVDP; and
- a.3 Cause the submission of the grant release documentations for the 293 units of PTV as required under Section XI (4) of the Guidelines for the MTVDP.

- b. Require the ABD to ensure that the JEVs relating to the release of donated PTVs are duly supported with complete documentation.

7. The PCSO disbursed/paid the amount of P95.107 million for its Special Share to the PCSO-Provident Fund, despite the disbursements/payments made thereto in previous years had been disallowed in audit and the yearly proposed budget therefor from CYs 2012 to 2020 has been consistently disapproved by the Department of Budget and Management (DBM) for want of legal basis.

7.1 We recommended that Management discontinue the payment/disbursement of Special Share to the PCSO Provident Fund and cause the immediate refund of the P95.107 million paid in CY 2020, to avoid accumulation of disallowance in audit.

8. The Financial Assistance granted to PCSO officials, employees, BOD, Job Order (JO) workers and Confidential Agents (CAs) in the total amount of P61.330 million was bereft of legal basis, thus considered an irregular expenditure as defined under Section 3.0 of COA Circular No. 2012-003 dated October 29, 2012.

8.1 We recommended that Management:

- a. Submit approval of the OP on the financial assistance granted to officers, employees, BOD, JO workers and CAs in the total amount of P61.330

million; otherwise, the same shall be disallowed in audit pursuant to COA Circular No. 2012-003 dated October 29, 2012; and

- b. Henceforth, exercise at all times the diligence of a good father of a family in running the affairs of the PCSO by ensuring that disbursements of government's funds are clothed with pertinent legal basis.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 2, 2021 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.


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

We acknowledge the support and cooperation extended to the Audit Team by the PCSO Management, thus facilitating the submission of the report.

Very truly yours,

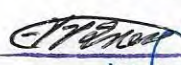
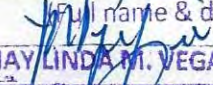
COMMISSION ON AUDIT

By:


TERESITA A. PAJARA
Director III
Officer-in-Charge

Copy furnished:

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

Initiated/Drafted by	_____
	(Full name & designation)
Typed	 _____
	(Full name & designation)
Reviewed by	 _____
	MAY LINDA M. VEGAFRIA
	(Full name & designation)
Director/Officer-in-Charge	_____
	(Full name)



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

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

July 27, 2021

Ms. ROYINA M. GARMA
General Manager
Philippine Charity Sweepstakes Office
Sun Plaza Building
1507 Shaw Boulevard corner Princeton Street,
Mandaluyong City



Dear General Manager Garma:

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- b. Submit the complete supporting documents for the P59.681 million adjustments effected on the Cash in Bank account, and henceforth, ensure that all JEVs are properly supported with complete documentation; and
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(ASP), contrary to the requirement under Section XII (A.3) of the Guidelines for the PCSO MTVDP, casting doubt on whether the donated EMSVs have been approved as ambulances; and

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- a.3 Cause the submission of the grant release documentations for the 293 units of PTV as required under Section XI (4) of the Guidelines for the MTVDP.

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7. The PCSO disbursed/paid the amount of P95.107 million for its Special Share to the PCSO-Provident Fund, despite the disbursements/payments made thereto in previous years had been disallowed in audit and the yearly proposed budget therefor from CYs 2012 to 2020 has been consistently disapproved by the Department of Budget and Management (DBM) for want of legal basis.

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8. The Financial Assistance granted to PCSO officials, employees, BOD, Job Order (JO) workers and Confidential Agents (CAs) in the total amount of P61.330 million was bereft of legal basis, thus considered an irregular expenditure as defined under Section 3.0 of COA Circular No. 2012-003 dated October 29, 2012.

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million; otherwise, the same shall be disallowed in audit pursuant to COA Circular No. 2012-003 dated October 29, 2012; and

- b. Henceforth, exercise at all times the diligence of a good father of a family in running the affairs of the PCSO by ensuring that disbursements of government's funds are clothed with pertinent legal basis.

The observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 2, 2021 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.


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

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

Very truly yours,

COMMISSION ON AUDIT

By:


TERESITA A. PAJARA
Director III
Officer-in-Charge

Copy furnished:

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

(Name of the Agency and Address)

**AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 20XX
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sig-off:

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed