

COMMISSION ON AUDIT  
OFFICE OF THE SUPERVISING AUDITOR  
Philippine Charity Sweepstakes Office

RECEIVED

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BY: S. A. Tan TIME: 11-6-24

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# AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

Audit Observations and Recommendations

For the Calendar Year 2023

As of October 31, 2024

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
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		c) Provide a guideline/policy in implementing the charging of liabilities against AACs' cash bond, as well as, the forfeiture of their cash bond in line with Sections 15.d(ii), 19.i(ii) and Paragraph 2(b) Section 26 of the 2020 RIRR for STL, with timelines for each procedure to meet the purpose of the cash bond as performance security;					Not implemented		The guidelines on the process of cash bond forfeiture have already been crafted by the BOS and is currently under review.
		d) Demand the immediate collection of the remaining liabilities from the terminated AAC amounting P121.556 million that can no longer be covered by its cash bond; and					Not implemented		BOS is currently practicing monthly collection of the CY2024 Excess Prize Fund to avoid the accumulation of liabilities.  Please see Annex F: Status of Cash Bond of AACs Withdrawn from Agency Agreement and Terminated AACs and Outstanding Receivables.
		e) Ensure the strict compliance with Sections 15.d (ii) and 19.i (ii) and Paragraph 2(b) Section 26 of the 2020 RIRR for STL on the charging of AACs liabilities against their respective cash bond and the forfeitures of					Not implemented		The PCSO assures compliance with the provisions of Sec. 15 d(ii) and 19(ii) and paragraph 2(b) Section 26 of the 2020 RIRR for STL.

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		cash bond to protect the interest of PCSO.																						
2023 AAR AO No. 2, p. 108	The balance of Prizes-STL-Lower Prize 10,000 and Below expense account for calendar year 2023 totaling P9.910 billion was overstated by P71.394 million due to (a) erroneous recognition of STL Prize Fund expense account on the over remittance of the excess Net Prize Fund (NPF) by Authorized Agent Corporations totaling P22.068 million and (b) understatement of excess NPF recorded by the Accounting and Budget Department totaling P49.326 million; thus, resulting in the understatement of the Retained Earning-Prize Fund, Accounts Receivable and Other Payable account by P71.394 million, P72.057 million and P0.663 million, respectively, contrary to Paragraph 15 of Philippine Accounting Standard 1.	Direct the ABD personnel to:  a) Prepare the necessary adjusting entry by debiting Accounts Receivable account by P72.057 million, and crediting Retained Earnings-Prize Fund and Other Payable account by P71.394 million and 0.663 million, respectively, to correct balance of the subject accounts; and	For compliance to COA recommendation.	ABD	June 1, 2024	July 31, 2024	Fully Implemented		ABD has already complied with the COA's recommendation to prepare the necessary adjusting entries to correct the balances of the affected accounts. Below is the list of JEVs related to the involved accounts. <table><tr><th>JEV No.</th><th>Amount</th><th>Particulars</th></tr><tr><td>24061366</td><td>77,784,266.98</td><td>To record the understatement of the CY2023 excess prize fund of various AACs per COA recomputation.</td></tr><tr><td>24061367</td><td>28,472,596.34</td><td>To record the understatement of the CY2023 excess prize fund of various AACs per COA recomputation.</td></tr><tr><td>24061368</td><td>22,067,673.52</td><td>To record over-remittance of Excess PF/possible refund to AACs per recomputation.</td></tr><tr><td>24061369</td><td>663,224.56</td><td>To record over-remittance of Excess PF/possible refund to AACs</td></tr></table>	JEV No.	Amount	Particulars	24061366	77,784,266.98	To record the understatement of the CY2023 excess prize fund of various AACs per COA recomputation.	24061367	28,472,596.34	To record the understatement of the CY2023 excess prize fund of various AACs per COA recomputation.	24061368	22,067,673.52	To record over-remittance of Excess PF/possible refund to AACs per recomputation.	24061369	663,224.56	To record over-remittance of Excess PF/possible refund to AACs
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	Bank-CF and Retained Earnings-CF were overstated, and the accounts Cash-in-Bank-PF and Accounts Payable-Miscellaneous-PF were understated, each by P10.908 million due to the discrepancy in reporting amount of forfeited prizes between accounting records and the Data Center Division for the month of February 2023 by P10.908 million as at December 31, 2023, contrary to Section 6(A) of Republic Act No. 1169, as amended, and Paragraph 15 of the Philippine Accounting Standard 1.	<p>PF account amounting to P10.908 million pertaining to the overstatement of the forfeited prizes;</p> <p>c) Direct the ABD to effect the necessary adjustments in the books to correct the overstatement of the Cash-in-Bank-CF account and RE-CF account both by 10.908 million and the understatement of Cash-in-Bank-PF account and Accounts Payable-Miscellaneous-PF also both by P10.908 million; and,</p> <p>d) See to it that measures are in place both in DCD and ABD to ensure the correctness and completeness of data on forfeited prizes.</p>					<p>Fully implemented</p> <p>Fully implemented</p>	<p>Charity Fund for the forfeited prizes from January to March 2024. The fund transfer was recorded on August 31, 2024, under JEV No. 24081738.</p> <p>ABD has adhered to the COA's recommendation and recorded the adjustment entries under GJ Nos. 24030439 and 24030555 on March 31, 2024, amounting to P10,908,360.00.</p> <p>The ABD instructing the DCD through meeting to correct and strictly follow the existing internal controls and policies and always exercise due diligence to ensure the accurate preparation and on-time submission of all DCD reports.</p>	
2023 AAR AO No. 4, p. 117	The fair presentation of the Accounts Payable (AP) totaling P10.052 billion as at December 31, 2023 could not be ascertained due to: (a) Non-maintenance of Subsidiary Ledger for each	<p>Direct the concerned ABD personnel to:</p> <p>a) Prepare SL per payee/creditor to support the balance of AP-Miscellaneous</p>	To comply with COA recommendations	ABD	January 1, 2023	Ongoing	Not implemented		There were already adjustments made and presented during the Exit Conference.

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	payee/creditor to support the General Ledger balances of the AP-Miscellaneous accounts amounting to P8.758 billion; (b) Discrepancies between the balances per PCSO books and the supporting schedules of the AP accounts in total amount of P332.399 million; (c) Existence of long outstanding payables in the total amount of P3.367 billion; and (d) Existence of abnormal/debit balances of AP accounts in the total amount of P88.120 million, contrary to Paragraph 15 of the Philippine Accounting Standard 1.	<p>accounts totaling P8.758 billion and to reflect the correct balance of outstanding payable per payee/creditor;</p> <p>b) Analyze and determine the causes of the discrepancies totaling P332.399 million between the balances of PCSO books and the supporting schedules, and prepare the necessary adjusting entries;</p> <p>c) Verify the validity of the long outstanding AP totaling P3.367 billion and prepare the necessary adjusting entries; and</p> <p>d) Analyze the abnormal/debit balances of the AP accounts in total amount of P88.120 million and book up the necessary adjusting entries.</p>					<p>Not implemented</p> <p>Not implemented</p> <p>Not implemented</p>	<p>The ABD is diligently exerting effort to establish individual SL (per payee/creditor) to support the GL balances.</p> <p>There is a close coordination with the Branches regarding this matter.</p>	
2023 AAR AO No. 5, p. 125	The faithful representation in the financial statements of the balance of the Accounts Receivable (AR) with a carrying amount of P4.298 billion as at December 31, 2023 cannot be ascertained in	<p>Direct the concerned personnel of the ABD and BOS to:</p> <p>a) Conduct a thorough examination to determine the causes of</p>	For compliance with COA recommendations	<p>ABD</p> <p>Branch Operations Sector (BOS)</p>	January 1, 2023	Ongoing	<p>Not implemented</p>	<p>A Reconciliation Team has been created to address the issue of discrepancies on the AR balances between GL and SL balances, as well as the Schedule of AR Balances with Aging.</p>	

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	view of (a) Unreconciled balances of AR in the General Ledger and the Subsidiary Ledger or the Schedule of AR with Aging report amounting to P389.732 million and P(2.389) million, respectively, (b) two (2) AR sub-accounts had abnormal (credit) balances amounting to P(1.610) million, (c) three (3) AR sub-accounts were not provided with allowance for impairment loss and (d) the accounting policy of PCSO on the age classification of outstanding receivables was not uniformly adopted and applied contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) No. 1, Paragraph 9 of PAS No. 36 and Paragraph 5.5.15 (a) of the Philippine Financial Reporting Standards No. 9 on the Expected Credit Loss model.	<p>the unreconciled balance of P389.732 million and P(2.389) million, respectively, between AR balance per GL and the SL/Schedule of AR with Aging Report and make the necessary adjustments duly supported with reliable financial records;</p> <p>b) Effect the necessary adjusting entries on the abnormal (credit) balances totaling P1.610 million which pertained to prior years' errors in posting.</p> <p>c) Ensure that the allowance for impairment loss on all financial assets that are already past due for two to three years and onwards is provided in compliance with Paragraph 9 of PAS No. 36 and is uniformly adopted and applied by the ABD and BOS, and uniformly adopt the PCSO accounting policy on the age classification of outstanding receivables to ensure reliability in the</p>					<p>Not implemented</p> <p>Fully implemented</p>	<p>Attached as Annex E is an update (in the form of worksheet) along with the reconciliation conducted on several items of AR accounts.</p> <p>PCSO has undertaken quarterly review and ageing of receivables to ensure that accounts are fully provided with allowance for impairment in accordance with the Agency's policy.</p>	

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		measurement of impairment loss allowances for financial assets.																			
2023 AAR AO No. 6, p. 130	The faithful representation in the financial statements of the balance of the Property, Plant and Equipment (PPE) account with a carrying amount of P5.859 billion as at December 31, 2023, excluding Land and Other Land Improvements accounts was not established due to unaccounted discrepancy of P130.413 million and P207.396 million, respectively, when compared with the balance per Lapsing Schedules/PPE Ledger Cards and the Report on the Physical Count of PPE of the Head Office and various Branch Offices, thus affecting the fair presentation of the balance of the account in the Financial Statements contrary to Paragraph 15 of the Philippine Accounting Standard No. 1 and Section 6.3 of COA Circular No. 2020-006 dated January 31, 2021.	<p>Direct the concerned ABD personnel to:</p> <p>a) Conduct an immediate reconciliation of the balances of the items of PPE per books with the balances in the corresponding lapsing schedules/PPELCs to determine the causes of the discrepancy of P130.413 million as at December 31, 2023;</p> <p>b) Coordinate with the concerned ASMD personnel and conduct immediate reconciliation of the balances of the items of PPE per books with the balances per RPCPPE as at December 31, 2023 in order to determine the causes of the discrepancy of P207.396 million and conduct an investigation considering the balance per book is greater than actual physical count which may indicate missing items of PPE; and</p>	To comply with COA recommendations	ABD Assets and Supply Management Department (ASMD)	August 13, 2024	Ongoing	Not implemented		<p>On August 13, 2024, the PCSO established the Inventory Committee (IC) to oversee all activities related to the one-time cleansing of PPE. General Manager Melquiades A. Robles approved the Physical Inventory Plan (PIP) based on the IC's recommendation. The committee has been conducting a physical inventory of PPE at the head office and various branches. As of November 5, 2024, the inventory process is scheduled to be completed by the end of November 2024, in accordance with the PCSO's PIP.</p> <p><b>SUMMARY OF ONE-TIME CLEANSING ACTIVITY</b></p> <table><tr><th>DATE</th><th>ACTIVITY</th></tr><tr><td>13 August 2024</td><td>Creation of Inventory Committee thru Special Order No. 2024-745 (Please see attached Annex A)</td></tr><tr><td>13 September 2024</td><td>Request for Approval of Physical Inventory Plan (PIP) for the Conduct of One-Time Cleansing thru Memorandum No. 2024-09-001</td></tr><tr><td>17 September 2024</td><td>Endorsed and submitted the Approved PIP to COA</td></tr><tr><td>23 September 2024</td><td>Dissemination of Physical Inventory Schedule to all PCSO Offices, Departments and Units thru Memorandum No. 2024-09-002</td></tr><tr><td>23 September 2024</td><td>Provision of Approved PIP copy and Physical Inventory Schedule Branch Operations Sector (BOS) thru Memorandum No. 2024-09-003</td></tr></table>	DATE	ACTIVITY	13 August 2024	Creation of Inventory Committee thru Special Order No. 2024-745 (Please see attached Annex A)	13 September 2024	Request for Approval of Physical Inventory Plan (PIP) for the Conduct of One-Time Cleansing thru Memorandum No. 2024-09-001	17 September 2024	Endorsed and submitted the Approved PIP to COA	23 September 2024	Dissemination of Physical Inventory Schedule to all PCSO Offices, Departments and Units thru Memorandum No. 2024-09-002	23 September 2024	Provision of Approved PIP copy and Physical Inventory Schedule Branch Operations Sector (BOS) thru Memorandum No. 2024-09-003
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		c) Effect the necessary adjustments in the books or corrections in the lapsing schedule and RPCPPE to arrive at reconciled balances.							24 September 2024	Provision of Approved PIP copy and Physical Inventory Schedule to Internal Audit Services (IAS) thru Memorandum No. 2024-09-004
									24 September 2024	Provision of Approved PIP copy and Physical Inventory Schedule Accounting and Budget Department (ABD) thru Memorandum No. 2024-09-005
									24 September 2024	Letter to COA Informing the Commencement of Physical Inventory Taking and the scheduled activity and request for the presence of COA representative to witness the Inventory Taking Activities.
									26 September 2024	Notice of the Conduct of Daily Meeting to Discuss the Inventory Taking Activity concerns in the Main Office.
									04 October 2024	Letter to COA, reiterating the request for COA representative to witness the Inventory Taking Activities for each team.
									10 October 2024	Dissemination of Information to concerned Offices, Departments and Branches re: Revised PIP Schedule at the PCSO Branch Offices thru Memorandum No. 2024-09-006
									15 October 2024	Dissemination of Information to concerned Offices, Departments and Branches re: Revised and Final PIP Schedule at the PCSO Branch Offices as per instruction of AGM for Administrative Sector thru Memorandum No. 2024-09-007

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2023 AAR AO No. 7, p. 130	The accounts Leased Assets, Buildings and Other Structures, Finance Lease Payable, Depreciation Expense, Accumulated Depreciation, Interest Expense and Interest Payable were understated by P0.634 million, P0.634 million, P95,959, P95,959, P356,156 and P356,156, respectively, thus, affecting the fair presentation of these accounts in the financial statements due to misapplication of the Philippine Financial Reporting Standard No. 16 for the lease of GSIS Pasig Central Business Park Warehouse Office Complex.	Direct the concerned ABD personnel to effect the necessary adjusting journal entries to correct the understatement of the accounts Leased Assets, Buildings and Other Structures, Finance Lease Payable, Interest Expense, Depreciation Expense and Accumulated Depreciation in the amount of P0.634 million, P0.634 million, P356,156, P356,156, P95,959 and P95,959, respectively.	For compliance with COA recommendation	ABD	June 5, 2024	July 31, 2024	Fully implemented		Corrected and taken in the books on June 10, 2024 with the following JEVs. <table><tr><th>JEV No.</th><th>Amount</th><th>Particulars</th></tr><tr><td>24061157</td><td>633,670.55</td><td>To record adjustments on Finance Lease Asset and Liability of Rentals for the lease of PCBP warehouse for the year 2023.</td></tr><tr><td>24061158</td><td>95,959.07</td><td>To record the adjustments on Depreciation of Leased Assets (GSIS Building) for the year 2023.</td></tr><tr><td>24061159</td><td>356,155.60</td><td>To record adjustment on Lease payment (GSIS Building) for the period July 18 - December 18, 2023.</td></tr></table>	JEV No.	Amount	Particulars	24061157	633,670.55	To record adjustments on Finance Lease Asset and Liability of Rentals for the lease of PCBP warehouse for the year 2023.	24061158	95,959.07	To record the adjustments on Depreciation of Leased Assets (GSIS Building) for the year 2023.	24061159	356,155.60	To record adjustment on Lease payment (GSIS Building) for the period July 18 - December 18, 2023.
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2023 AAR AO No. 8, p. 140	Finance Lease Payable was not properly classified and presented as Current and Non-Current Liabilities in the Statement of Financial Position as at December 31, 2023 contrary to Paragraphs 60 and 69 of the Philippine Accounting Standard No. 1 on the Presentation of Financial Statements.	Instruct ABD to properly present and classify the current and non-current portion of the Finance Lease Payable as separate items in the Statement of Financial Position as required under Paragraphs 60 and 69 of PAS No. 1.	For compliance with COA recommendation	ABD	June 5, 2024	July 31, 2024	Fully implemented		Corrected and taken in the General Journal with JEV No. 24061160 dated June 10, 2024 amounting to P1,044,352,310.16.									
2023 AAR AO No. 9, p. 140	The faithful representation in the financial statements of the balance of the Play/Bet Slips and Thermal Rolls Supplies Inventories account in the amount of P59.348 million as at December 31, 2023, could not be ascertained contrary to Paragraph 15 of the Philippine Accounting Standard 1 due to the: (a) unaccounted discrepancy of P36.342 million between the balances per General Ledger and the Report on the Physical Count of Inventories (RPCI) in Luzon; and (b) absence of RPCI and Report of Supplies and Materials Issued for the supplies inventories for Visayas and Mindanao and Printing Materials amounting to P6.715 million and P360,305.02, respectively.	Require ABD and ASMD personnel to:  a) Fast tract the verification/reconciliation of records/documents for the discrepancy of P36.342 million between the GL and RPCI for Luzon and prepare the necessary adjustments or corrections in the books; and	PCSO will comply with COA recommendations	ABD  ASMD	June 1, 2024	Ongoing	Not implemented		<div>The ABD has conducted the reconciliation of P36.342 million discrepancy on the supplies inventory account. Various adjustments were also made to correct the errors made on the account, resulting to a discrepancy of P7.792 million. Below is the list of adjusting entries made:</div> <table><tr><th>JEV No.</th><th>Amount</th><th>Particulars</th></tr><tr><td>24061163</td><td>44,558,904.00</td><td>To reverse GJ No. 23091892 made last September due to double booking with accruals made in December.</td></tr><tr><td>24061164</td><td>264,558.00</td><td>To adjust the entry made last December for the November and December consumptions of Thermal rolls due to incorrect unit cost used.</td></tr></table>	JEV No.	Amount	Particulars	24061163	44,558,904.00	To reverse GJ No. 23091892 made last September due to double booking with accruals made in December.	24061164	264,558.00	To adjust the entry made last December for the November and December consumptions of Thermal rolls due to incorrect unit cost used.
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		b) Submit to the Audit Team the RPCI of Play/Bet Slips and Thermal Rolls for VISMIN and Printing Materials for Lotto with book balances of P6.715 million and P360,305.02, respectively, to determine the existence and correctness of their reported balances.			June 1, 2024	December 31, 2024	Not Implemented		24061165	19,934.00	To record inventory consumption of 4D Betslips of POSC Luzon for march 2023.
									To date, ASMD has not submitted any reports for the RPCI of Play/Bet Slips and Thermal Rolls for VISMIN for the CY2023.		
2023 AAR AO No. 10, p. 144	The faithful representation in the financial statements of the balance of the Cash and Cash Equivalents account amounting to P20.382 billion as at December 31, 2023 could not be established due various long outstanding book reconciling items totaling P19.669 million that remained unadjusted as at year-end due to absence of supporting documents and closed bank accounts still having outstanding balances in the	Direct the concerned Accounting personnel to:  a) Continue the verification of the long-outstanding book reconciling items of each bank account, thereafter, effect the necessary adjustments supported with complete documents so that the balances of the affected Cash and Cash Equivalents account in the total amount of	For the ABD to fast track identification and verification of previous year's book reconciling items and effect the necessary adjusting entries	ABD Legal Department (LD)	January 1, 2023	Ongoing	Not implemented		The ABD has again significantly addressed some long outstanding book reconciling items and caused a reduction in numbers of reconciling items.  While subject for verification, attached are updated Bank Reconciliation Statements of PCSO accounts to support reduction of long outstanding book reconciling items. Please see Annex B.		

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	validated caused by the inadequate internal control procedures on the accounting, monitoring and validating the canceled sales of lotto tickets. Likewise, the 2019 Game Rules and Regulations on the cancellation of sales of Lotto and Digit games which allows lotto agents to initiate cancelation of valid tickets of significant amounts has exposed the Agency to a material loss of funds. Hence, not in adherence to the policy of the State that government funds and property should be fully protected and conserved under Section 2 of Presidential Decree No. 1445 dated June 11, 1978, as amended.	b) Enhance the existing internal control policy and adopt measures that will ensure the accuracy, validity and reliability of the reported canceled sales to address the risk of improper cancelation of sales of lotto tickets; and  c) Conduct deeper investigation to determine the cause/s of the large amount of canceled lotto tickets and if warranted, undertake appropriate legal and/or administrative charges against those responsible of the irregularities.		ABD					
2023 AAR AO No. 12, p. 154	The non-submission of the detailed monthly Prizes and Winners Summary Report for calendar years (CY) 2018 to 2023, the delay in the submission of the monthly Inventory and Sales Report, and the incomplete submission of the Production Report and its supporting documents by the Powerball Marketing and Logistic Corporation (PMLC) for CYs 2022 and 2023, and the lack of	a) Require the PMLC to submit the PWS Reports pertaining to the five-year contract with PCSO from CY 2018 to CY 2023, including the details such as the number of winners per game variant and the amount of winnings. Henceforth, we recommend the timely submission of the monthly reports required	To comply with COA recommendations	Product and Standard Development Department (PSDD)  ABD	June 4, 2024	October 30, 2024	Fully implemented		PSDD has submitted the required documents on July 9, 2024 Memorandum to COA.

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	written approval of the PCSO on the production of 2 million tickets of Go for Gold 50 game variant constitute non-compliance of PMLC with Sections 31(b), 34, and 41 of the 2017 Revised Implementing Rules and Regulations (RIRR) for Instant Sweepstakes Program (ISP) and Section 7 of the Memorandum of Agreement between PCSO and PMLC, and inadequate program monitoring by PCSO contrary to Section 47 of the 2017 RIRR for ISP .	<p>under the approved guidelines for ISP;</p> <p>b) Require the PMLC to submit the Production Reports including its complete supporting documents pertaining to the production/re-printing of the 18 million IS tickets in CY 2022;</p> <p>c) Require ISAC the strict compliance on the approval of PCSO before the production of IS tickets; and,</p> <p>d) Impose the sanctions or remedies available in the 2017 RIRR for ISP and the MOA between PCSO and PMLC for the above stated non-compliance of PMLC.</p>					<p>Fully implemented</p> <p>Fully implemented</p> <p>Fully implemented</p>		No sanctions or remedies will be imposed on PMLC, as per the Legal Opinion issued by Legal Department. The non-compliance found by the COA is not quantifiable in character which would warrant the forfeiture of the cash bond of PMLC. Neither is there delay to warrant non-compliance by PMLC of its obligations under the MOA. Please see attached Annex D for a copy of the Legal Opinion regarding the request for the refund of Prize Fund Tax and Cash Bond of PMLC.
2023 AAR AO No. 13, p. 160	The payment of Lottery Draw Service Pay in the amount of P1.095 million to the Members of the Board of Directors who served as Lottery Business Operations Head in the PCSO Lottery Draws for Calendar Year 2023 lacks the necessary approval from the	a) Secure the approval of the GCG and the Office of the President of BR No. 0147 series of 2022 granting the lottery draw service pay to the Members of the Board of Directors in strict compliance with RA No.	That the ABD considers the COA recommendations with regards to the Lotto Draw Service Pay of the members of the Board of Directors	ABD	April 11, 2024	Ongoing	Not implemented		The Office of the President responded through a letter dated 14 March 2024 endorsing PCSO's request to the Governance Commission for GOCC's (GCG); PCSO is awaiting for GCG's response.

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	Governance Commission for GOCCs and the Office of the President contrary to Section 23 of the Republic Act No. 10149 or the "GOCC Governance Act of 2011" and Section 8, of Executive Order No. 24 dated February 10, 2011.	10149 and Section 8 of EO No. 24 to support the payment of the lotto draw service pay of P1.095 million to the Board of Directors of PCSO for the CY 2023;  b) Refrain from paying Lottery Draw Service Pay to the Members of the Board of Directors, in the absence of a legal basis; and  c) Ensure that the compensation structure for the members of the Board of Directors remain limited to the Per Diems and Performance-Based Incentives as duly provided under Section 8 of EO No. 24 dated February 10, 2011.			April 2024	May 2024	Fully implemented		The PCSO already excluded the Board of Directors from attending and participating in the Lottery Draw proceedings.   



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	COA Circular No. 97-002 dated February 10, 1997.	required under COA Circular No. 97-002 dated February 10, 1997.							Annex G) of the said memo with documentation from TD as furnished to the ABD.
2023 AAR AO No. 15, p. 163	The cash advances granted to Accountable Officer in the amount of P16.815 million for the payment of Draw Service Fee for the period June 28, 2023 to September 21, 2023 was not equal to the net amount of the payroll for the same period in the amount of P13.865 million, contrary to Section 4.2.1 of COA Circular No. 97-002 dated February 10, 1997.	COA recommends that Management direct the concerned officials and employees of the ABD and Treasury Department to grant cash advances for the payroll of Lottery Draw Service Fee equal to the net amount of payroll for a pay period in strict compliance with Section 4.2.1 of COA Circular No. 97-002 dated February 10, 1997.	That the TD will discuss with concerned staff and Managers of HRD, ABD, and GTD and eventually comply with the recommendation	ABD  TD  Human Resources Department (HRD)  Gaming Technology Department (GTG)	March 1, 2024	April 30, 2024	Fully implemented		Per Treasury Department, this has been complied with as of April 15, 2024, as all concerned Offices/Departments discussed the proper preparation of payroll for Lottery Draw Service Fee.
2023 AAR AO No. 16, p. 164	Upon ceasing to act as an accountable officer (AO), the Report of Accountability of the AO was not submitted to the Office of the Auditor which precluded the Audit Team to examine her accounts before she was relieved from her accountability contrary to COA Memorandum No. 2013-004 dated July 9, 2013 and Section 80 of Presidential Decree No. 1445.	Recommended that Management strictly comply with the provisions of COA Memorandum No. 2013-004 dated July 9, 2013 or the Revised Cash Examination Manual and Section 80 of PD 1445 on the submission of the Report of Accountability by the concerned AO upon ceasing to act as an accountable officer.	To cause the submission of the Report of Accountability by the concerned Accountable Officer upon ceasing to act as an accountable officer	ABD	March 1, 2024	April 30, 2024	Fully implemented		The COA appreciated the submission of the Report of the Accountability of Ms. Balangue on April 5, 2023 and deemed this observation with its recommendation as complied.
2023 AAR AO No. 17, p. 165	The handling, custody and disposition of the Petty Cash Fund (PCF) granted to the AO, designated as Petty Cash Fund Custodian (PCFC) , amounting to P2.674 million for the period February 7, 2023 to September 25, 2023	Ensure that the duly designated PCFC, shall perform the disbursing functions. He/she shall be responsible for the proper handling, custody and disposition of the PCF and the proper recording and	To fully comply with COA recommendation.	ABD	March 1, 2024	April 30, 2024	Fully implemented		For close monitoring of its implementation.

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	were being done by non-permanent employees who were not designated as PCFC, contrary to Sections 4.1.4, 4.1.5, and 4.1.6 of COA Circular No. 97-002.	accounting thereof. Transfer of his PCF to another is strictly prohibited under Section 4.1.6 of COA Circular No. 97-002.							
2023 AAR AO No. 18, p. 166	Replenishment of Petty Cash Fund as soon as disbursements therefrom reaches 75% was not observed by the Accountable Officer , contrary to Section 1.2 of COA Circular No. 2012-001.	PCF be replenished as soon as disbursements thereof reaches 75% or as needed in compliance with Section 1.2 of COA Circular No. 2012-001.	To fully comply with COA recommendation.	ABD	March 1, 2024	April 30, 2024	Fully implemented		PCF Custodians are instructed to abide by the rules on PCF replenishment from time to time.
2023 AAR AO No. 19, p. 167	Excessive Petty Cash Fund (PCF) amounting to P100,000.00 were granted to Accountable Officer when her monthly disbursements ranges only from P8,000.00-P36,000.00 or an average of P20,000.00 per month contrary to Sections 1.1.2 and 1.2 of COA Circular 2012-001; thus, a considerable amount of cash remained in the possession of the Petty Cash Fund Custodian , exposing it to the risk of losses or misused.	Reduce the amount of PCF from P100,000.00 to P50,000.00 based on the historical data on the average monthly disbursements charged to the PCF.	To fully comply with COA recommendation.	ABD	March 1, 2024	April 30, 2024	Fully implemented		PCF monitoring is done regularly to avoid excessive PCF.
2023 AAR AO No. 20, p. 169	The correctness of the amount attributable to Gender and Development (GAD) as shown in the GAD Accomplishment Report totaling P3.663 billion could not be ascertained due to the inconsistencies of the amount of the Annual Program	Instruct the GFPS to effect the necessary adjustments in the GAD AR, specifically, the APE and the HGDG PIMME scores to reflect the correct amount of expenditures attributable to	To fully comply with COA recommendation.	GAD Focal Person	June 10, 2024	October 30, 2024	Fully implemented		The COA appreciated the actions/responses/accomplishments made by PCSO GAD through the Focal Person.

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	Expenditure (APE) with the accounting records and the supporting schedules, the incomplete documentations to support the APE and the erroneous computation of the Harmonized Gender and Development Guidelines Project Implementation and Management, and Monitoring and Evaluation score, contrary to Sections 1.6.2 and 1.6.3 of the Philippine Commission on Women Memorandum Circular No. 2023-05 dated December 19, 2023.	GAD duly supported with complete documentation.							
2022 AAR AO No. 3, p. 96-102	<p><b>PRIOR YEARS AUDIT RECOMMENDATIONS</b></p> <p>The amount billed to and collected by PCSO from the Instant Sweepstakes Authorized Corporation pertaining to the PCSO guaranteed share, Documentary Stamp Tax and Prize Fund Tax for the remaining six months of its operation was short by P76.661 million due to the understatement of the guaranteed sales by P276.804 million, contrary to Section 58 of the Implementing Rules and Regulations for Instant Sweepstakes Program</p>	<p>Management direct ABD personnel to:</p> <p>a) Prepare an adjusting entry to correct the understatement of the guaranteed sales recorded in December 2022 amounting to P46.134 million, and the understatement of the guaranteed sales recorded for January to May 2023 totaling P230.670 million; and</p> <p>b) Bill the ISAC, and accordingly collect therefrom, the amount of the understatement of the PCSO guaranteed share and the payments</p>	To comply with COA recommendations	<p>Product and Standard Development Department (PSDD)</p> <p>ABD</p>	May 1, 2023	October 31, 2024	Fully implemented		<p>Based on the Legal Opinion from Legal Department on the issue on the computation of the guaranteed sales, it is clear that the MOA between the PCSO and PMLC is for a Five Billion Pesos guaranteed sales of instant sweepstakes tickets for a period of five (5) years, for which PCSO’s guaranteed shares is in the total amount of P650,000,000.00.</p> <p>While the second sentence of Section 11 of the 2017 RIRR18 states that the ISAC guarantees a total sale of Instant Sweepstakes tickets of Five Billion Pesos for a period of five (5) years or One Billion Pesos per year at no cost to PCSO, the phrase "<u>or One Billion Pesos per year</u>" should be interpreted in relation to the payment of the DST and PFT for the year and not for the purpose of increasing the total amount of the guaranteed sales in case the actual sales in any given year, is more than One Billion Pesos.</p> <p>Generally, the word "or" is understood to denote</p>

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2022 AAR AO No. 12, p. 135-138	The expenses recorded under the Prize Fund of Small Town Lottery totaling P14.370 billion for calendar year 2022 were not duly supported with documents required under Section 18 (f.ii and f.iii) of the 2020 Revised Implementing Rules and Regulations for STL, constituting non-conformance with Section 4(6) of Presidential Decree No. 1445	a) Require the ABD to submit the summary of all prizes and winnings paid and charged against the Prize Fund and the summary of the payroll and/or commissions paid to sales representatives.  b) Require the AAC to issue Official Receipt pertaining to the commission from STL Operations paid by PCSO and use it as an attachment to the recorded Agent's Commission Expense.  c) Ensure that the recorded expenses charged to STL Prize Fund are supported with complete documents evidencing the disbursement of fund.	To be handled by the BOS and ABD	ABD  Branch Operations Sector (BOS)			Partially implemented		<ul style="list-style-type: none"><li>Recorded expenses arising from STL Prize Fund are supported with the following documents:<ul style="list-style-type: none"><li>a) Prize Fund Utilization Report (The Prize Fund Utilization Report is part of the year-end reports and schedules submitted by the BOS to COA on March 10, 2023)</li><li>b) Monthly Alphalist for the Sales Force Commission</li><li>c) Monthly Alphalist for the Agent's Commission</li></ul></li><li>ABD will send soft copies of the monthly Alphalist of the Sales Force Commission and the Agent's Commission for CY 2022.</li><li>PCSO agrees with the COA that STL AACs should issue corresponding Official Receipts for the agent's commissions. Hence, starting September 2024, STL AACs already issued Official Receipt for their commissions on a daily basis.</li></ul>
2022 AAR AO No. 13, p. 138-142	Deficiencies were noted in the grant and releases of the Small Town Lottery Charity Fund Share granted to the Philippine National Police (PNP) and the National Bureau of Investigation (NBI) amounting to P619.618 million in CYs 2017-2022 and P119.863 million in CYs 2019-2022, respectively, thus,	For the STL Charity Fund share granted to PNP and NBI amounting to P619.618 million in CYs 2017-2022 and P119.863 million in CYs 2019-2022, respectively, require the immediate submission of the Fund Utilization Reports, otherwise, enforce the	For strict monitoring of the releases and utilization of the STL Charity Fund Share by PNP and NBI	Branch Operations Sector (BOS)  Accounting and Budget Management (ABD)	May 31, 2023	Ongoing	Partially Implemented		As at date, No Fund Utilization Reports are yet to be submitted by the PNP and NBI.  However, the Agency has caused to stop the processing of the STL Charity Fund Shares for NBI, PNP, LGU/Municipality and Provinces, and withhold all checks for disbursements to the mentioned beneficiaries, pending approval from the Office of the President, of the itemized STL Revenue Allocation. The last remittance from the

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	affecting the evaluation and monitoring of the proper utilization and complete documentation of the funds  a) The lack of clear provisions in the MOA on the monitoring of the STL Charity Fund Shares granted to PNP and NBI, and the lack of proper dissemination of the copies of the MOA to the concerned PCSO departments resulted in the continuous release of the STL Charity Fund Share to PNP and NBI despite the absence of Fund Utilization Reports from the date of the execution of the MOA; and  b) The rate of the PNP STL Charity Fund Share provided in the MOA was still the old rate of 2.50 percent, instead of the new rate of 0.50 percent as approved per Board Resolution No. 0178 series 2020.	remedies provided in the MOA.		Legal Department (LD)					PCSO Head Office was released in October 2023.
2022 AAR AO No. 14, p.	Lotto and Small Town Lottery Charity fund shares granted to 13 out of the 17 Local Government Units in the National Capital Region	Ensure Lotto and STL charity fund shares granted to LGUs are covered with MOA for initial releases and Fund Utilization Report for	For compliance with COA recommendation	National Capital Region (NCR)  ABD	May 31, 2023	December 31, 2023	Fully implemented		PCSO shall continue releasing Lotto shares for LGU since the provision is covered under EO 357 & 357-A. Since this is mandatory under the said EO, PCSO shall not require the LGU for the

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142-145	totaling P166.245 million for calendar years 2021 to 2022 were released despite the absence of Memorandum of Agreement (MOA) for the initial releases and Fund Utilization Reports for subsequent releases, thereby affecting the faithful adherence by the parties of their obligations under Executive Order 357-A series 1996, and the MOA, and the determination of the efficient and effective utilization of the fund.	subsequent releases and that the remedies available therein for the non-compliance thereof are enforced. We also recommend that the receipt of the grant other than the collecting officer be supported by proper authority and government-issued ID, as required.		Legal Department (LD)					submission of the Fund Utilization Report.  As for the monitoring of the utilization of the funds, the LGUs have their own resident COA auditors to examine the utilization of the funds.
2022 AAR No. 15, p. 145-149	Accomplishment and Liquidation Reports for the financial assistance under the Calamity Assistance Program (CAP) granted to 105 beneficiaries totaling P65.005 million and under the Financial Assistance for the Procurement of Medical Equipment Program (FAPMEP) granted to three beneficiaries amounting to P25.705 million were not submitted to PCSO, contrary to Item C(1) Section VI of the Revised Implementing Guidelines for CAP and the Memoranda of Agreement between PCSO and the beneficiaries, thus affecting the PCSO's verification on the proper utilization of the	Require the beneficiaries the immediate submission of liquidation reports under CAP and FAPMEP totaling P65.005 million and P25.705 million, respectively; and to submit complete liquidation documents for the partially liquidated financial assistance in the amount of P34.940 million, and/or cause the refund of any unutilized amount.	CAD in continuous coordination with concerned branches to aid them in communicating with the beneficiaries.	ABD  Charity Assistance Department (CAD)	May 31, 2023	Ongoing	Not implemented		Out of 105 beneficiaries, only 57 of the financial assistance under CAP remain unliquidated. (Annex H)  CAD continuously monitors all unliquidated grants under the CAP.  Coordination with concerned BOs for them to follow-up the liquidations was also done.  The Special Projects Division, CAD will prepare Letters of Reminder to the 57 beneficiaries with unliquidated assistance. A copy of the draft letter is hereto attached. (Annex I)  Follow-ups and coordination will be made by CAD to the concerned Branch Offices via phone calls and emails thereafter.

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	financial assistance. Likewise, two financial assistance grants under FAPMEP amounting to P34.940 million were partially liquidated.								

Agency Sign-off:

  
MA. CRISTINA J. GREGORIO  
Manager  
Accounting and Budget Department

Date

  
ATTY. LAURO A. PATIAG  
Assistant General Manager  
Management Services Sector

Date

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