



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

ANNUAL AUDIT REPORT

on the

**NATIONAL FOOD AUTHORITY
(NFA)**

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

INTRODUCTION

The National Grains Authority was created under Presidential Decree (PD) No. 4 dated September 26, 1972 and became the National Food Authority (NFA) through PD No. 1770 dated January 14, 1981 with the original mandate to promote the integrated growth and development of the grains industry, to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made and to promote the stabilization of supply and prices of staple cereals both at the farm gate and consumer levels.

Executive Order (EO) No. 1028, dated May 31, 1985, provided further the deregulation in the production and trading of food grains and related agricultural inputs being undertaken by all government agencies, including NFA. The Agency had to relinquish or transfer to another government entity or to the private sector, as appropriate, all its non-grain stabilization and trading activities. Under EO No. 116 dated January 30, 1987, NFA was detached from the Office of the President (OP) and was realigned under the Department of Agriculture (DA) to respond to policy changes with emphasis on private sector participation towards strengthening of a freer, market-oriented enterprise economy and trend towards liberalization, privatization and deregulation.

Pursuant to EO No. 398 dated January 31, 1997, NFA shall also undertake the procurement of sugar when necessary. Furthermore, EO No. 22 issued in September 1998, authorized NFA to include in its scope the marketing operation of other basic food items. On May 5, 2014, EO No. 165 transferred NFA together with the National Irrigation Administration, Philippine Coconut Authority and Fertilizer and Pesticide Authority from DA to the OP, to enhance and coordinate the efforts of these agencies in fulfilling their respective mandates. The oversight responsibilities over these agencies were given to the then Office of Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) of the OP.

Under EO No. 1, dated June 30, 2016, issued by President Rodrigo Roa Duterte, NFA was among the 12 agencies formerly from the OPAFSAM that were reassigned to the Office of the Cabinet Secretary of the OP. It is governed by a Council which is chaired by the Cabinet Secretary.

The NFA has 15 Regional Offices (ROs) and 86 Provincial Offices (POs). It has authorized plantilla positions of 4,756 with 4,223 filled positions as of December 31, 2017. Only 539 personnel holding permanent plantilla items are assigned at the Head Office (HO), while 3,364 personnel are assigned at the Field Offices (FOs). It also has 320 co-terminus employees; 59 assigned at the HO and 261 assigned at the FOs.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Comparative Financial Position

	2017	2016	Increase (Decrease)
Assets	323,440.350	387,657.755	(64,217.405)
Liabilities	470,210.140	528,900.209	(58,690.069)
Equity deficiency	(146,769.790)	(141,242.454)	(5,527.336)

II. Comparative Financial Performance

	2017	2016	Increase (Decrease)
Revenue	17,931.514	29,311.772	(11,380.258)
Current operating expenses	29,471.523	42,231.982	(12,760.459)
Deficit from current operations	(11,540.009)	(12,920.210)	1,380.201
Gains	92.719	1,435.218	(1,342.499)
Losses	(81.205)	(204.494)	123.289
Financial assistance/subsidy	6,882.089	10,646.652	(3,764.563)
	(4,646.406)	(1,042.834)	(3,603.572)

III. Budget and Actual Amounts

	Budget	Actual amounts	Difference
Receipts	91,280.220	45,944.255	45,335.965
Payments	90,483.665	45,837.010	44,646.655
Net receipts/payments	796.555	107.245	689.310

SCOPE OF AUDIT

Our audit covered, on a test basis, the accounts and operations of NFA for calendar year (CY) 2017. The audit was conducted to obtain reasonable assurance on whether the financial statements are free from material misstatements. Our audit was also made to assess the propriety of financial transactions in compliance with laws, rules and regulations, and to identify improvement opportunities.

AUDITOR'S OPINION

We rendered an adverse opinion on the fairness of presentation of the financial statements in view of the following:

1. NFA was unable to comply with the requirements as set forth in COA Circular No. 2017-004 dated December 13, 2017 and Philippine Public Sector Accounting Standard (PPSAS) 33 on First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) despite its representation that the Financial Statements (FSs) for CY 2017 have been prepared in accordance and comply with PPSASs, thereby defeating the objective of presenting high quality information that

provides transparent reporting about the first-time adopter's transition to accrual basis IPSASs.

2. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables with significant balances as at December 31, 2017 amounting to P300.465 billion and P300.467 billion, respectively, were not eliminated at year-end and were presented in the FSs for CY 2017 as such. Meanwhile in CY 2016, the remaining amount of the reciprocal accounts was reported under Equity account. In view of the inconsistent presentation of the reciprocal accounts in the FSs, the total assets and total liabilities as at December 31, 2017 were bloated by P292.456 billion or 943.89 per cent and P297.985 billion or 173.02 per cent, respectively. Moreover, these reciprocal accounts are not resources and obligations from which future economic benefits or service potential are expected to flow to the entity and expected to result in an outflow from the Agency's resources embodying economic benefits or service potential, thereby providing misleading information to the users of the FSs.

3. The balance of the Inventory Held for Sale - Merchandise Inventory (MI) account as at December 31, 2016 was not restated to recognize the customs duties (CDs) for CY 2016 of P1.451 billion and prior years of P24.329 billion or a total of P25.780 billion as required in PPSASs 1 and 3; thus, the comparative balances of the account as at December 31, 2017 and 2016 of P3.162 billion and P13.155 billion, respectively, are not correctly presented in the Statement of Financial Position. In addition, the adjustments to recognize the CDs for prior years aggregating P25.780 billion were effected only in the consolidated FSs as at year-end, but not in the separate books of the Field Offices (FOs); thus, the affected accounts in their individual financial statements as of December 31, 2017 remained unadjusted. Moreover, the CDs amounting to P1,827.202 million recognized as component of the cost of imported rice received in CY 2017 were based on 35 per cent of the contract price that included cost of delivery at place instead of the tax subsidy approved by the Fiscal Incentives Review Board-Department of Finance (FIRB-DOF) of P1,782.089 million or a variance of P45.113 million, thereby resulting in the overstatement of the Inventory Held for Sale - MI account by the same amount.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For the above-mentioned audit observations which caused the issuance of an adverse opinion, we recommended that Management:

1.1. Henceforth, ensure full implementation of COA Circular No. 2017-004 dated December 13, 2017 and the adoption of PPSASs in CY 2018 financial statements.

2.1. Require the concerned Accountants to prioritize the reconciliation of Intra-agency accounts in order to have reliable balances and strictly monitor compliance with NFA SOP No. FS-GP13, with emphasis on the regular preparation of schedule of inter-branch transactions and Monthly Reconciliation Statement to identify variances, if any, within the reporting period and immediately coordinate with other offices to resolve the differences and prepare the necessary adjustments.

2.2. Ensure that policies and guidelines on inter-branch transactions are strictly observed, especially the sanctions provided in NFA SOP No. FS-GP13 as deterrent to the accumulation of variances.

2.3. Consider the: (a) applicability of COA Circular No. 2016-005 dated December 19, 2016 on the guidelines and procedures on the write-off of dormant accounts; and (b) conduct of a nation-wide reconciliation of the Intra-agency Receivables and Intra-Agency Payables accounts by all the Accountants of HO, ROs and POs/Operating Units (OUs) in order to confirm and verify the existence and balances of the accounts.

3.1. Require the HO-Accounting Services Department (ASD) to:

- a. Strictly comply with PPSAS 1, on the proper presentation of Inventory Held for Sale - MI account in the FSs to ensure comparability with the FSs of previous periods and PPSAS 3, in presenting correction of prior period errors by restating the comparative amounts for the period(s) presented in which errors occurred and, provide adequate disclosure in the Notes to FSs;
- b. Cause the adjustment of the overstatement of CDs and Inventory Held for Sale - MI account for imported rice received in CY 2017;
- c. Revisit the provisions of Republic Act (RA) Nos. 8181 and 10863 dated July 24, 1995 and July 27, 2017, respectively, and be guided on the basis of dutiable value;
- d. Evaluate the correctness of the basis of dutiable value provided in the NFA guidelines under Radio Message No. OAAFA-J-014 dated October 11, 2016 *vis- à-vis* the provisions under RA Nos. 8181 and 10863; and
- e. Determine the necessary amendments in computing the cost of CDs based on the CIF instead of the contracted price.

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

4. The lack of determination of NFA Management to undertake the necessary legal actions on the shortages of Stock Accountable Officers (SAOs) aggregating P184.198 million, recorded under Receivables-Other Receivables-Due from Officers and Employees account, as required in NFA existing policies and guidelines had hampered the immediate recovery or settlement of the receivables, thereby depriving the Agency of additional funds to finance its operation.

4.1. We reiterated our previous years' recommendations that Management:

- a. Revisit the existing warehousing policies and procedures (SOPs) to identify the causes of the incurrence of shortages and strengthen the measures that will prevent and/or address the same;
- b. Set up the Agency level monitoring and evaluation of the implementation of the NFA SOPs and guidelines on the settlement of shortages particularly on the issuance of demand letters to SAOs with established shortages within the prescribed period, filing of the appropriate administrative, criminal and civil cases, and collection of shortages;

- c. Prioritize the liquidation of accountabilities of SAOs who are still in active service, especially those who are nearing retirement, and leverage on the role of Senior Accounts Specialist/Accountant, to regularly deduct from all benefits and other resources accruing the SAO for the payment of shortages, in order to ensure NFAs welfare over the interest of SAOs; and
- d. Persistently follow up the early resolution of the cases of concerned accountable officers to effect immediate collection of their shortages.

4.2. We further recommended that Management:

- a. Initiate/File a Petition for a Writ of Preliminary Attachment against the properties of the concerned SAOs to secure the satisfaction of any judgment;
- b. Closely monitor all pending administrative and criminal cases filed against erring SAOs so that information can be readily gathered and appropriate actions can be instituted, if warranted; and
- c. Revisit and/or modify NFA SOP to consider the delegation of authority to a lower level Management regarding the evaluation and approval of compromise agreement proposal of the SAOs on the payment of their final stock shortages, to facilitate the process and hasten settlement.

5. The validity/propriety of the P249.565 million payments made for the 11,891.28 Metric Tons (MT) rice importation under the contract executed by NFA with one of the suppliers in August 2017 could not be fully determined due to the absence of Journal Entry Vouchers (JEVs) and documents supporting said payments. Moreover, there is a discrepancy of P0.778 million between NFA's computation of P3.281 million and Audit Team's computation of P4.059 million of penalty for late delivery of the 12,301.23 MT rice importation amounting to P262.542 million.

5.1. We recommended that Management:

- a. Require the HO-ASD to strictly adhere to the provisions of COA Circular No. 2009-006 on the submission of documents for the payments of imported rice to Audit Team and to ensure that all JEVS are supported with adequate/proper documentation;
- b. Furnish the Audit Team with a copy of certification issued by the Vessel Master attesting to the actual arrival of the carrying vessel in Philippine waters to be used as basis in the determination of the actual date of arrival at designated port of discharge;
- c. Ensure that actual dates of delivery/arrival of imported rice are reflected in the Certificates of Complete Delivery and Receipt (CCDRs); and
- d. Impose the correct penalties against the suppliers of imported rice on late deliveries in accordance with the provisions stipulated in the Contract and Grain and Feed Trade Association (GAFTA) 122.

6. NFA did not impose the liquidated damages of P1.445 million and terminate the contract with the Consultant for the Design, Development, and Establishment of Electronic Integrated Financial and Operations Management Information System (e-IFOMIS) Project in the amount of P14.448 million, despite the gross delay of 1,645 days as of December 31, 2017 or approximately four and a half years from June 30, 2013, the latest time extension granted for the Project's completion. Moreover, the reported 96.21 percentage of completion as of December 31, 2016 could not be supported with documents, casting substantial doubt on the actual accomplishment of the Project and the validity of its implementation. Furthermore, the non-movement of the percentage of completion of the Project since CY 2016 and the lack of specific commitment date to complete the same demonstrate NFA's inability to compel the Consultant to abide with the terms and provisions of the contract, thereby depriving the Agency the use of a reliable and exhaustive financial management information system.

6.1. We recommended that Management:

- a. Enforce all available remedies stipulated in the contract, such as but not limited to claim for liquidated damages, termination of contract and other appropriate legal remedies;
- b. Require the Corporate Planning and Management Services Department-Information System Development Division (CPMSD-ISDD) to support with appropriate documents the reported 96.21 per cent project accomplishment as of December 31, 2017 to prove the accuracy thereof; and
- c. Henceforth, rigorously monitor the implementation of contracts entered into by the Agency to ensure that the terms and stipulations of the contracts are strictly enforced to avoid wastage of public funds, and to ensure completion of the project within the agreed period.

7. The procurement of infrastructure project for the Construction of the NFA Central Office Building with contract cost of P460 million was not compliant with the provisions of the 2016 Revised Implementing Rules and Regulation (IRR) of RA No. 9184 and Government Policy Procurement Board (GPPB) Manual of Procedures for the Procurement of Infrastructure Projects in view of: (a) absence of Approved Budget for the Contract (ABC) and breakdown of estimates for each work item; (b) non-compliance with the Standard Philippine Bidding Documents 5th Edition; and (c) inadequate execution by the Bids and Awards Committee (BAC) and its Technical Working Group (TWG) of the validation procedures in the conduct of bid evaluation and post-qualification, resulting in the award of the contract to a non-compliant bidder and inability to obtain the most advantageous price and terms for NFA.

7.1. We recommended that Management:

- a. Ensure that the Budget for the Contract is signed and approved by the Head of Procuring Entity or his designated representative/s;
- b. Require the concerned Department to submit to the Office of the Supervising Auditor copy of the ABC, which shall be supported by detailed breakdown of estimates especially the items with lump sum cost;

c. Instruct the BAC and its TWG to: (i) strictly comply with the Standard PBD 5th Edition prescribed under the 2016 Revised IRR of RA No. 9184 in all local competitive bidding of the Agency, and (ii) ensure that the procedures in the Revised IRR of RA No. 9184 and GPPB Manual of Procedures for the Procurement of Infrastructure Project in the conduct of post qualification are strictly observed to ensure compliance of the Bidder with Lowest Calculated and Responsive Bid with the eligibility requirements;

d. Henceforth, require the Internal Audit Services Department (IASD) to review the bid evaluation and post-qualification procedures being conducted by the NFA BAC to identify the lapses in the processes and determine the appropriate actions to address the same to avoid the award of contract to non-compliant bidders; and

e. Direct the Legal Affairs Department (LAD) to:

e.1 Conduct investigation to determine the liability of the Contractor for submitting deficient documents to support compliance with the eligibility requirements of the Contract, i.e. (i) Statement of On-going Contracts that did not disclose all of its on-going contracts with other government agencies, and (ii) Statement of Single Largest Completed Contract that did not completely disclose its percentage of participation in the Joint Venture Agreement;

e.2 Take appropriate action against the Contractor for submitting deficient documents to conceal relevant information that led to the awarding of the contract, instead of disqualification, and impose corresponding sanctions as provided in the 2016 Revised IRR of RA No. 9184, if warranted; and

e.3 Conduct investigation to determine the extent of the participation of NFA officials, members of the BAC and its TWG in the award of contract to non-compliant Contractor, and file appropriate charges, if warranted.

8. The rice inventory levels in NFA-National Capital Region (NCR) and other ROs/POs in almost all months of CY 2017 were way below the mandatory buffer stock requirements of 15 days in each month and 30 days in June, ranging from as low as 0.12 day to as high as 29.99 days, due to low importation and non-competitive buying price of palay in CY 2017, causing rice supply shortages and higher prices of commercial rice in the market; thus, might have adversely affected the Agency's ability to achieve its mandate of providing stable supply and prices at all times and had compromised its capability to effectively and immediately respond in times of disaster and emergency situations.

8.1. We reiterated our previous year's audit recommendations that Management:

a. Devise a more realistic and relevant plan of rice procurement and allocation that is aligned with the mandate of NFA, specifically on buffer stocks and at the same time responsive to the needs/preferences and buying capacity of majority of the rice consumers to avoid the occurrence of excess or shortage of stocks over buffer requirement;

b. Revisit the allocation of stocks based on classification of each District Office (DO)/PO and re-evaluate determination of Daily Consumption Requirement (DCR) to improve inventory status; and

c. Strengthen the monitoring of rice stocks level to ensure at all times the availability of the required buffer stock levels to attain Agency's mandate to respond to the rice requirements during calamities and achieve national food security through stabilized supply and price of rice.

9. In NFA-NCR, low distribution rate in CY 2016 of rice procured in CY 2015 and inefficient implementation of the First In First Out (FIFO) policy in the issuance of stocks from the warehouses resulted in the ageing of 325,436 bags of imported rice, which were sold in CY 2017 at adjusted price of P22.50 per kilo through Price Adjustment Mechanism (PAM), thereby incurring an opportunity loss of P40.679 million. Moreover, in NFA Ilocos Sur PO, sale of 20,240 bags of CY 2015 ageing imported rice amounting to P24.812 million to five grains businessmen through crisscrossing scheme was inappropriately/improperly carried out/executed as it was not approved by the NFA Administrator; thus exposing NFA's rice stocks to diversion, re-bagging or admixture of government stocks with commercial stocks, thereby defeating the Agency Rice Distribution Program's objective to ensure that prices of staple rice are reasonable and affordable to the consuming public.

9.1. We reiterated our prior year's audit recommendation that Management require the Regional Manager of NFA-NCR and RO No. I to exert efforts to prevent ageing of rice and avoid incurrence of opportunity loss and further losses due to extended storage, through vigorous sales especially if buffer stock levels in the warehouses are high, dispersals to other DOs/POs with low buffer stocks and strict compliance with the FIFO policy required in NFA SOP No. GM-WH07.

9.2. We also recommended that Management:

a. Require the Regional Manager of RO No. I and Provincial Manager of NFA-Ilocos Sur PO to request authority from the NFA Administrator every time they are resorting to Special Distribution Scheme to expedite disposition of ageing stocks as required in NFA SOP No. GM-DN09.A dated November 20, 2006; and

b. Conduct an investigation to determine persons liable on the sale of 20,240 bags of CY 2015 ageing imported rice to five grains businessmen through crisscrossing scheme in Ilocos Sur PO without authority from NFA Administrator and impose appropriate sanctions, if warranted.

10. The maximum weekly rice allocation to retailers provided in NFA SOP No. GM-DN09 was not properly observed in North District Office (NDO), Cavite Provincial Office (CPO), and two POs in RO No. I, resulting in unequitable rice distribution, thereby defeating the intention of the allocation system and giving undue advantage to selected retailers which could lead to diversion of stocks.

10.1 We recommended that Management require the Managers of NDO, CPO, Ilocos Norte PO and Ilocos Sur PO to strictly adhere to NFA SOP No. GM-DN09 on the selling/distribution of NFA rice based on the weekly allocation set for each retailer and stop the practice of granting excess allocations to retailers.

10.2. We further recommended that Management consider enhancing NFA SOP No. GM-DN09, as amended to include a provision which requires that any increase in the weekly allocation of retailers be documented, evaluated and properly authorized.

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2017, NFA had total consolidated unsettled Notices of Suspension (NSs) of P20.626 million, Notices of Disallowance (NDs) of P182.860 million and Notices of Charge (NCs) of P2.718 million. The details and status are shown in Annex A, Part IV of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 239 audit recommendations embodied in prior years' Annual Audit Reports (AARs), 51 were fully implemented, 162 were partially implemented and 26 were not implemented. Details are presented in Part III of this Report.

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

INDEPENDENT AUDITOR'S REPORT

THE NFA COUNCIL

National Food Authority
SRA Building, North Avenue, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **National Food Authority (NFA)**, which comprise the statement of financial position as at December 31, 2017 and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position of NFA as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Philippine Public Sector Accounting Standards (PPSASs).

Basis for Adverse Opinion

Under Note 2 to Financial Statements, the financial statements for Calendar Year (CY) 2017 have been prepared in accordance and in compliance with the PPSASs. However, NFA was unable to comply with the requirements as set forth in PPSAS 33 on First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) in view of the non-preparation of the Opening Statement of Financial Position as at January 1, 2016 (date of adoption of PPSASs) and non-disclosure of the necessary information as a result of the first time adoption of the PPSASs, thereby defeating the objective of presenting high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis IPSASs.

The reciprocal accounts Intra-agency Receivables and Intra-agency Payables with significant balances as at December 31, 2017 amounting to P300.465 billion and P300.467 billion, respectively, were not eliminated at year-end and were presented in the FSs for CY 2017 as such. Meanwhile in CY 2016, the remaining amount of the reciprocal accounts was reported under Equity account. In view of the inconsistent presentation of the reciprocal accounts in the FSs, the total assets and total liabilities as at December 31, 2017 were bloated by P292.456 billion or 943.89 per cent and P297.985 billion or 173.02 per cent, respectively. Moreover, these reciprocal accounts are not resources and obligations from which future economic benefits or service potential are expected to flow to the entity and expected to result in an outflow from the Agency's resources embodying economic benefits or service potential, thereby providing misleading information to the users of the FSs.

Moreover, the Inventories account includes Inventory Held for Sale - Merchandise Inventory (MI) with comparative balances as at December 31, 2017 and 2016 of P3.162 billion and

P13.155 billion, respectively, which are not correctly presented in the Statement of Financial Position as the balance of the account as at December 31, 2016 was not restated to recognize customs duties for prior years aggregating P25.780 billion as required in PPSASs 1 and 3. In addition, the Inventory Held for Sale - MI account is overstated by P45.113 million due to recognition of customs duties on imported rice amounting to P1,827.202 million based on 35 per cent of the contract price that included cost of delivery at place instead of the tax subsidy approved by the Fiscal Incentives Review Board-Department of Finance (FIRB-DOF) of P1,782.089 million.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the NFA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing NFA's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on the Supplementary Information Required Under
BIR Revenue Regulations 15-2010***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 27 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT



ELENA L. AGUSTIN

Supervising Auditor

Audit Group A – NFA/FTI

Cluster 5-Agricultural and Natural Resources

Corporate Government Sector

June 18, 2018



**NATIONAL
FOOD
AUTHORITY**

Philippine Sugar Center Bldg., North Ave., Diliman, Quezon City Tel. No. (02) 453-3900/981-3800 to 30 Website www.nfa.gov.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the National Food Authority is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The National Food Authority Council reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the National Food Authority in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the National Food Authority Council.


LT. COL. JASON L.Y. AQUINO (RET.) PA
Administrator/Vice-Chairman, NFA Council

March 19, 2018

Date Signed


GERRY J. AMBROSIO
Department Manager
Accounting Services Department

March 19, 2018

Date Signed

NATIONAL FOOD AUTHORITY
STATEMENT OF FINANCIAL POSITION
December 31, 2017
(In Philippine Peso)

		2017	2016 As restated
ASSETS			
Current assets			
Cash and cash equivalents	5	1,242,391,782	1,955,555,576
Other investments	6	7,011,960,080	-
Receivables	7	3,164,290,655	1,391,898,060
Intra-agency receivables	8	300,465,236,299	356,673,630,424
Inventories	9	3,781,832,111	15,475,850,011
Other current assets	10	269,642,167	363,267,412
		315,935,353,094	375,860,201,483
Non-current assets			
Other investments	6	1,128,265,934	5,527,667,047
Property, plant and equipment - net	11	2,150,871,664	2,140,282,309
Intangible assets	12	1,931,260	-
Other non-current assets	10	4,223,927,924	4,129,604,149
		7,504,996,782	11,797,553,505
TOTAL ASSETS		323,440,349,876	387,657,754,988
LIABILITIES			
Current liabilities			
Financial liabilities	13	55,558,101,132	55,085,085,412
Inter-agency payables	14	42,316,466,533	33,601,170,933
Intra-agency payables	15	300,466,750,877	356,675,500,341
Trust liabilities	16	1,029,423,476	1,077,996,114
		399,370,742,018	446,439,752,800
Non-current liabilities			
Financial liabilities	13	70,653,929,456	82,214,285,044
Deferred credits/unearned income	17	185,468,579	246,171,248
		70,839,398,035	82,460,456,292
TOTAL LIABILITIES		470,210,140,053	528,900,209,092
EQUITY DEFICIENCY (Total Assets Less Total Liabilities)		(146,769,790,177)	(141,242,454,104)
EQUITY DEFICIENCY			
Contributed capital	25	5,000,000,329	5,000,000,329
Accumulated surplus/(deficit)	26	(151,769,790,506)	(146,242,454,433)
EQUITY DEFICIENCY		(146,769,790,177)	(141,242,454,104)

The Notes on pages 10 to 48 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2017
(In Philippine Peso)

	Note	2017	2016 As restated
Revenue	18		
Service and business income		17,809,516,177	29,238,467,957
Share, grants and donations		375,308	34,176
Miscellaneous income		121,622,991	73,270,032
		17,931,514,476	29,311,772,165
Current operating expenses			
Personnel services	19	2,195,736,109	2,010,961,217
Maintenance and other operating expenses	20	1,738,427,552	2,022,563,364
Financial expenses	21	5,962,357,592	5,906,902,690
Direct costs		19,385,764,047	32,107,973,327
Non-cash expenses	22	189,237,810	183,581,211
		29,471,523,110	42,231,981,809
Surplus/(deficit) from current operations		(11,540,008,634)	(12,920,209,644)
Gains	23	92,718,532	1,435,218,090
Losses	23	(81,205,280)	(204,494,462)
Financial assistance/subsidy	24	6,882,089,400	10,646,651,890
Net surplus/(deficit) for the period		(4,646,405,982)	(1,042,834,126)

The Notes on pages 10 to 48 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended December 31, 2017
(In Philippine Peso)

	Accumulated surplus/(deficit) (Note 26)	Contributed capital (Note 25)	Total
BALANCE AT JANUARY 1, 2016, As restated	(148,754,578,681)	5,000,000,329	(143,754,578,352)
CHANGES IN NET ASSETS/EQUITY FOR CY 2016			
Add/(Deduct):			
Surplus/(Deficit) for the period	(1,042,834,126)	-	(1,042,834,126)
Issuances of share capital	-	-	-
Additional capital from National Government	-	-	-
Changes in fair value of available-for-sale securities	-	-	-
Other adjustments:			
Prior period errors	3,432,319,297		3,432,319,297
Other adjustments	122,639,077		122,639,077
BALANCE AT DECEMBER 31, 2016, As restated	(146,242,454,433)	5,000,000,329	(141,242,454,104)
CHANGES IN NET ASSETS/EQUITY FOR CY 2017			
Add/(Deduct):			
Surplus/(Deficit) for the period	(4,646,405,982)		(4,646,405,982)
Issuances of share capital	-		-
Additional capital from National Government	-		-
Changes in fair value of available-for-sale securities	-		-
Prior period errors	(147,965,375,448)		(147,965,375,448)
Other adjustments	147,084,445,357		147,084,445,357
BALANCE AT DECEMBER 31, 2017	(151,769,790,506)	5,000,000,329	(146,769,790,177)

The Notes on pages 10 to 48 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(In Philippine Peso)

	Note	2017	2016 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Receipt of notice of cash allocation		5,100,000,000	4,250,000,000
Proceeds from sale of goods and services		16,697,057,337	27,732,275,138
Collection of income/revenues		430,446,757	359,607,294
Collection of receivables		229,236,752	263,950,714
Receipt of inter-agency fund transfers		461,575,212	1,735,585,857
Receipt of intra-agency fund transfers		25,498,876,841	38,277,125,038
Trust receipts		397,120,330	860,397,518
Other receipts		339,494,040	748,397,753
Adjustments		10,765,620	29,989,193
		<u>49,164,572,889</u>	<u>74,257,328,505</u>
Cash Outflows			
Remittance to National Treasury		510,000,000	425,000,000
Payment of expenses		2,771,895,869	3,202,842,017
Purchase of inventories		582,658,757	2,024,662,094
Grant of cash advances		121,855,951	146,518,329
Prepayments		5,124,146	3,009,442
Refund of deposits		101,541,739	61,114,521
Payment of accounts payable		135,209,112	1,473,458,581
Remittance of personnel benefit contributions and mandatory deductions		1,190,545,057	1,041,142,526
Release of inter-agency fund transfers		245,822,942	3,115,913,870
Release of intra-agency fund transfers		25,527,505,881	36,620,141,618
Other disbursements		139,141,250	277,685,952
Adjustments		13,503,077	10,680,028
		<u>31,344,803,781</u>	<u>48,402,168,978</u>
Net cash provided by operating activities		<u>17,819,769,108</u>	<u>25,855,159,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from sale/disposal of property and equipment		610,869	1,068,592,542
Proceeds from sale of other assets		125,062	35,618
		<u>735,931</u>	<u>1,068,628,160</u>
Cash Outflows			
Purchase/construction of property and equipment		227,383,392	122,681,735
Investment/contribution to bond sinking fund		2,500,000,000	2,300,000,000
		<u>2,727,383,392</u>	<u>2,422,681,735</u>
Net cash used in investing activities		<u>(2,726,647,461)</u>	<u>(1,354,053,575)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from domestic and foreign loans		22,797,000,000	8,550,000,000
		<u>22,797,000,000</u>	<u>8,550,000,000</u>
Cash Outflows			
Payment of long-term liabilities		33,950,005,318	26,920,676,311
Payment of interest expense (BTR/NG debt)		4,652,666,874	5,583,928,053
		<u>38,602,672,192</u>	<u>32,504,604,364</u>
Net cash used in financing activities		<u>(15,805,672,192)</u>	<u>(23,954,604,364)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(712,550,545)	546,501,588
Effects of exchange rate changes on cash and cash equivalents		(613,249)	6,739,249
CASH AND CASH EQUIVALENTS, January 01		1,955,555,576	1,402,314,739
CASH AND CASH EQUIVALENTS, December 31	5	1,242,391,782	1,955,555,576

The Notes on pages 10 to 48 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2017
(In Philippine Peso)

	Note	Budgeted amounts		Actual amounts on comparable basis	Difference final budget and actual
		Original	Final		
RECEIPTS					
Corporate funds		34,375,755,000	34,375,755,000	18,047,255,335	16,328,499,665
National government subsidy	24	5,100,000,000	5,100,000,000	5,100,000,000	-
Borrowings		34,929,545,000	34,929,545,000	17,397,000,000	17,532,545,000
Net lending		8,000,000,000	8,000,000,000	5,400,000,000	2,600,000,000
Tax subsidy		8,874,920,000	8,874,920,000	-	8,874,920,000
		91,280,220,000	91,280,220,000	45,944,255,335	45,335,964,665
PAYMENTS					
Personnel services		2,590,442,000	2,590,442,000	2,037,643,046	552,798,954
Maintenance and other operating expenses		4,077,919,000	4,077,919,000	1,931,849,712	2,146,069,288
Capital outlay		2,546,046,000	2,546,046,000	232,602,225	2,313,443,775
Procurement		29,642,464,000	29,642,464,000	4,865,677,720	24,776,786,280
Payment of obligations		34,508,029,000	34,508,029,000	30,033,537,315	4,474,491,685
Bond sinking fund		2,500,000,000	2,500,000,000	2,500,000,000	-
Custom duties		8,874,920,000	8,874,920,000	-	8,874,920,000
Interest expense		5,743,845,000	5,743,845,000	4,235,700,086	1,508,144,914
		90,483,665,000	90,483,665,000	45,837,010,104	44,646,654,896
NET RECEIPTS/PAYMENTS		796,555,000	796,555,000	107,245,231	689,309,769

The Notes on pages 10 to 48 form part of these financial statements.

NATIONAL FOOD AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION / ENTITY PROFILE

The National Food Authority (NFA) was originally created under the name of National Grains Authority through Presidential Decree (PD) No. 4 dated September 26, 1972 with the original mandate to promote the integrated growth and development of the grains industry covering rice, corn, feed grains and other grains like sorghum, mongo, and peanut to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made and to promote the stabilization of supply and prices of staple cereals both at the farm gate and consumer levels.

On May 12, 1975, PD No. 699 took effect as an amendment of PD No. 4, wherein the NGA shall perform other functions as may be necessary to carry into effect the provision of the Act, including but not limited to, the development, culture or production of grains, and the establishment, acquisition and/or operations of grains processing, handling storage and transport facilities.

On June 11, 1978, PD No. 1485 was approved to further amend certain provisions of the National Grains Industry Development Act. The law was known as the NGA Act.

On January 14, 1981, PD No. 1770 was issued which reconstituted the NGA into what is now the NFA. This Decree widened the Agency's social responsibilities and commodity coverage to include, in addition to grains, other food items like raw or fresh fruits and vegetables and fish and marine manufactured, processed, or packaged food products, and these were collectively referred to as non-grains commodities.

On May 31, 1985, Executive Order (EO) No. 1028 was issued and provided for the deregulation of NFA's non-grains marketing activities. This resulted in the termination of NFA's non-grains trading activities and the return of feedgrains and wheat importation to the private sector as well as the lifting of price controls/ceilings on rice and corn. As such at the end of 1986, all the Kasama sa Diwa (KADIWA) stores had been devolved to the private sector and/or closed.

On January 30, 1987, EO No. 116 was issued where the NFA was detached from the Office of the President (OP) and was realigned under the Department of Agriculture (DA) to respond the policy changes with emphasis on private sector participation towards strengthening of a freer, market-oriented enterprise economy and trend towards liberation, privatization and deregulation.

Pursuant to EO No. 398 dated January 31, 1997, NFA undertakes the procurement of sugar when necessary. Furthermore, EO No. 22 issued in September 1998 authorized NFA to include in its scope the marketing operations of other basic food items.

On May 5, 2014, EO No. 165 transferred the NFA together with the National Irrigation Administration, Philippine Coconut Authority and Fertilizer and Pesticide Authority from the DA to the OP, to enhance and coordinate the efforts of these agencies in fulfilling their respective mandates. The oversight responsibilities over these agencies were given

to the created Office of Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) of the OP.

On July 4, 2016, the NFA was among the 12 agencies formerly from the OPAFSAM that were reassigned to the Office of the Cabinet Secretary of the OP under EO No. 1 dated June 30, 2016 issued by President Rodrigo Roa Duterte. It is governed by a Council which is chaired by the Cabinet Secretary.

Today, the NFA is vested with the functions of ensuring the food security of the country and the stability of supply and price of the staple grain-rice. It performs these functions through various activities and strategies, which include procurement of paddy from individual bonafide farmers and their organizations, buffer stocking, processing activities, dispersal of paddy and milled rice to strategic locations and distribution of the staple grain to various marketing outlets at appropriate times of the year.

NFA has 15 Regional Offices (ROs) and 86 Provincial Offices (POs). As of December 31, 2017, it had 4,756 authorized plantilla positions with 4,223 filled-up positions. There were 539 personnel holding permanent plantilla items assigned at the NFA Central Office (CO), while 3,364 personnel were assigned at the Field Offices (FOs). It had 320 co-terminus employees; 59 were assigned at the CO and 261 were assigned at the FOs.

The NFA-CO is located in Sugar Regulatory Administration (SRA) Building, North Avenue, Diliman, Quezon City, Philippines.

The financial statements (FSs) of the NFA was authorized for issue on March 19, 2018 as shown in the Statement of Management Responsibility for FSs signed by Lt. Col. Jason L. Y. Aquino (Ret) PA, Administrator/Vice-Chairman, NFA Council and Mr. Gerry J. Ambrosio, Department Manager, Accounting Services Department.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The FSs have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSASs), which are prescribed for adoption by the Commission on Audit (COA) based on COA Resolution No. 2014-003 dated January 24, 2014.

The FSs have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The FSs were presented in Philippine Peso (P), which is also the country's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The FSs were prepared on an accrual basis in accordance with the PPSAS.

3.2 Financial Instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of PPSAS 29 - *Financial Instrument: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The NFA determines the classification of its financial assets at initial recognition.

The NFA's financial assets include Cash and Cash Equivalents, Trade and Non-trade Receivables.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at fair value through surplus or deficit, or loans and borrowings, as appropriate. The NFA determines the classification of its financial liabilities at initial recognition.

The NFA's financial liabilities include Accounts Payable, Due to Officers and Employees, Notes Payable, Interest Payable, and Loans Payable – Domestic and Foreign accounts.

3.3 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and cash deposits in banks. Cash on hand includes cash with collecting officers. For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents consist of cash and short-term deposits.

Cash with Disbursing Officer which previously formed part of Cash is now classified as Other Assets – Advances for Operating Expenses.

3.4 Provision for Allowance for Impairment Loss – Accounts Receivable

Allowance for Impairment Loss – Accounts Receivable was set at a level adequate to provide for potential uncollectible amount of receivable derived from the computations based on percentages and aging of accounts receivable as follows: 25 per cent for accounts aged one year to less than two years, 50 per cent for accounts aged two years to less than three years, 75 per cent for accounts aged three years but less than four years, and 100 per cent for accounts aged four years and above.

3.5 Inventories

Inventories held for consumption of NFA are measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories that are held for consumption are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NFA.

3.6 Property, Plant and Equipment (PPE)

a. Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- i. tangible items;
- ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- ii. the cost or fair value of the item can be measured reliably; and
- iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- i. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- ii. expenditure that is directly attributable to the acquisition of the items; and
- iii. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight line method of depreciation is adopted.

iii. Estimated useful life

The NFA uses the Schedule on the estimated useful life of PPE by classification under NFA Standard Operating Procedure (SOP) No. GSPD19 dated May 24, 2003, which is also within the prescribed schedule prepared by COA.

iv. Residual value

The NFA uses a residual value equivalent to at least five per cent of the cost of the PPE.

e. Derecognition

The NFA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the

difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.7 Intangible Assets

a. Recognition and measurement

Intangible Assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible Assets acquired separately are initially recognized at cost.

b. Development costs

Development costs on an individual project are recognized as Intangible Assets when the NFA can demonstrate:

- i. the technical feasibility of completing the asset so that the asset will be available for use;
- ii. its intention to complete and its ability to use or sell the asset;
- iii. how the asset will generate future economic benefits or service potential;
- iv. the availability of resources to complete the asset; and
- v. the ability to measure reliably the expenditure during development.

3.8 Changes in Accounting Policies and Estimates

The NFA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application was impractical.

The NFA recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The NFA corrects material prior period errors retrospectively in the first set of FSs authorized for issue after their discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.9 Foreign Currency Transactions

Foreign currency liabilities are booked up at peso equivalents at the time of availment. Payments are taken up at current foreign exchange rate. Gain or loss on foreign exchange is recognized and charged to current operations. Outstanding loan and dollar bank account balances at the end of the year are restated using the Bangko Sentral ng Pilipinas (BSP) closing rate at the last banking day of the year and any gain/loss is recorded accordingly.

3.10 Revenue from Exchange Transactions

a. Measurement of revenue

Revenue is measured at fair value of the consideration received or receivable.

b. Rendering of services

The NFA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. Fines and penalties

The NFA recognizes revenue from fines and penalties on the late deliveries of items purchased through importation or local purchases when earned.

d. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

e. Dividends

Dividends or similar distributions are recognized when the NFA's right to receive payments is established.

3.11 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

The annual budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

3.12 Borrowing Costs

For loans borrowed directly by NFA, the allowed alternative treatment is used.

3.13 Employee Benefits

The employees of NFA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The NFA recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

4. CHANGES IN ACCOUNTING POLICIES

NFA adopted the following new accounting policies:

4.1 PPSAS 1 – *Presentation of Financial Statements*

Existing Terminology of FSs (5)	Prescribed Terminology of FSs (6)
Balance Sheet	Statement of Financial Position
Statement of Income and Expenses	Statement of Financial Performance
Statement of Changes in Equity	Statement of Changes in Net Assets/Equity
Cash Flow Statement	Statement of Cash Flows
Notes to FS	Statement of Comparison of Budget and Actual Amounts Notes to FS

The implementation of the prescribed terminology of FSs started this December 31, 2017 report.

4.2 PPSAS 2 – *Cash Flows Statements*

The NFA presented the Statement of Cash Flows that classifies the cash flows during the period from operating, investing and financing activities.

The NFA started the implementation of the prescribed presentation of Statement of Cash Flows this December 31, 2017 report.

4.3 PPSAS 12 – *Inventories*

The NFA recognized the reclassification of all PPE below the capitalization threshold of P15,000 to Semi-expendable account including PPEs issued prior to January 1, 2016.

Those PPE items below the capitalization threshold of P15,000 is recognized as Semi-expendable machinery and equipment inventory and Semi-expendable furniture, fixtures and books inventory which were coded as 50203210 and 50203220, respectively, in the Revised Chart of Accounts (RCA). These accounts were originally classified in the

Electronic New Government Accounting System (e-NGAS) account as Other Supplies Inventory account coded as 765.

These will be recognized as expenses upon issuance to the end-user.

4.4 Adoption of the RCA

The NFA is already adopting the use of the Revised Chart of Accounts (RCA) for Government Corporations (GCs) classified as Non-Government Business Enterprise (Non-GBEs), with an 8-digit account coding structure, prescribed under COA Circular No. 2015-010 dated December 1, 2015.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2017	2016 As Restated
Cash on hand	12,696,503	17,289,523
Cash in bank - local currency	1,018,663,985	1,779,140,312
Cash in bank - foreign currency	211,031,294	159,125,741
	1,242,391,782	1,955,555,576

The Cash in Bank – Foreign Currency is a dollar savings account deposited in Land Bank of the Philippines (LBP) – NFA Branch. The foreign currency account is revaluated using the December 31, 2017 closing rate of the BSP.

6. OTHER INVESTMENTS

6.1 Reconciliation of Other Investments

	Current	Non-current			Total
	Sinking fund	Investment in stocks	Other investments	Total Non- current	
Balance, 01/01/17	4,407,889,011	500,755,187	619,022,849	1,119,778,036	5,527,667,047
Increase in Investment due to Interest earned during the period	2,604,071,069	-	7,843,698	7,843,698	2,611,914,767
Disallowed write-off by COA	-	1,242,000	22,500	1,264,500	1,264,500
MERALCO redemption received dated 10/19/98 per OR#528696 which was inadvertently recorded as dividend on stocks	-	(620,300)	-	(620,300)	(620,300)
Balance, 12/31/17	7,011,960,080	501,376,887	626,889,047	1,128,265,934	8,140,226,014

6.2 Sinking Fund

The NFA established a provision of Sinking Fund to pay off a long term debt. The Sinking Fund account which will mature on February 8, 2018 is recognized as current investment as of December 31, 2017.

6.3 Investment in Stocks

	2017	2016
Gasifier and Equipment Manufacturing Corporation	1,242,000	-
Food Terminal, Inc. (FTI)	500,000,000	500,000,000
Celebrity Sports Plaza	35,000	35,000
Manila Electric Company	31,630	651,930
Philippine Long Distance Telephone (PLDT) Company	68,257	68,257
	501,376,887	500,755,187

Investment in Stocks in FTI in the amount of P500 million was recognized in the books of NFA pursuant to Section 8 of PD No. 1770 dated January 14, 1981, which provided that the investments and loans as well as related obligations incurred by the Human Settlements Development Corporation (HSDC) in the FTI shall be transferred to the NFA.

7. RECEIVABLES

This account consists of the following:

	2017	2016 As restated
Accounts receivable, net	14,033,847	671,964,831
Loans receivable	30,783,849	39,057,430
Inter-agency receivables	2,737,163,902	241,268,251
Other receivables, net	382,309,057	439,607,548
	3,164,290,655	1,391,898,060

7.1 Accounts Receivable

	2017	2016
National government agencies (NGAs)	527,813,436	1,227,211,718
Local government units (LGUs)	140,098,996	153,557,007
Government corporations (GCs)	6,176,678	(6,158,168)
Private corporations	9,673,963	11,467,603
Retailers	281,852	606,078
Erap Sari-Sari Store (ESSS) Operators	28,278	29,986
Emergency Cereal Loan Assistance Program (ECLAP)	13	13
Employees	230,806	381,676
Farmers	5,244,907	5,551,599
	689,548,929	1,392,647,512
Less: Allowance for impairment	675,515,082	720,682,681
	14,033,847	671,964,831

Accounts Receivable consists mainly of accounts from rice loans of government and private institutions, Government Owned and Controlled Corporations (GOCCs), private corporations, retailers, employees and farmers. Accordingly, an Allowance for Impairment is provided for the receivables. The decrease is attributable to the collections during the current year and due to reclassification of receivable from Department of Transportation (DOTr) to Due from NGAs in the amount of P540.651 million.

7.2 Loans Receivable

Loans receivable includes receivables from farmer miller-beneficiaries under the then Agro-processing and Marketing Project Office (APMPO), Private Sector Modernization Scheme (PSMS) Program, Japan International Cooperation Agency (JICA), Post-Harvest Facilities (PHF) and Farm Level Grains Center (FLGC).

7.3 Inter-agency Receivables

	2017	2016
Due from NGAs	2,566,792,204	67,687,180
Due from GCs	155,608,005	158,817,378
Due from LGUs	14,763,693	14,763,693
	2,737,163,902	241,268,251

7.3.1 Due from NGAs consists of the following:

	2017	2016
Department of Agriculture (DA) - Philippine Information Agency	-	3,175
DA	3,238,222	2,356,198
DA - Certified seeds	1,852,331	1,859,403
DA - Intra-agency fund	6,380,485	6,380,485
Bureau of Agricultural Statistics	43,854	21,927
Bureau of Soils and Water Management	6,841	3,420
Bureau of Postharvest Research and Extension	114,122	114,122
Department of Budget and Management (DBM)	287,824	775,599
Department of Education (DepEd)	22,650	22,650
Department of Education, Culture and Sports (DECS) - Food for School Program	12,868,082	12,868,082
Bureau of Customs (BOC)	1,117,939	1,090,656
Bureau of Internal Revenue (BIR)	95,626	91,250
Department of Interior and Local Government	432,437	432,437
Office of Civil Defense (OCD)	107,500	(91,250)
National Disaster Coordinating Council	316,985	316,985
Department of Social Welfare and Development (DSWD)	11,062,911	12,565,972
DSWD - Association of Southeast Asian Nations (ASEAN) Plus Three Emergency Rice Reserve (APTERR)	1,495,650	23,686,916
East Asia Rice Released	1,734,978	554,486
DOTr	738,889,700	-
Bureau of the Treasury (BTr) - Tax expenditure subsidy (TES)	1,782,089,400	-
Due from National Government Agency - Region 13 (For Reconciliation)	4,634,667	4,634,667
	2,566,792,204	67,687,180

The Due from DOTr consists of the balance of P540.651 million or 30 per cent balance from the sale of South District Office properties, P108.130 million or six per cent Capital Gains Tax and P90.109 million or five per cent Fair Market Value Tax for the total amount of P738.890 million.

The Due from BTr account represents the recognition on the set-up of TES for the calendar year (CY 2017) rice importation.

7.3.2 Due from LGUs consists of the following:

	2017	2016
Bukidnon	9,192,758	9,192,758
Nueva Ecija	5,469,190	5,469,190
National Farmers Advisory Council (NFAC)	101,745	101,745
	14,763,693	14,763,693

The Provincial Governments of Bukidnon and Nueva Ecija accounts represent unliquidated balances from DA funded program for the Mechanical dryer/Grains Procurement Enhancement Program (GPEP) Post-harvest facility assistance fund.

The NFAC account represents unliquidated advances for the Grains & Irrigation Water Assessment & Farmers Consultative workshop.

7.4 Other Receivables

	2017	2016
Receivables - disallowances/charges	19,567,781	22,345,012
Due from officers & employees	210,750,974	259,048,259
Other receivables	152,925,557	158,214,277
	383,244,312	439,607,548
Less: Allowance for impairment - Other receivables	(935,255)	-
	382,309,057	439,607,548

The Receivables – Disallowances /Charges include disallowance in audit of the salaries and wages, allowances and travel expenses of former NFA employees.

The Due from Officers and Employees account represents the collectibles from officers and employees who availed of their travelling expenses in advance.

Other receivables account consists of receivables from private institutions, corporations, contractors or individuals other than those arising from trade.

8. INTRA-AGENCY RECEIVABLES

	2017	2016
Due from CO (HOA)	115,119,075,048	124,357,639,039
Due from CO (COCA)	19,827,232,799	22,543,280,930
Due from RO (FOA)	31,956,896,695	31,959,608,079
Due from RO (BOCA)	2,847,082,153	2,847,102,887
Due from RO (ROA)	3,844,554,136	3,844,554,136
Due from RO (ROTA)	747,124,961	557,303,317
Due from Operating Units (OUs) - Province	87,948,884,963	121,327,959,204
Due from OUs (BOTA)	9,709,450,535	15,314,720,378
Due from OUs (ROCA)	12,020,050,249	13,769,402,848
Due from OUs (HOCA)	10,206,158,984	13,913,333,830
Due from OUs (POA)	6,238,725,776	6,238,725,776
	300,465,236,299	356,673,630,424

FOA – Field Office Account

HOA – Home Office Account

ROTA – Regional Office Transaction Account

BOTA – Branch Office Transaction Account

ROCA – Regional Office Clearing Account

HOCA – Head Office Clearing Account

COCA – Central Office Clearing Account

ROA – Regional Office Accounts

POA – Provincial Office Accounts

BOCA – Branch Office Clearing Account

This account includes inter-branch transactions between the CO, RO, POs within the region and POs outside the region. An increase is due to inter-branch transactions not yet closed to Government Equity.

Intra-agency Receivables and Payables represent the receipt of funds and other assets like supplies, inventories, equipments, etc. for use in NFA CO, ROs and POs and are recorded as receivables (Due from) in the issuing office and payables (Due to) by the receiving office. These accounts are being reverted and closed to Equity account after the originating office acknowledges and confirms the reconciliation of accounts with NFA ROs/POs.

9. INVENTORIES

This account consists of:

	2017	2016
Inventory held for sale	3,158,633,809	13,106,288,369
Inventory held for manufacturing	263,409,825	1,984,648,932
Semi-expendable machinery and equipment	17,650,820	16,242,402
Inventory held for consumption	342,137,657	368,670,308
	3,781,832,111	15,475,850,011

9.1 Inventory Held for Sale

	2017	2016
Merchandise inventory (MI)	3,162,195,087	13,154,854,350
Less: Allowance for impairment	(3,561,278)	(48,565,981)
	3,158,633,809	13,106,288,369

The MI consists of local and imported rice on hand that are held for sale or for distribution to retailers and for projects of NGAs such as DSWD, DepEd, OCD, National Disaster Risk Reduction and Management Council (NDRRMC), GCs and LGUs.

9.2 Inventory Held for Manufacturing

	2017	2016
Raw materials	282,595,514	1,986,584,061
Less: Allowance for impairment	(23,720,460)	(66,336,987)
	258,875,054	1,920,247,074
Work-in-process	4,534,771	64,401,858
	263,409,825	1,984,648,932

Raw materials inventory consists of palay procured and stored on hand. Work-in-Process inventory consists of raw materials (palay) for milling or is in the process of milling.

9.3 Semi-expendables Machinery and Equipment

These are tangible items costing below P15,000. These are recognized as expense upon issue to the end-user.

	Balance, 01/01/2017	Additions/Acquisitions/ Expensed/Adjustments during the year	Balance, 12/31/17
Semi-expendable – machinery	36,415	(26,507)	9,908
Semi-expendable – office equipment	752,539	1,104,473	1,857,012
Semi-expendable – IT equipment	113,213	82,822	196,035
Semi-expendable – communication equipment	12,422,635	(487,640)	11,934,995
Semi-expendable – disaster response and rescue equipment	23,400	135,660	159,060
Semi-expendable – sports equipment	10,000	4,796	14,796
Semi-expendable – technical and scientific equipment	-	135,806	135,806
Semi-expendable – kitchen equipment	168,077	12,663	180,740
Semi-expendable – other machinery and equipment	-	99,074	99,074
Semi-expendable – furniture and fixtures	2,716,123	262,418	2,978,541
Semi-expendable – books	-	84,853	84,853
	16,242,402	1,408,418	17,650,820

9.4 Inventory Held for Consumption

This account consists of supplies which are used in the ordinary course of NFA operations such as the following:

	Balance, 01/01/2017	Additions/Acquisitions/ Expensed/Adjustments during the year	Balance, 12/31/17
Office supplies	15,379,830	(2,453,020)	12,926,810
Accountable forms, plates and stickers	23,589,702	(92,303)	23,497,399
Non-accountable forms	11,039	21,262	32,301
Drugs and medicine	562,675	238,107	800,782
Medical, dental and laboratory supplies	2,961,852	6,642	2,968,494
Fuel, oil and lubricants	1,067,152	(316,988)	750,164
Agricultural supplies	39,973,031	2,212,756	42,185,787
Construction materials	10,617,895	(184,821)	10,433,074
Linens and beddings	38,000	68,351	106,351
Electrical supplies and materials	1,436,186	(123,663)	1,312,523
Other supplies and materials	273,032,946	(25,908,974)	247,123,972
	368,670,308	(26,532,651)	342,137,657

The Stickers and Metal Plates inventory accounts were reclassified to Accountable Forms Inventory account to conform to the RCA classification under COA Circular No. 2016-006 dated December 29, 2016.

10. OTHER ASSETS

10.1 Current and Non-current Other assets

	2017	2016	Increase/ (Decrease)
Current other assets			
Advances			
Advances for operating expenses	-	77,579	(77,579)
Advances for payroll	12,212	5,000	7,212
Advances to Special Disbursing Officer (SDO)	(867,050)	835,623	(1,702,673)
Advances to officers and employees	1,817,945	1,667,813	150,132
	963,107	2,586,015	(1,622,908)
Prepayments			
Advances to contractors	4,042,324	12,991,510	(8,949,186)
Prepaid rent	3,924,125	3,793,146	130,979
Prepaid insurance	1,159,081	1,490,678	(331,597)
Other prepayments	487,299	75,206	412,093
	9,612,829	18,350,540	(8,737,711)
Deposits			
Guaranty deposits	57,526,492	56,991,639	534,853
Other assets			
	201,539,739	285,339,218	(83,799,479)
	269,642,167	363,267,412	(93,625,245)
Non-current other assets			
Restricted fund/assets	54,802,783	54,802,783	-
Confiscated property/assets	-	1,242	(1,242)
Other assets	4,169,125,141	4,074,800,124	94,325,017
	4,223,927,924	4,129,604,149	94,323,775
	4,493,570,091	4,492,871,561	698,530

10.1.1 Advances

Advances for operating expenses include the amount granted to Disbursing Officer for operating expenses of different departments of NFA – CO not maintaining complete set of books.

Advances to SDO include the amount granted to Accountable Officer (AO) for special purpose/time-bound undertakings.

Advances to Officers and Employees include the amount granted to officers and employees for official travels to be liquidated within a specified period and/or within 30 calendar days upon arrival from official travel.

10.1.2 Prepayments

Prepaid Rent includes rental to Amberland Corporation, Solid Triangle Sales Corporation and Sugar Regulatory Administration in the amounts of P2.026 million, P1.712 million and P159,667, respectively.

Prepaid Insurance represents set-up for the insurance premium of various NFA service vehicles.

Other Prepayments represent those paid for Internet Security Gateway Appliance for Data Center, various Land Transportation Office (LTO) Registration fees and others.

10.1.3 Guaranty Deposits

	2017
Containers	833,096
Light and water	3,779,649
Telephone installation	351,606
Facilities	50,941,024
Court cases	1,461,207
Gas and oil	(16,986)
Leased equipment	176,896
	57,526,492

The security deposits with Amberland Corporation and Solid Triangle Sales Corporation could not yet be refunded due to the pending case in court handled by the Office of the Government Corporate Counsel (OGCC).

10.1.4 Other Assets

Other Assets include the equipment and implements – Agro-processing and Marketing Project Office (APMPO) which represent the inventory of equipment to be utilized solely for the improvement/modernization and installation of farmers' equipment such as rubber rolls, mechanical dryers and rice mill components.

Other Assets also include receivables from Stock Accountable Officers (SAOs), which are categorized into:

- a. Stock shortages - without examination – past accountabilities

Include cases with proper cut-off but not yet 100 per cent examined and/or pending for examination.

- b. Stock shortages - without examination – on-going accountabilities

Include cases with no cut-off of accountability yet with or without shortages set-up.

- c. Stock shortages with Management examination

Include cases/accountabilities already encoded in the New Computerized Stock Examination & Tolerable Allowance (TOLA) Computation System which are 100 per cent completed, the required certifications are already submitted, the inventory of accountable forms are properly accounted for, the computer generated examination and reports are already final, verified by Provincial Accountant and noted by the Provincial Manager and forwarded or about to be forwarded to the concerned SAO for review and confirmation as of report date. Also include accountabilities with final examination or 100 per cent completed and the results are either shortage, but considered auto-offset, or overage (therefore, no TOLA is computed).

d. Stock shortages with examination but for TOLA computation

Include cases/accountabilities submitted by PO for TOLA computation.

e. Stock shortages with TOLA computation

Include cases/accountabilities wherein the result of TOLA computation is for review of the SAO and is under the 30 working days prescribed period to appeal.

f. Final shortages with/without resolved appeal – No longer connected

Include cases/accountabilities of SAO no longer connected with NFA wherein TOLA computations (either with shortages or offset) were conducted either in the RO or CO and appeals resolved by the Regional Tolerable Allowance Committee (RTAC) or National TAC. Also include cases with shortages net of TOLA without appeal and/or the 30 working days prescribed period had lapsed.

11. PROPERTY, PLANT AND EQUIPMENT

Additions/acquisitions/adjustments include items that were acquired during the year, capitalized expenditures and receipt of assets and transfers to and from the CO, ROs and POs. Other adjustments include the reclassification of PPE with acquisition cost below P15,000 to Semi-expendable effected in CYs 2016 to 2017.

CY 2017 -

	Land and Land Improvements*	Buildings and Structures**	Furniture, Fixtures, Equipment, Books	Construction in Progress	Total
Cost, 12/31/16	564,274,470	2,484,634,471	2,138,013,769	72,002,739	5,258,925,449
Additions/acquisitions/disposals/ transfers/adjustments	32,763,982	85,209,169	37,274,935	30,908,972	186,157,058
Cost, 12/31/17	597,038,452	2,569,843,640	2,175,288,704	102,911,711	5,445,082,507
Accum. Depr., 12/31/16	160,315,250	1,407,011,752	1,551,316,138	-	3,118,643,140
Depr. And depletion - 2017	8,602,797	68,356,232	98,608,674	-	175,567,703
Accum. Depr., 12/31/17	168,918,047	1,475,367,984	1,649,924,812	-	3,294,210,843
Net book value, 12/31/17	428,120,405	1,094,475,656	525,363,892	102,911,711	2,150,871,664

* includes leasehold improvements on land amounting to P23.972 million.

** includes leasehold improvements on buildings amounting to P14.375 million.

CY 2016 -

	Land and Land Improvements*	Buildings and Structures**	Furniture, Fixtures, Equipment, Books	Construction in Progress	Total
Cost, 12/31/15	808,008,576	2,405,522,846	2,183,099,009	74,888,629	5,471,519,060
Additions	36,152,197	147,774,251	241,157,425	260,977,459	686,061,332
Deductions	(279,886,303)	(68,662,626)	(286,242,665)	(263,863,349)	(898,654,943)
Cost, 12/31/17	564,274,470	2,484,634,471	2,138,013,769	72,002,739	5,258,925,449
Accum. Depr., 12/31/16	149,419,091	1,342,051,967	1,510,720,410	-	3,002,191,468
Depr. And depletion - 2017	7,130,073	64,065,994	96,076,049	-	167,272,116
Adjustment - Transfer	3,766,086	893,791	(55,480,321)	-	(50,820,444)
Accum. Depr., 12/31/17	160,315,250	1,407,011,752	1,551,316,138	-	3,118,643,140
Net book value, 12/31/16	403,959,220	1,077,622,719	586,697,631	72,002,739	2,140,282,309

* includes leasehold improvements on land amounting to P23.972 million.

** includes leasehold improvements on buildings amounting to P14.375 million.

The report of NFA Properties - Land with Titling Issues is shown after Note 27.

Leased Assets Improvement, Land at CO, represents various expenses incurred in connection with the improvement of basketball court located at SRA Compound.

The Machinery and Equipment account includes communication, fire fighting, medical, sports and technical and scientific equipment.

The Furniture, Fixtures and Books account includes office, information and communication, and technology equipment.

12. INTANGIBLE ASSETS

The Construction-in-Progress – Computer Software account was reclassified to Development-in-Progress – Computer Software account to conform to the RCA classification under COA Circular No. 2016-006 dated December 29, 2016.

13. FINANCIAL LIABILITIES

13.1 Payables

This account consists of the following:

	2017		2016	
	Current	Non-current	Current	Non-current
Accounts payables	2,849,259,422	-	2,370,749,179	-
Due to officers and employees	210,850,543	-	208,528,374	-
Notes payable	38,040,566,949	-	36,406,898,733	-
Interest payable	2,893,451,352	-	2,269,918,692	-
Loans payable- domestic	11,552,000,000	70,570,119,395	13,802,000,000	82,122,619,395
Loans payable- foreign	11,972,866	83,810,061	26,990,434	91,665,649
	55,558,101,132	70,653,929,456	55,085,085,412	82,214,285,044

13.1.1 Accounts Payable

Accounts Payable account includes expenses due for payment to suppliers of goods and services which are already incurred but not yet paid during the current year such as general services, telephone bills, security services, handling, trucking, repairs and maintenance projects, utilities, purchased of goods or services on account and other obligations in connection with the agencies' operation/trade/business, as follows:

	2017	2016
Grains Direct Procurement	(1,719,878)	402,364
Private Institutions/Contractors	2,792,766,266	2,279,542,572
PLDT, Smart, Globe, etc.	58,213,034	90,804,243
	2,849,259,422	2,370,749,179

13.1.2 Due to Officers and Employees

Due to Officers and Employees are recognized upon the incurrence of liability to officers and employees for salaries, benefits and other emoluments including the authorized expenses paid in advance by the officers and employees. A significant increase on this account is due to accrual of personnel services such as salary differential, overtime differential, terminal leave benefit, Collective Negotiation Agreement (CNA) Incentive, other payable to employees including Group Hospitalization Insurance Program (GHIP), Provident Fund and Self-Administered Bereavement Assistance Program (SABAP). Below are the details:

	2017	2016
40 per cent cost of living allowance (COLA) differential – under reconciliation	17,019,525	16,820,449
Payment of shortage under protest	6,502,726	2,485,080
Personnel services (PS) and Maintenance and other operating expenses (MOOE)	179,047,444	178,418,395
Bereavement assistance program	683,918	34,908
Hospitalization assistance program	731,534	1,261,877
Remuneration	187,977	188,276
Executive health program	(89,753)	(20,276)
Calamity loan assistance program	5,471,850	7,486,715
Provident fund	1,059,835	1,852,950
SABAP	183,677	-
Group accident insurance program (GAIP)	51,810	-
	210,850,543	208,528,374

13.1.3 Notes Payable

This account consists of the following:

	2017	2016
Development Bank of the Philippines (DBP)	20,991,460,453	21,334,663,252
Land Bank of the Philippines (LBP)	17,049,106,496	15,072,235,481
	38,040,566,949	36,406,898,733

13.1.4 Interest Payable

This account consists of the following:

	2017	2016
BTr net lending	2,290,323,401	1,612,275,038
Various banks	444,922,125	490,574,750
LBP	100,438,198	99,064,481
DBP	56,546,395	66,099,369
1995 Japanese rice loan	1,221,233	1,905,054
	2,893,451,352	2,269,918,692

13.1.5 Loans Payable – Domestic

This account consists of the following:

	2017	2016
1. Ten-year notes/loans from different banks syndicated by DBP and LBP dated November 28, 2011; due date - November 28, 2021:		
Banco de Oro Unibank, Inc.	21,690,400,000	26,256,800,000
Bank of the Philippine Islands	11,400,000,000	13,800,000,000
Development Bank of the Philippines	7,600,000,000	9,200,000,000
China Banking Corporation	6,232,000,000	7,544,000,000
Land Bank of the Philippines	6,080,000,000	7,360,000,000
Philippine National Bank	2,280,000,000	2,760,000,000
Metropolitan Bank & Trust Company	1,390,800,000	1,683,600,000
Mizuho Corporate Bank Ltd.	326,800,000	395,600,000
	57,000,000,000	69,000,000,000
2. Ten-year notes/loans syndicated by DBP and LBP dated October 29, 2014; due date - October 29, 2024:		
LBP	4,500,000,000	4,500,000,000
DBP	4,500,000,000	4,500,000,000
	9,000,000,000	9,000,000,000
3. Loans from Republic of the Philippines (ROP) ROP long-term notes – BTr dated February 8, 2008; due date - February 8, 2018 (callable year 2013), interest 6.75 per cent (fixed rate)	8,000,000,000	8,000,000,000
	8,000,000,000	8,000,000,000
4. LBP		
dated December 23, 2009; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, Philippine Dealing System Treasury Fixing (PDSTF) + fixed spread of 1 per cent with quarterly repricing, 5.1423 per cent for the first quarter	2,160,000,000	2,700,000,000
dated January 7, 2010; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, PDSTF + fixed spread of 1 per cent with quarterly repricing, 5.1719 per cent for the first quarter	1,742,500,000	2,152,500,000
dated January 14, 2010; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, PDSTF + fixed spread of 1 per cent with quarterly repricing, 5.1369 per cent for the first quarter	1,912,500,000	2,362,500,000
dated January 14, 2010; due date - December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3 months, PDSTF + fixed spread of 1 per cent with quarterly repricing, 5.1435 per cent for the first quarter	1,700,000,000	2,100,000,000
	7,515,000,000	9,315,000,000
5. Corn Development Fund For the Dryermat and Corn Center Project	6,500,000	9,000,000
6. DBP – Mindanao Progress Corporation (MinProCor) Acquired assets from Minprocor properties	91,200,000	91,200,000
7. Human Settlements Development Corporation – P553.824 million, interest free, payable in 25 years (quarterly payment)	509,093,711	509,093,711
8. Agrarian Credit Line	205,000	205,000
9. Ministry of Agriculture & Food interest of 3 per cent per annum payable every 6 months. Dept. of National Agricultural Productivity Program (NAPP) loan granted to NFA for procurement operations	120,684	120,684
	82,122,119,395	95,924,619,395
Current Portion	11,552,000,000	13,802,000,000
Non-Current Portion	70,570,119,395	82,122,619,395

13.1.6 Loans Payable – Foreign

This account consists of foreign loans, as follows:

	2017	2016
1. 1995 Japanese Rice Loan – Y541.355 million at 2 per cent on the 1 st to 10 th year and 3 per cent per annum from 11 th to 30 th year (with 10 years grace period) annual installments of Y27.068 million starting July 31, 2006 to July 31, 2025	95,782,927	103,123,852
2. 1996 USPL 480 at 3 per cent per annum for the 1 st to 5 th year and 4 per cent per annum for the 6 th to 20 th year (with a 4-year grace period) annual installments of \$937,393	-	15,532,231
	95,782,927	118,656,083
Current Portion	11,972,866	26,990,434
Non-current Portion	83,810,061	91,665,649

Loans Payable – Foreign represents 1995 Japanese Rice Loan dated August 16, 1995. Period for deferred payment was 30 years including ten-year initial grace period. The rate of interest was 2 per cent per annum for 10-year initial grace period; 3 per cent per annum for 20 years after termination of the grace period; and overdue interest of 0.023 per cent per day for a period from the following date after the due date to the day of actual payment.

14. INTER-AGENCY PAYABLES

This account consists of the following:

	2017	2016
Due to national treasury	39,301,148,253	33,080,603,929
Due to other NGAs	2,852,116,878	373,482,894
Due to Government Service Insurance System (GSIS)	73,638,048	63,503,712
Due to GCs	53,040,276	37,990,875
Due to BIR	27,555,600	31,133,881
Due to LGUs	7,290,986	12,616,750
Due to Pag-IBIG	1,217,941	1,378,575
Due to PhilHealth	458,551	460,317
	42,316,466,533	33,601,170,933

14.1 Due to National Treasury

This account consists of the following:

	2017	2016
Net lending program	30,579,117,580	25,179,117,580
Guarantee fee	8,211,701,072	7,607,915,366
COA audit services	447,387,832	230,629,214
USPL 480 Iron Fortified Rice	46,223,010	46,223,010
USPL 480 Rice	9,534,832	9,534,832
USPL Title I	7,840,256	7,840,256
Countrywide Development Fund	881,582	881,582
Priority Development Assistance Fund	40,000	40,000
China rice I	37,940	37,940
Australian rice	(1,615,851)	(1,615,851)
	39,301,148,253	33,080,603,929

The Bureau of the Treasury (BTr) Net Lending Program represents net advances availed from BTr in the settlement of various maturing loan obligations of NFA.

The Guarantee Fee represents set-up of payables for the outstanding balance of loan availments of NFA to various creditors.

The Commission on Audit account represents set-up of payables for the audit services rendered by COA to NFA.

The USPL 480 Iron Fortified Rice account represents unremitted amount to the BTr for the sale on the purchased 2,850 Metric Tons or 57,000 bags of US Iron-Fortified Rice.

The Countrywide Development Fund represents cash allotment of various legislators for the purchase of rice for distribution to their assigned beneficiaries, to wit:

	2017
Adiong, Mamintal	52,000
Bondoc, Egmedio	237,500
Caloocan	181,357
Cezar, Homobono	300,000
Gonzales, Pacita	52,450
Mercado, Orlando	47,625
Mercado, Roger	10,650
	881,582

USPL 480 Title I/Australian Rice/China Rice accounts occurred since 1988 and still for reconciliation due to lack of supporting documents.

14.2 Due to Other NGAs

This account consists of the following:

	2017
Bureau of Customs (BOC)	2,943,922,029
DA	52,839,684
Bureau of Corrections	4,938,750
Australian Imported Rice	1,150,885
National Labor Relation Commission	303,248
DSWD	(151,037,718)
	2,852,116,878

Due to the BOC account represents Customs Duties (set-up of tariff expenses) on the importation of sugar in CYs 1999 to 2002 and rice for CY 2017.

Due to DA account consists of the following:

	2017
Chinese Yellow Corn	11,078,610
DSWD Donated US Rice	10,888,828
Rapid Seed Supply Financing Project	8,849,744
Donated Vietnam Rice	6,226,830
Bureau of Agricultural Research	5,824,334
DA	1,818,408
Certified Seeds Program	1,375,730
Agricultural Credit Policy Council	1,261,019
National Agricultural & Fishery Council	1,240,464
Rehab of Post-Harvest Facility - Pablo	630,722
Shallow Tube Well	588,192
Agricultural Development Fund	577,756
Grains Production Enhancement Program	565,320
Corn Block Farming	546,001
Livestock Development Council	467,063
Philippine Rice Post Production	410,000
Ginintuang Masaganing Ani	192,507
National Post Harvest Institute for Research and Extension (NAPHIRE) - Special Vehicle Loan Fund	184,135
President Social Fund	94,560
Corn Plus Program	57,475
Post-Harvest Facilities	44,871
Integrated Livelihood Program	7,931
Bureau of Soil and Water Management	6,687
Golden Farmer Trading	252
Agri-Pinoy Rice Processing	(97,755)
	52,839,684

The Bureau of Agricultural Research account consists of the following:

	2017
Bureau of Agricultural Research	564,254
Effect of climate change on levels of Arsenic and Cadmium	3,096,597
Philippine seafoods for export	98,105
Monitoring pesticides residues in mango, rice, fruits and vegetables	2,064,698
Improving the quality and shelf life of Tupig	680
	5,824,334

The Agricultural Credit Policy Council account represents collections from Field Offices for Intensified Rice Production (IRPP) and National Soy Bean Production Program (NPP) Loans Receivables since November 1995.

The NAPHIRE account represents Special Vehicle Loan Fund prior to CY 2005.

14.3 Due to GSIS

This account represents unremitted employees' premium payments and other payables to the GSIS, as follows:

	2017
Compulsory life insurance premium	9,308,403
Term life insurance premium	(28,200)
Optional loan policy	139,442
Conso loan	2,403,011
Salary loan	1,189,156
Policy loan	93,876
Real estate loan	90,907
Vehicle insurance premium	(78,822)
Fire insurance premium	1,464
Fly now pay later	178
College education insurance	4,582
Hospital insurance plan	(18,064)
Study now pay later	1,857
Genesis plan	5,952
Emergency loan assistance	407,998
Edu-child tie up with Prudential Plans, Inc.	38,939
Stocks premium	(208)
Overage premium rice	1,815,634
E-card	17,315,906
Marine insurance	11,157,263
Unclassed vessel charges	29,751,712
Travel accident insurance	37,062
	73,638,048

14.4 Due to GCs

This account consists of the following:

	2017	2016
Quedan and Rural Credit Guarantee Corporation (QUEDANCOR)	24,740,648	4,065,373
Sugar Regulatory Administration (SRA)	19,590,311	25,550,431
Grains Insurance Corporation	7,597,441	7,531,662
Philippine Amusement Gaming Corporation	560,700	224,700
Philippine Charity Sweepstakes Office	290,564	290,564
Philippine Ports Authority	159,447	159,447
Philippine International Trading Corporation	125,488	125,488
Philippine Crop Insurance Corporation	37,371	37,371
National Home Mortgage Finance Corporation (NHMFC)	1,960	1,960
Water districts	(597)	3,879
LBP	(63,057)	-
	53,040,276	37,990,875

The SRA account represents set-up of payables to SRA for the office space rental, water consumption and electrical consumption.

The NHMFC account represents set-up of payables to NHMFC for the unremitted housing loan amortization of NFA employees.

14.5 Due to BIR

This account represents the unremitted taxes withheld from officers/employees, contractors, and other entities, as follows:

	2017
Employees withholding tax	16,287,667
Contractors tax	589,521
Franchise tax	62,526
Sales tax	17,004
Expanded tax	2,251,802
Percentage tax	3,100,508
Value added tax	5,114,983
Final tax	131,589
	27,555,600

14.6 Due to Pag-IBIG

This account represents unremitted employees' premium payments and other payables to the Home Development Mutual Fund (HDMF), as follows:

	2017
Premium	616,100
Provident loan	40,937
Emergency loan	589,724
Real estate loan	(71,636)
Multi-purpose loan	42,816
	1,217,941

14.7 Due to PhilHealth

The account represents unremitted employees' premium payments to the Philippine Health Insurance Corporation (PHIC).

15. INTRA-AGENCY PAYABLES

	2017	2016
Due to OUs- Province	103,911,440,489	115,878,370,311
Due to OUs (HOCA)	9,875,244,396	13,747,188,867
Due to OUs (ROCA)	11,804,573,505	14,457,069,123
Due to OUs (BOTA)	2,941,313,983	2,919,619,133
Due to OUs (POA)	5,189,330,984	5,189,330,984
Due to CO (HOA)	125,877,270,527	159,231,151,547
Due to CO (COCA)	22,671,913,441	22,671,913,441
Due to RO (FOA)	5,203,954,567	5,289,559,036
Due to RO (BOCA)	10,777,127	-
Due to RO (ROTA)	8,229,319,907	12,535,148,007
Due to RO (ROA)	4,751,611,951	4,756,149,892
	300,466,750,877	356,675,500,341

This account consists of payables/obligations to and by CO and concerned FOs. These accounts are being reverted and closed to Government Equity once the originating office

acknowledges and confirms the advices (reconciliation of accounts) with NFA's ROs and POs. The decrease in amount is due to monthly reconciliation and any reconciled transactions were closed to Government Equity account.

16. TRUST LIABILITIES

	2017	2016
Trust liabilities	370,964,147	373,417,353
Guaranty/security deposits payable	62,971,324	144,899,156
Customers' deposits payable	595,488,005	559,679,605
	1,029,423,476	1,077,996,114

Trust Liabilities account pertains to payable due to institution, corporation or individual. It also pertains to the retention fee from various suppliers that were contracted by the NFA to perform services and/or for delivery of such goods. The account includes, among others, the following:

- a. NFA Employees Association (NFA-EA) Canteen account represents deductions/collections from employees for loans and contributions to NFA-EA which are remitted to the Association before month-end of the applicable billing period.
- b. Provident Fund represents deductions/collections from employees for contributions and loans to NFA Provident Fund, Inc. which are remitted to Fund before month-end of the applicable billing period. This account is a savings, mutual benefit and retirement plan established by NFA for its officials and employees in the active service with contribution of employees and government share of 2 per cent and 4 per cent of basic monthly salary, respectively.
- c. Despatch Held in Trust account represents set-up of payables for charges that the contractor/supplier pays to the cargo handler for extra use of its services. This account will be closed upon the accomplishment of the unloading of goods and distributed based on the percentage claim of the cargo handler and NFA as stipulated in the contract (60 per cent cargo handler and 40 per cent NFA).
- d. Multi-purpose Cooperative account represents deductions/collections from employees for loans and contributions to NFA-Multipurpose Cooperative which are remitted to the Cooperative before month-end of the applicable billing period.
- e. Insurance Proceeds/Premium account represents unpaid set-up of insurance premiums of NFA and employees contribution like Self-administered Bereavement Assistance Program (SABAP), Group Accident Insurance Premium (GAIP) and Group Term Life Insurance Premium (GTLI).
- f. Retention Fee account represents the unrefunded 10 per cent of the amount due to the contractor that is deducted from the amount due and retained by the client. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract.

g. Lingap Para sa Mahihirap Program account represents unliquidated balance of this program. This had a total funding of P400 million as stated in the terminal report for the program. The fund was disbursed through sub-programs classified as Unrestricted Funds for Legislators Identified Beneficiaries (LIBs) and the Restricted Funds for Priority Beneficiaries (PBs), in trust to NFA.

Guaranty/Security Deposits Payable account pertains to the liability arising from receipt of cash to assure the NFA that the winning bidder will enter into the contract and the contractor will perform on the terms of the contract.

Customers' Deposits Payable account includes advance payment made by the retailers and other institutions in exchange of delivery of stocks. Part of this account is the remaining payment of DSWD for subsequent withdrawal of stocks by authorized Municipal Social Welfare and Development Officer as instructed by concerned Provincial Offices.

17. DEFERRED CREDITS/UNEARNED INCOME

This account includes overages taken up based on stock report but no existing stock during the physical count. This is subject to adjustment upon final liquidation and/or TOLA computation of respective accountable officer.

18. REVENUE

This account includes the following:

	2017	2016
Service Income		
Permit fees	8,200	-
Registration and license fees	162,517,733	160,082,296
Clearance/certification	25,150	500
Fines and penalties	103,950,121	10,206,158
Other service income	42,154,607	45,072,362
	308,655,811	215,361,316
Business Income		
Sales	17,381,929,972	28,822,738,469
Fidelity insurance income	3,978,725	2,008,215
Interest income	114,669,523	108,002,612
Other business income	282,146	90,357,345
	17,500,860,366	29,023,106,641
	17,809,516,177	29,238,467,957
Shares, Grants and Donations		
Grants and Donations		
Income from grants and donations in cash	6,231	-
Income from grants and donations in kind	369,077	34,176
	375,308	34,176
Miscellaneous Income		
Proceeds from insurance and indemnities	5,367,008	-
Miscellaneous income	116,255,983	73,270,032
	121,622,991	73,270,032

19. PERSONNEL SERVICES

This account includes the following:

	2017	2016
Salaries and wages	1,294,896,741	1,151,153,963
Other compensation	617,930,925	565,008,113
Personnel benefits contributions	173,546,128	160,315,486
Other personnel benefits	109,362,315	134,483,655
	2,195,736,109	2,010,961,217

20. MAINTENANCE AND OTHER OPERATING EXPENSES

This account includes the following:

	2017	2016
Travelling expenses	54,544,120	76,580,837
Training and scholarship expenses	4,223,904	7,434,181
Supplies and materials expenses	51,649,287	64,277,990
Gasoline, oil and lubricants expenses	34,754,519	37,384,102
Agricultural supplies expense	13,524,127	26,802,702
Other supplies expense	19,780,756	25,803,164
Utility expenses	98,122,042	103,540,313
Communication expenses	26,132,039	33,204,011
Membership dues and contributions	1,850,202	1,928,376
Advertising and publication expenses	591,888	3,633,343
Printing and binding expenses	1,558,692	1,920,302
Rent expenses	120,886,402	288,226,619
Representation expenses	16,759,004	20,538,789
Transportation and delivery expenses	246,515,471	588,303,886
Subscription expenses	1,691,699	1,841,303
Rewards and other claims	7,775,502	1,904,025
Major events and convention expenses	7,738,002	7,511,565
Professional services	524,391,377	477,369,481
Repairs and maintenance	56,807,498	105,942,374
Miscellaneous expenses	3,549,577	3,571,802
Documentary stamp expenses	170,143,667	121,839,440
Taxes, insurance premium and other fees	51,900,442	80,182,312
Other maintenance and operating expenses	223,537,335	(57,177,553)
	1,738,427,552	2,022,563,364

Documentary stamps are levies on documents evidencing the acceptance, assignments, sale or transfer of an obligation, risk of property incident to it, usually collected at the time of registration of the documents with the concerned authority.

21. FINANCIAL EXPENSES

	2017	2016
Interest expense	4,848,333,096	5,415,506,523
Other financial expenses	1,114,024,496	491,396,167
	5,962,357,592	5,906,902,690

Other financial expenses include guaranty fees which are charged by the BTr on guarantees extended to NFA to cover obligations contracted, equivalent to one per cent of the amount drawn from the loan.

22. NON-CASH EXPENSES

	2017	2016
Impairment loss- Loans and receivables	13,633,155	16,309,095
Impairment loss- Inventories	36,952	-
Depreciation and depletion	175,567,703	167,272,116
	189,237,810	183,581,211

23. GAINS AND LOSSES

These accounts consist of the following:

	2017	2016
Gains		
Gain on foreign exchange	91,854,458	120,670,790
Gain on sale of property, plant and equipment	272,511	1,314,547,300
Sale of assets - unserviceable property	591,563	-
	92,718,532	1,435,218,090
Losses		
Loss on foreign exchange	(77,930,470)	(204,019,423)
Loss on sale of property, plant and equipment	(3,274,810)	(475,039)
	(81,205,280)	(204,494,462)

The Gain/Loss on Foreign Exchange is the recognized gain/loss on the revaluation of foreign denominated liabilities at balance sheet date.

24. FINANCIAL ASSISTANCE/SUBSIDY

	Amount
Special Allotment Release Order (SARO) # BMB-C-17-0002143 dated February 24, 2017	5,100,000,000
Tax Expenditure Sidsidy per FIRB Resolution No. 2-17 dated December 15, 2017*	1,782,089,400
	6,882,089,400
<i>*SARO BMB-C-18-0006237 dated March 20, 2018</i>	<i>1,451,704,388</i>
<i>Request for Certificate of Entitlement to Subsidy (CES) dated February 5, 2018</i>	<i>312,907,321</i>

25. CONTRIBUTED CAPITAL

From CYs 1980 to 2007, total capital contribution of the National Government to NFA amounted to P5.00 billion. This account is already reconciled with the records of the BTr.

26. ACCUMULATED SURPLUS/(DEFICIT)

As at December 31, 2017, Accumulated Deficit amounted to P151.770 billion.

27. DISCLOSURES REQUIRED BY BIR UNDER REVENUE REGULATION (RR) NO. 15-2010

In compliance with RR No. 15-2010, amending RR No. 21-2002, “[I]n addition to the disclosures mandated under the Philippine Public Sector Accounting Standards, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.”

The Agency has been regularly deducting taxes from salaries and other benefits due from its employees as well as from cost of goods and services procured. Likewise, the amounts withheld from the same were remitted to the BIR within the prescribed deadlines. Total taxes withheld and remitted for the year 2017 were as follows:

	Taxes Withheld and Remitted
Tax on compensation	P 201,459,514
Withholding tax on value-added tax	66,002,888
Expanded withholding tax	103,370,552
Withholding tax on government money payments	179,843,719
Other fees and taxes withheld	277,583
	P 550,954,256

In NFA-Head Office, P288.562 million and P284.557 million were withheld and remitted to the BIR, respectively.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
1	PRA CEBU PORT CENTER	CEBU	25,000	This lot was purchased from PEA (now PRA). PRA is now reconstituting the lost TCT and promised/committed to execute the Deed of Sale soon.
2	SAN DIONISIO, ILOILO	ILOILO	10,000	The Deed of Donation from Capisan MPC to NFA was not registered. Hence, the lot owner filed a case against NFA for Unlawful Detainer to re-acquire the property. NFA won the case even on appeal.
3	FLGC, KILIKILI	LANAO DEL SUR		Already requested the Provincial Office for documents. No documents received yet.
4	LOAKAN, BAGUIO CITY	BENGUET	21,115(1,214)	With Presidential Proclamation No. 919 dated 24 November 2014, amending Proclamation No. 603 (Series of 2004) segregating the area of NFA and declaring a portion (7,917) as BSP site.
5	STA. ANA, DAVAO CITY	DAVAO DEL SUR		With pending application for Presidential Proclamation in process, now pending before the Office of the DENR Secretary.
6	BRGY. CARIG, TUGUEGARAO CITY	CAGAYAN	20,001	Sent a Letter to the Office of Provincial Governor, requesting for copies of the Title or Certification.
7	TUMOG, LUNA, APAYAO	NORTHWESTERN CAGAYAN	20,000	NFA cannot acquire ownership. Title is already named under the Bureau of Plant and Industry. Mere tax declaration is not sufficient proof of ownership.
8	LIBERTAD, BUTUAN CITY	AGUSAN DEL SUR	16,448	For issuance of Presidential Proclamation with completed staff work already.
9	BRGY. BISLIG CITY (MANGAGOY)	SURIGAO DEL SUR	1,507	Already sent a Memorandum requesting the documents from the Provincial Office.
10	BRGY. BAGACAY, ROMBLON	ROMBLON	1,122	Request for the documents needed for the titling already sent to the Provincial Office.
11	CABANATUAN			Petition for Judicial Reconstitution of TCT no. T-59467 was already filed. Submitted for resolution.
12	CABID-AN SORSOGON P.O.	SORSOGON	20,000 (19,958)	Real property is being leased from the Provincial Government of Sorsogon.
13	BRGY. POBLACION. MARAMAG	BUKIDNON	22,881	For verification with the Regional office re: actual status of lot. TCT NO. T-21301.
14	POOC, SANTA FE	CEBU	5,000	For completion of documents needed in the filing of the petition.
15	BRGY. DANCALAN, BOBON	NORTHERN SAMAR	5,000	Verify and evaluate if the documents needed for filing of the Petition for Land Titling is complete so we can proceed with the application for titling. With letter Nov. 17, 2014 with follow up Jan. 12, 2016.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
16	NFA FLGC- NAMILLANGAN, ALFONSO LISTA	IFUGAO	3,000	For annotation of the Affidavit of Loss. Note however, that the Affidavit of Loss was executed before a Notary Public of California and not with the Notary Public for the Philippines or a Philippine Consul duly authorized to administer oath.
17	NAPO, PANDAN, JICA WHSE.	CATANDUANES	2,000	For Evaluation of documents.
18	NFA LOT AT TRECE MARTIREZ CITY	CAVITE	25,009	ENCROUCHMENT MADE BY LA PAZ DEVT CORP TO NFA OWNED LOT COVERED BY TCT 7-391430 ABOUT 1,999 SQM
19	BRGY. AGUIT-ITAN, CALBAYOG CITY	WESTERN SAMAR	18297 1,210	LGU wants to give to NFA mere USUFRUCT over the property only.
20	MUSUAN, MARAMAG	BUKIDNON	50,000	With documents received from PO. Affidavit of Loss prepared and brought by Dir. MTSV to P.O. for execution.
21	BARAS, PALO, LEYTE (GOV'T. SITE)	NORTHERN LEYTE	28,000	Property in the name of the Provincial Government of Leyte. Which is not amenable to donate the same to the NFA, instead, allowed NFA to use property through usufruct.
22	KM. 10, BRGY. QUEZON SURIGAO CITY	SURIGAO DEL NORTE	21,678	With memo dated March 18, 2015 from Dir. Paqueo forwarding to LAD various documents including Tax Declaration, DENR Certificate & others.
23	BRGY. SALUDARES, DINGRAS	ILOCOS NORTE	10,000	Requested for documents to be attached in the petition for registration. With issue on ownership as the LGU of Dingras is revoking the donation to BPI.
24	GOVERNMENT CENTER, CATBALOGAN CITY	WESTERN SAMAR	1,925	Prepared Deed of Acceptance for the Deed of Donation. Mother Title is in the name of the Province.
25	TABACCO CITY	ALBAY		For follow-up, status of the issuance of new TCT from the Registry of Deeds.
26	APAS, BANILAD	CEBU	5,000	NFA received communication from the Provincial Legal Officer stating that NFA has no title over the property and should vacate. Recommendation was made for the field office to verify with the ROD whether there was any title issued to NFA.
27	NURSERY SITE, TUGUEGARAO	CAGAYAN	650	Writ of Execution issued. Coordinate with the sheriff for the execution or levying of properties.
28	BRGY. HINDANG, BORONGAN	EASTERN SAMAR	5,000	For Evaluation of documents.
29	ALIAGA	NUEVA ECIJA	4,707	For Evaluation of documents.
30	NFA COMPOUND, MARAWI CITY	LANAO DEL SUR	4,824 (5,000)	Requested for documents from the Field Office for evaluation.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
31	MARAMAG	BUKIDNON	26,374	Requested for documents to be attached in the petition for registration.
32	BRGY. POBLACION, TRENTO	AGUSAN DEL SUR	10,000	For issuance of Special Patent.
33	IBA, ZAMBALES P.O. WHSE. 1 and 2	ZAMBALES	7,350	Requested for documents from the Field Office for evaluation.
34	ALLILINU, CALAMANUIGAN	CAGAYAN	6,780	Request for copy of TCT with PO
35	BRGY. CALAGDAAN, CANTILAN	SURIGAO DEL SUR	6,027	Requested for documents to be attached in the petition for registration.
36	AGLAYAN CITY	BUKIDNON	10,000	Subject of a Civil Case entitled "A. Villon vs. A. Mendoza" pending before RTC, Branch 9, Malaybalay City, Bukidnon. Trial on-going. NFA was dropped as party defendant.
37	POBLACION, BADIAN	CEBU	5,244	On Jan 12, 2016, a memorandum was issued to Cebu requesting for documents necessary in the filing of Petition for land registration.
38	KAYCHANRIANAN, BASCO	BATANES	1,012	This lot was donated to NFA by the Municipality of Basco, Batanes. However, the Original Deed is Lost. Memoranda were sent to the PO but they have yet to locate the original copy of the Deed of Donation.
39	CAPITOL SITE, BAYOMBONG	NUEVA VIZCAYA	947	Draft letter to the Provincial Assessor's Office (PAO) to request for the following original documents: the Original or Certified Photocopy of title and the copy of the Tax Declaration of the both lot and the building erected therein for possible filing of petition for land titling of the NFA property involved. With follow up letter January 12, 2016.
40	POBLACION, BONTOC	MOUNTAIN PROVINCE	800	For records verification.
41	FEEDER ROAD NO.3, BRGY. TIBAL-OG, MUNICIPALITY OF STO TOMAS	DAVAO DEL NORTE		Request for documents from PO
42	CENTRO, DATU PIANG,	MAGUINDA NAO	41,162	Requested for documents from the Field Office for evaluation.
43	BO. CENTRO DATU PIANG	MAGUINDA NAO	41,162	Lot is already titled in the name of NFA under TCT No. T-3585 but we do not have the Original Copy. Tax Declaration is also in the name of NFA. 41, 162 sq.m.lot is being occupied by squatters according to the Provincial Office.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
44	BRGY. CULO, MOLAVE	ZAMBOANG A DEL SUR	19,475	In the process of collecting several documents pertaining to the cadastral survey. LAD requested to search for the original deed of donation considering that the photocopy of the same is incomplete, page 2 thereof is missing. Previous owner filed a case against NFA which is pending before the court.
45	TAWAY, IPIL (SHINN CASE)	ZAMBOANG A SIBUGAY	15,358	For filing of a civil case for annulment of title and petition for issuance of title despite the pendency of the case filed against NFA by Apouses Shinn.
46	POB. BOJO, SERGIO OSMENA	ZAMBOANG A DEL NORTE	2,000	Requested for documents from the Field Office for evaluation. For follow up
47	BANIGAN, LILOY	ZAMBOANG A DEL NORTE	1,800	Require the NFA Provincial Office to coordinate with the owner of the property, to give to us the original copy of the title since it was mentioned in the checklist that the title is still in the owner. As of now no response from the Office yet. With follow up memo dated Jan. 12, 2016.
48	PACOL, PILI, CAMARINES SUR P.O.	CAMARINE S	26,897	The Regional Trial Court (RTC) granted NFA's Petition for Judicial Reconstitution by lost Title.
49	LIBON PROPERTY, ALBAY	ALBAY	20,000	For follow-up, status of the issuance of new TCT from the Registry of Deeds.
50	POB. 2 INATOPILAN, CATUBIG	NORTHERN SAMAR	8,000	Requested for documents and was only given photocopies of Tax Declarations, Deed of Donation and Subdivision.
51	LEGAZPI PROPERTY	ALBAY	5,060	Submitted documents from NFA Albay for review and evaluation.
52	FLGC-WHSE. STA. MARIA, ALFONSO LISTA	IFUGAO	1,247	The Cooperative paid their loan already.
53	BETINAN, SAN MIGUEL	ZAMBOANG A DEL SUR	2,000	Requested for all documents from local RD, letter to be sent to LGU per recommendation of PM Regino Delfin, to persuade LGU to facilitate transfer of ownership and subdivide the land so NFA can take possession of the corresponding portion of the lot.
54	DEL PILAR, TAGUDIN	ILOCOS SUR	2,000	For documents verification.
55	JORDAN, GUIMARAS	CAPIZ	1,099 (1,000)	With pending application to Land Registration Authority.
56	INTEGRATED FLGC, WAO	LANAO DEL SUR	10,000	For resurvey to be conducted by NFA-Regional Office No. X, Deed of Donation to be executed after lot subdivision.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
57	BANGKILING, SUCLARAN, SAN LORENZO, GUIMARAS	CAPIZ	5,000	Requested from Provincial Office the following document: Certified Photocopy Survey Plan, Certified Copy of the Deed, Latest Tax Declaration and Technical Description.
58	LARENA, SIQUIJOR	SIQUIJOR	3,000	PURCHASED dated 4-18-1977, NFA Siquijor requested from the LRA a certification on the registration of the said lot. Docs. From P.O Recvd 11/3/17 action slip 17-2101
59	MANGOSO, SIGMA	CAPIZ	20,086	Per verification the Original copy of TCT is with Land Bank. Hence, the segregating of NFA's lot can be done administratively.
60	BARURAO, LEBAK, SULTAN KUDARAT	SULTAN KUDARAT	15, 104 SQM (2,000SQM PRIVATE)	P.O. requested for assistance re letter of Pedro villanueva getting back the title of property from NFA Sultan Kudarat P.O.
61	MACABEBE, PAMPANGA	PAMPANGA		Sale of lot to Municipality of Macabebe, Pampanga
62	268 QUIRINO HIGHWAY, SAN BARTOLOME, NOVALICHES	QUEZON CITY, CDO	2,892	Ready for filing. The only document lacking is a certification from the RD that TCT was burned during a fire with the RD.
63	CAMP FULLON, SAN JOSE/AUTAJAY-TAVARRO vs. NFA ANTIQUE	ANTIQUE	18,297	The lot owner Dr. Maribel Autajay-Tavarro filed a case against NFA but it was dismissed by the Court. In sum, NFA won the case but the lot owner appealed the case to Court of Appeals which is pending resolution.
64	POBLACION COMPOSTELA	COMPOSTE LA VALLEY	10,000	On 29 March 2011, DENR Region XI already assigned the property Patent No. 3858, which is still pending approval of the DENR Secretary. On April 7, 2011, NFA wrote the Director of the Land Management Bureau, Manila to inquire on the status of the application. No reply from the LMB yet.
65	BRGY. TAWAGAN, ORAS	EASTERN SAMAR	10,000	On November 2011, property was included in the DENR priority plan for conversion from timberland to alienable land so the same may be the proper subject of application for registration.
66	BRGY. ASUNCION, MAASIN	SOUTHERN LEYTE		NFA filed an application for Original registration of title. Petition GRANTED. LRA to process issuance of title.
67	LOGON, COMBADO, ORMOC CITY	NORTHERN LEYTE	2,200	For Evaluation of documents.
68	BRGY. HIPUSNGO, BAYBAY CITY	SOUTHERN LEYTE	10,000	LGU REVOKED THE PREVIOUS DEED OF DONATION FOR 8776SQM TO 5394 SQM ONLY. FOR SIGNATURE OF AO
69	PANALONAN BRGY. 1 TACLOBAN CITY PORT ARFA	NORTHERN LEYTE	6,849	USUFRUCT ONLY.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
70	SAN GABRIEL	CAGAYAN	324	For request of documents
71	CALIGUIAN, BURGOS	ISABELA	4,716	Lot is already titled in the name of NFA under TCT No. T-3585 but we do not have the Original Copy., Tax Declaration is also in the name of NFA. 41, 162 sq.m.lot is being occupied by squatters according to the Provincial Office.
72	CENTRO I LUNA, ISABELA	ISABELA	8,776 sq.m. (from asd)	Upon inquiry with LMB, the property appears to have been finally "DEEDED" on November 03, 1947, to Mr. Hipolito Garma. -Deed of Donation cannot still be located despite effort.
73	LIWAN WEST, RIZAL	KALINGA	20,000	Made a follow-up Memorandum and phone call requesting for copies of the Subdivision Plan and Technical Description.
74	SAN ANTONIO, SANTA MARIA	ISABELA	20,000	For Evaluation of documents.
75	SAMONTE, QUEZON	ISABELA	5,000	For Evaluation of documents.
76	BARUBOC, MALLIG	ISABELA	5,000	For completion of documents needed in the filing of the petition. Also sent Memorandum requesting the Provincial Office to inquire from the Register of Deeds regarding payment of registration fees, taxes if there is any, and other fees for purposes of registering the property.
77	DELFIN ALBANO	ISABELA	3,000	The donor favorably granted NFA's request. Issued a Resolution No. 10-2012 confirming the old SB Resolution. A new Deed of Donation was executed and signed by both parties. Forwarded signed deed to the PO for the issuance of new title with ROD.
78	BRGY. BANGA, WAO	LANAO DEL SUR	10,000	With Deed of Donation from Lanao Bukidnon Cotabato Cooperatives to NFA. However, the Deed was not registred in the TCT. The heir is now imposing a new condition on the donation.
79	BOROL I ST , BALAGTAS	BULACAN	13,858 1,246 859 57	The nature of ownership is undetermined but we have possession and tax declaration as proof of ownership. We requested for an update from the Field Office. August 2017-P.O requested for any update. E. Ramos was asked to send memo requesting for docs.
80	CAMACHO DRIVE, BALANGA	BATAAN	20,000	
81	MAGSAYSAY, CASTILLEJOS	ZAMBALES	11,000	Requested for documents from the Field Office for evaluation.
82	DINALUPIHAN	BATAAN	5,000	For Evaluation of documents.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
83	CAPITOL DRIVE, BALANGA BATAAN P.O	BATAAN	600	Per BTN-PM-D-026 the provincial office has already requested the sangguniang panlalawigan thru the vice governor, for the confirmation of provincial board resolution no. 139 approved on november 13, 1976. as the source of the information on the lot area presently occupied by the NFA Provincial office building. No available record is on file even at the Provincial Capitol.
84	Baliuag Bulacan	BULACAN		LOT 2092 OCT T-238186 with request for technical description DENR-RIII Pampanga (Indich property)
85	TACURONG	SULTAN KUDARAT (SPGC)	19,335	Already referred to the Management for action.
86	BUAYAN, DATU PIANG	MAGUINDA NAO	23520 AND 14,911	Requested for documents from the Field Office for evaluation.
87	BRGY. BANCO, TITAY	ZAMBOANG A SIBUGAY	2,500	Requested for documents from the Field Office for evaluation.
88	PROVINCIAL CAPITOL COMPOUND	JOLO SULU	7,125	No available documents.
89	RAWIS, LAO-ANG	NORTHERN SAMAR	10,000	The property was acquired thru purchase. However, the original copy of the Deed of Sale cannot be located. This is the reason why transfer to NFA cannot be effected. Per report from the FO, the seller is deceased already.
90	CADRE , GUIHULNGAN CITY	NEGROS ORIENTAL	3,000	Mun. government of Guihulngan donated to NFA an unregistered property. NFA filed a Petition for Original Registration in Nov. 1999, favorably granted by the court. Coordination made with the LRA field office for the issuance of the Decree of Confirmation and Registration.
91	FSC LOT, BAY-ANG, UBAY	BOHOL	2,948	The lot requires a special patent in order that it may be registered in the name of NFA.
92	BRGY. LIWANAG, PUERTO PRINCESA	PALAWAN	2,232	There is a pending application for the issuance of a Special patent by the DENR.
93	BRGY. LEONARDA, PENGUE RUYU (LOT 3 & 4)	CAGAYAN		Writ of Execution issued. Coordinate with the sheriff for the execution or levying of properties.
94	Villegas Property at Leonarda, Pengue, Tuguegarao			For titling (letter to LAD dated 11/22/2017)
95	BO. POBLACION, KALILANGAN	BUKIDNON	5,345	For verification on status of original documents. Deed of Sale and Sketch Plan on File.
96	BRGY. CALUMPANG, NAVAÍ	BILIRAN	3,229	Requested for documents to be attached in the petition for registration.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
97	NFA-AGUIAN VIEWDECK-PATILONG VIEWPOINT, BANAUE	IFUGAO	241	For documents verification.
98	ALAC, SAN QUINTIN	PANGASINAN	6,271	Original documents cannot be located. For determination as to the propriety of filing an application for Original Registration under P.D. 1529.
99	BRGY. CALAGDAAN, CANTILAN	SURIGAO DEL SUR	4,172	For filing of a Petition in court.
100	MINPROCOR WHSE. 447 DEL MONTE AVE. SFDM	QUEZON CITY, CDO	2,929	Request for documents from PO.
101	BANISILAN	NORTH COTABATO	14,149	To follow-up with the Provincial Office, NFA- North Cotabato, if they already complied with the memo from LAD. Then, verify and check the update on CLOA application before the DAR-North Cotabato. With follow up letter dated Jan. 12, 2016.
102	COGON, BOGO	CEBU	5,000	DONATION dated 10-21-1975
103	COGON, GUIAUN,	EASTERN SAMAR	2,000	For Evaluation of documents.
104	DOTAL ST. POBLACION LAGAWE	IFUGAO	1,325	Requested for documents from the Field Office for evaluation.
105	BRGY. BANGA, WAO	LANAO DEL SUR	116,785	OCT CLOA-918 under Leonardo Lizada and Milagros Lariza. For verification on status of original documents.
106	BO. LIBERTAD, PORO, TUDELA	CEBU	2,000 (2,107)	Requested for documents to be attached in the petition for registration.
107	MALAYBALAY CITY P.O	BUKIDNON	5,345	Requested for documents from the Field Office for evaluation.
108	BRGY. LUNA, SAN JOSE, DINAGAT ISLANDS	SURIGAO DEL NORTE	960	Land is covered by a Deed of Absolute Donation. It was previously suggested that a survey plan be finalized by a geodetic engineer for approved by the Bureau of Lands since this property is a 10,000 sq.mter parcel of land.
109	MARUMPUNGIN, SAN JOSE MINDORO			TCT NO. 21746, P.O. is requesting for CTC of title to effect transfer of assessment.
110	CAMARAG, SAN ISIDRO	ISABELA	5,000	Before we file the petition, a certified copy of the Deed of Donation is needed. Determine also if open possession can be used as a mode of acquiring ownership. For documents verification.
111	VALENCIA CITY	BUKIDNON	7,000	Requested for documents from the Field Office for evaluation.

**NFA PROPERTIES WITH TITLING ISSUE/S
STATUS AS OF DECEMBER 31, 2017**

No.	TOWN	PROVINCE	TOTAL AREA in sq.m.	STATUS
112	TUBURAN, LIGAO PROPERTY	ALBAY	3,339	Submitted documents from NFA Albay for review and evaluation. For follow up (with Action Slip No. 180673 on change of affiant in the affidavit of loss and verification portion of the petition for issuance of second owner's duplicate copy of TCT No. 22748 NFA Lot)
113	SHARIF AGUAK	MAGUINDA NAO	23,311	To secure from Provincial Office the following documents; Affidavit of Loss, certified copy of TCT by the Register Deeds, Latest Tax Declaration and Publications.
114	KABACAN	NORTH COTABATO	10,000	For verification.
115	BIDCOR, BRGY. POBLACION, BAYUGAN CITY	AGUSAN DEL SUR	8,000	We still wait for the following documents: Survey Plan, Certified Copy of the Deed, Latest Tax Declaration and Technical Description.

PART II - OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

Revised Chart of Accounts

1. The National Food Authority (NFA) has not fully complied with the applicable guidelines and procedures in the conversion of accounts from the Philippine Government Chart of Accounts (PGCA) under the New Government Accounting System (NGAS) to the Revised Chart of Accounts (RCA) for Government Corporations (GCs) in the use of account titles and codes prescribed under COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively, which resulted in the ambiguity in the presentation of the year-end Financial Statements.

1.1. COA Circular No. 2015-010 dated December 1, 2015 prescribes the use of the RCA for GCs effective January 1, 2016 to align entities' reportorial requirements with those of COA and other oversight bodies including compliance with the standards issued by the international accounting standard-setting bodies.

1.2. Subsequently, COA Circular No. 2016-006 dated December 29, 2016 was issued which requires the conversion from the PGCA under the NGAS to the RCA for GCs prescribed under COA Circular No. 2015-010 and provides additional accounts and revised code, title, and/or description of accounts for the proper implementation of the new and revised accounting policies.

1.3. Relative thereto, NFA Standard Operating Procedures (SOP) No. FS-GP22 dated December 6, 2017, on the NFA RCA, was issued to revise the NFA Chart of Accounts as converted from the PGCA under the NGAS to conform to the RCA for GCs-Non-Government Business Entities (non-GBEs). The NFA RCA took effect retroactive as of January 1, 2017.

1.4. However, comparison of the NFA RCA with the COA prescribed RCA for GCs revealed the following deficiencies:

- a. In the prescribed RCA for GCs, accounts under cash and non-cash generating assets such as Inventories, Financial Assets, Property, Plant and Equipment (PPE) and Other Assets were provided with Allowance for Impairment, Accumulated Impairment Losses and Impairment Loss accounts. In the NFA RCA, particularly the RCA of NFA-National Capital Region (NCR) along with its District Offices (DOs)/Provincial Offices (POs), namely, North District Office (NDO), East District Office (EDO) and South District Office (SDO), Cavite Provincial Office (CPO), and Batanes Provincial Unit (BPU), no provisions for impairment were made in the conversion of their accounts as shown in Table 1.

Table 1- Non-provision of Impairment Accounts in NFA-NCR RCA

RCA for GCs		NFA-NCR-RCA		
Account Code	Account Title	Account Code	Account Title	Office
10299010	Investments in Stocks	10299010	Investments in Stocks	NCR
10299011	Allowance for Impairment-Investments in Stocks			
50503180	Impairment Loss-Other Investments			
10301010	Accounts Receivables	10301010	Accounts Receivables	SDO
50503020	Impairment Loss-Loans and Receivables			
10305990	Other Receivables	10305990	Other Receivables	NCR
10305991	Allowance for Impairment- Other Receivables			
50503060	Impairment Loss-Other Receivables			
10401010	Merchandise Inventory	10401010	Merchandise Inventory	NCR, CPO, NDO, SDO
10401011	Allowance for Impairment- Merchandise Inventory			
50503070	Impairment Loss-Inventories			
10404010	Office Supplies Inventory	10404010	Office Supplies Inventory	NCR, CPO, BPU, NDO, EDO, SDO
10404011	Allowance for Impairment- Office Supplies Inventory			
50503070	Impairment Loss-Inventories			
10404020	Accountable Forms, Plates and Stickers Inventory	10404020	Accountable Forms Inventory	NCR, CPO, NDO, EDO, SDO
10404021	Allowance for Impairment- Accountable Forms, Plates and Stickers Inventory		Accountable Forms, Plates & Stickers	BPU
50503070	Impairment Loss-Inventories			
10404060	Drugs and Medicines Inventory	10402060	Drugs and Medicine Inventory	NCR
10404061	Allowance for Impairment- Drugs and Medicines Inventory			
50503070	Impairment Loss-Inventories			
10404070	Medical, Dental and Laboratory Supplies Inventory	10404070	Medical, Dental & Laboratory	NCR
10404071	Allowance for Impairment- Medical, Dental and Laboratory Supplies Inventory			
50503070	Impairment Loss-Inventories			
10404080	Fuel, Oil and Lubricants Inventory	10404080	Gasoline, Oil & Lubricants Inventory	NCR
10404081	Allowance for Impairment- Fuel, Oil and Lubricants Inventory		Fuel, Oil and Lubricants Inventory	BPU
50503070	Impairment Loss-Inventories			
10404090	Agricultural and Marine Supplies Inventory	10404090	Agricultural Supplies Inventory	NCR, CPO
10404091	Allowance for Impairment- Agricultural and Marine Supplies Inventory		Agricultural and Marine Supply Inventory Agricultural Supplies	BPU NDO, EDO, SDO
50503070	Impairment Loss-Inventories			
10404130	Construction Materials Inventory	10404130	Construction Materials Inventory	NCR, BPU
10404131	Allowance for Impairment-Construction Materials Inventory			
50503070	Impairment Loss-Inventories			
10404190	Electrical Supplies and Materials Inventory	10404190	Electrical Supplies	NCR
10404191	Allowance for Impairment- Electrical Supplies and Materials Inventory			
50503070	Impairment Loss-Inventories			
10404990	Other Supplies and Materials Inventory	10404990	Other Supplies Inventory	NCR, CPO, NDO,
10404991	Allowance for Impairment- Other Supplies and Materials Inventory		Other Supplies & Materials Inventory	EDO, SDO, BPU
50503070	Impairment Loss-Inventories			
10601010	Land	10601010	Land	NCR, CPO, BPU, NDO, EDO
10601011	Accumulated Impairment Losses - Land			
50503090	Impairment Loss-Property, Plant and Equipment			
10602990	Other Land Improvements	10602990	Land Improvements	NCR, CPO, NDO
10602992	Accumulated Impairment Losses-Other Land Improvements			
50503090	Impairment Loss-Property, Plant and Equipment			
10604010	Buildings	10604010	Office Building	NCR, CPO, BPU, NDO
10604012	Accumulated Impairment Losses-Buildings			
50503090	Impairment Loss-Property, Plant and Equipment			
10604990	Other Structures	10604990	Other Structures	NCR, CPO, NDO
10604992	Accumulated Impairment Losses-Other Structures			
50503090	Impairment Loss-Property, Plant and Equipment			

RCA for GCs		NFA-NCR-RCA		
Account Code	Account Title	Account Code	Account Title	Office
10605020	Office Equipment	10605020	Office Equipment	NCR, CPO, BPU, NDO, SDO
10605022	Accumulated Impairment Losses-Office Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10605030	Information and Communication Technology Equipment	10605030	IT Equipment & Software Information and Communication Technology Equipment	NCR, CPO, NDO SDO
10605032	Accumulated Impairment Losses-Information and Communication Technology Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10605070	Communication Equipment	10605070	Communication Equipment	NCR, CPO, BPU, NDO, SDO
10605072	Accumulated Impairment Losses-Communication Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10605090	Disaster Response and Rescue Equipment	10605090	Firefighting Equipment & Accessories	NCR
10605092	Accumulated Impairment Losses-Disaster Response and Rescue Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10605110	Medical Equipment	10605110	Medical, Dental & Laboratory	NCR
10605112	Accumulated Impairment Losses-Medical Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10605140	Technical & Scientific Equipment	10605140	Technical & Scientific Equipment	NCR, CPO, BPU, NDO, SDO
10605142	Accumulated Impairment Losses-Technical and Scientific Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10605990	Other Machinery and Equipment	10605990	Machineries	NCR, CPO, NDO, SDO
10605992	Accumulated Impairment Losses-Other Machinery and Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
10606010	Motor Vehicles	10606010	Motor Vehicles	NCR, CPO, BPU, NDO, SDO
10606012	Accumulated Impairment Losses-Motor Vehicles			
50503090	Impairment Loss-Property, Plant and Equipment			
10607010	Furniture & Fixtures	10607010	Furniture & Fixtures	NCR, CPO, BPU, NDO, SDO
10607012	Accumulated Impairment Losses-Furniture and Fixtures			
50503090	Impairment Loss-Property, Plant and Equipment			
10607020	Books	10607020	Library Books	NCR
10607022	Accumulated Impairment Losses-Books			
50503090	Impairment Loss-Property, Plant and Equipment			
10609020	Leased Asset Improvement, Building	10609020	Leased Assets Improvement, Building	BPU
10609022	Accumulated Impairment Losses- Leased Assets Improvements, Buildings			
50503090	Impairment Loss-Property, Plant and Equipment			
10698990	Other Property, Plant & Equipment	10698990	Other Property, Plant & Equipment	NCR, SDO
10698992	Accumulated Impairment Losses-Other Property, Plant and Equipment			
50503090	Impairment Loss-Property, Plant and Equipment			
19999990	Other Assets	19999990	Other Current Assets	NCR
19999991	Accumulated Impairment Losses-Other Assets		Other Assets	BPU
50503990	Impairment Loss-Other Assets			

b. Annex A of COA Circular No. 2015-010 also provides subsidiary ledger (SL) accounts in some general ledger (GL) accounts for use in the conversion. Likewise, COA Circular No. 2016-006 states that careful analyses of the GL and SL accounts shall be properly made before the conversion. Relative thereto, the following were noted:

b.1 Some converted accounts/codes from the PGCA to NFA RCA of the concerned offices remained as GL accounts which could otherwise be classified as SL accounts under COA prescribed RCA for GCs, as illustrated in Table 2.

Table 2 - Converted Accounts which Remained as GL Accounts in NFA-NCR RCA

<u>RCA for GCs</u>		<u>NFA-NCR RCA</u>		
Account Code	Account Title	Account Code	Account Title	Office
10304040	Due from Operating Units	10304040H	Due from Operating Units- (HOCA)	NCR, CPO
			Due from Operating Units-Province- HOCA	NDO, EDO, SDO
		10304040R	Due from Operating Units- (ROCA)	NCR, CPO, BPU
			Due from Operating Units-Province- ROCA	NDO, EDO, SDO
		10304040RP	Due from Other Operating Units- (POA)	NCR
		10304040RBT	Due from Operating Units- (ROTA- BOTA)	NCR
10304060	Due from Central Office/Home/Head Office	10304060CB	Due from Central Office- (COCA)	NCR
10304070	Due from Regional/Branch Offices	10304070RP	Due from Regional Office- (ROA)	NCR
		10304070R	Due from Regional Office	CPO, NDO, EDO, SDO
		10304070RBT	Due from Central Office-Batanes	BPU
10402990	Other Supplies and Materials for Distribution	10404190	MTS-Brand New	BPU
20301040	Due to Operating Units	20301040H	Due to Operating Units- (HOCA)	NCR, CPO, NDO, EDO, SDO
		20301040R	Due to Operating Units-ROCA	CPO, BPU, NDO, EDO
		20301040RBT	Due to Operating Units- (BOTA)	NCR
		20301040RP	Due to Operating Units-(POA)	NCR
20301060	Due to Central/Home/Head Office	20301060CB	Due to Central Office- (COCA- BOCA)	NCR
20301070	Due to Regional/Branch Offices	20301070RP	Due to Regional Office- (ROA-POA)	NCR
			Due to Regional/Branch Offices-ROA	BPU
		20301070RBT	Due to Regional Office	CPO, NDO, EDO, SDO
			Due to Regional/ Branch Offices- ROTA/BOTA	BPU

b.2 There were differences between some SL codes and titles in the NFA RCA and the COA prescribed RCA for GCs SL codes and titles under the same account codes as presented in Table 3.

Table 3 - Differences Between Some SL Codes and Titles and the RCA SL Codes and Titles under the Same Account Codes

<u>RCA for GCs</u>			<u>NFA-NCR-RCA</u>			
Account Code	SL Code	Account Title	Account Code	SL Code	Account Title	Office
0401010	01	Supplies and Materials	10401010	01	Merchandise Inventory – Local Rice	NCR, CPO, NDO, EDO, SDO
				04	MI-Imported-15% Broken	BPU
	02	Drugs and Medicines		05	Merchandise Inventory – Local Refined Sugar	NCR
				05	MI-Imported-% Broken	BPU
	03	Agricultural Produce		11	Merchandise Inventory – IMR-China Rice	NCR
	04	Ammunitions		12	Merchandise Inventory – IMR-India Rice	NCR
	05	Property and Equipment		13	Merchandise Inventory – IMR-Vietnam Rice	NCR, CPO, NDO, EDO, SDO
				13	MI-Imported-15% Broken	BPU
	06	Land/Reclaimed Land		14	Merchandise Inventory – IMR-Thailand Rice	NCR, CPO, NDO, EDO, SDO
		14	MI-Imported Rice % Broken	BPU		
07	Forest Products	15	Merchandise Inventory – IMR-China Rice- Premium	NCR		
08	Rice Procured	16	Merchandise Inventory – IMR-Vietnam Rice- Premium	NCR		
09	Food Supplies for canteen operations and the like	17	Merchandise Inventory – IMR-Thailand Rice- Premium	NCR		

<u>RCA for GCs</u>			<u>NFA-NCR-RCA</u>			
Account Code	SL Code	Account Title	Account Code	SL Code	Account Title	Office
	10	Completed Development for Sale/Transfer		18	Merchandise Inventory – IMR-Pakistan Rice	NCR
	99	Others		20	Merchandise Inventory – IMR-15% Brokens 800T	NCR, CPO, BPU, NDO, EDO, SDO
				21	Merchandise Inventory – IMR-15% Brokens	NCR, CPO, BPU, NDO, EDO, SDO
				23	Merchandise Inventory – IMR-25% Brokens	NCR, CPO, NDO, EDO, SDO
				23	MI-Imported–25% Broken VCEW	BPU
				24	Merchandise Inventory – Imported Iron Fortified Rice	NCR
				25	Merchandise Inventory – IMR-Uspl 480 Rice	NCR
				41	Merchandise Inventory – Non-Grains Commodities	CPO, NDO, EDO, SDO
				60	Merchandise Inventory – Other Inventories	NCR, CPO, NDO, EDO, SDO
10605090	01	Fire fighting Equipment and Accessories	10605090	00	Fire fighting Equipment & Accessories	NCR
20201010	01	Withholding Tax on Compensation	20201010	01	Due to BIR - Employees Withholding Tax	NCR, CPO, BPU, NDO, EDO, SDO
	02	Expanded Withholding Tax		02	Due to BIR - Contractor's Tax	NCR, CPO, NDO, EDO, SDO
	03	Withholding Tax on Government Money Payment (GMP)- Percentage Taxes		03	Due to BIR - Franchise Tax	NCR
	04	Withholding Tax on GMP- Value Added Tax (GVAT)		05	Due to BIR - Expanded Tax	NCR, CPO, BPU, NDO, EDO, SDO
				06	Due to BIR - Percentage Tax	NCR, BPU
				07	Due to BIR - Value Added Tax	NCR, CPO, NDO, EDO, SDO
				08	Due to BIR - Final Tax	BPU
20201020	01	Life & Retirement Premium	20201020	01	Due to GSIS - Compulsory Life Ins. Prem.	NCR, CPO, BPU, NDO, EDO, SDO
	02	ECC		02	Due to GSIS - Term Ins. Prem.	NCR
	03	Salary Loan		03	Due to GSIS - Optional Ins. Prem.	NCR, CPO, NDO, EDO, SDO
	04	Policy Loan		04	Due to GSIS - Salary Loan	NCR, CPO, NDO, EDO, SDO
				04CL	Due to GSIS- Conso Loan	BPU
				05	Due to GSIS - Policy Loan	NCR, SDO
				06	Due to GSIS - Real Estate Loan	NCR
				07	Due to GSIS - Vehicle Ins. Prem.	NCR
				08	Due to GSIS - Fire Ins. Prem.	NCR
				09	Due to GSIS - Fly PAL Loan	NCR
				10	Due to GSIS - College Edu. Ins. Plan	NCR
				11	Due to GSIS - Hospitalization Ins. Plan	NCR, SDO
				13	Due to GSIS - Genesis Plan	NCR
				14	Due to GSIS - Emergency Loan	NCR, CPO, NDO, EDO, SDO
				14EL	Due to GSIS- Emergency Loan	BPU
				15	Due to GSIS - Edu Child	NCR
				16	Due to GSIS - Stock Purchases	NCR
				19	Due to GSIS - E-Card	NCR
20201030	01	Pag-IBIG Premium	20201030	01	Due to PAG-IBIG - Pag-IBIG Premium	NCR, CPO, BPU, NDO, EDO, SDO
	02	Pag-IBIG Multi-Purpose Loan		02	Due to PAG-IBIG - Provident Loan	NCR, SDO
	03	Pag-IBIG Salary Loan		03	Due to PAG-IBIG - Emergency Loan/MPL	NCR, CPO, BPU, NDO, EDO
				04	Due to PAG-IBIG - Housing Loan	NCR
				04	Due to PAG-IBIG - Real Estate	CPO, NDO, EDO
				05	Due to NHMFC	NCR
40202210	05	Due from Other Banks	40202210	02	Interest- Dep. on Gov't . Bank	NCR, CPO, NDO, EDO
				02	Interest Income	BPU

b.3 An SL account in the COA prescribed RCA for GCs was classified as GL account in the NFA RCA as illustrated below.

RCA for GCs			NFA-RCA		
<u>Account Code</u>	<u>SL Code</u>	<u>Account Title</u>	<u>Account Code</u>	<u>SL Code</u>	<u>Account Title</u>
10605090	01	Firefighting Equipment and Accessories	10605090		Firefighting Equipment and Accessories

b.4 Two separate GL accounts in the COA prescribed RCA for GCs were compressed into a single GL account in the NFA RCA as illustrated below.

RCA for GCs		NFA-RCA		
<u>Account Code</u>	<u>Account Title</u>	<u>Account Code</u>	<u>Account Title</u>	<u>Office</u>
40201020	Registration Fees	40201020	Registration & License Fees	CPO
40201060	Licensing Fees			NDO
				EDO
				SDO

b.5 A GL contra account included in the conversion of accounts of NFA has no corresponding GL account converted as illustrated below.

RCA for GCs			NFA-RCA		
<u>Account Code</u>	<u>SL Code</u>	<u>Account Title</u>	<u>Account Code</u>	<u>SL Code</u>	<u>Account Title</u>
10606040		Watercrafts			
10606041		Accumulated Depreciation-Watercrafts	10606041		Accumulated Depreciation-Watercrafts
50501060	04	Depreciation-Water Crafts			

b.6 The nature and purpose of the account were revised/amended as illustrated below.

NFA RCA		COA prescribed RCA for GCs	
<u>Account Code/Title</u>	<u>Description</u>	<u>Account Code/Title</u>	<u>Description</u>
10305020 Due from Officers and Employees	This account is used to record the amount of collectibles from the NFA's officers and employees who are still connected with the agency. The account is credited upon payment or settlement of the account.	10305020 Due from Officers and Employees	This account is used to recognize amount of claims from entity's officers and employees for overpayment (not covered by ND), cash shortage, loss of assets and other bills issued by the entity and losses in excess of allowable variance between books and volumetric count of Merchandise Inventory. Credit this account for collection of receivables, write-off and approve relief from property accountability.

1.5. It was further observed that the NFA RCA which was revised to conform to the RCA for GCs-Non-GBEs revealed deficiencies such as, among others: (i) account code without account title, (ii) incorrect account title and code, (iii) different account codes but with the same account title, (iv) accounts with no related description, (v) some SL accounts have no related GL accounts, (vi) contra accounts and/or expense accounts with no related asset accounts, and (vii) certain account titles and codes were uncertain as to their usage.

1.6. These inconsistencies noted between the NFA RCA and COA prescribed RCA for GCs affected the proper classification of the accounts that resulted in the ambiguity in the presentation of the year-end Financial Statements.

1.7. We recommended that Management require the Head Office (HO)-Accounting Services Department (ASD) to:

a. Review and update NFA SOP No. FS-GP22 and make the necessary amendments to the NFA RCA to align with the RCA for GCs classified as Non-GBEs prescribed under COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively; and

b. Refrain from using inconsistent account titles, codes, descriptions and classification, and adjust the misclassified accounts using the appropriate accounts under the RCA for GCs.

1.8. Management submitted the following comments/justifications:

a. In HO, they noted the recommendations and will prepare the necessary amendments to the NFA's RCA in conformance with COA Circular Nos. 2015-010 and 2016-006 dated December 1, 2015 and December 29, 2016, respectively.

b. In NCR-Regional Office (RO), they informed that currently, gradual implementation of the RCA is on-going as guided/advised by the NFA-HO ASD through Message No. ASD-NAD-A-002.

c. In NCR-CPO, they committed that the issues will be coordinated with ASD-HO. CPO is waiting for HO's further instructions for uniformity and simultaneous implementation.

d. In NCR-BPU, as of the March 2018 Trial Balance, difference in account titles between the RCA for GCs and NFA-BPU RCA were changed based on the audit observation.

e. In NCR-NDO, they informed that the difference in expenses and account codes/titles in the RCA prescribed under COA Circular Nos. 2015-010 and 2016-006 will be corrected and reflected in the 2018 Trial Balance.

f. In NCR-EDO, they explained that the Field Office Accounting Mechanism (FOAM) Program of NFA provides insufficient spaces for some account titles and some account codes used in the prescribed RCA for GCs. They assured, however, that items that can be corrected by EDO in its Trial Balance and Financial Statements will be adjusted and reflected in the CY 2018 Financial Reports.

g. In NCR-SDO, they informed that they have partially complied with the conversion of their account titles/codes in accordance with the prescribed RCA for GCs. They assured that corresponding adjustments/reclassifications will be recorded in the books in CY 2018.

1.9. As a rejoinder, we appreciate Management's commitment to prepare the necessary amendments to the NFA's RCA in conformance with COA Circular Nos. 2015-010 and 2016-006. However, their full compliance with the above recommendations will be continuously monitored in CY 2018.

Adoption of PPSASs

2. NFA was unable to comply with the requirements as set forth in COA Circular No. 2017-004 dated December 13, 2017 and Philippine Public Sector Accounting Standard (PPSAS) 33 on First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) despite its representation that the Financial Statements (FSs) for Calendar Year (CY) 2017 have been prepared in accordance and comply with PPSASs, thereby defeating the objective of presenting high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis IPSASs.

2.1. Note 2 to Financial Statements disclosed that the NFA financial statements *"have been prepared in accordance with and comply with the PPSASs, which are prescribed for adoption by the Commission on Audit (COA) based on COA Resolution No. 2014-003 dated January 24, 2014."*

2.2. Section 7.3.b of COA Circular No. 2017-004 dated December 13, 2017 states that Non-GBEs which were not able to adopt the PPSAS in CY 2016 shall be considered first-time adopter in CY 2017. Their CY 2017 PPSAS financial statements shall include the following:

- a. Statements of Financial Position as at December 31, 2017, December 31, 2016 and January 1, 2016 (Opening Statement of Financial Position);
- b. Statements of Financial Performance for the years ended December 31, 2017 and 2016;
- c. Statements of Cash Flows for the years ended December 31, 2017 and 2016;
- d. Statements of Changes in Net Assets/Equity for the years ended December 31, 2017 and 2016;
- e. Statement of Comparison of Budget and Actual Amounts for CY 2017; and
- f. Related notes including comparative information.

2.3. Said Section of the same Circular also provides that the effects of the changes in the accounting policies/estimates for all accounts as a result of the first time adoption of the PPSASs shall be disclosed. A first-time adopter shall also disclose the date of adoption of PPSASs and the information and explanations about how the transition from the previous basis of accounting to PPSASs affected its reported financial position, and, where appropriate, its reported financial performance and cash flows.

2.4. Section 7.2 of the same Circular states that a first time adopter shall only apply the provisions of PPSAS 33.

2.5. PPSAS 33 consists of IPSAS 33, "First-time Adoption of Accrual Basis IPSASs" issued by the International Public Sector Accounting Standards Board (IPSASB) of the International Federations of Accountants (IFAC) and the Philippine Application Guidance (PAG) to suit the Philippine public sector situation. PAG 1 states that this standard shall be applied to all National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned or Controlled Corporations (GOCCs) not considered GBEs.

2.6. Paragraph 2 of PPSAS 33 states that an entity shall apply this standard when it prepares and presents its annual financial statements on the adoption of, and during the transition to, accrual basis IPSASs.

2.7. Paragraph 141 of the same PPSAS states that a first-adopter shall disclose: (a) the date of adoption of IPSASs; and (b) information and explanations about how the transition from the previous basis of accounting to IPSASs affected its reported financial position, and where appropriate, its reported financial performance and cash flows.

2.8. Further, Paragraph 142 of the same Standard states that first-time adopter shall present in the notes to its transitional IPSAS financial statements or its first IPSAS financial statements: (a) reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of IPSASs; and (b) reconciliation of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of IPSASs.

2.9. Verification revealed that NFA did not comply with all the financial statements/disclosures required of a first-time adopter of PPSASs contrary to Section 7.3.b of COA Circular No. 2017-004 and relevant provisions of PPSAS 33, in view of the following:

a. The Opening Statement of Financial Position as at January 1, 2016 (date of adoption of PPSASs) was not prepared.

b. The following necessary information as a result of the first time adoption of the PPSAS were not disclosed in the Notes to Financial Statements:

b.1 The date of adoption of PPSASs;

b.2 The effects of the changes in the accounting policies/estimates for all accounts as a result of the first time adoption of the PPSASs;

b.3 The information and explanations about how the transition from the previous basis of accounting to PPSASs affected its reported financial position, and, where appropriate, its reported financial performance and cash flows;

b.4 The reconciliation of its net assets/equity reported in accordance with its previous basis of accounting to its opening balance of net assets/equity at the date of adoption of PPSASs; and

b.5 The reconciliation of its surplus or deficit in accordance with its previous basis of accounting to its opening balance of surplus or deficit at the date of adoption of PPSASs.

2.10. Non-preparation of the Opening Statement of Financial Position as at January 1, 2016 (date of adoption of PPSASs) and non-disclosure of necessary information required of a first time adopter of PPSAS, not only showed that Management misrepresented that the CY 2017 financial statements have been prepared in accordance with and comply with the PPSASs but also defeated the objective of presenting high quality information that provides transparent reporting about the first-time adopter's transition to accrual basis PPSASs.

2.11. We recommended that Management henceforth, ensure full implementation of COA Circular No. 2017-004 dated December 13, 2017 and the adoption of PPSASs in CY 2018 financial statements.

2.12. During the Exit Conference held on June 8, 2018, it was mentioned that inconsistencies noted in audit will be addressed with the conduct of the proposed training on PPSASs to be participated by the NFA Regional Accountants and Budget Officers.

Cash and Cash Equivalents

3. The reliability of the year-end balances of the Cash In Bank (CIB) – Local Currency and Foreign Currency accounts totaling P1.230 billion included in the Cash and Cash Equivalents account of P1.242 billion could not be ascertained due to, among others: (a) non-submission for audit purposes of the documents to substantiate the fund transfers made by NFA-HO to NFA ROs and Operating Units (OUs) in the total amount of P4.303 billion for the General Operating Fund (GOF) and Cereal Procurement Fund (CPF); and (b) lack of supporting documents to monthly fund transfers of collections from sale of imported rice totaling P1.716 billion made through automatic and electronic sweeping. In addition, CIB account was maintained with unauthorized depository bank, contrary to Section 5.2 of Department of Finance (DOF) - Department Circular (DC) No. 001-2015 dated June 1, 2015.

3.1. Section 58 of Presidential Decree (PD) No. 1445 provides that the examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as propriety of items composing the respective assets accounts; determining their agreement with records; proving the accuracy of such records; ascertaining if the assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts.

3.2. Moreover, Paragraph 29 of PPSAS 1 requires an entity to present information, including accounting policies, in a manner that meets a number of qualitative characteristics. Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. These include reliability.

3.3. Reliable information is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent. It must be accurate and can be checked, reviewed and verified with evidence such as original copies of documents and updated records.

3.4. As at December 31, 2017, the aggregate balance of the CIB Local Currency and Foreign Currency accounts amounted to P1.230 billion. These accounts are included in the Cash and Cash Equivalent account totaling P1.242 billion as at year-end. Audit of the CIB accounts disclosed deficiencies as discussed in the succeeding paragraphs.

Non-submission of the documents to substantiate the fund transfers made by NFA-HO to NFA ROs and OUs in the total amount of P4.303 billion for the GOF and CPF

3.5. Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009 requires that the Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month.

3.6. Review of CIB transactions for CY 2017 disclosed that NFA-HO transferred funds to NFA-ROs and OUs for the latter's CPF and GOF for the procurement of palay from the farmers/farmers' organizations and for the payment of operational expenses, respectively. In CY 2017, NFA-HO transferred a total amount of P4.303 billion to the NFA ROs and OUs, as shown in Table 4.

Table 4 – Fund Transferred to ROs and OUs for CY 2017

Name of Bank	CPF	GOF	Total
DBP	P 218,137,213	P 1,165,713,456	P 1,383,850,669
LBP	483,643,348	2,435,362,445	2,919,005,793
	P 701,780,561	P 3,601,075,901	P 4,302,856,462

DBP – Development Bank of the Philippines

LBP – Land Bank of the Philippines

3.7. During the review of the above fund transfers, the documents such as copies of approved Authority to Debit Advice (ADA), debit memos, funding requests from ROs and OUs duly evaluated and approved by the Grains Marketing and Operations Department (GMOD) for CPF and Advice of Sub-allotment (ASA) were not submitted to the Audit Team for audit purposes. Thus, non-submission of these documents precluded the Auditor to determine the correctness of the recorded fund transfers and ascertaining whether these fund transfers were properly authorized by the concerned agency officials and the amounts transferred to ROs and FOs are within the budget allocated and authorized in the Approved Financial Plan for the current year.

Lack of supporting documents to monthly fund transfers of collections from sale of imported rice totaling P1.716 billion made through automatic and electronic sweeping -

3.8. Verification disclosed that daily collections from sale of rice were transferred to NFA-HO through a paperless transfer as provided in the Memorandum of Agreement (MOA) dated October 6, 2008 between NFA-HO and the Land Bank of the Philippines (LBP), where the former maintains an account at North Avenue Branch, Quezon City under the account name Mother Rice Collection Account (MRCA) - Interest Bearing Current Account (IBCA). Meanwhile, the NFA Provincial/District Offices (POs/DOs) maintain a non-drawing/one-way IBCA under the name NFA/RCA-Retailers Account with their LBP Servicing Branch. Collections from retailers are deposited in the NFA/RCA – Retailers Account of the POs/DOs and, the LBP automatically transfers funds to the MRCA or all the funds that exceed the minimum required balance of P30,000 of the NFA/RCA-Retailers Account daily.

3.9. For monitoring of the sales proceeds of imported rice, Radio Message dated June 13, 2013 was also issued by the Director of the Budget, Treasury and Fund Management Department (BTFMD) of NFA-HO requiring the DOs/POs to wire to BTFMD their newly opened NFA Imported Rice Collections (IRC) 15% broken accounts for enrollment and inclusion in the daily sweeping facility of their depository banks. The Cavite Provincial Office (CPO) and Central District Office (CDO) opened the accounts with LBP under IRC 15% under two account names (IRC 15% and IRC 15%-2) for particular imported rice collections, in addition to the Rice Collection Account (RCA) with LBP.

3.10. Review of the fund transfers of Sales Revenue collections from CDO and CPO to NFA-HO amounting to P1.092 billion and P0.624 billion, respectively, or P1.716 billion revealed that they were not in accordance with Section 3 of NFA SOP No. FS-GP13.A dated December 18, 2008, re: Amendment to the Revised SOP Inter-branch Accounting System, which requires that *“the remitting office shall prepare a monthly Statement of Remittance(s), including therein all remittance made for the month, and submit it together with the monthly trial balance. The following data shall be indicated in the Statement of Remittance(s):*

- a. Name of bank where the remittances was coursed through;*
- b. Date of remittance;*
- c. Fund account; and*
- d. Amount remitted.”*

3.11. It was noted that the Monthly Report of Remittance lacked the data such as the name of the bank and the fund account to where the collections were remitted, which were necessary to facilitate reconciliation of bank transfers. There were also no documents that showed from whose retailers' accounts the daily transfers were made. In CPO, the Acting Senior Accounting Specialist (SAS) informed that the bank statements and passbooks served as supporting documents. However, granting that these may be considered as supporting documents, these are inadequate in determining the particular retailer account whose collections were transferred to the mother account. This could affect the reconciliation of the Due from Central Office account with the cash sales and

receivables from retailers of CPO. Likewise, this could result in difficulty or non-reconciliation of the Due from Central Office account relative to the retailers' accounts.

3.12. It was further observed that in CPO, the fund transfers for the RCA which were substantial in amounts either exceeded or were less than the monthly collections from retailers. As shown in Table 5, there was a net total variance of P6.769 million between the collections from the CPO retailers' accounts as against the fund transfers to the NFA-CO account in CY 2017.

Table 5 - Variances Between RCA Collections and Fund Transfers at CPO

Month/CY 2017	Monthly CPO RCA Collections	Monthly RCA Fund Transfers	Variance (Over) Under
January	P 103,228,975	P 104,758,466	P (1,529,491)
February	98,703,175	99,394,175	(691,000)
March	90,485,375	85,945,300	4,540,075
April	97,435,800	86,160,610	11,275,190
May	77,316,950	88,703,050	(11,386,100)
June	27,437,025	35,604,525	(8,167,500)
July	983,750	1,326,989	(343,239)
August	62,500	116,575	(54,075)
September	4,120,450	3,892,750	227,700
October	42,906,600	43,597,271	(690,671)
November	65,300,100	64,006,350	1,293,750
December	9,758,000	11,001,750	(1,243,750)
	P 617,738,700	P 624,507,811	P (6,769,111)

3.13. The Acting SAS of CPO informed that the above monthly variances between the RCA monthly collections and monthly RCA fund transfers were due to the clearing of local checks.

CIB account was maintained with unauthorized depository bank, contrary to Section 5.2 of DOF - DC No. 001-2015 dated June 1, 2015 -

3.14. Review of the bank accounts maintained by NFA-HO as of December 31, 2017 disclosed that NFA still maintains accounts with the Philippine National Bank (PNB) for its GOF Current Account and NFA Legal Case Account, contrary to Section 5.2 of DOF-DC No. 001-2015 dated June 1, 2015, which provides that, "all NGAs, GOCCs, and LGUs specifically allowed by law, rules and regulations to retain income and/or for operations and/or working balances shall deposit and maintain accounts with [Government Financial Institutions] GFIs with a universal bank license and a CAMELS [Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Sensitivity] rating of at least 3." Maintenance of bank accounts with banks other than GFIs may be allowed as provided in Section 5.4 of the same DC, under the following circumstances:

5.4.4 Where the GFIs referred under Section 5.2 cannot provide the necessary banking products and services;

5.4.5 Where there are no accessible (within the twenty (20) kilometer radius GFIs, as referred under Section 5.2, or its collection facility. Xxx;

5.4.6 *Where security and safety are the reasons for opening and maintaining an account in a (proposed) bank. Xxx.*

Other noted deficiency -

3.15. The following Sections of Chapter 21 of the Government Accounting Manual (GAM), Volume I, provide that:

Sec. 3. Objectives. The Bank Reconciliation Statement (BRS) shall be prepared in order to:

- a. check correctness of both the bank's and agency's/entity's records,*
- b. serve as a deterrent to fraud, and*
- c. enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.*

Sec. 4. Method of Bank Reconciliation. The monthly BRS shall be prepared by the Chief Accountant/designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. Under this method, the book balance and the bank balance are brought to an adjusted cash balance that must appear on the Statement of Financial Position.

Sec. 5. Preparation of the Bank Reconciliation Statement. The Chief Accountant/Designated Staff shall within ten days from receipt of the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/Credit Memoranda (CM) from the [Government Servicing Bank] GSB, reconcile the BS with the GL and prepare the BRS in four copies.

Sec. 6. Recognition of Adjustments. The Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.

This shall be used in the reconciliation of bank and treasury accounts maintained with GSB.

3.16. Also, Section 74 of PD No. 1445 also provides that at the close of each month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing in 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.

3.17. Further, Paragraph 3.5 of COA Circular No. 96-011 dated October 2, 1996 provides that, "as part of the verification of BRS, the Auditor shall scrutinize deposit slips, indorsements on checks returned by bank because of insufficient funds, cancelled or

paid checks returned by the bank, follow up items in transit or for correction, and inquire into dormant/long outstanding items, and book and bank errors.”

3.18. Review of BRS disclosed that the Accounting Department of the NFA-HO incurred considerable delays in the preparation of the BRS for NFA’s 47 bank accounts, with aggregate year-end balance of P825.265 million, ranging from four to eight months as shown in Table 6.

Table 6 – Delayed Submission of BRS

Month/CY 2017	Date BRS submitted to COA	Number of Months Delay
January	June 29, 2017	5
February	June 29, 2017	4
March	October 10, 2017	7
April	October 10, 2017	6
May	October 10, 2017	5
June	March 16, 2018	8
July	March 16, 2018	7
August	March 16, 2018	6
September	April 4, 2018	7
October	April 4, 2018	6
November	April 4, 2018	5
December	April 4, 2018	5

3.19. In view of the late submission of the BRS, the Audit Team was precluded to timely review them and communicate the error/s and fraud discovered/detected, if any during the audit which would require adjustments in the books or an investigation as the case may be.

3.20. The Accountant II, HO Accounting Division averred that the delayed submission of BRS was attributed to difficulty in securing BS from the depository banks.

3.21. **We recommended that Management:**

- a. **Ensure compliance with Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009 on the submission of reports and supporting documents, for audit purposes, and impose appropriate sanctions on the persons responsible for non-submission of financial reports and supporting documents to the Office of the Auditor;**
- b. **Require the Accountants to support the Journal Entry Vouchers (JEVs) with documents showing from whose retailers’ accounts the transfers of funds to the NFA-CO accounts were made and that the transfers were reconciled with the monthly collections of particular retailers;**
- c. **Enjoin the Accountants to strictly comply with pertinent provisions of PD No. 1445 and ensure the timely preparation of BRS, to facilitate early detection and correction of errors in the book balances, to establish the accuracy of the CIB account balance and, submit the same with complete supporting documents to the COA Auditor for audit purposes; and**

d. Cause the transfer of bank balances maintained in unauthorized depository bank to Authorized Government Depository Banks (AGDBs) pursuant to DOF-DC No. 001-2015 dated June 1, 2015.

3.22. Management submitted the following comments:

a. In NCR-CDO, starting March 2018 a separate JEV will be provided for the fund transfer/remittance of all accounts on a daily basis, with complete data on the monthly statement of remittances and the required supporting documents for inter-branch transactions in accordance with the SOP on the recording and reporting of inter-branch transactions.

b. In NCR-CPO, the variances between the fund transfers and fund collections were due to timing difference and clearing of local checks verified and checked through the CPO's monthly Bank Reconciliation. The retailers can opt to deposit directly to CPO's bank accounts as payment of their allocations. This was indicated in CPO's Daily Report of Collections and Deposits which were submitted to the COA-NFA-NCR Office. Also, copies of the deposit slips were submitted together with the official receipts.

c. In NFA-HO, the ASD shall devise a scheme to facilitate the preparation/submission of the BRS to the Office of the Auditor.

3.23. As a rejoinder on the above comment of CPO Management, we maintain that JEVs on fund transfers be supported with documents showing from whose retailers' accounts the transfers of funds to the NFA-HO accounts were made. An acknowledgement of the receipt of the monthly fund transfers may be requested from the personnel at NFA-HO in charge with said accounts of retailers swept to the mother bank accounts at HO, to reconcile with the collections/deposits of the retailers at the POs/DOs.

Inventories - Merchandise Inventory

4. The balance of the Inventory Held for Sale - Merchandise Inventory (MI) account as at December 31, 2016 was not restated to recognize the customs duties (CDs) for CY 2016 of P1.451 billion and prior years of P24.329 billion or a total of P25.780 billion as required in PPSASs 1 and 3; thus, the comparative balances of the account as at December 31, 2017 and 2016 of P3.162 billion and P13.155 billion, respectively, are not correctly presented in the Statement of Financial Position. In addition, the adjustments to recognize the CDs for prior years aggregating P25.780 billion were effected only in the consolidated financial statements as at year-end, but not in the separate books of the Field Offices (FOs); thus, the affected accounts in their individual financial statements as of December 31, 2017 remained unadjusted. Moreover, the CDs amounting to P1,827.202 million recognized as component of the cost of imported rice received in CY 2017 were based on 35 per cent of the contract price that included cost of delivery at place instead of the tax subsidy approved by the Fiscal Incentives Review Board-Department of Finance (FIRB-DOF) of P1,782.089 million or a variance of P45.113 million, thereby resulting in the overstatement of the Inventory Held for Sale - MI account by the same amount.

Balance of the Inventory Held for Sale - MI account as at December 31, 2016 not restated to recognize the CDs for CY 2016 of P1.451 billion and prior years of P24.329 billion

4.1. This is a reiteration of the audit observations contained in the Annual Audit Reports (AARs) for CYs 2016, 2015 and 2014 on non-recognition of CDs as component of the cost of all NFA rice importations, since NFA did not fully implement the audit recommendations.

4.2. In the HO, General Message OAAFA-E-008 dated May 30, 2017 was issued and instructed all FOs to take up in their in-process Trial Balances the corresponding CDs for the Imported Rice (IMR) received prior to October 2016. In NCR, instructions from HO specifically pertained to imputation of CDs for CY 2016 rice importation only based on contracted price.

4.3. In previous year's audit, it was noted that the ASD-National Accounting Division (NAD) made an entry to take up the unrecognized CDs for CY 2016 of P1.451 billion and prior years of P24.329 billion or a total of P25.780 billion for the IMR received by the NFA FOs in CY 2016 and prior years to record their effect on Inventory Held for Sale - MI and Due to the Bureau of Customs (BOC) accounts. However, the entries made were only effected in the consolidated financial statements of the NFA as at year-end, and not in the separate books of the FOs. Thus, the affected accounts in the individual financial statements of the FOs as at December 31, 2016 remained unadjusted. Additionally, the total amount of P25.780 billion was recorded as current year's transaction, instead of the amount of P24.329 billion should had been allocated to CY 2015 as restatement to the opening balance of CY 2016, and the amount of P1.451 billion should had been adjusted to CY 2016 ending balance.

4.4. PPSAS 1 on Presentation of Financial Statements provides that the comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. On the other hand, PPSAS 3 on Accounting Policies, Changes in Accounting Estimates and Errors provides that an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue by: (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or, (b) if the error occurred before the earliest prior period presented, restating the opening balances, assets and equity for the earliest prior period presented.

4.5. Notwithstanding the above provisions, the balance of the Inventory Held for Sale - MI account as at December 31, 2016 was not restated to recognize the CDs for CY 2016 of P1.451 billion and prior years of P24.329 billion or a total of P25.780 billion contrary to PPSASs 1 and 3.

4.6. It was noted that the balance of Inventory Held for Sale - MI account as presented in CY 2016 remained at P13.155 billion in the comparative financial statements for CY 2017 as illustrated in Table 7.

Table 7 – Inventory Held for Sale - MI and Cost of Sales accounts

Account	CY 2017	CY 2016
Inventory Held for Sale - MI	P 3,162,195,087	P 13,154,854,350
Cost of Sales (COS)	19,385,764,046	32,107,973,326

4.7. The non-compliance with PPSASs 1 and 3 resulted in misstated comparative balances of Inventory Held for Sale - MI account as presented in the Statement of Financial Position.

Recognition of CDs based on 35 per cent of the contracted price of imported rice instead of the tax subsidy approved by the FIRB-DOF resulted in the overstatement of the year-end balance of Inventory Held for Sale - MI account by P45.113 million.

4.8. NFA undertook the importation of rice to beef up its buffer stocks to provide stable supply and prices at all times. It availed of the Tax Expenditure Subsidy (TES) administered by the FIRB-DOF, which is automatically appropriated under the General Provision of the annual General Appropriations Act (GAA). The TES is released by the Department of Budget and Management (DBM) to settle CDs to the BOC arising from the importation of goods.

4.9. On December 15, 2017, the FIRB under Resolution No. 2-17 approved the application for tax subsidy of the NFA in the amount of P1.782 billion covering the duties on 250,000 Metric Tons (MT) of rice importation. In the said FIRB Resolution, it was specified that an initial Certificate of Entitlement to Subsidy (CES) shall be issued covering P1.452 billion only representing actual arrivals of rice importation with Statement of Accounts (SOAs) from August 2017 to October 2017. It was further specified that subsequent CES shall be issued only upon submission by the NFA to the FIRB of the required billings/SOAs pertaining to the importations, together with a certification that the volumes covered by said billings/SOAs are part of the 250,000 MT of rice importation authorized by the NFA Council for CY 2017. The TES is based on actual billings by the BOC.

4.10. Records showed that NFA recorded CDs amounting to P1,827.202 million as component of the cost of imported rice received in CY 2017 based on 35 per cent of the contract price, instead of the tax subsidy approved by the FIRB-DOF of P1,782.089 million or a variance of P45.113 million, resulting in the overstatement of the Inventory Held for Sale - MI account by the same amount.

4.11. On October 11, 2016, NFA Radio Message No. OAAFA-J-014 was issued with the instruction to impute CDs on all of NFA's rice importation arrivals for CY 2016 at a rate of 35 per cent of the contracted price, pending approval of the NFA SOP on "*The Guidelines in the Accounting, Recognition of Customs Duties as Tax Expenditures Subsidy (TES) on Rice Importation.*" Subsequently, NFA issued SOP No. FS-FA14 dated December 6, 2016, on the Implementing Guidelines on the Accounting, Recognition of Customs Duties as Tax Subsidy on Rice Importation, which provides that upon receipt of stocks in the first warehouse, the Accounting Section will record in the books the cost of stocks, including capitalized expenses and CDs due to BOC. It was

noted that the 35 per cent rate of the contracted price was still used in imputing CDs for the CY 2017 rice importation arrivals.

Recognition of CDs based on 35 per cent of the contract price included the cost of delivery at place contrary to Republic Act (RA) Nos. 8181 and 10863 dated July 24, 1995 and July 27, 2017, respectively

4.12. Section 1 of RA No. 8181, “An Act Changing the Basis of Dutiable Value of Imported Articles subject to an Ad Valorem Rate of Duty from Home Consumption Value (HCV) to Transaction Value (TV), Amending for the Purpose Section 201 of Title II, Part 1 of Presidential Decree No 1464, Otherwise Known as the Tariff and Customs Code, of the Philippines, As Amended, and for Other Purposes,” dated July 24, 1995, provides the following:

Section 1. Section 201 of Title II, Part I of the Tariff and Customs Code of the Philippines, as amended, is hereby further amended to read as follows:

Section 201. Basis of Dutiable Value - The dutiable value of an imported article subject to an ad valorem of duty shall be the transactional value, which shall be the price actually paid or payable for the goods when sold for export to the Philippines, adjusted by adding the following to the extent that they are incurred by the buyer but are not included in the price actually paid or payable for the imported goods:

(a) Commission and brokerage fees (except buying commissions); containers; and the cost of packing whether for labour or materials;

Xxxx

(f) Loading, unloading and handling charges associated with the transport of the imported goods from the country of exportation to the port of entry in the Philippines; and

(g) The cost of insurance.

4.13. Likewise, Section 701, Title VII of RA No. 10863, “An Act Modernizing the Customs and Tariff Administration,” dated July 27, 2015, provides that:

In determining the transaction value, the following shall be added to the price actually paid or payable for the imported goods:

Xxxx

(3) Cost of transport of the imported goods from the port of exportation to the port of entry in the Philippines;

(4) Loading, unloading and handling charges associated with the transport of the imported goods from the country of exportation to the port of entry in the Philippines; and

(5) Cost of insurance

4.14. The NFA Radio Message No. OAAFA-J-014 dated October 11, 2016 with instructions to impute CDs on all NFA rice importations arrivals for the CY 2016, pending approval of the NFA SOP on “*The Guidelines in the Accounting, Recognition of Customs Duties as Tax Expenditures Subsidy (TES) on Rice Importation*,” states, among others, that “[T]he rate to be used is 35% of the contracted price xxx.”

4.15. Our evaluation disclosed that the BOC charged the 35 per cent CDs based on Cost Insurance and Freight (CIF); the same was specifically stated in Part B-1 of the Tariff and Customs Code of the Philippines that “*the customs duties will be based on the CIF only xxx.*” However, using the data from Cavite Provincial Office (CPO), the 35 per cent CDs was based on the contract price or Cost, Insurance and Freight Delivery at Place (CIF-DAP), which included the cost of delivery of imported rice to designated warehouses, in comparison to the provision in RA Nos. 8181 and 10863, where inclusion of dutiable value on cost of loading, unloading and handling charges was limited to the transport of imported rice from the country of origin to the port of entry in the Philippines. The CIF-DAP for the CY 2017 rice importation included surveyor’s cost/fee, cargo handling and other expenses of US \$34.15, \$32.50, \$27.50, \$27.00, \$26.50 and \$25.50 per MT from suppliers from Vietnam. The comparison of CDs recorded in the books at 35 per cent and CDs that should have been recorded at CPO is presented in Table 8.

Table 8 - Comparison of CD per Books and CD that should be Recorded

Vessel	No. of Nkgs of Bags Received (a)	Cost (b)	CD per Nkg (c)	CD as Recorded (Cost x 35%) (d)	Should Be CD (e=a x c)	Overstatement (f=d-e)
Vinaship Star	4,283,155.00	P 92,720,195	P 7.05	P 32,452,068	P 30,187,676	P 2,264,392
My An	684,233.00	14,854,768	7.05	5,199,169	4,822,474	376,695
Mekong	406,002.04	8,550,308	6.81	2,992,608	2,766,701	225,907
Ocean 19	637,702.40	13,466,094	6.88	4,713,133	4,390,007	323,126
Thai Binh Star 01	678,132.40	14,350,685	6.80	5,022,740	4,607,910	414,830
Ocean 29	839,158.00	17,851,004	6.90	6,247,852	5,784,316	463,535
Kien Hung	346,452.04	7,225,018	6.80	2,528,756	2,354,142	174,614
Vien Dong 5	499,538.00	10,570,105	6.92	3,699,537	3,458,352	241,185
Mekong	544,043.48	11,426,264	6.81	3,999,192	3,707,384	291,808
Great Trust Dragon 2	514,025.08	10,779,664	6.85	3,772,883	3,521,791	251,092
Viet Hai Sun	755,070.00	15,633,299	6.82	5,471,655	5,148,218	323,437
Total	10,187,511.44	P 217,427,404		P 76,099,593	P 70,748,971	P 5,350,621

4.16. The inclusion of surveyor’s cost/fee, cargo handling, and other expenses in determining and recording CDs resulted in the overstatement of Inventory Held for Sale - MI account at CPO by P5.351 million.

4.17. We reiterated our previous year’s recommendation that Management require the HO-ASD to strictly comply with PPSAS 1, on the proper presentation of Inventory Held for Sale - MI account in the financial statements to ensure comparability with the financial statements of previous periods and PPSAS 3, in presenting correction of prior period errors by restating the comparative amounts for the period(s) presented in which errors occurred and, provide adequate disclosure in the Notes to Financial Statements.

- 4.18. **We also recommended that Management require the HO-ASD to:**
- a. Cause the adjustment of the overstatement of CDs and Inventory Held for Sale - MI account for imported rice received in CY 2017;**
 - b. Revisit the provisions of RA Nos. 8181 and 10863 dated July 24, 1995 and July 27, 2017, respectively, and be guided on the basis of dutiable value;**
 - c. Evaluate the correctness of the basis of dutiable value provided in the NFA guidelines under Radio Message No. OAAFA-J-014 dated October 11, 2016 *vis-à-vis* the provisions under RA Nos. 8181 and 10863; and**
 - d. Determine the necessary amendments in computing the cost of CDs based on the CIF instead of the contracted price.**

4.19. In NCR and its DOs/POs, Management informed that they had computed the cost of CDs based on the contract price in accordance with NFA Radio Message No. OAAFA-J-014 dated October 11, 2016 issued by NFA-HO. Also, they had already coordinated this issue with NFA-HO through MEMO 2018 NCR-ORM-RF-D-53 dated April 24, 2018, seeking clarifications from GMOD and ASD regarding the issue and shall furnish COA with updates thereon.

Tax Expenditure Subsidy

5. Recognition of the Tax Expenditure Subsidy (TES) for CY 2017 in the absence of a Special Allotment Release Order (SARO) from the Department of Budget and Management (DBM) was not in accordance with DOF-DBM Joint Circular No. 1 dated April 30, 2014 and PPSAS 23, on Revenue from Non-Exchange Transaction, thereby resulting in the overstatement of Subsidy Income from National Government and Inter-agency Receivables - Due from National Government Agencies accounts in the amount of P1.782 billion and affecting the fair presentation of the said accounts in the financial statements as at December 31, 2017.

5.1. The FIRB-DOF approved the application for tax subsidy of the NFA in the total amount of P1.782 billion under Board Resolution No. 2-17 dated December 15, 2017.

5.2. On December 22, 2017, the FIRB issued the Certificate of Entitlement to Subsidy (CES) No. 0179 to the NFA in the amount of P1.451 billion for the duties on 49 shipments of imported rice chargeable against Section 15(c) of the 2017 General Appropriations Act (GAA) with validity period until December 29, 2017, but was extended until March 30, 2018 under FIRB Resolution No. 1-18 dated February 9, 2018.

5.3. CES is a document issued by the FIRB certifying to the amount of subsidy that is granted in favor of qualified GOCC/Armed Forces of the Philippines Commissary and exchange Service (AFPCEs)/Philippine National Police Service Store System (PNPSSS)/Procurement Service Exchange Marts (PX MARTS).

5.4. DOF-DBM Joint Circular No. 1 dated April 30, 2014 prescribed the rules, guidelines and procedures relative to the implementation of the TES under pertinent Section of the General Provisions of the Annual GAA.

5.5. The Circular provides that the National Government Agencies (NGAs) including GOCCs that are entitled to TES are not required to pay cash or in kind their obligations for CDs.

5.6. The same Circular also provides the following bases of recording both the obligation and liquidation of the tax expenditure:

Section 5.1.1.6 The SARO which the DBM will issue shall serve as the basis for recording both the obligation and liquidation of the tax expenditure. The amount of the SARO shall correspond to the verified amount indicated in the Quarterly Report of Taxes and Duties Availments (QRTDA). The DBM shall accomplish the appropriate portion of the QRTDA indicating the SARO number and date thereof. The Importing Agency (IA), upon receipt of the SARO shall forward a copy of the same to the BOC or BIR.

Section 5.1.1.7 The IA, based on the DBM SARO, shall prepare the Journal Voucher (JV) to liquidate the obligation within (10) working days, copy furnished the [Bureau of the Treasury] BTr-National Cash Accounting Division (NCAD).

Section 5.1.1.8 Within ten (10) working days upon receipt of a copy of the agency JV, the BTr-NCAD shall issue a JV debiting the account of the IA and crediting the account of the Revenue Collecting Agency.

5.7. Further, Paragraph 79 of PPSAS 23 provides the proper recognition of constructive transfer for Revenue from Non-Exchange Transaction -

An entity obtains control of transferred resources either when the resources have been transferred to the entity, or the entity has an enforceable claim against the transferor. Many arrangements to transfer resources become binding on all parties before the transfer of resources takes place. However, sometimes one entity promises to transfer resources, but fails to do so. Consequently, only when a claim is enforceable, and the entity assesses that it is probable that the inflow of resources will occur, will assets, liabilities and or revenue be recognized.

5.8. Our audit disclosed that the ASD recorded under JEV No. 2017-12-018571 the TES for the year 2017 on the basis of the receipt of CES issued by the FIRB on December 22, 2017 even in the absence of a SARO issued by the DBM, which resulted in the overstatement both of the Inter-agency Receivables - Due from NGAs and Subsidy Income from National Government accounts in the total amount of P1.782 billion, thus, affecting the fair presentation of these accounts in the Financial Statements.

5.9. Pursuant to the DOF-DBM Joint Circular No. 1 dated April 30, 2014 and PPSAS 23, the receipt of the SARO should be the basis for the recognition of the subsidy in the books of NFA rather than the receipt of the CES in view of the following:

a. The SARO issued by the DBM is the basis of the BOC in recording/reporting the actual income and CDs paid out of tax subsidy.

b. The Cash Operations Report of the BTr reflects the taxes and duties paid out of the SARO issued by the DBM under revenue with an equivalent amount recorded under disbursements; thus, in the BTr books, the National Government Subsidy to GOCC (NFA) is not yet recorded in CY 2017. Accordingly, it is inappropriate to recognize Subsidy Income from National Government in the books of NFA.

c. There is a prescriptive period on the validity of CES, thus NFA's claim for the subsidy to liquidate its obligation to BOC is not yet enforceable until the issuance of a SARO.

d. The SARO which the DBM will issue shall serve as the basis for recording both the obligation and liquidation of the tax expenditure. (Section 5.1.1.6 of DOF-DBM Joint Circular No. 1 dated April 30, 2014)

5.10. **We recommended that Management instruct the NFA HO-ASD to:**

a. **Recognize the TES in the books only upon receipt of SARO in accordance with DOF-DBM Joint Circular No. 1 and PPSAS 23;**

b. **Prepare appropriate adjusting entries pertaining to the TES recorded in CY 2017 without supporting SARO; and**

c. **Make the necessary amendment of the pro-forma accounting entries in NFA SOP No. FS-FA14 dated December 6, 2016, on the Implementing Guidelines on the Accounting, Recognition of Customs Duties as Tax Subsidy on Rice Importation.**

5.11. Management did not submit formal comment on the above audit observation. Nevertheless, during the exit conference held on June 8, 2018, they informed that they intend to prepare a position paper to COA Government Accountancy Sector (GAS) regarding the treatment of SARO on the TES, considering that NFA is a different Agency, which is involved in trading, selling, buying and disposing palay/rice.

Property, Plant and Equipment (PPE)

6. **The accuracy, completeness, and existence of the PPE account with net book value of P2.151 billion as at December 31, 2017 could not be ascertained due to, among others: (a) unreconciled variance aggregating P356.344 million between the book balances and the established inventory count/schedule of PPE for HO and 10 POs; (b) discrepancy between the balance of Electronic New Government Accounting System (e-NGAS) and balance in the Financial Statement amounting to P1.931 million due to the transfer to another account without preparation of**

corresponding entry in the books; and (c) undocumented parcels of land in seven POs.

6.1. PPSAS 17 prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting property, plant and equipment of the Philippine public sector.

6.2. NFA SOP No. GS-PD19 dated March 24, 2003, on the Revised SOP on Fixed Assets Inventory, Monitoring and Control System, was issued to monitor the movement and condition of the assets and update the documentation, reporting and accounting systems. It provides, among others, that inventory count must be reconciled with the book balances.

6.3. Section 73 of the Manual on the New Government Accounting System (MNGAS), Volume I states that:

The responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency. All financial data presented in the financial statements shall be accurate, reliable, and truthful; financial reports shall be based on official records maintained under an adequate accounting system that produces information objectively and disclosed the financial aspects of all events and transactions taking place.

6.4. COA Circular No. 80-124 dated January 18, 1980 provides, among others, that physical inventory taking being an indispensable procedure for checking the integrity of property custodianship has to be regularly enforced at least once a year. All inventory reports shall be prepared and shall be properly reconciled with accounting and inventory records.

6.5. Further, Section 58 of PD No. 1445 provides that:

The examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the proprietary of items composing the respective asset accounts, determining their agreement with records; proving the accuracy of such records; ascertaining if assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts.

6.6. As at December 31, 2017, the PPE account is valued at cost in the amount of P5.428 billion. The accumulated depreciation and adjustments amounted to P3.277 billion, thus, the net book value or carrying value of P2.151 billion.

6.7. Our audit disclosed various deficiencies that affected the accuracy, completeness, and existence of the PPE account, as discussed in the succeeding paragraphs.

Unreconciled variance aggregating P356.344 million between the book balances and the established inventory count/schedule of PPE for HO and 10 POs

6.8. Comparison of the balances of PPE account between accounting records and the established inventory count/Schedule of PPE revealed an absolute variance of P356.344 million as shown in Table 9.

Table 9 – Comparison of balances of PPE accounts between accounting records and established Inventory Count/Schedule of PPE

NFA Office	Per Books	Established Inventory Count/Schedule of PPE	Variance (Absolute Figure)
HO	P 834,141,328	P 777,252,042	P 56,889,286
NCR	63,912,780	7,759,718	56,153,062
CPO	23,104,101	24,967,479	1,863,378
SDO	14,108,725	8,592,922	5,515,803
RO II- Cagayan PO	73,972,398	76,897,391	2,924,993
RO II- Isabela PO	95,590,820	310,348,672	214,757,852
Negros Oriental PO	15,778,242	15,608,460	169,782
Surigao del Sur PO	39,519,470	35,600,567	3,918,903
Masbate PO	36,086,867	36,016,667	70,200
Albay PO	64,448,296	66,412,401	1,964,105
Northwestern Cagayan-Apayao PO	76,504,222	64,387,276	12,116,946
			P 356,344,310

6.9. The variance of P356.344 million as at December 31, 2017 increased by P290.424 million or 440.57 per cent from P65.920 million as at December 31, 2017. The variance could be attributed to the following:

a. In HO, the Report on the Physical Count of PPE (RPCPPE) as of July 31, 2017 submitted to COA last February 14, 2018 did not include the balances of Land Improvements and Construction in Progress accounts. To establish the actual physical inventory as of December 31, 2017, the Audit Team considered the acquisitions and transfers made from August 1, 2017 to December 31, 2017. Comparison between the balances in the books and the established inventory count as of December 31, 2017 resulted in a variance of P56.889 million with significant discrepancies in some PPE sub-accounts such as IT Equipment & Software and Technical & Scientific Equipment. Of the P834.141 million balance of PPE in the books as at December 31, 2017, the total amount of P0.138 million PPE items acquired in CYs 1970 to 2006 were recorded under “For Reconciliation” account during the migration (transfer) of the CY 2007 balances from the old accounting system to e-NGAS.

b. In NCR, comparison of the costs of PPE in the books totaling P63.913 million with the Summary of PPE totaling P7.760 million disclosed a variance of P56.153 million. The NCR was not able to submit to the Audit Team the RPCPPE as of December 31, 2017, although it conducted physical inventory of PPE in August 2017 based on the inventory report as of July 31, 2017 of the Property Section. In the Audit Team’s work forward analysis of PPE which considered the acquisitions and transfers made from August 1, 2017 to

December 31, 2017 to establish the inventory as of December 31, 2017, it noted variances between the costs per inventory and per books of PPE items.

c. In CPO, the variance in the Land account was due to the non-inclusion in the books of two parcels of land with total cost of P1.863 million. According to Management, original copies of the Transfer Certificates of Title (TCTs) are being safe kept in the NFA-HO.

d. In Negros Oriental PO, the variance of P169,782 was attributed to misclassification in the properties' class/type, the erroneous recognition as asset/expense and erroneous measurements of acquisition cost.

e. In Masbate PO, the variance was due to the difference in recording of PPE between the Property and Accounting Sections. It was also noted that there were some balances which were erroneously forwarded from the RPCPPE as of July 31, 2017 to the RPCPPE as of December 31, 2017.

f. In Albay PO, the discrepancy was due to the non-recording of acquired properties in prior years, e.g., 1 unit Jinbei truck worth P2.475 million in 2013, and the delay in updating of Property Cards (PCs). Due to this delay, periodic reconciliation of the records could not be undertaken; thus, discrepancy could not be immediately detected and corrected.

g. In Northwestern Cagayan-Apayao PO, the Property and Accounting Units do not maintain PCs and PPE Ledger Cards (PPELCs), respectively; thus, reconciliation and the determination of the causes of discrepancy is not possible.

Discrepancy between the balance of e-NGAS and balance in the Financial Statement amounting to P1.931 million

6.10. Review of the Construction in Progress account revealed a discrepancy amounting to P1.931 million between the balance in the books (e-NGAS) and the amount reflected in the Financial Statement as at December 31, 2017. The Trial Balance showed that the same amount was reclassified to Development in Progress-Computer Software account in September 2017, but without accounting entry made in the books (e-NGAS).

Undocumented parcels of land in seven POs

6.11. In NCR-Batanes Provincial Unit (BPU) and RO No. V-Albay PO, parcels of land with a total cost of P32.056 million were not covered with TCTs. Likewise, parcels of land in RO No. II-Isabela PO, RO No. XIII-Surigao del Norte PO and RO No. IX-Zamboanga del Sur, Zamboanga Sibugay and Zamboanga del Norte POs with undetermined amount have no documents showing proofs of ownership.

6.12. In BPU, they were allegedly in the process of having the land titled.

6.13. In RO No. V-Albay PO, the tax declarations were allegedly kept at the HO. The parcel of land in Ligao City with TCT No. T-22748 showed that this was already for disposal since it is part of the NARIC Site. The land in Libon, Albay, on the other hand,

was allegedly mortgaged to a financial institution which was already dissolved. Also, one-half of the total lot area in Legazpi City was allegedly given as National Road. The RO No. V-Albay PO informed that documents are still in process at the Registry of Deeds.

6.14. In RO No. XIII-Surigao del Norte PO, the records of the Property Officer showed that TCTs of the four parcels of land owned by the Agency have no annotation by the Land Registration Authority (Register of Deeds) that will prove that the lots covered by the Torrens title were donated to NFA based on the records of the Register of Deeds.

6.15. In RO No. IX, the parcels of land acquired through purchase/unconditional donations occupied by NFA Zamboanga del Sur, Zamboanga Sibugay and Zamboanga del Norte were not yet covered with TCTs to establish ownership.

6.16. The absence of land titles opened the possibility of counter claims by any interested party and put NFA investments such as buildings, warehouses and other improvements at risk. The inability to register these pieces of land in the name of NFA under the Torrens Title System exposed these properties to loss and/or misuse due to possible encroachment of squatters, unlawful occupants or the like. Further, the donors might change their mind to re-donate or dispose the lots to other interested party or sell the same.

Other deficiencies -

6.17. In NCR, the financial statements for CY 2017 showed three PPE sub-accounts with negative net book values totaling P1.695 million. Details are shown in Table 10.

Table 10 - PPE Accounts of NCR with Negative Net Book Values

Account	Cost	Accumulated Depreciation	Net Book Value
Machineries	P 52,715	P 1,335,659	P (1,282,944)
Information and Communication Technology Equipment	1,855,078	2,254,349	(399,271)
Other Property, Plant and Equipment	777,929	790,984	(13,055)
	P 2,685,722	P 4,380,992	P (1,695,270)

6.18. According to NCR Management, they are still analyzing documents relative to the occurrence of abnormal balances on the three PPE sub-accounts.

6.19. In Northern Leyte PO, the accuracy of the reported amount of PPE totaling P73.550 million could not be ascertained due to unavailability of supporting documents and RPCPPE as of year-end.

6.20. In view of the foregoing deficiencies, the accuracy, completeness, and existence of the PPE account with net book value of P2.151 billion as at December 31, 2017 could not be ascertained.

6.21. We recommended that Management require the HO-ASD, Property Division and ROs/POs to:

- a. Conduct thorough verification and reconciliation of the accounting and property records, including the PPE “For Reconciliation” account, to determine the cause/s of discrepancies so that necessary corrections/adjustments can be effected in both records to arrive at correct/reconciled balances;**
- b. Prepare necessary adjusting entry to properly reflect the correct balance of Construction in Progress account indicated in the books and in the FS;**
- c. Expedite the titling of the parcels of land to establish NFA’s full ownership over these properties, to provide basis for recording in the books of accounts and to avoid possible loss;**
- d. Prepare necessary adjusting entries for the PPE sub-accounts that have negative balances; and**
- e. Cause the conduct of complete physical count of PPE, preparation of the RPCPPE, and reconciliation of the said Report with the Property and Accounting records.**

6.22. Management provided the following comments/justifications:

- a. In HO, verification of the account is on-going. The revision of the existing SOP on Property, Plant and Equipment (PPE) Inventory, Monitoring and Control System is also on-going.
- b. In NCR, Management informed that the Team tasked for the reconciliation of PPE had already finished encoding the SLs from 1997 to the present for fixed assets and accumulated depreciation per books. Also, they are still analyzing available documents (JEVs, FARR, FAIR, RPCPPE, etc.) relative to the reconciliation. Recently, various trial balances prior to 1997 which could help in the reconciliation of PPE had been retrieved. Upon further reconciliation and verification, it was noted that the parcel of land amounting to P13.117 million booked at the Regional Office books should be for the account of North District Office (NDO). Retrieval of available documents to support the transfer of land to NDO is on-going.
- c. In CPO, the variance between the inventory report/Schedule of PPE and accounting record pertains to Land account which was previously booked as Other Asset-Non-Performing Asset.
- d. In Negros Oriental PO, reconciliation between the balance per count and per books was done as of December 31, 2017, but only taken up in the books as of January 31, 2018.
- e. In Masbate PO, the variances noted were already adjusted in the books of accounts as of February 28, 2018 under JEV Nos. 1802-0286 and 0287.

f. Albay PO informed that the Jinbei truck from Central Office was unbooked because there were no supporting documents given to the PO as basis for recording.

6.23. As a rejoinder, we appreciate the initial actions taken by Management to implement the recommendations. However, their full compliance with the above-mentioned recommendations will be continuously monitored by the Audit Teams in CY 2018.

Investments

7. Investments aggregating P1.113 billion were without supporting documents, no longer existing in the books of the investees, and with discrepancy over the confirmed balances of the investees, thereby affecting the reliability of the year-end balance of Non-current Other Investments account totaling P1.128 billion. Moreover, NFA could have earned a better return on its Investment in Land Bank of the Philippines – Trust account (LBP-Trust) of P305.304 million had it been pooled with the Investment in Development Bank of the Philippines – Trust accounts (DBP-Trust) of P305.949 million as of December 31, 2017 and negotiated for better interest rates and terms of investment.

Investments without Supporting Documents/no longer existing in the books of the Investees/with discrepancy over the confirmed balances of the Investees

7.1. As at December 31, 2017, the NFA's accounting records showed that Non-current Assets-Other Investments account had an aggregate balance of P1.128 billion (Table 11). The account comprised of investments in subsidiary, shares of stocks from corporations and sports and country clubs as well as investments in the form of trust. Except for the Trust accounts with LBP and DBP, the Non-current Assets-Other Investments account remained dormant prior to CY 2007.

**Table 11 - Breakdown of Non-current Assets-Other Investments account
As at December 31, 2017**

Investee	Amount
1. Gasifier and Equipment Manufacturing Corporation (GEMCOR)	P 1,242,000
2. Food Terminal, Inc. (FTI)	500,000,000
3. Celebrity Sports Plaza	35,000
4. Manila Electric Company (MERALCO)	31,630
5. Philippine Long Distance Telephone (PLDT), Inc. (Formerly PLDT Company)	68,257
6. Kutowato Country Club	10,000
7. Quezon City Sports Club	70,000
8. Capitol City Sports and Country Club	22,500
9. Philippine Columbian Association	16,000
10. NFA Employees Association (NFA-EA)	407,200
11. Center for International Trade Expositions and Missions (CITEM)	14,745,735
12. Development Bank of the Philippines (DBP)- Trust (197-01-05)	179,158
13. DBP- Trust (197-01-09)	306,043,861
14. Land Bank of the Philippines (LBP)- Trust	305,394,593
	P 1,128,265,934

7.2. Our review of the documents supporting the Non-current Assets-Other Investments account and confirmation of the balances from the investees revealed that nine investments amounting to P1.113 billion were either not supported by documents, no longer existing in the books of the investees or with discrepancy over the confirmed balances. The details are shown in Table 12.

**Table 12 – Investments without Supporting Documents/
no longer existing in the books of the Investees/with discrepancy over
the confirmed balances of the Investees**

Investee	Balance as of 12.31.17	Remarks
1. GEMCOR	P 1,242,000	There were no additional supporting documents/information provided by Management aside from Certificate of Filing/Information from Securities and Exchange Commission (SEC).
2. FTI	500,000,000	FTI's reply to the confirmation letter showed that it has an outstanding subscription receivable with the agency in the amount of P101,520,000. There were no supporting documents/information provided by Management to reconcile the said amount.
3. PLDT, Inc.	68,257	Banco de Oro (BDO), as the stock transfer agent of PLDT, replied to the confirmation letter sent that NFA has no investment/shareholdings with PLDT.
4. Kutowato Country Club	10,000	There were no supporting documents/information provided by Management.
5. Capitol City Sports and Country Club	22,500	There were no additional supporting documents/information provided by Management aside from Certificate of Filing/Information from SEC.
6. DBP-Trust	179,158	DBP's reply to the confirmation letter showed that this trust account was already closed.
7. NFA-EA	407,200	Confirmation reply of NFA-EA for its investment balance as of December 31, 2015 revealed that the NFA's investment did not exist in its records/file. The NFA-EA's reply to COA's confirmation letter for the December 31, 2017 balance has not been received as at audit date.
8. DBP-Trust (Building)	306,043,861	DBP's reply to the confirmation letter revealed that variance pertaining to the unrealized loss of the trust fund is unrecorded in the NFA's books.
9. LBP-Trust (Building)	305,394,593	Unrealized loss of the trust fund is unrecorded in the NFA's books based on LBP's Financial Report as of December 31, 2017.
P 1,113,367,569		

7.3. Section 4(8) of PD No. 1445 provides:

Sec. 4. Fundamental principles. Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:

(8) Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall

be observed, provided that they do not contravene existing laws and regulations.

7.4. Under PPSAS 1, fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the framework. A fair presentation also requires an entity to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.

7.5. The existence of accounts without supporting documents, no longer existing in the books of the investees, or with discrepancy to the confirmed balances of the investees casts doubt on the reliability of the Non-current Assets-Other Investments account balance as at December 31, 2017.

NFA could have earned a better return on its investment in LBP had it been pooled with the investment in DBP and negotiated for better interest rates and terms of investment

7.6. Investments occupy an auxiliary relationship to central revenue-producing activities and they are expected to contribute to the earnings of the agency over the long-term. Its main objective is to seek the most beneficial investment that will contribute to the earnings of the agency while maintaining the least risk.

7.7. Review of the financial reports from LBP-Trust and DBP-Trust furnished to the Audit Team revealed that Investment in LBP-Trust and DBP-Trust yielded returns of P5.304 million and P5.949 million or 1.77 per cent and 1.98 per cent, respectively. The detailed comparison of the two investments in trust accounts presented in Table 13 showed that LBP-Trust yielded a lesser return by P0.645 million or 0.21 per cent than DBP-Trust. The two aforementioned Investments in Trust Accounts were approved during the 109th Regular Meeting of the NFA Council under its Resolution No. 819-2016-D which authorized the opening of the Trust Accounts with the initial amount of P300 million each. These amounts, sourced from the proceeds of NFA's divestment of its Taguig property (South District Office), will be used to fund the construction of the Central Office Building.

Table 13 - Detailed Comparison of Investments in LBP-Trust and DBP-Trust

Particulars	LBP-Trust (197-01-10)	DBP-Trust (197-01-05)	Difference
Initial Investment (6/20/2016 and 6/21/2016)	P 300,000,000	P 300,000,000	P -
Investment Balance (as of 12/31/2017)	305,303,565	305,949,108	645,543
Interest Income/Return	5,303,565	5,949,108	645,543
Percentage of Return (%)	1.77%	1.98%	0.21%

7.8. Based on the comparison presented in Table 13, NFA could have earned a better return on its Investment in LBP-Trust had it been pooled with the Investment in DBP-Trust and negotiated for better interest rates and terms of investment.

7.9. The selection of investment that will not provide the most beneficial result or outcome deprives the Agency with the potential income that it should have earned/realized.

7.10. We reiterated our prior year's audit recommendation that for Investments in PLDT, Inc.; Kutowato Country Club; Capitol City Sports and Country Club; DBP-Trust; LBP-Trust and NFA-EA, Management require the HO-ASD to exert utmost efforts to retrieve/obtain documents to support the balance presented in the books and to reconcile with the investees the difference between the books and confirmed balances.

7.11. **We also recommended that Management:**

a. Evaluate the Investments in LBP-Trust and DBP-Trust and prefer investment/s that will provide the most benefit to the Agency;

b. Come up with sound policy and guidelines on investment of funds including the selection of investee as well as the amount to be invested; and

c. Require the HO-ASD to coordinate with FTI for the reconciliation of the Investment account balance, particularly on the P101.520 million subscription receivable reflected in their books, and vigorously coordinate with the Department of Agriculture (DA) for the return of NFA's investment in GEMCOR.

7.12. For the unreconciled investment balances, Management informed that they had provided the HO-Audit Team with updates on the actions undertaken/to be undertaken on the various investment accounts, such as follow-up letters/communications, on-going retrieval of documents, and verification of balances from investees.

7.13. For the difference in the Investments between LBP and DBP, Management requested the LBP to comment or give an explanation regarding the difference in the returns of NFA investment. Based on LBP's reply, the risk profile selected by NFA Building Trust Fund is conservatively moderate. As such, the fund is invested in outlets with average duration of not more than one (1) year, in line with the considerations indicated in the Investment Policy Statement, specifically, to initially invest on six (6) months government securities while waiting for the cash flow schedule of the building construction. In addition, based on market and economic outlook, interest rates have been rising since 2016 due to rising inflation, significant improvement of the United States economy and other domestic and global events resulting in a more volatile fixed income market which was reflected in the unrealized gain and losses.

7.14. As rejoinders to the above actions/comments of Management, the HO-Audit Team would like to point out that:

a. NFA has not provided yet the Audit Team with any communication/letter that it had coordinated with DA and other various investees for the return of its investment in GEMCOR as well as to follow-up the status of other investments.

b. Management's explanation that its Investment in LBP for the building cannot be pre-terminated before the maturity date since in the Trust Agreement contracted by NFA with LBP it is clear that "*LBP is to invest on six (6) months government securities while waiting for the cash flow schedule of the building construction*" is not convincing. The investment is only classified as short-term and can be terminated after any six-month period. The actions and/or strategies undertaken by LBP regarding the NFA Investment (Building Trust Fund) depend on instructions and/or agreement made by NFA with LBP. The main issue of this observation is the higher yield from the DBP Investment as compared with LBP Investment, taking into account that the Investments made in the said banks are of the same amounts.

c. The activities and/or actions of Management in implementing the above recommendations on the Other Investments account will be monitored/validated in CY 2018.

Inventories – Inventory Held for Consumption and Semi-expendables Machinery and Equipment

8. The existing Inventory Accounting System for supplies and materials and semi-expendable property as provided under NFA SOP No. GS-PD16 dated April 1, 1999 was not strictly implemented in view of various deficiencies, among others: (a) unreliable/inaccurate records; (b) poor maintenance of Stock Cards; (c) incomplete/non-conduct of physical inventory by some ROs/POs; and (d) non-compliance with the use of the prescribed Report on the Physical Count of Inventories (RPCI) form; thus, the existence and correctness of the balances of Inventory Held for Consumption and Semi-expendables Machinery and Equipment accounts of P342.138 million and P17.651 million, respectively, or totaling P359.789 million could not be ascertained. Moreover, there is a disparity amounting to P4.198 million in the NFA - HO Inventories Held for Consumption and Semi-expendable Machinery and Equipment accounts between the reported year-end balance in the books of P18.062 million and actual physical inventory of P13.864 million that could not be verified due to the afore-mentioned deficiencies.

8.1. The Inventory Accounting System consists of the system of monitoring, controlling and recording of acquisition and disposal of inventory. It starts with the receipt of the purchased inventory items, preparation and causing for approval of the Purchase Request (PR), in case of non-available stocks, accomplishing all the required procedures based on the mode of procurement and approval of the Contract or Purchase Order (PurO).

8.2. As at December 31, 2017, Inventory Held for Consumption and Semi-expendables Machinery and Equipment accounts had aggregate balances of P342.138 million and P17.651 million, respectively, or totaling P359.789 million.

8.3. Section 58 of PD No. 1445 provides that:

The examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts, determining their agreement with records, proving the accuracy of such records; ascertaining if the assets were utilized economically, efficiently and effectively; and evaluating the adequacy of controls over the accounts.

8.4. During the conduct of the year-end inventory count in NFA-HO, the following deficiencies observed could have contributed to the long unreconciled discrepancy between the balances per books and actual physical count:

- a. Some of the Supply Officers (SOs) still did not maintain the prescribed Stock Cards, despite the prior years' audit recommendation;
- b. Report of Supplies and Materials Issued (RSMI) were not prepared by most of the SOs on a regular/daily basis; and
- c. There are still SOs who did not comply with the use of the prescribed RPCI form in the conduct of physical count, even though it was already recommended in the prior years.

8.5. The NFA SOP No. GS-PD16 or the Revised Supplies and Materials Management and Control System, which has long been effective since April 1, 1999, provides for the specific responsibilities of the parties involved in the monitoring and control of inventories, particularly the General Services Division (GSD), Concerned Functional Offices including the ASD.

8.6. However, there was no uniform implementation of the procedures in the said SOP that resulted in the unreliable balance of the Inventory Accounts in the Financial Statements as at December 31, 2017. Further, the following deficiencies were observed in NFA-HO that led to the conclusion that the Agency had poor Inventory Accounting System.

- a. The ASD still did not properly maintain the Supplies Ledger Cards (SLCs) as there were still variances in the unit cost per SLC versus the unit cost per audit.
- b. As at December 31, 2017, there were still inventory items recorded in the books that are "For Reconciliation" and "For Reclassification" amounting to P3.089 million and P98,898, respectively.
- c. Low or non-availability of regularly used/requested supplies and materials intended to be maintained as stock for issue. Verbal inquiry from SOs revealed

that the ASD made an instruction to hold the procurement thereof, since it is conducting reconciliation on the said account.

d. There is an extensive use by the Agency of the Petty Cash Fund (PCF) in the procurement of inventory for consumption and semi-expendable; thereby, regularly using the expense method of inventory instead of the asset method.

8.7. Moreover, in NFA-HO, there is a disparity amounting to P4.198 million in Inventories Held for Consumption and Semi-expendable Machinery and Equipment accounts between the reported year-end balance in the books of P18.062 million and actual physical inventory of P13.864 million that could not be verified due to the aforementioned deficiencies.

8.8. Further, in several Field Offices (FOs), the following deficiencies were observed in the accounting and monitoring of Inventory Held for Consumption account:

a. In NCR, outstanding balances in the books of the Merchandise Inventory (MI), Construction Materials Inventory (CMI) and Other Supplies and Materials Inventory (OSMI) accounts of P10.251 million, P69.810 million and P9.223 million, respectively, were not reconciled with the physical inventory. Verification disclosed that the construction materials totaling P7.024 million already transferred to the DOs/POs' warehouses were not derecognized from NFA-NCR's books of accounts. On the other hand, Management explained that the outstanding unreconciled balance of the MI account resulted from the decentralization of Cost Accounting of said account from RO to the different DOs/POs in CY 2011, while the outstanding balance of the OSMI account is still for reconciliation.

b. In RO No. V-Albay PO, an inventory committee was not created to conduct the actual physical inventory/count of Inventories and to submit the corresponding RPCI for Inventory Held for Consumption (Supplies and Materials) account, contrary to Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I, thereby affecting the reliability of the recorded inventory of supplies and materials amounting P19.543 million as at December 31, 2017. Ocular inspection by the Audit Team showed the presence of undetermined number of pallets which remained underutilized valued at P7.998 million stored in the NFA warehouses.

c. In RO No. V-Camarines Sur PO, a variance of P14.980 million was noted between the General Ledger (GL) balance of inventories of P110.211 million and the physical inventory report of P95.231 million as at December 31, 2017, due to the inability of both the accounting and property units to conduct periodic reconciliation of their records and of the latter to maintain an accurate and complete record of purchases and issuances of supplies and materials.

8.9. The conduct of physical count is one way of checking the integrity of the custodian and a means of safeguarding the assets of the agency. It is also a tool used in budgeting for the procurement and disposition of supplies, materials and equipment. Thus, the non-conduct of actual physical inventory count as well as the non-submission of the inventory reports precluded the Audit Teams from ascertaining the, existence and correctness of the existence and correctness of the balances of Inventory Held for

Consumption and Semi-expendables Machinery and Equipment accounts of P342.138 million and P17.651 million, respectively. Moreover, unreliable/inaccurate records limit the efficient management of supplies and materials and semi-expendable property, and create potential risk for misappropriation or loss.

8.10. **We reiterated our prior year's audit recommendations that Management:**

a. **Require all Property/Supply Officers of the GSD and concerned FOs to use and maintain SCs, conduct a semi-annual inventory count using the prescribed RPCI, and reconcile the inventory report with accounting and property records; and**

b. **Instruct the ASD to properly maintain the SLCs to ensure better control and monitoring of the inventories as well as check and balance.**

8.11. **We further recommended that Management:**

a. **Manage and/or maintain necessary volume of supplies and materials inventory for stock and issue by applying the average consumption based on the historical data of the Agency;**

b. **Properly communicate the process adopted by NFA-HO to the FOs with regard to the requisition and issue of Inventory Held for Consumption and Semi-Expendable Machinery and Equipment, to have a holistic approach for the entire Agency;**

c. **Minimize/avoid the use of the PCF in the procurement of supplies and materials and semi-expendable properties, except for immediate use or emergency cases; and**

d. **Regularly course through the inventory account the purchases and issues of supplies and materials and semi-expendable properties, making use of the asset method of inventory instead of the expense method.**

8.12. Management gave the following comments:

a. HO -

The GSD-PCFs or funds from Special Disbursing Officer are no longer used for purchases of supplies, except for emergency cases only. The FO-SOs had been instructed to conduct the semi-annual inventory taking of supplies during the Accountants and SOs' Conference in May 2017. Furthermore, the reconciliation of variances in the inventory balances is still on-going.

The ASD shall institute additional measures to ensure that recognition of current transactions tally with records of the concerned Department and the ASD. The Revised SOP on Supplies and Materials Management and Control System is about 90 per cent completed.

b. NCR -

They are exerting utmost efforts by establishing the SLs for the MI and OSMI accounts and retrieval of supporting documents, for immediate reconciliation.

c. RO No. V -

Albay PO - they had already started the conduct of the physical inventory of the supplies and are updating the system in order to facilitate the preparation of the required inventory report.

Camarines Sur PO - they have started the reconciliation of the accounting records with the records of the Supply/Property Officer and will prepare adjusting entries to bring both records into agreement.

8.13. As a rejoinder, as of December 31, 2017, we still noted the extensive use of PCFs or funds from Special Disbursing Officer in the purchase of supplies. We expect that in subsequent audit periods, we will no longer observe voluminous transactions coursed through the PCF. On the other hand, we will continuously monitor Management's compliance with the recommendations mentioned above and anticipate the soonest approval and implementation of the revised SOP on Supplies and Materials Management and Control System.

Financial Liabilities-Payables-Loans Payable – Domestic and Foreign

9. The existence of dormant/non-moving accounts for 20 to 32 years totaling P600.619 million and absence of necessary supporting documents rendered the Financial Liabilities-Payables-Loans Payable-Domestic account year-end balance of P82.122 billion unreliable. Further, recorded payments for the foreign loans amounting to P722.974 million for principal and P323.174 million for interest cannot be validated due to non-issuance of official receipts by the Creditor.

9.1. In support to the grain stabilization activities and for the financing requirements, the NFA is allowed to incur short-term and long-term domestic and foreign loans for its operation.

9.2. The Financial Liabilities-Payables-Loans Payable - Domestic and Loans Payable - Foreign accounts are used to recognize receipts of loan proceeds (cash or non-cash) from local creditors and from foreign governments/international financial institutions. As at December 31, 2017, the balances of the Loans Payable - Domestic and Foreign accounts are P82.122 billion and P95.783 million, respectively. These loans consist of payables from different private and government banks, Bureau of the Treasury (BTr) net lending program and other agencies.

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

9.4. Analysis of the Loans Payable - Domestic account revealed that of the P82.122 billion account balance as at December 31, 2017, the amount of P600.619

million or 0.74 per cent consists of accounts which had been dormant for 20 to 32 years. The breakdown is shown in Table 14.

Table 14 - Long Outstanding/Dormant Loans Payable - Domestic

Particulars	Amount
Human Settlements Development Corporation (HSDC)	P 509,093,711
DBP- Mindanao Progress Corporation (MinProCor) properties	91,200,000
Agrarian Credit Loan	205,000
Ministry of Agriculture and Food (MAF)	120,684
	P 600,619,395

DBP - Development Bank of the Philippines

9.5. Review of the available documents from NFA showed the following observations:

a. The payable to HSDC was in view of the transfer and assignment in favor of NFA, all of HSDC's rights, title and interests in its shareholdings in the Food Terminal, Inc. (FTI), including all of its obligations with the DBP. The total original amount of P553.824 million (which was later decreased by P11.500 million), is payable over 25 years without interest in equal quarterly instalments starting CY 1984 up to CY 2008. The Statement of Account (SOA) on Domestic Loan prepared by Management revealed that payments to HSDC were made only in CYs 1984 and 1985 in the total amount of P33.229 million.

b. The payable to DBP-MinProCor emanated from the contract entered into by NFA and DBP in 1979, for the sale to NFA, parcels of lands owned by DBP situated at Tacurong, Sultan Kudarat and Quezon City, together with all the buildings and improvements thereon, machineries installed and/or situated therein, and transportation units amounting to P127 million. The P120 million, net of down payment of P7 million, is payable in 25 equal annual instalment of P4.8 million starting CY 1980 up to CY 2004. The Contract further states that the NFA acknowledges that it has been in material and physical possession of the properties sold under the provision of the Lease Contract with Option to Purchase of July 28, 1977. The definite or absolute Deed of Sale will be executed and delivered to the NFA upon full payment of the unpaid balance. The same SOA on Domestic Loans showed that payments to DBP were made only in CYs 1980 to 1985 in the total amount of P35.800 million.

c. The payable to MAF (now DA) was in view of the Memorandum of Agreement (MOA) entered with the MAF in 1984 for the implementation of the Intensified Rice Production Program (IRPP), National Soy Bean Production Program (NSPP) and Expanded Yellow Corn Production Assistance Program (ECPAP) under the National Agricultural Productivity Program whereby NFA was granted a loan of P213.750 million under the NFA Assistance Scheme. In implementing the program, NFA granted production loans to identified farmer-beneficiaries in the form of production inputs. Pursuant to Executive Order (EO) No. 113 dated December 24, 1986, the afore-mentioned programs were consolidated into the Comprehensive Loan Fund. To settle NFA's account and clean up its books, it assigned its rights in CY 1995 in favor of Agricultural Credit Policy Council (ACPC) over the uncollected loans amounting to P97.775 million as of December 31, 1994. Based on the Accounts Receivable Report dated

March 1997 retrieved and submitted by Management, there is a variance in the amount of P120,684 between the balance per MOA and the Advices [on the collections] which is the same with the balance in the SLs.

d. Relative to Agrarian Credit Loan, the only report submitted by Management is the Statement of Liabilities, LBP-ACA as of December 31, 1998 which appeared to be a purchase of land at Polo, Valenzuela in CY 1980 with a contract price of P17.693 million, terms was two years, and total payments made from CYs 1980 to 1984 amounted to P17.488 million, leaving a balance of P205,000.

9.6. Based on the Agency Action Plan and Status of Implementation (AAPSI) on the audit observations and recommendations contained in the AAR for CY 2016, Management informed that DBP-MinProCor properties and HSDC accounts were transferred by DBP to the National Government (NG) which is now under the Privatization and Management Office (PMO). These are subject for further follow-up on how these accounts will be settled considering that the decision of higher Management is needed. The Agrarian Credit Loan and MAF accounts are subject for on-going retrieval of other supporting documents and further verification from the FOs.

9.7. These significant long-outstanding dormant/non-moving accounts for more than three decades affected the reliability of the reported balance of Loans Payable-Domestic account at year-end due to uncertainty in the validity of claims against the NFA.

9.8. Relative to the loans from foreign sources, it was noted in CYs 2015 and 2016 audits the discrepancy of P8.085 billion between the loan balance in NFA books of P58.815 million and the amount confirmed by Commodity Credit Corporation (CCC) of P8.143 billion, and the absence of documents from CCC as evidence of payments by NFA. It was recommended then that Management pursue the reconciliation of the Agency's records with the records of the CCC and obtain documents or any evidence of payments from the CCC aside from the acknowledgement receipt issued to the NFA by the remitting bank.

9.9. The loan agreement with the CCC, an Agency and instrumentality of the United States of America (USA), was for the sale of agricultural commodities under the CYs 1995 and 1996 United States Public Law (USPL) 480 Title I with a total amount of US\$14.998 million which was fully paid in CY 2017. The last payment made was on January 23, 2017 amounting to P15.572 million or US\$312,394 for the principal and P621,841 or US\$12,475 for the interest through LBP, North Avenue Branch. Total payments made from CYs 1997 to 2017 amounted to P722.974 million or US\$14.998 million for the principal and P323.174 million or US\$6.749 million for the interest.

9.10. In a letter dated July 7, 2017, Management requested the International Finance Group-Department of Finance (IFG-DOF) to: (a) issue a Certification on the full settlement of NFA's loan to CCC, and (b) make representation with CCC for a Certification that NFA had already fully settled the loan.

9.11. On November 23, 2017, Management submitted to the Audit Team printed copy of the electronic mail including the attached letter dated November 2, 2017 from the Export Accounting Office, CCC stating that the loan of US\$14.998 million had been fully

settled. However, the said letter is not sufficient as it is not considered official, even the information provided therein did not substantiate all of the payments made by the NFA.

9.12. The existence of significant amount of long outstanding accounts, absence of necessary supporting documents and the continued inability to secure evidence of payments directly from the CCC affected the reliability, validity and accuracy of the Financial Liabilities-Payables-Loans Payable-Domestic and Foreign accounts in the financial statements.

9.13. **We reiterated our prior years' audit recommendations that Management require the HO-ASD to:**

- a. **Exert all efforts to secure the supporting documents to facilitate the review of the long outstanding loans payable, and prepare the necessary adjusting entries; and**
- b. **Obtain copies of documents from the creditor evidencing payments on the loans and the corresponding interests.**

9.14. **We further recommended that top Management make necessary measures and arrangements for the settlement of the long outstanding loans accounts.**

9.15. During the Exit Conference, Management commented that they will check available documents to determine their domestic and foreign loans.

Financial Liabilities-Inter-agency Payables-Due to National Treasury and Payables-Interest Payable accounts

10. **The reliability of Financial Liabilities-Inter-agency Payables-Due to National Treasury account amounting to P39.301 billion as at December 31, 2017 is doubtful due to the existence of dormant/long outstanding accounts and abnormal/negative balance of P54.983 million and P1.616 million, respectively, and absence of necessary supporting documents. Moreover, outstanding guarantee fees of P8.212 billion and interest on advances amounting to P2.290 billion or 79.16 per cent of the total Payables-Interest Payable of P2.893 billion included amounts which remained unsettled for over one year to over three years and onwards, thereby depriving the National Government (NG) of the use of the funds to supplement its other priority goals, programs and projects.**

10.1. This is a reiteration with updates of the prior year's audit observation since Management was not able to implement the audit recommendations.

10.2. The Financial Liabilities-Inter-agency Payables-Due to National Treasury account is used to record collections due for remittance and setting-up of liability to the BTr such as guarantee fees, advances availed for the settlement of NFA's short term loans through net lending program, and COA cost of audit services, among others. On the other hand, the interest from the net lending is recorded under Financial Liabilities-Payables-Interest Payable account.

10.3. Section 4(6) of PD No. 1445 requires that claims against government funds shall be supported with complete documentation. Likewise, Section 111(1) of the same PD states that 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.

10.4. As at December 31, 2017, the Inter-agency Payables-Due to the National Treasury account had a consolidated balance of P39.301 billion (net of abnormal balance). Review of the Ageing Report submitted by the ASD revealed that the amount of P24.469 billion or 62.26 per cent remained outstanding for over 3 years and onwards, as presented in Table 15.

**Table 15 - Ageing of Balances – Inter-agency Payables - Due to the National Treasury
As of December 31, 2017**

Particulars	Total	Current		Past Due		
		Less than 90 days	91-365 days	Over 1 year	Over 2 years	3 years and onwards
Net Lending Program	P 30,579,117,580	P 5,400,000,000	P -	P 2,329,117,580	P 4,000,000,000	P 18,850,000,000
Guarantee Fee	8,211,701,072	753,959,691	359,826,016	491,122,549	1,200,222,892	5,406,569,924
COA Audit Services	447,387,832	216,758,618	-	-	80,784,047	149,845,167
USPL 480 Iron Fortified Rice	46,223,010	-	-	-	-	46,223,010
USPL 480 Rice	9,534,832	-	-	-	-	9,534,832
USPL 480 Title I	7,840,256	-	-	-	-	7,840,256
Countrywide Development Fund	881,582	-	-	-	-	881,582
China Rice I	37,940	-	-	-	-	37,940
Priority Development Assistance Fund	40,000	-	-	-	-	40,000
Australian Rice	(1,615,851)	-	-	-	-	(1,615,851)
Total	P 39,301,148,253	P 6,370,718,309	P 359,826,016	2,820,240,129	P 5,281,006,939	P 24,469,356,860
Percentage	100.00	16.21	0.91	7.18	13.44	62.26

10.5. Further analysis of the account disclosed that a total amount of P54.983 million had been dormant for more than 10 years, while one account had negative balance of P1.616 million, as presented in Table 16. Still, Management was unable to provide supporting documents to these accounts despite prior year's audit recommendation and repeated requests from the ASD.

Table 16 - Dormant and Abnormal Accounts

Dormant/Abnormal Account	Amount
USPL 480 Iron Fortified Rice (IFR)	P 46,223,010
USPL 480 Title I	7,840,256
Countrywide Development Fund	881,582
China Rice I	37,940
	P 54,982,788
Australian Rice	P (1,615,851)

10.6. The only accounts that the BTr regularly notifies the NFA are those for immediate settlement and to confirm/reconcile the advances to NFA, interest and guarantee fees.

10.7. Based on the AAPSI on the audit observations and recommendations contained in CY 2016 AAR, Management informed that the ASD was able to retrieve relevant documents pertaining to the USPL 480 IFR which is subject for payment to BTr; for the other dormant/abnormal accounts, Statements of receipts and expenses as of CY 1989

were retrieved; and retrieval of other supporting documents needed for further review and reconciliation of the accounts is still on-going.

10.8. The existence of dormant/long outstanding accounts, abnormal balance, and absence of necessary supporting documents rendered the reliability of the Financial Liabilities-Inter-agency Payables-Due to National Treasury account doubtful.

Outstanding guarantee fees of P8.212 billion and interest on advances amounting to P2.290 billion or 79.16 per cent of the total Payables-Interest Payable of P2.893 billion included amounts which remained unsettled for over one year to over three years

10.9. In consideration of the guarantees extended by the NG to cover obligations contracted by NFA, the BTr charges NFA a guarantee fee equivalent to one per cent of the amount drawn from the loan. As shown in Table 15, for CY 2017, total guarantee fee charged amounted to P1.114 billion [P753.960 million + P359.826 million]. On March 2017, the BTr offset the amount of P510 million or 10 per cent from NFA's CY 2017 subsidy from the NG amounting to P5.100 billion to partially pay the guarantee fees due the BTr. However, guarantee fees amounting to P5.407 billion remained outstanding for over three years and onward.

10.10. For the advances made to the NFA, the BTr levies interests based on 364-day Treasury Bill rates for the applicable periods. Out of the balance of Interest Payable account amounting to P2.893 billion as at December 31, 2017, P2.290 billion or 79.16 pertains to interest payable to BTr of which the amount of P1.576 billion or 68.81 per cent is outstanding for over one year to over three years and onwards, as shown in Table 17. There were no payments made during the year as well as in prior years for interests accruing to the BTr.

Table 17 - Ageing of Balances of Payables-Interest Payable - Net Lending

Age	Amount	Percentage
Less than 90 days	P 206,002,856	8.99
91 to 365 days	508,449,615	22.20
	<i>714,452,471</i>	<i>31.19</i>
Over 1 year	412,050,951	17.99
Over 2 years	412,592,247	18.02
Over 3 years and onwards	751,227,731	32.80
	<i>1,575,870,929</i>	<i>68.81</i>
	P 2,290,323,400	100.00

10.11. Based on the AAPSI on the audit observations and recommendations contained in CY 2016 AAR, the NFA informed that it has been working closely with the Technical Working Group on NFA Reforms, organized by the Economic Cluster, on the Work Program for the possible transfer of NFA obligations to the NG, such as, the Net Lending Program recorded under the Inter-Agency Payables-Due to National Treasury account and Financial Liabilities-Payables-Loans Payable-Domestic account.

10.12. The continuous non-payment of these obligations, despite the receipt of billions of subsidy, deprived the NG of the use of the funds to supplement its other priority goals, programs and projects. This also reflects Management's incapability to effectively and efficiently manage the Agency's obligations.

10.13. **We reiterated our previous year's recommendations that Management:**

a. Require the ASD to fast track the retrieval of the supporting documents in order to undertake an in-depth analysis, verification and full extent of validation of dormant accounts, including the account with negative balance, so that necessary adjusting entries can be made; and

b. Management follow-up the status of its request for the possible transfer of NFA's obligation to NG; if not granted, settle outstanding advances, including the interest and guarantee fees; and if unable to settle due to limited funds, request negotiation on possible payment plan with the Corporate Account Group-Department of Finance.

10.14. During the Exit Conference, Management commented that they will coordinate with the BTr for the reconciliation of the Due to National Treasury account.

Intra-agency Receivables and Payables Accounts

11. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables with significant balances as at December 31, 2017 amounting to P300.465 billion and P300.467 billion, respectively, which were not eliminated at year-end due to non-reconciliation of accounts were presented in the financial statements for CY 2017 bloating the total assets from P30.984 billion in CY 2016 to P323.440 billion in CY 2017 or an increase of P292.456 billion or 943.89 per cent and total liabilities from P172.225 billion in CY 2016 to P470.210 billion in CY 2017 or an increase of P297.985 billion or 173.02 per cent, thereby providing misleading information to the users of the financial statements.

11.1. The Intra-agency Receivables and Payables accounts represent the receipt/transfer of funds and other assets like supplies, inventories, equipment, etc. for use in NFA Head Office, Regional and Provincial Offices/Operating Units (HO, ROs and POs/OU) and were recorded as receivable (Due from) in the issuing office and payable (Due to) by the receiving office. These reciprocal accounts should normally be eliminated during consolidation of the accounts at year-end, as they are intended merely as clearing accounts for Intra-agency Receivables and Payables.

11.2. NFA SOP No. FS-GP13 dated April 21, 1997, as amended on December 18, 2008 and October 24, 2014, provides the guidelines and procedures on inter-branch accounting and defines the responsibilities of concerned offices and employees in reporting, recording and monitoring of inter-branch transactions, including the preparation of reconciliation statements. It also includes the sanction on administrative offense based on violation of Reasonable Office Rules and Regulations, with penalty ranging from reprimand, suspension or dismissal.

11.3. Philippine Public Sector Accounting Standard (PPSAS) 6 requires that in the consolidation of the Financial Statements of a group of entities under the control of a parent, the intra-group balances, transactions, income and expenses are eliminated in full; hence, it is expected that the balances of the Intra-agency accounts of NFA will be eliminated in full and will present zero balance in the consolidated financial statements.

11.4. As observed in prior years' audit, the continuous non-reconciliation of these reciprocal accounts resulted in long existing overstatement and understatement of affected accounts carried over to the current balances, which continuously affected the reported balances of the accounts in the financial statements of the Agency as exemplified below:

a. In NCR-NDO, P331.154 million composed of 20 accounts and P611.506 million composed of 13 accounts for receivables and payables, respectively, have remained outstanding/unreconciled for eight years and beyond. It was also noted that based on the Subsidiary Ledgers (SLs), two accounts under Due to OUs-Province totaling P3.523 million have negative/abnormal balances.

b. In RO No. IV, payable account amounting to P282.466 million had no available supporting documents and had been outstanding for so many years. In May 2016, the RO adjusted the prior years' account amounting to P746.962 million without reconciliation and details of the variance were not identified and verified.

c. In RO No. IX-Zamboanga City PO, the account Due to OUs reflected a negative credit balance at year-end amounting to P204.817 million. The Accountant said that this represents inter-office transfer or shipment of rice. This, however, is indicative of errors committed in the recording of transactions which require immediate attention by other office.

11.5. Likewise, results of confirmation made by the Audit Teams in different NFA offices (i.e. HO, ROs and POs/OUs) revealed significant amounts of variances, which continually affect the accuracy and reliability of the accounts in the financial statements. In NCR alone, evaluation of the replies disclosed variances amounting to P4.472 billion for Intra-agency Receivables and P4.589 billion for Intra-agency Payables.

11.6. It was further noted that the non-elimination of old intra-agency accounts were attributed to, among others: (a) non-receipt/delay in the receipt of the advices from the originating offices as well as delay in responding from said advices; (b) the schedule of inter-branch transactions were not timely and regularly prepared and if prepared, reconciliation of variances was not performed; and (c) absence of records or documents for prior years' transactions.

11.7. It noteworthy to mention that in the audited financial statements from CYs 2012 to 2016, the Inter-agency Receivables and Inter-agency Payables accounts were not presented among the assets and liabilities accounts as shown in Table 18.

Table 18 – Total Assets and Liabilities from CYs 2012 to 2016

	2016	2015	2014 As restated	2013	2012 As restated
Total Assets	30.984	32.059	24.003	20.974	29.396
Total Liabilities	172.224	175.812	166.936	165.810	162.990
Capital deficiency	(141.240)	(143.753)	(142.933)	(144.836)	(133.594)

11.8. The above table further showed that there were no remarkable increases in total assets and total liabilities from CYs 2012 to 2016.

11.9. However, in the financial statements for CY 2017, the Intra-agency Receivables and Intra-agency Payables accounts were presented among the assets and liability accounts as illustrated in Table 19.

Table 19 – Presentation of Reciprocal Accounts in the Financial Statements For CYs 2017 and 2016

	2017	2016 Audited
Assets		
Current assets		
Cash and cash equivalents	1,242,391,782	1,956,307,573
Other investments	7,011,960,080	-
Receivables	3,164,290,655	1,393,732,078
Intra-agency receivables	300,465,236,299	-
Inventories	3,781,832,111	15,475,851,253
Prepayments	-	18,350,540
Other current assets	269,642,167	342,330,857
	315,935,353,094	19,186,572,301
Non-current assets		
Investment	-	5,527,667,047
Other investments	1,128,265,934	-
Property, plant and equipment-net	2,150,871,664	2,140,282,309
Intangible assets	1,931,260	-
Other non-current assets	4,223,927,924	4,129,602,907
	7,504,996,782	11,797,552,263
TOTAL ASSETS	323,440,349,876	30,984,124,564
Liabilities		
Current liabilities		
Financial liabilities	55,558,101,132	55,085,085,412
Inter-agency payables	42,316,466,533	33,808,080,011
Intra-agency payables	300,466,750,877	-
Trust liabilities	1,029,423,476	-
Other liability accounts	-	518,318,335
	399,370,742,018	89,411,483,758
Non-current liabilities		
Financial liabilities	70,653,929,456	82,214,285,044
Deferred credits/unearned income	185,468,579	598,939,948
	70,839,398,035	82,813,224,992
TOTAL LIABILITIES	470,210,140,053	172,224,708,750
CAPITAL DEFICIENCY	146,769,790,177	141,240,584,186
TOTAL LIABILITIES NET CAPITAL DEFICIENCY	323,440,349,876	30,984,124,564

11.10. The presentation of the reciprocal accounts in the financial statements for CY 2017 bloated the total assets by P292.456 billion or 943.89 per cent from P30.984 billion in CY 2016 to P323.440 billion in CY 2017 and total liabilities by P297.985 billion or 173.02 per cent from P172.225 billion in CY 2016 to P470.210 in CY 2017, thereby providing misleading information to the users of the financial statements.

11.11. The Intra-agency Receivables and Intra-agency Payables accounts are not considered as assets and liabilities of the agency. Assets and liabilities are defined in Paragraph 7, PPSAS 1- Presentation of Financial Statements as follows:

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Liabilities are defined as present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

11.12. Thus, Intra-agency Receivables could not be classified as assets by NFA as this could not generate net cash inflows to the agency and have no future economic value or service potential such as cash, investments, accounts receivable, inventory, supplies, land, buildings, equipment, and vehicles. On the other hand, Intra-agency Payables are not liabilities such as loans, accounts payable, deferred revenues, mortgages and accrued expenses. Likewise, Intra-Agency Payables are not the agency's legal financial debts or obligations that arise during the course of business operations which will be settled over time through the transfer of economic benefits including money, goods or services.

11.13. Paragraph 15 of PPSAS 1 provides that, "*financial statements are a structured representation of the financial position and financial performance of an entity. The objectives of general purpose financial statements are to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources.*"

11.14. The non-elimination of the reciprocal accounts – Inter-agency Receivables and Inter-agency Payable accounts and the presentation of these accounts in the CY 2017 financial statements provided misleading information to the users thereof.

11.15. **We reiterated our prior years' recommendations that Management:**

a. Require the concerned Accountants to prioritize the reconciliation of Intra-agency accounts in order to have reliable balances and strictly monitor compliance with NFA SOP No. FS-GP13, with emphasis on the regular preparation of schedule of inter-branch transactions and Monthly Reconciliation Statement to identify variances, if any, within the reporting period and immediately coordinate with other offices to resolve the differences and prepare the necessary adjustments; and

b. Ensure that policies and guidelines on inter-branch transactions are strictly observed, especially the sanctions provided in NFA SOP No. FS-GP13 as deterrent to the accumulation of variances.

11.16. We further recommended that Management consider the:

a. Applicability of COA Circular No. 2016-005 dated December 19, 2016 on the guidelines and procedures on the write-off of dormant accounts; and

b. Conduct of a nation-wide reconciliation of the Intra-agency Receivables and Intra-Agency Payables accounts by all the Accountants of HO, ROs and POs/OUs in order to confirm and verify the existence and balances of the accounts.

11.17. Managements of NFA-HO and the concerned FOs explained that they are exerting their best efforts to reconcile previous years' balances. They further gave the following comments:

a. In HO, the Intra-agency Receivables and Payables accounts represent cumulative current and prior years' transaction between HO and FOs. For CY 2017, results of matching/reconciliation of Intra-agency accounts closed to equity amounted to P72.486 billion. Also, they are in the process of formulating an action plan on the reconciliation of the Intra-agency accounts.

b. In NCR, for CY 2017, P5.979 billion or 61.96 per cent and P94.351 million or 6.87 per cent of prior years' balances of accounts Due from OUs-ROTA-BOTA and Due from Central Office (CO), respectively, were reconciled. P95.045 million or 29.78 per cent and P181.624 million or 3.77 per cent of Due to OUs (HOCA) and Due to CO were also reconciled. Further, NCR and HO have reconciled amounts of P8.044 million and P190.000 million Due from and Due to CO, respectively.

c. In NDO, they are continuously sending SLs/schedule of reconciliation to concerned offices to identify the discrepancies and effect immediately necessary adjustments for reconciliation of account balances.

d. In CPO, the prior year's Intra-agency Receivables and Intra-agency Payables accounts amounting to P542.223 million and P50.733 million, respectively, were reconciled and already closed to Government Equity as of December 31, 2017.

e. In SDO, they will send reconciliation reports to various ROs for easy reconciliation. They have responded and closed various Inter-branch accounts to Government Equity amounting to P3.451 billion and P660.872 million per schedule of reconciled accounts to Government Equity.

f. In RO No. IV, they will make formal query from the HO on the reconciling items which were adjusted in May 2016. For the current discrepancies, the HO furnishes the RO of Reconciliation Statement, latest of which is 3rd quarter of CY 2017.

g. In RO No. IV-Palawan PO, they are continuously coordinating with HO for the reconciliation of accounts. However, some accounts are still being verified;

11.18. As a rejoinder, Management's action to reconcile the Intra-agency accounts will be continuously monitored and validated in the audit of CY 2018 transactions.

B. COMPLIANCE

Due from Officers and Employees – Grains and Empty Sacks Shortages

12. The lack of determination of NFA Management to undertake the necessary legal actions on the shortages of Stock Accountable Officers (SAOs) aggregating P184.198 million, recorded under Receivables-Other Receivables-Due from Officers and Employees account, as required in NFA existing policies and guidelines had hampered the immediate recovery or settlement of the receivables, thereby, depriving the Agency of additional funds to finance its operation.

12.1. Final stock shortages (grains and empty sacks [MTS]) are established after completion of the stock examination and computation of Tolerable Allowance (TOLA) wherein the initial stock shortages booked in Other Assets account was subsequently reclassified to Receivables-Other Receivables-Due from Officers and Employees account for collection and settlement.

12.2. NFA SOP No. FS-GP20 issued on January 27, 2006 entitled, "*Revised SOP on the payment of Grains and MTS (empty sacks) Shortages of Accountable Officers*" provides the guidelines for the full settlement of grains and MTS shortages. Said SOP allows the payment of shortages through instalment basis. However, NFA issued General Memorandum Order No. AO-2K10-01-003 dated January 20, 2010, as amended by NFA SOP No. FS-GP20.A dated May 17, 2012, which requires full payment of grains and MTS shortages of NFA SAOs within 15 working days from receipt of demand letter subject to certain provisions related to the filing of administrative/criminal case against them.

12.3. It was observed that the provisions of the abovementioned policy on the payment of shortages of SAOs were not strictly enforced. As of December 31, 2017, the Due from Officers and Employees account in the total amount of P184.198 million represents shortages of SAOs for Stocks of P171.791 million and for MTS P12.407 million, as presented in Table 20.

12.4. As shown in Table 21, there was a decrease of P43.011 million in the balance of Due from Officers and Employees (grains and MTS shortages) as of December 31, 2017 of P184.198 million from the balance as of December 31, 2016 of P227.209 million, due to the Memorandum issued by the HO-ASD under wire instruction ASD-NAD-J-001 dated October 14, 2016, for the reclassification to Other Assets account of the shortages with final TOLA computation of the SAOs who were no longer connected with the NFA. However, considering that the claims of NFA against these SAOs were final and definite, as final TOLA was already computed, it was improper to reclassify the shortages to Other Non-Current Assets – Other Assets account as efforts to enforce collection might not be adequate or responsible NFA personnel might not be eager to pursue collection due to the reclassification of the accounts.

Table 20 - Due from Officers and Employees-Stock and MTS Shortages of SAOs

Region	Shortages – Stocks	Shortages – MTS	Total
I	P 21,833,509	P -	P 21,833,509
II	9,973,107	-	9,973,107
III	50,343,183	-	50,343,183
IV	12,798,505	247,233	13,045,738
V	7,123,779	3,528,913	10,652,692
VI	-	-	-
VII	625,588	-	625,588
VIII	11,816,917	80,713	11,897,630
IX	2,518,118	12,440	2,530,558
X	-	(1,615)	(1,615)
XI	205,558	-	205,558
XII	1,970,444	-	1,970,444
XIII	35,112,512	3,828,785	38,941,297
XIV	17,273,099	4,710,679	21,983,778
XV	143,634	-	143,634
For Reconciliation	52,881	-	52,881
	P 171,790,834	P 12,407,148	P 184,197,982

Table 21 - CYs 2017 and 2016-Due from Officers and Employees-Stock and MTS Shortages

	2017	2016	Increase/ (Decrease)
Stock Shortages – Stocks	P 171,790,834	P 214,559,398	P (42,768,564)
Stock Shortages – MTS	12,407,148	12,649,557	(242,409)
	P 184,197,982	P 227,208,955	P (43,010,973)

12.5. Various demand letters were issued, and criminal cases have been filed by NFA against various SAOs for falsification and malversation of public funds. Compromise agreements for the shortages of some SAOs were offered to the top Management; however, majority of the SAOs did not submit their compromise contract in accordance with the resolution agreed upon. While some SAOs settle their accounts through installments in accordance with the compromise agreements entered between them and NFA, the resolution or agreement entered could be considered invalid as it does not bear the approval of the NFA Executive Committee and the Administrator.

12.6. Moreover, while NFA had already filed administrative and/or criminal charges against most of the concerned SAOs, there is a perceived delay in Management's action against other accountable officers, such as, the delayed processes due to several postponements, which contributed to the non-settlement of the shortages for long period of time.

12.7. The final shortages of the SAOs which remained uncollected for several years were attributable to the following:

- a. Delay in issuance of demand letters;
- b. Notices of failure to settle were issued only after notices on denied appeals have been issued after a year or over;

- c. Employees on Absence Without Official Leave (AWOL) or who had resigned and retired from service or already deceased; and
- d. On-going legal cases.

12.8. The delay in the prosecution of the remaining cases pertaining to the shortages of SAOs, the cases of which are not yet filed in appropriate courts, casts doubt on the full recovery of the Due from Officers and Employees account that could have been used to finance NFA's operational requirements.

12.9. **We reiterated our previous years' recommendations that Management:**

- a. **Revisit the existing warehousing policies and procedures (SOPs) to identify the causes of the incurrence of shortages and strengthen the measures that will prevent and/or address the same;**
- b. **Set up the Agency level monitoring and evaluation of the implementation of the NFA SOPs and guidelines on the settlement of shortages particularly on the issuance of demand letters to SAOs with established shortages within the prescribed period, filing of the appropriate administrative, criminal and civil cases, and collection of shortages;**
- c. **Prioritize the liquidation of accountabilities of SAOs who are still in active service, especially those who are nearing retirement, and leverage on the role of Senior Accounts Specialist/Accountant, to regularly deduct from all benefits and other resources accruing the SAO for the payment of shortages, in order to ensure NFAs welfare over the interest of SAOs; and**
- d. **Persistently follow up the early resolution of the cases of concerned accountable officers to effect immediate collection of their shortages.**

12.10. **We further recommended that Management:**

- a. **Initiate/File a Petition for a Writ of Preliminary Attachment against the properties of the concerned SAOs to secure the satisfaction of any judgment;**
- b. **Closely monitor all pending administrative and criminal cases filed against erring SAOs so that information can be readily gathered and appropriate actions can be instituted, if warranted; and**
- c. **Revisit and/or modify NFA SOP to consider the delegation of authority to a lower level Management regarding the evaluation and approval of compromise agreement proposal of the SAOs on the payment of their final stock shortages, to facilitate the process and hasten settlement.**

12.11. Management gave the following comments:

- a. In NCR, RO No. I and RO No. IV-Occidental Mindoro PO, legal remedies on the collection of final shortages of the SAOs had been enforced by filing administrative and criminal cases.

b. In NCR-NDO and SDO, RO No. II, and RO No. V-Masbate PO, compromise agreement for the settlement of the shortages had already been issued.

12.12. As audit rejoinders to the above comments, we would like to state the following:

a. NCR – The actions taken by the NDO Management on the long outstanding stock accountabilities of the SAOs were duly noted. However, strict monitoring and continuous follow-up on the accounts of the two SAOs from whom collections are still possible should be undertaken. For SDO, the concerned Audit Team will continuously monitor the status of the payment of the shortages in accordance with the Agreement and check the propriety of the adjustments effected in the books.

b. RO No. I – The remedies availed by one SAO is not only intended to delay the process, but an undue advantage could be inferred from the opinion issued by the Department Manager of HO-Legal Affairs Department (LAD) last September 10, 2017, that there is no legal impediment in case the National Tolerable Allowance Committee (NTAC) entertains the case of a SAO that has four warehouses in adjacent location, since TOLA is not for personal gain, hence should not be offset to shortages from other accountabilities.

c. RO No. V – Masbate PO - The concerned Audit Team maintained its audit recommendations, and advised Management of Masbate PO to be stricter in monitoring the SAOs and to revisit and properly observe their controls.

Other Assets-Stock Shortages

13. Liberal implementation by Management of NFA's policies and procedures had caused Stock shortages recorded under Other Non-Current Assets-Other Assets in the total amount of P2.008 billion to remain uncollected for more than five years, as the determination of final shortages and enforcement of collection/settlement thereof could not be pursued due to missing/incomplete documents, slow-paced stock examination and computation of Tolerable Allowance (TOLA) and non-exhaustion of other remedies to collect from concerned SAOs.

13.1. One of the basic functions of NFA is the storage of grains, like rice, palay, and corn, in warehouses to see to it that supplies of these goods are always available. Activities in the warehouse entail responsibility and accountability of stocks/inventories kept at an optimum level of quantity for food security. These included effective control measures over the receipt, issuance/delivery and storage of the grains.

13.2. Warehousing Operation is headed by the Assistant Provincial Manager (APM) and is assisted by Warehouse Supervisors (WSs) who are at the same time the Stock Accountable Officers (SAOs). The accountability of the SAO is determined per warehouse, per cereal type and per period of accountability.

13.3. Variances between the stocks reports and the volumetric or bag-to-bag count of stock accountabilities of SAOs or WSs are recorded as Other Assets-Receivables from

SAOs-Stock Shortages, subject to the conduct of stock examination by the PO and computation of TOLA by the Regional Tolerable Allowance Committee (RTAC) to determine the final shortages of the SAOs/WSs.

13.4. Upon determination of final stock accountability, stock shortage of the SAO will then be reclassified from Other Assets-Receivables from SAOs-Stock Shortages account to Other Receivables-Due from Officers and Employees account, for settlement or payment by the concerned SAO or the WS.

13.5. As of December 31, 2017, the total stock shortages recorded under Other Assets-Receivables from SAOs-Stock Shortages account amounted to P2.008 billion, details shown in Table 22.

Table 22 - Stock Shortages under Other Assets Account

Region	Without Stock Examination	With Stock Examination- Without TOLA Computation	With Stock Examination- for TOLA Computation	Total
I	P 8,144,859	P 2,546,090	P -	P 10,690,949
II	33,410,281	13,413,852	7,727,272	54,551,405
III	27,073,865	1,571,474	4,250,841	32,896,180
IV	334,223,966	30,395,717	60,728,361	425,348,044
V	83,995,134	16,646,376	34,216,303	134,857,813
VI	162,378,478	11,146,097	17,185,259	190,709,834
VII	15,169,898	72,291	2,267,622	17,509,811
VIII	46,067,682	120,843,274	14,316,085	181,227,041
IX	35,248,827	7,056,032	6,696,582	49,001,441
X	91,111,542	32,381,363	39,971,589	163,464,494
XI	40,715,415	1,742,790	200,291	42,658,496
XII	75,309,919	2,199,380	15,079,838	92,589,137
XIII	27,547,665	18,414,462	13,538,008	59,500,135
XIV	136,911,911	114,124,645	214,010,888	465,047,444
XV	35,532,028	47,885,329	4,519,889	87,937,246
Total	P 1,152,841,470	P 420,439,172	P 434,708,828	P 2,007,989,470
Percentages	57.41	20.94	21.65	100.00

13.6. Shortages without stock examination amounting to P1.153 billion, representing 57.41 per cent of the total stock shortages, were shortages arrived at by comparing the balances in the last stock reports against the result of volumetric count or bag-to-bag count in the warehouses. These shortages could not be submitted for TOLA computation without the required stock examination. Shortages with stock examination but without TOLA computation totaling P420.439 million, or 20.94 per cent, were shortages wherein stock examinations were already made, but the results are not yet submitted to RTAC. Meanwhile, the amount of P434.709 million or 21.65 per cent represents shortages with stock examinations and already submitted to the RTAC for TOLA computation. As the final shortages of the SAOs/WSs have not been established, these shortages could not be classified as Due from Officers and Employees, for settlement or payment by the concerned SAOs or the WSs.

13.7. The stock shortages recorded under Other Assets are temporary and will become final upon receipt of the TOLA computation from the NFA RO. Upon receipt of the TOLA computation, the final amount of shortages will be taken up in the books of accounts, and these amounts will be reclassified from Other Assets to Due from Officers

and Employees account. Said amounts of shortages will become due for collection from the concerned SAOs/WSs.

13.8. The final amount of shortages and accountability of the SAOs would depend on the computation of TOLA. In the computation thereof, the TOLA Committee considers some factors such as the Moisture Content variation, insect, rodent and bird infestation, and other factors beyond the control of the SAOs. The adjusted Stock Shortages become the final amounts due and demandable from the concerned SAO/WSs.

13.9. NFA SOP No. GM-WH13 dated April 22, 2003 prescribes the guidelines on the New Computerized Stock Examination and Tolerable Allowance (TOLA) Computation, for both past and on-going accountabilities of SAOs. The said SOP requires Management and other concerned offices to facilitate and speed up the whole stock examination process especially those needing TOLA computation. The primary documents, i.e., Warehouse Stock Receipt (WSR), Warehouse Stock Issue (WSI), Warehouse Tally Sheet (WTS), Empty Sack Receipt (ESR) and Empty Sack Issue (ESI), preferably the accounting copies, shall be used as source documents in the examination. If some or all of the primary documents are no longer available, the secondary documents may also be used.

13.10. NFA SOP No. GM-WH13 specifically provides that:

The Regional Office TOLA Working Group headed by the Regional Accountant shall compute TOLA by using New Computerized TOLA Computation System (for Grains) which will be installed by [Management Services Department] MSD Central Office. This new TOLA system will eventually replace the modified (old) TOLA system existing in the Regional Office as soon as backlog or pending cases in the old system have been completed. Personnel assigned to the Regional Office TOLA Working Group shall likewise be trained by MSD and [Internal Audit Department] IAD to acquaint themselves with the new system and the applicable TOLA factors and methodologies.

13.11. Also, the Implementing Guidelines on Stock Examination-Grains and Empty Sacks of NFA SOP No. GM-WH13, particularly Section II.A.1, provides in part that:

The PO shall now be in charge and responsible for the conduct of grains and MTS stock examination using the New Computerized Stock Examination System (for Grains & MTS) both for the past and on-going stock accountabilities of stock accountable officers. Since stock examination is a continuing activity for as long as the Provincial Office maintains warehouses/s, the PO shall form a SEWG which shall be under the supervision of the Provincial Accountant.

13.12. Further, Section II.A.5 of the same Guidelines states that:

The SAO shall be given the opportunity to review the result of examination within 30 working days upon receipt, hence, a request for confirmation shall be served him/her together with the computerized examination reports and schedules. While Section 6 further provides that within five (5) working days upon receipt of the certified correct copy of

the examination reports and schedules from the SAO or after the lapse of the 30 working days prescription period, the PO shall furnish the RO (attn.: the TOLA Working Group and cc: The COA Auditor) a memo Request for TOLA Computation.

13.13. Moreover, NFA SOP No. FS-GP20 contained revisions on the stock examination and TOLA computation that include amendments on the manner of payment and the responsibility of the Provincial Manager to file/initiate appropriate administrative and/or criminal charges against the accountable officers.

13.14. Notwithstanding the above guidelines, it was observed that the stock examination and TOLA computation are still very slow, considering that some of the concerned SAOs or Ws are no longer connected with the NFA due to retirement, death, resignation and on absence without official leave, which could be attributed to, among others, the following:

- a. There were missing/ incomplete or unclear warehouse documents/stock reports, thus final shortages could not be established and collection/settlement from SAOs could not be pursued;
- b. Lack of personnel to conduct the stock examination;
- c. Few or no permanent personnel were assigned to encode the liquidation reports, most were Job Order personnel;
- d. Delayed completion of the stock examination conducted by the Provincial Accounting Unit and the computation of the TOLA by the NFA RO; and
- e. Manual re-encoding of all warehouse transactions (receipts and issuances) of SAOs contributed to the delayed computation.

13.15. The significant amount of stock shortages that remained outstanding in the books of NFA for more than five years showed inadequate efforts in the conduct and completion of the stock examination and TOLA computation. The delay in the final determination of the stock shortages of SAOs stalled/deferred the collection process of about P2.008 billion or less and exposed the government funds and assets to the risk of loss.

13.16. On the other hand, although NFA SOP No. GM-WH13 dated April 22, 2003, on the New Computerized Stock Examination and Tolerable Allowance (TOLA) Computation for both past and on-going accountabilities of SAOs, requires Management and other concerned offices to facilitate and speed up the whole stock examination process especially those needing TOLA computation, there is no provision in the said SOP setting the timeline for the stock examination and TOLA computation and prescribing appropriate timeframe to establish the final shortages within a reasonable period and to facilitate immediate collection of shortages.

13.17. Had Management prioritized TOLA computation in the determination of final shortages of SAOs, the enforcement of settlement could have been done against the erring SAOs. Considering the huge amount to be collected, NFA could use this to augment its funds for food security program and for its operations.

13.18. **As this observation was already raised in our last year's audit, we reiterated our recommendations that Management:**

- a. **Require the Stock Examination Group to expedite the conduct of stock examination and adhere to the provisions of NFA SOP No. GM-WH13 on the use of secondary documents when warranted to facilitate the examination, and to immediately submit the Stock Examination Report (SER) to the RTAC for TOLA computation;**
- b. **Instruct the RTAC to speed up the TOLA computation to establish the final shortages of the SAOs/WSs so that settlement/collection of the amounts could be pursued and the balance of the accountabilities that could not be ascertained be minimized/reduced;**
- c. **Revisit NFA SOP No. GM-WH13 where no timeline was set for the stock examination and TOLA computation and prescribe appropriate timeframe so that the final shortages could be established within a reasonable period and immediate collection of shortages could be facilitated; and**
- d. **Enforce the sanctions provided in the Special Provisions of NFA SOP No. GM-WH13 which states that "Violation of the provisions of this SOP shall subject the offender to penalties provided for under applicable and reasonable NFA and Civil Service rules," to oblige the persons responsible to strictly implement the NFA SOPs on stock examination and TOLA computation.**

13.19. **We further recommended that Management:**

- a. **Exhaust all available remedies, such as filing of civil or small value claims, to collect the shortages of SAOs separated from service;**
- b. **Require the Stock Examination Group to exert all efforts to locate missing documents to establish final shortages of SAOs; and**
- c. **Assign a regular/permanent employee in the Stock Examination Group to fast track the stock examination and preparation of SER.**

13.20. **Management gave the following comments:**

- a. **In RO No. IV-A-Quezon PO, they have assigned a focal person in the Stock Examination Group to fast track the stock examination and to immediately submit the reports to the RTAC for TOLA computation.**
- b. **In RO No. IV-A-Batangas PO, there was neither proper turn-over nor inventory of records endorsed by the outgoing to the incoming Accountant. A complete inventory of accounting records will be undertaken to check available documents and to support the profile for submission to RTAC.**

c. In RO No. IV-B-Mamburao PO, the Regional Office authorized the hiring of Job Orders as TOLA encoders to fast track the examination of stock accountabilities. In addition, the PO will create a committee to mainly focus on monitoring the status of each SAO's accountability as well as strict implementation of NFA SOPs regarding stock examination and TOLA computation.

d. In RO No. X-Misamis Oriental PO, they assured to speed up the liquidation process. All SAOs are required to produce copies of WSI and all accountable forms. If their WSII copies are no longer available, secondary documents must be presented to the Accounting Section.

e. In RO No. XI-Davao del Sur PO, they informed that for accountabilities starting CY 2016, the responsibility of encoding the stock reports in the computerized system is already assigned to the accountable officers to give adequate time for the accounting unit to review the reports

13.21. As a rejoinder, we acknowledge the efforts exerted by some of the ROs/POs to fast track the stock examination, which will be continuously monitored in CY 2018 audit.

Payments for Rice Importation

14. The validity/propriety of the P249.565 million payments made for the 11,891.28 Metric Tons (MT) rice importation under the contract executed by NFA with one of the suppliers in August 2017 could not be fully determined due to the absence of Journal Entry Vouchers (JEVs) and documents supporting said payments. Moreover, there is a discrepancy of P0.778 million between NFA's computation of P3.281 million and Audit Team's computation of P4.059 million of penalty for late delivery of the 12,301.23 MT rice importation amounting to P262.542 million.

14.1. Based on NFA Council Resolution No. 861-2017-H dated August 2, 2017, it was mentioned that in view of the Legislative-Executive Development Advisory Council requirement of maintaining a rice buffer stock of at least 30 days for the lean months, beginning July 2017, NFA Management, in the Special Council meeting held on May 15, 2017 recommended to activate its 250,000 MT rice importation standby authority. It was further stated in the Resolution that the NFA Council through Resolution No. 854-2017-E, approved the importation of a total volume of 250,000 MT and that on June 30, 2017, NFA Council Resolution No. 858-2017-E was issued approving the Terms of Reference (TOR) over the importation of 250,000 MT rice supply through open tender procurement scheme.

14.2. On August 9 and 11, 2017, the NFA entered into contracts with various suppliers through open tender procurement scheme on a per lot basis for the importation of 250,000 MT of rice amounting to US\$104.864 million (Table 23). The contracts were on Cost, Insurance and Freight – Delivered at Place – Free on Warehouse (CIF-DAP-FOW) terms wherein the seller is responsible for making safe delivery of goods to the buyer's appointed/assigned discharge ports up to the designated warehouse/s, paying all the expenses except the customs duty.

Table 23 – Rice Importation of 250,000 MT

Supplier	Commodity Specification	Contract Date	Quantity (in MT)	Unit Price (In US\$)	Amount (in US\$)
Olam International Ltd.	25% broken, well-milled long grain white rice (Lot 1)	8/09/17	50,000	413.89	20,694,500
Tan Long Group Joint Stock Co.	25% broken, well-milled long grain white rice (lot 2)	Undated	25,000	414.00	10,350,000
Tan Long Group Joint Stock Co.	25% broken, well-milled long grain white rice (Lot 3)	Undated	25,000	409.00	10,225,000
Hiep Loi Joint Stock Co.,	25% broken, well-milled long grain white rice (Lot 4)	8/11/17	25,000	425.90	10,647,500
GIA International Corporation	25% broken, well-milled long grain white rice (Lot 5)	8/09/17	25,000	421.64	10,541,000
GIA International Corporation	25% broken, well-milled long grain white rice (Lot 6)	8/09/17	25,000	415.65	10,391,250
Capital Cereals Co. Ltd.	25% broken, well-milled long grain white rice (Lot 7)	8/09/17	25,000	431.70	10,792,500
Vietnam Southern Food Corp. (Vinafood II)	25% broken, well-milled long grain white rice (Lot 8)	8/09/17	50,000	424.45	21,222,500
			250,000		104,864,250

14.3. Paragraphs 6 and 7 of the Contract Agreements provide for the quantity, price and delivery/arrival period of the imported rice, as summarized in Table 24.

Table 24 – Delivery Schedule of the Rice Importation of 250,000 MT

Supplier	Delivery Schedule	Quantity (in MT)
Olam International Ltd.	Not later than August 2017	25,000
	Not later than September 2017	25,000
Sub-total		50,000
Tan Long Group Joint Stock Co.	Not later than August 2017	12,500
	Not later than September 2017	12,500
Sub-total		25,000
Tan Long Group Joint Stock Co.	Not later than August 2017	12,500
	Not later than September 2017	12,500
Sub-total		25,000
Hiep Loi Joint Stock Co.	Not later than August 2017	15,000
	Not later than September 2017	10,000
Sub-total		25,000
GIA International Corp.	Not later than August 2017	15,000
	Not later than September 2017	10,000
Sub-total		25,000
GIA International Corp.	Not later than August 2017	10,000
	Not later than September 2017	15,000
Sub-total		25,000
Capital Cereals Co. Ltd.	Not later than August 2017	5,000
	Not later than September 2017	20,000
Sub-total		25,000
Vietnam Southern Food Corp. (Vinafood II)	Not later than August 2017	25,000
	Not later than September 2017	25,000
Sub-total		50,000
		250,000

14.4. Section 7.2.1.a of COA Circular No. 2009-006 dated September 15, 2009 provides that:

The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the auditor within the first ten (10) days of the ensuing month.

14.5. Copies of Schedule of Payments made to suppliers as of April 2, 2018 submitted to COA by the Budget, Treasury and Finance Management Division (BTFMD) showed that all the suppliers have been paid in the total net amount of P5.251 billion for the total volume delivered of 246,550.856 MT of imported rice. However, it was noted that of this amount, JEVs and supporting documents for payments amounting to P249.565 million (US\$4.796 million) remained unsubmitted to the Audit Team as at this writing. The details are presented in Table 25.

Table 25 – Details of Unsubmitted JEVs

Supplier	Vessel	Quantity (in MT)	Amount	
			US\$	Peso
Tan Long Group JS Co.	MV Thai Binh Star 01	7,910.675	3,179,588	165,449,841
	MV Mekong	3,980.610	1,616,520	84,115,603
		11,891.285	4,796,108	249,565,444

14.6. Furthermore, among the provisions of the Contracts pertaining to the imposition of penalty for arrival of shipments beyond the delivery schedule are as follows:

a. Article V – Arrival and Delivery Periods

Xxx. Otherwise, penalty on shipments beyond the arrival period will be imposed as per [Grain and Feed Trade Association] GAFTA 122's schedule of penalty on shipment extension penalty to apply on undelivered volume.

b. Article XXI – GAFTA Provisions

For all other terms and conditions which are not in contravention with the above terms and conditions, GAFTA 122 shall prevail and shall form an integral part of the contract.

c. Article XXII – Default and Penalties

2. *Delayed/Late Deliveries*

a. If the shipments were not delivered in accordance with the delivery schedule stipulated herein and/or agreed upon by both the BUYER and the SELLER, the SELLER shall be liable for penalty on shipments beyond the period as per GAFTA 122's schedule of penalty on shipment extension, except if the

reasons for the delay are due to force majeure, not due to the fault of the SELLER. Any request by the SELLER for extension of delivery of stocks shall be in writing and shall be submitted to the BUYER not later than five (5) working days before the due date(s) of delivery as provided in this Terms of Reference.

b. For purposes of determining delay in delivery, the basis of the actual date of arrival of carrying vessel at designated port of discharge shall be a Certification issued by the Vessel Master attesting that the vessel is already in Philippine Waters.

c. GAFTA Penalties imposed on resolved delayed/late deliveries shall be deducted from BUYER's payable to SELLER.

14.7. Moreover, Article 10 of the GAFTA stipulates the imposition of penalties for delayed/late deliveries, quoted as follows:

10. *EXTENSION OF SHIPMENT*

The contract period for shipment, if such be 31 days or less, shall be extended by an additional period of not more than 15 days, provided that Sellers serve notice claiming extension not later than the next business day following the last day of the originally stipulated period. The notice need not state the number of additional days claimed.

Sellers shall make an allowance to Buyers, to be deducted in the invoice from the contract price, based on the number of days by which the originally stipulated period is exceeded, in accordance with the following scale:

<i>1 to 7</i>	<i>additional days</i>	<i>no allowance;</i>
<i>8 to 11</i>	<i>additional days</i>	<i>0.50%;</i>
<i>12 or 13</i>	<i>additional days</i>	<i>1.00%;</i>
<i>14 or 15</i>	<i>additional days</i>	<i>1.50% of the gross contract price</i>

If, however, after having served notice to Buyers as above, Sellers fail to make shipment within such 15 days, then the contract shall be deemed to have called for shipment during the originally stipulated period plus 15 days, at contract price less 1.50%, and any settlement for default shall be calculated on that basis. If any allowance becomes due under this clause, the contract price shall be deemed to be the original contract price less the allowance and any other contractual differences shall be settled on the basis of such reduced price.

14.8. The Vessel Status Report showed that for NFA's contract with Olam International Ltd., there were two for each shipment in August and September 2017 that were delayed; with Tan Long Group Joint Stock Co., there were two shipments in August

2017 and one shipment in September 2017 that were delayed; with Hiep Loi Joint Stock Co. and GIA International Corp., there was one shipment in August 2017 that was delayed; and with Capital Cereals Co. Ltd., there was one shipment in September 2017 that was delayed. The total penalty for all the delays amounted to US\$217,199 or P11.236 million (based on exchange rate at actual date of arrival), as summarized in Table 26.

Table 26 – Penalty Computation

Date of Arrival	Vessel	Quantity (in MT)	Quantity Subject to GAFTA (in MT)	No. of Days Delayed	GAFTA Penalty (US\$)	GAFTA Penalty (PhP)
9/15/17	MV Hoa Binh 54	4,900	4,900	8	30,421	1,582,344
10/20/17	MV Trang An 05	100	100	50	621	32,485
Sub-total					31,042	1,614,829
10/09/17	MV Hai Phuong Sun	3,500	3,500	9	7,243	367,297
10/20/17	MV Trang An 05	9,900	9,900	20	61,463	3,216,034
Sub-total					68,706	3,583,331
9/08/17	MV Thai Binh Star 01	8,200	8,200	8	16,769	872,575
9/14/17	MV Mekong	1,600	1,600	14	9,816	510,776
Sub-total					26,585	1,383,351
11/28/17	MV Viet Hai Sun	6,008	6,008	59	36,859	1,917,778
Sub-total					36,859	1,917,778
9/08/17	MV Vimar Pearl	8,000	8,000	8	17,036	864,407
Sub-total					17,036	864,407
9/10/17	MV Vinaship Gold	10,000	10,000	10	20,782	1,061,570
Sub-total					20,782	1,061,570
10/28/17	MV My Vuong	2,500	2,500	28	16,189	810,247
Sub-total					16,189	810,247
					217,199	11,235,513

14.9. Verification revealed that for vessel contracted by Olam International Ltd., MV Trang An arrived in the Port of Discharge, Port of La Union on October 20, 2017 as shown in Status of NFA's Import Arrivals as of December 22, 2017 whereas NFA's reported date of arrival in the Certificate of Complete Delivery and Receipt (CCDR) was October 19, 2017. For vessel contracted by Capital Cereals Co. Ltd., MV My Vuong arrived in Port of Davao on October 28, 2017, but according to Grains Marketing Operations Department (GMOD), the vessel arrived in Philippine waters on October 6, 2017 in the Port of General Santos to deliver 10,000 MT of imported rice before it proceeded to Port of Davao to deliver the 2,500 MT allocation for Davao City; thus, NFA used the arrival date at the Port of General Santos which was October 6, 2017 resulting in no penalty. Considering the reported date of arrivals, the Audit Team computed the penalties for delayed deliveries. Table 27 shows the computation of the discrepancy aggregating P0.778 million between NFA and the Audit Team's computation of penalties for delayed deliveries.

Table 27 - Discrepancies in the Computation of Penalties

Vessel	Quantity		Audit Team's Computation			NFA Computation			Variance (Phil Peso)
	Actual	Per Bill of Lading	Date of Arrival	US Dollar (\$)	Phil Peso (P)	Date of Arrival	US Dollar (\$)	Phil Peso (P)	
MV Trang An 05	9,886.54	100	10-19-2017	621	3,248,545	10-20-2017	62,704	3,280,987	(32,442)
MV Trang An 05		9,900		61,463					
MV My Vuong	2,434.69	2,500	10-28-2017	16,189	810,259	10-06-2017	-	-	810,259
	12,321.23	12,500		78,273	4,058,804		62,704	3,280,987	777,817

14.10. The Audit Team would like to emphasize that the Contract provides for the delivery/arrival schedule of the contracted rice to be discharged at the allocated ports within the required arrival period of the disports, and shipments not delivered in accordance with delivery schedule stipulated therein shall be liable for penalty. This provision of the Contract is likewise in accord with the provisions in the TOR for the Purchase and Supply of Maximum 250,000 MT of 25 % broken, well-milled long grain white rice.

14.11. The CCDR is a consolidated report of unloaded rice from the disport to each warehouse for submission to the District/Provincial Offices (DOs/POs) then to be forwarded to GMOD which will provide the BTFMD one original copy to facilitate payment. All information therein from the vessel, port of discharge, summary of stocks unloaded/received, customs duties to non-conformance to quality parameters and GAFTA 122 penalties were recorded and duly certified true and correct by the Surveyor, Insurer, cargo handler and NFA DO/PO Manager. It is then very important that the date of arrival of the vessel at discharge port be included in the CCDR because it is vital in the computation of the penalties for deliveries beyond the specified arrival period in the Contract.

14.12. In the absence of JEVs and supporting documents for payments made to the suppliers of imported rice and discrepancies noted in the computation of penalties based on GAFTA 122 and the provisions in the Contract, the validity/propriety of the payments made could not be fully established.

14.13. **We recommended that Management:**

- a. **Require the HO-ASD to strictly adhere to the provisions of COA Circular No. 2009-006 on the submission of documents for the payments of imported rice to COA and to ensure that all JEVS are supported with adequate/proper documentation;**
- b. **Furnish the Audit Team with a copy of certification issued by the Vessel Master attesting to the actual arrival of the carrying vessel in Philippine waters to be used as basis in the determination of the actual date of arrival at designated port of discharge;**
- c. **Ensure that actual dates of delivery/arrival of imported rice are reflected in the CCDRs; and**
- d. **Impose the correct penalties against the suppliers of imported rice on late deliveries in accordance with the provisions stipulated in the Contract and GAFTA 122.**

14.14. Management submitted the following comments:

- a. The JEV Nos. 0000-18-04-001267 and 0000-18-04-001268, both dated April 3, 2018, to support payments made for the 11,891.28 MT rice importation for the contract executed by NFA with Tan Long Group Joint Stock Co. were provided to the Audit Team.

b. There was no GAFTA penalty for MV My Vuong since the vessel arrived in Philippine waters on October 6, 2017 in the Port of General Santos City to deliver 10,000 MT imported rice before it proceeded to the Port of Davao to deliver the remaining 2,500 MT for the allocation of NFA-Davao. Since the arrival of the vessel is within the 1-7 days, no penalty was computed on this vessel. Also, considering that no dispute was encountered in the imposition of GAFTA penalties on the vessels under the 2017 contract, there is no need for the Vessel Master Certification.

c. On COA's recommendation of ensuring that actual date of delivery/arrival of imported rice to be reflected in the CCDR, the format for the 2018 CCDR already included the Actual Date of Arrival of the vessel.

14.15. As audit rejoinders to the above comments of Management, we would like to state the following:

a. The JEVs pertaining to the 11,891.28 MT rice importation were only submitted to the Audit Team one day before the Exit Conference on June 7, 2018 and these are still under evaluation.

b. NFA's contention that there was no GAFTA penalty for MV My Vuong since the vessel arrived in Philippine waters on October 6, 2017 in the Port of General Santos City to deliver 10,000 MT imported rice is disputable. The Contract explicitly provides for the delivery/arrival schedule of the contracted rice to be discharged at each allocated ports within the required arrival period and shipments not delivered in accordance with the delivery schedule stipulated in the Contract shall be liable for penalty.

Electronic Integrated Financial and Operations Management Information System (e-IFOMIS)

15. NFA did not impose the liquidated damages of P1.445 million and terminate the contract with the Consultant for the Design, Development, and Establishment of Electronic Integrated Financial and Operations Management Information System (e-IFOMIS) Project in the amount of P14.448 million, despite the gross delay of 1,645 days as of December 31, 2017 or approximately four and a half years from June 30, 2013, the latest time extension granted for the Project's completion. Moreover, the reported 96.21 percentage of completion as of December 31, 2016 could not be supported with documents, casting substantial doubt on the actual accomplishment of the Project and the validity of its implementation. Furthermore, the non-movement of the percentage of completion of the Project since CY 2016 and the lack of specific commitment date to complete the same demonstrate NFA's inability to compel the Consultant to abide with the terms and provisions of the contract, thereby depriving the Agency the use of a reliable and exhaustive financial management information system.

15.1. Through the sponsorship of the Philippines-Australia Partnership for Economic Governance Reform (PEGR), a review of NFA's Operational Efficiency and Effectiveness was undertaken by the PDP Australia Pty Ltd., a consulting firm engaged by the Department of Finance (DOF) to review the NFA's operations. Consequently, the

PDP recommended that NFA could implement a reliable and exhaustive financial management information system which is linked to a stock inventory system in order to facilitate the monitoring of cost centers for easy management of the Agency's financial resources and easily pinpoint accountability in the various aspects of its operations.

15.2. To conform to the recommendation of PDP Australia Pty Ltd., the NFA awarded, through a competitive public bidding, the Contract for the Design, Development, and Establishment of e-IFOMIS to COMFAC Corporation (Consultant) on February 23, 2009 in the amount of P14.448 million. Subsequently, the Notice to Proceed was issued to COMFAC on March 9, 2009 and the contract was signed on April 16, 2009.

15.3. The e-IFOMIS is divided into three project stages, namely: Phase I – System Analysis and Design Development; Phase II – Training and Pilot Testing; and Phase III – Systems Maintenance. The deliverables and amounts of each phase of the project are shown in Table 28.

Table 28 – Contract for the Design, Development, and Establishment of e-IFOMIS

Phase	Deliverables	Amount
I. Application Development	1. Project Management Plan	P 498,400
	2. "AS-IS" Process Documentation, "TO-BE" Process Documentation, and Technical Specification of Computing Architecture	996,800
	3. Module Specifications Documentation	996,800
	4. e-IFOMIS Application System	1,993,600
	5. Users' Acceptance Testing Documentation	498,400
	6. POAT Documentation	498,400
	7. Technical Documentation, System Control and Security, Communication Plan/Change Management Plan, Risk Management Plan, Disaster Recovery and Back-up Plan, and Users' Manual	498,400
	8. Final Payment	3,987,200
		9,968,000
II. Training	1. Training Certificate, Materials and Manuals for Database Administration Training for three (3) participants	204,400
	2. Training Certificate, Materials and Manuals for Security Administration Training for five (5) participants	252,280
	3. Training Certificate, Materials and Manuals for Executive Training for ten (10) participants	200,000
	4. Training Certificate, Materials and Manuals for System Installation and Maintenance Training for fifteen (15) participants	231,660
	5. Training Certificate, Materials and Manuals for End-User Training for fifteen (15) participants	231,660
		1,120,000
III. Systems Maintenance	Maintenance and Support Program [P840,000.00/month for four (4) months]	3,360,000
		P 14,448,000

15.4. From December 2009 up to 2011, series of contract time extensions due to various reasons/justifications were made by the Consultant and/or e-IFOMIS Technical Working Group (TWG) and Steering Committee (SC). However, despite the latest contract time extension up to June 30, 2013, the Project was still not fully completed. Hence, there was already a gross and undue delay in the completion thereof that is way beyond the agreed period/date. A summary of the dates or period/duration of the original contract as well as the series of time extensions are presented in Table 29.

Table 29 - Original and Extensions of Contract Period

Particulars	Requesting Party	Date of Request	Contract Period/ Duration	Date of Contract
Original Contract			4/16/2009 – 4/15/2010	4/16/2009
First Extension	COMFAC	12/14/2009	4/16/2010 – 11/19/2010	1/13/2010
Second Extension	e-IFOMIS TWG and SC	7/15/2010	11/20/2010 – 12/31/2011	5/30/2011
Third and Last Extension	COMFAC	12/15/2011	1/1/2012 – 06/30/2013	12/4/2012

15.5. The requests for time extensions cited the following reasons/justifications:

I. First request for time extension:

- a. Detailed requirements of the Project;
- b. Collection of forms and reports which were supposed to be used as basis for design took longer than expected;
- c. Conflict in schedule of both parties due to internal activities; and
- d. Occurrence of unanticipated official non-working holidays/natural calamities, namely: Typhoons Ondoy and Pepeng.

II. Second request for time extension:

- a. Testing of automatic generation of Journal Entry Voucher (JEV) will require more time to examine due to various types of transactions;
- b. Testing of approximately 260 various reports;
- c. The need to incorporate procedures and processes that were not earlier mentioned by NFA Business Expert Team, but which NFA Management deemed necessary to be included in their design;
- d. Two (2) months pilot testing instead of one (1) month due to voluminous preparation of data; and
- e. One (1) month to allow TWG and NFA Business Expert Team to prepare the input document for system integration testing.

III. Third and last request for time extension:

- a. There were processes that were not mentioned during the systems investigation, but were identified and requested to be added by the NFA-TWG and process owners during the presentations of the e-IFOMIS Project Modules. The incorporation of these processes entails additional manhours on the part of COMFAC and requires more presentations with the NFA-TWG;
- b. There were instances where changes to the reports and new reports were identified by the NFA-TWG and the process owners during report

presentations. COMFAC needed to incorporate these new reports in the modules which require additional time; and

c. Error logs identified during previous presentations were not yet incorporated thereby requiring more time to complete.

15.6. Clause 24 of the Contract provides for the definition of Force Majeure/Fortuitous Event as well as the procedures that the party/ies may undertake to relieve themselves from the effects/consequences thereof, to wit:

For purposes of this contract, the terms “force majeure” and “fortuitous event” may be used interchangeably. In this regard, a force majeure” or “fortuitous event” shall be interpreted to mean an event which the Consultant could not have foreseen, or which though foreseen, was inevitable. It shall not include ordinary unfavorable weather conditions; and any other cause the effects of which could have been avoided with the exercise of reasonable diligence by the Consultant. (Section 24.1)

A Party affected by an event of force majeure shall notify the other party of such event as soon as possible, and in any event not later than fifteen (15) days following the occurrence of such event, providing evidence of the nature and cause of such event, and shall similarly give notice of the restoration of normal conditions as soon as possible. (Section 24.5)

Any period within which a Party shall complete any action or task, shall be extended for a period equal to the time during which such party was unable to perform such action as a direct and proximate result of an event of force majeure. (Section 24.7)

15.7. It may be worthy to mention that except for the occurrence of unanticipated official non-working holidays and the natural calamities brought about by typhoons Ondoy and Pepeng, the other reasons/justifications stated in the requests for time extension may be considered to have been caused by negligence or intentional inaction by both parties and could not be contemplated as within the ambit of *force majeure* or fortuitous events as those should have been foreseen/avoided by the Consultant had it exercised reasonable diligence in the performance of its tasks.

15.8. Based on the report of the Corporate Planning and Management Services Department-Information System Development Division (CPMSD-ISDD) as of December 31, 2017, the percentage of completion of the e-IFOMIS Project was still 96.21 per cent which was the same reported percentage of completion as of December 31, 2016. Similar to last year’s audit observation, the paid progress billings as of the same period amounted to only P1.931 million or 13.37 per cent of the contract price which is way below the reported percentage of completion. As of this writing, Management has not provided the Audit Team a certified copy of the contract for time extension after June 30, 2013 and documents supporting the reported project accomplishment of 96.21 per cent, which were required in prior year’s audit recommendation. The summary of payments made to the Consultant totaling P1.617 million (net of tax) for four progress billings in the total amount of P1.931 million is shown in Table 30.

Table 30 - Progress Billings and Payments to Consultant

Date	Check		Gross Amount	Particulars
	No.	Amount		
10/21/09	30716	P 417,410	P 498,400	1 st Progress Billing for the Project Management Plan for the Design, Development and Establishment of e-IFOMIS.
12/10/12	158768	834,820	996,800	2 nd Progress Billing for "As Is" process documentation, "To Be" process documentation and Technical Specification of computing architecture.
5/31/16	195417	171,185	204,400	3 rd Progress Billing for the Database Administration Trainings conducted by COMFAC on September 1-3, October 18-22, 26-28, and December 1-3, 2010.
10/17/16	197430	194,015	231,660	4 th Progress Billing for the Systems Installation and Maintenance Training conducted on May 31-June 1, 2012.
Total		P 1,617,430	P 1,931,260	

15.9. As shown in Table 30, the Consultant had only billed NFA for the total amount of P1.931 million corresponding to its services/activities such as: (i) *preparation of the Project Management Plan*; (ii) *process documentation and analysis*; and (iii) *conduct of two trainings*, whereas the reported project accomplishment was already 96.21 per cent. There were no documents submitted to the Audit Team to support the completion of the other services/activities of the Consultant which are detailed in Annex 1 of the Contract and pages 11 to 14 of the Terms of Reference.

15.10. Moreover, while there were two trainings conducted by the Consultant, i.e. Database Administration Trainings conducted on September 1-3, October 18-22, 26-28, and December 1-3, 2010 and Systems Installation and Maintenance Training conducted on May 31-June 1, 2012, there were no documents to show that the required deliverables prior to the conduct of training such as module specification documentation, e-IFOMIS application system and technical documentation, (data flow diagram, database tables, etc.), system control and system security, among others, were reviewed, validated and accepted by the TWG/Project Implementation Committee of NFA.

15.11. The Contract for the Design, Development and Establishment of e-IFOMIS provides, among others, the following:

41. Performance Security

To guarantee the faithful performance by the winning bidder of its obligations under this Contract proposed in accordance with the bidding, it shall post a performance security upon the signing of this Contract. The proceeds of the performance security shall be payable to the NFA as compensation for any loss resulting from the Consultant's failure to complete its obligations under this Contract.

55. Liquidated damages for Delay:

If the Consultant fails to deliver any or all of the Services within the period(s) specified in this Contract, the NFA shall, without prejudice to its

other remedies under this Contract and under the Applicable Law, deduct from the contract price, as liquidated damages, a sum equivalent to one-tenth of one percent of the price of the unperformed portion of the Services for each day of delay based on the approved contract schedule up to a maximum deduction of ten percent (10%). Once the maximum is reached, the NFA may consider termination of this Contract pursuant to Clause 26.

15.12. Under Article 1159 of the Civil Code, “obligations arising from contracts have the force of law between the contracting parties and each party is bound to comply in good faith.” Thus, the terms and conditions expressed in the contract become the law between the parties and source of right to demand performance of the obligation from the other party. Hence, the evident serious delay in the completion of the Contract already vests to NFA the right to forfeit the performance security as well as collect liquidated damages for the delay. However, inspection of the Performance Security/Bond posted by the Consultant revealed that such was already expired and, therefore seized the opportunity for NFA to collect/forfeit the same.

15.13. Based on third and last approved time extension, the Project should had been completed on June 30, 2013; thus, already delayed by 1,645 days as of December 31, 2017. The lack of proof that the Project was fully completed, evaluated and accepted by the Agency, gave rise to continuous computation of liquidated damages due from the Consultant for the delay that already accumulated to P1.445 million, as shown in Table 31.

Table 31 - Computation of Liquidated Damages as of December 31, 2017

Contract Price		P 14,448,000
Less: Performed Services based on available Progress Billings:		
1 st		498,400
2 nd		996,800
3 rd		204,400
4 th		231,660
Total Progress Billings		1,931,260
Unperformed Portion of Contracted Services (UPCS)		P 12,516,740
UPCS- Base Amount (BA)		P12,516,740
Rate of Liquidated Damages (1/10 of 1%)	x	0.001
No. of Days Delay (7/1/2013 - 12/31/2017)	x	1,645
Liquidated Damages (BA x Rate x No. of Days Delay)		P 20,590,037
Maximum Amount of Liquidated Damages:		P 14,448,000
10% of Contract Price	x	10%
Liquidated Damages Due from COMFAC		P 1,444,800

15.14. Clauses 55 and 26 of the Contract provide, viz.:

Once the maximum [liquidated damages] is reached, the NFA may consider termination of this Contract pursuant to Clause 26. [Clause 55]

26. *Termination by the NFA*

26.1 *The NFA shall terminate this Contract when any of the following conditions attends its implementation:*

(a) *Outside of force majeure, the Consultant fails to deliver or perform the Outputs and Deliverables within the period specified in the Contract, or within any extension thereof granted by the NFA pursuant to a request made by the Consultant prior to the delay.*

(b) *Xxxx*

15.15. The Consultant had already laid a ground for termination of the Contract when it considerably delayed the delivery of the services due to the Agency within the period prescribed and to secure another time extension to complete the Project. Also, there was an evident disregard of the Contract provisions by the Consultant since the liquidated damages already reached its maximum amount, not to mention that NFA could no longer recover any amount from the expired Performance Security/Bond. On the other hand, NFA Management had clearly abandoned its duty to compel the Consultant to abide with the terms of the Contract as evidenced by the non-completion of the Project as well as the Consultant's lack of specific commitment period to fulfill its obligations, thereby depriving NFA the benefits it should have gained from the Project, particularly the use of reliable and exhaustive financial management information system.

15.16. Meanwhile, Clause 23 on Expiration of the Contract provides that, “[U]nless sooner terminated pursuant to Clauses 26 [Termination by the NFA] or 27 [Termination by the Consultant] hereof, this Contract shall terminate at the end of a time period of one year from the date of the receipt of Notice to Proceed.” Accordingly, all acts of the parties after the expiration of the contract are no longer valid. It can be recalled that the third and last contract of extension up to June 30, 2013 was executed only on December 4, 2012 which was almost a year after the validity of the preceding contract for extension. Thus, the third and last contract of extension is deemed void/invalid.

15.17. Considering that the Consultant showed no interest in completing the Project, NFA could have availed of the termination provision of the Contract and allowed another Consultant to complete the Project, while requiring the COMFAC to shoulder the cost thereof.

15.18. **We recommended that Management:**

a. **Enforce all available remedies stipulated in the contract, such as but not limited to claim for liquidated damages, termination of contract and other appropriate legal remedies;**

b. **Require the CPMSD-ISDD to support with appropriate documents the reported 96.21 per cent project accomplishment as of December 31, 2017 to prove the accuracy thereof; and**

c. Henceforth, rigorously monitor the implementation of contracts entered into by the Agency to ensure that the terms and stipulations of the contracts are strictly enforced to avoid wastage of public funds, and to ensure completion of the project within the agreed period.

15.19. Management provided the following comments:

a. No payment had been made by NFA to COMFAC Corporation for the remaining balance of P12.516 million and NFA will deduct the liquidated damages amounting to P1.445 million from the subsequent payments to COMFAC Corporation.

b. NFA is currently preparing all documents supporting the 96.21 per cent Project accomplishment and will submit to COA as soon as these documents are completed. The accomplishment pertains to deliverables and Module in Phase I.

c. The e-IFOMIS Steering Committee had been conducting meetings with the e-IFOMIS Project Implementation Team (PIT), and instructed the latter to proceed with the pilot implementation of the remaining e-IFOMIS Modules. The PIT had been conducting pilot implementation in HO, RO No. IV, Batangas, Laguna, NCR and Central District Office (CDO). The non-movement of the percentage of completion of the Project in 2017 is due to problems encountered during pilot implementation.

d. NFA executed Deed of Undertaking with COMFAC Corporation which states the commitment of the Consultant to complete the Project in March 2019. The COA was already furnished copy of the Deed of Undertaking. Also, although the Project is currently on the stage of pilot implementation, there are modules that are currently being implemented at HO, RO No. IV, Batangas, Laguna, La Union, Pampanga, NCR, CDO, EDO and SDO.

e. NFA commits to evaluate the actual status of the e-IFOMIS Project and will submit the latest update to the Audit Team.

15.20. As audit rejoinders to the above comments of Management, we would like to emphasize that:

a. NFA's explanation that the 96.21 per cent Project accomplishment only pertains to deliverables and module in Phase I is not in accordance with its 2016 report as well as its Quarterly Report on Government Programs, Projects and Activities (PPAs) regularly submitted by the CPMSD to the HO-Audit Team. In addition, based on the minutes of the NFA e-IFOMIS Meeting conducted on December 1, 2016, it was reported that the Status of the Project as of December 1, 2016 is 96.21 per cent, and it was not mentioned that it only pertained to deliverables and module in Phase I.

b. For the Deed of Undertaking executed by NFA with the Consultant which allowed the latter to continue to complete the Project until March 2019, we deem that since the original contract had already expired in June 2013, executing the Deed of Undertaking could be considered an execution of a new contract which should comply with RA No. 9184. Further, if COMFAC is sincere with its

commitment as stipulated in the last approved contract time extension that it “*will complete the project without cost to the NFA,*” then there is no need to execute a Deed of Undertaking.

c. Nevertheless, we will rigorously monitor the strict implementation of the above recommendations as well as Management’s compliance of their commitment to evaluate the actual status of the e-IFOMIS Project and to update COA of the result thereof.

Construction of NFA Central Office Building

16. The procurement of infrastructure project for the Construction of the NFA Central Office Building with contract cost of P460 million was not compliant with the provisions of the 2016 Revised Implementing Rules and Regulation (IRR) of RA No. 9184 and Government Policy Procurement Board (GPPB) Manual of Procedures for the Procurement of Infrastructure Projects in view of: (a) absence of Approved Budget for the Contract (ABC) and breakdown of estimates for each work item; (b) non-compliance with the Standard Philippine Bidding Documents 5th Edition; and (c) inadequate execution by the Bids and Awards Committee (BAC) and its Technical Working Group (TWG) of the validation procedures in the conduct of bid evaluation and post-qualification, resulting in the award of the contract to a non-compliant bidder and inability to obtain the most advantageous price and terms for NFA.

Absence of ABC and detailed breakdown of estimates for each work item expressed in lump sum cost

16.1. Annex "A" of the 2016 Revised IRR RA No. 9184 provides the following:

The [Approved Budget for the Contract] ABC to be bid shall be prepared by official(s) duly designated by the Head of Procuring Entity concerned or by his duly authorized official. It shall be approved by the Head of Procuring Entity or his duly designated officials. The ABC to be bid shall specify for each major item, such as earthwork, roadwork, and massive concreting, the components for equipment rentals, fuel, labor, materials, and overhead, including the cost of the approved construction safety and health program and warranty premium.

16.2. Review of the contract documents disclosed that NFA did not prepare the ABC in accordance with Annex "A" of the 2016 Revised IRR of RA No. 9184. The ABC in the total amount of P475.655 million allegedly prepared by the EOF & Associates, the consulting firm commissioned by the NFA for the detailed engineering and design of the Building has neither signature nor bear the approval by the Head of the Agency or designated NFA officials.

16.3. We also observed that the bill of quantities submitted had no detailed breakdown of estimates and/or unit cost analysis/derivation for each work item expressed in volume/area/lump sum/lot. For instance, Item I - General Requirements were in lump sum cost. Equipment to be used in the project had an estimated cost of P10.655 million;

however, the Instruction To Bidders-Project Requirements had no list of equipment, thus, the basis on how the lump sum amount was derived at could not be determined. It was also noted that Warranty and Performance Bond premiums were not included in the detailed estimates.

Non-compliance with the Standard Philippine Bidding Documents 5th Edition prescribed under the 2016 Revised IRR of RA No. 9184 in the bidding for the Construction of the NFA Central Office Building

16.4. To simplify the preparation of the bidding documents for procurement, the Philippine Bidding Documents (PBD) grouped the provisions that are intended to be used unchanged in Section II. Instructions to Bidders (ITB) and in Section IV. General Conditions of Contract (GCC). Data and provisions specific to each procurement and contract should be included in Section III. Bid Data Sheet (BDS), and Section V. Special Conditions of Contract (SCC). In case of modifications in the bidding procedures, this can be presented in the BDS. Modifications for specific Project or Contract details should be provided in the SCC as amendments to the Conditions of Contract.

16.5. The ITB provides the information necessary for Bidders to prepare responsive bids, in accordance with the requirements of the Procuring Entity. It also provides information on the bid submission, eligibility check, opening and evaluation of bids, and on the award of contract. *(Source: Preface – Philippine Bidding Documents for the Procurement of Infrastructure Projects, as harmonized with developing partners)*

16.6. The GPPB in its Non-Policy Opinion No. 138-2017 opined that Procuring Entities (PEs) are proscribed from requiring additional eligibility requirements other than the documents mentioned in Section 23.1 for the procurement of Infrastructure projects of the 2016 Revised IRR of RA No. 9184. PEs cannot add another requirement to, or delete any requirement from, the identified list of eligibility requirements. The list of minimum eligibility requirements under the 2016 Revised IRR of RA No. 9184 has already been streamlined in conjunction with the governing principle of streamlined government procurement process. The rationale for this is to allow greater participation, enhance competition among prospective bidders, and reduce transaction costs.

16.7. Review of the Bidding Documents for the Construction of NFA Central Office Building disclosed that certain Clauses in the ITB were either inserted or omitted contrary to the Standard PBD. The clauses omitted or inserted in the bid documents might defeat the purpose of the Government Procurement Law of ensuring fair competition among bidders, transparent, and efficient method of government procurement process.

16.8. The inserted Eligibility Requirements in the ITB Clauses 5.4.a; 12.a(ii) and 24.4 & 24.7 are as follows:

- a. The ten-year requirement in the Statement of Single Largest Completed Contract (SLCC) which is not in accordance with Section 23.4.2.4 of the Revised IRR of RA No. 9184 and Standard PBD for Infrastructure Project-ITB Clauses 5.4.(a) and 12.a (ii). The ten-year period requirement in the SLCC was already deleted under GPPB Resolution No.16-2014 dated June 20, 2014.

b. Certification from the PE as additional requirement in the ITB Clause 24 in lieu of “Class A” documents and the manner of filing a request for reconsideration without additional instruction or amendment in the BDS. (PBD Clause 24)

16.9. The omitted Project Requirements, Bidders’ and PE’s responsibilities are as follows:

a. Minimum equipment requirements for the contract in the Standard PBD in the ITB Clause 12.b (ii.3), thus bidders have no basis on the type of equipment and capacity to be mobilized to the Project, giving leeway to bidders with no adequate equipment to participate in the bidding, thereby posing risk that the type of equipment pledged/mobilized might not be adequate to complete the Project on its intended date;

b. Bidder’s responsibilities in the ITB Clause 6(j) with regard to compliance with existing labor laws and the consequences that the bidders may deal with in case of non-compliance such as withholding of the Performance Security or portion of the contract amount in favor of the complaining workers pursuant to appropriate provisions of RA No. 9184, without prejudice to the institution of appropriate actions under the Labor Code, as amended, and other social legislations;

c. The PE’s responsibilities in the ITB Clauses 6.5, 9.2, 24.1, 24.5, 24.8, 24.9, 28.7 and 34 which shall ensure transparency in each stage of the bidding process; and

d. The BAC did not indicate the following in the ITB:

d.1 Assurance of the bidders that all information in the Bidding Documents, including supplemental/bid bulletins issued are correct and consistent (PBD Clause 6.5);

d.2 Availability to the prospective bidders of copy of minutes of the meeting of the Pre-bid conference and Opening of bids and the Abstract of Bids upon written request (PBD 9.2, 24.8);

d.3 Custody of the bid documents in case the Bids cannot be opened as scheduled due to justifiable reasons and the rescheduling of the opening of Bids (PBD Clause 24.1);

d.4 Responsibility of the BAC members present during bid opening to initial every page of the original copies of all bids received and opened (PBD Clause 24.5);

d.5 Responsibility of the PE to complete the Post qualification within the prescribed number of days, the responsibility of the Head of PE to notify the BAC and the bidder in writing in the event of disapproval of the recommendation of the BAC to award the contract, and the bidders’ rights to file reconsideration in accordance with Section 37.1.3 of the Revised IRR of RA No. 9184 (PBD Clause 28.3 & 28.7);

d.6 Protest Mechanism or the rights of the bidders to question the decision of the BAC at any stage of the procurement process in accordance with Section 55 of the Revised IRR of RA No. 9184 (PBD Clause 34);

d.7 Order of priority of the documents forming the contract as interpreted in the GCC (GCC Clause 2.3); and

d.8 Financial Bid Form is not in accordance with the PBD prescribed form. Two statements of the bidders were omitted as follows:

(j) We likewise certify/confirm that the undersigned, is the duly authorized representative of the bidder, and granted full power and authority to do, execute and perform any and all acts necessary to participate, submit the bid, and to sign and execute the ensuing contract for the [Name of Project] of the [Name of the Procuring Entity].

(k) We acknowledge that failure to sign each and every page of this Bid Form, including the Bill of Quantities, shall be a ground for the rejection of our bid.

Inadequate execution by the BAC and its TWG of the validation procedures in the conduct of bid evaluation and post qualification

Bid Evaluation

16.10. It was noted that the BAC rated “Passed” the eligibility documents of LPDC (Contractor) despite non-compliance with the eligibility requirements in the ITB Clause 12.1 (a) and Section 23 of the 2016 Revised IRR of RA No. 9184, which could be a valid ground to declare the Contractor’s bid “Failed” due to submission of insufficient documents.

Inconsistency of information on percentage of Contractor’s role/participation in the project indicated in the SLCC and its supporting documents

16.11. Review of the eligibility documents of the LPDC disclosed that there was inconsistency in the information indicated in the SLCC that its role as Contractor is 100 per cent when the copy of documents supporting its SLCC such as copy of Contract Agreement, Certificate of Completion & Acceptance, Notice of Award and Notice to Proceed the Design and Build for the Completion of the Construction of the Four Storey Central Block Building including the Mechanical Equipment at the NOPH Dumaguete City was a Joint Venture project with RR E Constructors Corporation.

16.12. This is not compliant with the requirement of ITB Clause 12.1(a)(iv.6), quoted hereunder, requiring the bidder to disclose the role of contractor in case of joint venture in the statement of SLCC.

ITB Clause 12.1. Unless otherwise indicated in the BDS, the first envelope shall contain the following eligibility and technical documents:

(a) Eligibility Documents-

Class "A" Documents:

i. Xxx

ii. Xxx

iii. Xxx

iv. Statement of all of its ongoing and completed government and private contracts within (10) years from the submission of bids, including contracts awarded but not yet started, if any. The statement shall include, for each contract, the following

Xxx

6. contractor's role (whether sole contractor, subcontractor or partner in a (JV) and percentage of participation; [Emphasis supplied]

16.13. ITB Clause 24.1 states that:

*Bids that fail to include any requirement or are **incomplete** or **patently insufficient** shall be considered as "failed."* [Emphasis supplied]

Three ongoing contracts of the Contractor with the Department of Public Works and Highways (DPWH) Region V incurred more than 15 per cent negative slippages

16.14. Review of the eligibility documents of LPDC disclosed that it has three contracts with the DPWH Region V which incurred negative slippages ranging from 15.37 per cent to 91.16 per cent. One contract was allegedly with pending time extension, while another contract was allegedly suspended effective April 17, 2017 due to Right-of-Way (ROW) problem.

16.15. Pursuant to Section 34.3.(b) (ii.a) of the 2016 Revised IRR of RA No. 9184, if the contractor incurred negative slippage in any one project or a negative slippage of at least ten percent in each two or more contracts due to the contractor's fault or negligence, the agency shall disqualify the contractor from the award.

16.16. It was observed that the BAC TWG did not validate the veracity of the submitted eligibility documents of the Contractor particularly the Statement of On-going Contracts with DPWH. Allegedly, the slippage was due to ROW problem. However, the BAC did not confirm the truthfulness of the documents submitted; thus, negative slippage or non-completion of the Contractor's contract with DPWH Region V within the specified contract time was not discovered before the award.

Non-disclosure of the LPDC of its on-going contract with the National Defense College of the Philippines (NDCP) in the Statement of On-going Contracts

16.17. Section 23.1(a)(iv) of the 2016 Revised IRR of RA No. 9184 requires the submission by the prospective bidder of the Statement of On-going Government and Private Contracts, including contracts awarded but not yet started, if any, whether similar or not similar in nature and complexity to the contract to be bid, within the relevant period as provided in the Bidding Documents, for purposes of determining its technical eligibility. The Statement will measure the performance of the bidder in its ongoing government and private contracts to determine any reported negative slippage, or substandard quality of work, or unsatisfactory performance.

16.18. The GPPB clarified, in its Resolution No. 29-2012 dated November 23, 2012, the issues relative to the submission of the eligibility documents under Section 23 of the Revised IRR of RA No. 9184, wherein the GPPB confirms, adopts and approves the following:

1. *Amendment of Section 23.1 (a) (iii) as follows:*

Statement of the prospective bidder of all its ongoing government and private contracts, including contracts awarded but not yet started, if any, whether similar or not similar in nature and complexity to the contract to be bid, within the relevant period as provided in the Bidding Documents; and

Xxx

All of the above statements shall include all information required in the PBDs prescribed by the GPPB.

2. *To interpret that **failure to include an immaterial ongoing contract or failure to disclose complete information in the statement of contract** shall result in the following:*

- a. ***Disqualification of the bidder for non-compliance with the eligibility requirement under Section 23.1 of the revised IRR.***

- b. ***Blacklisting under Section 65.3 (a) or (b) of the revised IRR.*** [Emphasis supplied]

16.19. The BAC TWG in its Post Qualification Report dated January 17, 2017 disclosed that LPDC did not include its on-going contract with the NDCP, "Design and Build of One (1) Library Building and One (1) Student dormitory building of NDCP," in the total contract amount of P86.282 million in the Statement of On-going Contract. The BAC TWG invoked GPPB Non-Policy Matter (NPM) 003-2016, in which the GPPB opined that the failure to include on-going contracts in the Statement submitted by the JV partners may be a ground for disqualification on the basis of misrepresentation or change in the bidder's capability; in both instances, the determination of the existence of the circumstances lies with the BAC and the PE.

16.20. As stated in the Post Qualification Report, the documents submitted by LPDC showed that the NDCP project has a contract duration of 270 calendar days and the contract expiry date was set on March 28, 2018 or only three months away from the latest Statement of Work Accomplished as of December 31, 2017, with actual accomplishments for the contract of only 19.113 per cent for the Student Library Building and 35.763 per cent for Student Dormitory.

16.21. Verification from the Audit Team Leader of NDCP revealed that the Defense College has indeed a contract with LPDC and EB, Inc., a Joint Venture Agreement for the “Design and Build of one Library Building and one Student Dormitory Building” in the total contract amount of P86.282 million.

16.22. The non-disclosure by the LPDC of its on-going contract with NDCP is a valid ground to post-disqualify the said Contractor pursuant to GPPB Resolution No. 29-2012 due to non-compliance with Section 23.1(a)(iv) of the 2016 Revised IRR of RA No. 9184 and ITB Clause 12.1.(a)(iv). Also, the non-disclosure of the subject on-going contract precluded the BAC and its TWG from conducting a fair evaluation of the performance of LPDC on its contract with NDCP.

16.23. Such act by the Contractor is punishable under Section 65.3 (a) or (b) of the 2016 Revised IRR of RA No. 9184, quoted hereunder:

Private individuals who commit any of the following acts, and any officer conspiring with them, shall upon conviction, suffer the penalty of imprisonment of not less than six (6) years and one (1) day but not more than fifteen(15) years:

*(a) Submitting eligibility requirements of whatever kind and nature that contain false information or falsified documents calculated to influence the outcome of the eligibility screening process or **conceal such information in the eligibility requirements when the information will lead to a declaration of ineligibility from participating in competitive bidding.***

*b) Submitting Bidding Documents of whatever kind and nature that contain false information or falsified documents or **conceal such information in the Bidding Documents in order to influence the outcome of the competitive bidding.*** [Emphasis supplied]

Absence of Department of Labor and Employment (DOLE) Approved Construction Safety Health Program as required under Terms of Reference (TOR)-Section 2.2.6 and ITB Clause 31.4(f)

16.24. Section 5 of DOLE Department Order (DO) No. 13, series of 1998, requires every construction project to have a suitable Construction Safety and Health Program, which shall be submitted to the Bureau of Working Conditions (BWC). In turn, the BWC may approve, disapprove or modify the program according to existing laws, rules and regulations and other issuances by the DOLE. As circumstances may warrant, the DOLE shall refer to the Philippine Contractors Accreditation Board (PCAB) its findings,

after due process, on any act or omission committed by construction contractors in violation of labor standards, safety rules and regulations and other pertinent policies.

16.25. The approved Construction Safety and Health Program is also an integral part of the contract in accordance with the Standard PBDs. Accordingly, NFA adopted the requirements of DOLE DO No. 13, series of 1998, in its ITB Clause 31.4 (f) and Section 2.2.6(b) of the TOR, quoted below, requiring bidders to submit DOLE Approved Construction Safety and Health Program in its Technical Proposal.

ITB Clause 31.4 (f), as amended by the BDS

The Procuring Entity shall enter into contract with the successful Bidder within the same ten calendar day period provided that all the documentary requirements are complied with:

31.4 *The following documents shall form part the contract:*

- a. *Contract Agreement;*
- b. *Other contract documents that may be required by existing laws and/or specified in the BDS*

Bid Data Sheet (BDS)

31.4 (f) *Construction Schedule and S-curve, manpower schedule, construction methods, equipment utilization schedule, **construction safety and health program approved by the Department of Labor and Employment**, and PERT/CPM or other acceptable tools of project scheduling.*

Terms of Reference

2.2.6 *Environmental, Safety and Health Programs*

The bidder shall submit narrative description of the Environmental, Safety and Health Program for the Project and provides the documents to show that it has in place sufficient environmental awareness and protection measures in accordance with Philippine Environmental Laws, and safety policy documents and safety awareness to be able to perform their responsibilities in a safe manner.

- a) *Xxx*
- b) *Site Safety Plan with sufficient information to demonstrate clearly the Bidder's proposal for the safety of Plant/Equipment and personnel at the site. On the basis of this information, the Contractor shall develop a Detailed Site Safety Plan for the project **approved by the Department of Labor and Employment (DOLE)**.*

c) *Health Program for the workers **approved** by the DOLE.*
 [Emphasis supplied]

16.26. Perusal of the LPDC technical proposal disclosed that the submitted Construction Safety and Health Program was not approved by the DOLE, which is a valid ground for the disqualification of the Contractor during the Bid Evaluation and Post Qualification.

Proposed Key Personnel lack the required experience of the contract to be bid

16.27. Evaluation of the stated competence and experience of the Contractor's proposed key personnel revealed that they lacked the required experience to undertake the Project, details shown in Table 32.

Table 32 - Work Experience of the Proposed Key Personnel

Proposed Key Personnel	No. of Years Required in the ITB as stated in the TOR	Experience based on the Biodata
Project Engineer/ Project- In- Charge	Architect or Civil Engineer with at least 10 years experience as Project-In-Charge in project implementation of vertical infrastructure projects	Lacks four (4) years and seven (7) months experience as Project- In-Charge
Architect	Architect with at least 5 years experience in building construction	Lacks seven (7) months experience as Architect
Sanitary Engineer	Sanitary Engineer with at least seven (7) years experience in project or construction management of buildings	Lacks one (1) year & seven (7) months experience as Sanitary Engineer
Electrical Engineer	Electrical Engineer with at least 7 years experience in project or construction management of buildings	Lacks one (1) year and five (5) months experience as Electrical Engineer in project or construction management of buildings
Mechanical & Fire Protection Engineer	Mechanical Engineer with at least seven (7) years experience in project or construction management of buildings	Lacks five (5) years and four (4) months experience in project or construction management of buildings.
Quantity Surveyor	Architect or Engineer with at least seven (7) years experience in quantity surveying and contract management and administration.	Lacks three (3) years experience in quantity surveying and contract management and administration.

16.28. The inability of the Proposed Key Personnel to meet the required experience is a valid ground to declare the bid of Contractor "Failed" during the Bid Evaluation due to non-compliance with Section 7.f of the TOR and Clause 12.1b(ii.2) of the ITB.

Post-qualification of Bidder with the Lowest Calculated Bid

16.29. To determine the veracity of all statements made and documents submitted by the bidder with the Lowest Calculated Bid, Section 34.3 of the Revised IRR of RA No. 9184 provides the criteria in post qualification, which shall not be limited to the following:

a. Legal Requirements. To verify, validate, and ascertain licenses, certificates, permits, and agreements submitted by the bidder, and the fact that it is not included in any "blacklist" as provided in xxx;

b. Technical Requirements. To determine compliance of the goods, infrastructure projects, or xxx offered with the requirements specified in the Bidding Documents including where applicable:

i. Verification and validation of the bidder's stated competence and experience, and the competence and experience of the bidder's key personnel to be assigned to the project for the procurement xxx;

ii. Verification of availability and commitment, and/or inspection and testing for the required capacities and operating conditions, of equipment units to be owned/ leased/ under purchase by the bidder for use in the contract under bidding, xxx checking the performance of the bidder in its ongoing government and private contracts (if any of these on-going contracts shows a reported negative slippage of at least fifteen percent (15%), or substandard quality of work xxx, or unsatisfactory performance xxx, at the time of inspection, and if the BAC verifies any of these deficiencies to be due to the contractor's fault or negligence, the agency shall disqualify the contractor xxx), for the procurement of infrastructure projects;

iii. xxx

iv. Ascertainment of the sufficiency of the bid security as to type, amount, form and wording and validity period.

c. Financial Requirements. To verify, validate and ascertain the bid price proposal of the bidder and, whenever applicable, the required [Credit Line Certificate] CLC in the amount specified and over the period stipulated in the Bidding Documents, or bidder's [Net Financial Contracting Capacity] NFCC to ensure that the bidder can sustain the operating cash flow of the transaction.

16.30. Also, the GPPB Manual of Procedures for the Procurement of Infrastructure Projects prescribes the steps in the conduct of post-qualification, which include the following:

1. If the TWG conducts post-qualification, it prepares a Post-qualification Report to be submitted to the BAC. The Report shall contain, among others, the activities undertaken with regard to the Post-qualification process, including feedback from inquiries conducted.

2. *The BAC reviews the Post-qualification Report submitted by the TWG.*
3. *The BAC determines whether the bidder with the [Lowest Calculated Bid] LCB passes all the criteria for post qualification.*
4. *If the LCB passes the post-qualification, the BAC declares it as the [Lowest Calculated Responsive Bid] LCRB.*
5. *After the BAC has determined the LCRB, the Secretariat, with the assistance of the TWG, if necessary, prepares the BAC Resolution declaring the LCRB and the corresponding Notice to the said bidder informing it of its post-qualification.*

16.31. It was observed that Post Qualification was not conducted in accordance with the above quoted provisions of Section 34.3 of the Revised IRR of RA No. 9184 and GPPB Manual of Procedures for the Procurement of Infrastructure Projects. There were some activities which were not undertaken, rendering the Post Qualification Report inadequate and not properly executed as the BAC TWG did not go beyond the review of documents submitted by the bidders, like conducting inquiries concerning the status of the on-going contracts of the bidders with other government agencies.

16.32. Further, documents submitted by the bidders to support the eligibility requirements of contract similar to the contract to be bid were not adequately verified/validated by the BAC as illustrated in the subsequent paragraphs.

Non-conduct of inspection and testing of equipment pledged to the contract, posing a potential risk that the equipment pledged may not have the same capacity when mobilized or already committed to other on-going contracts of LPDC

16.33. One of the activities to be undertaken by the BAC TWG during the Post Qualification is the verification of availability and commitment, and/or inspection and testing for the required capacities and operating conditions of equipment units to be owned/ leased/ under purchase by the bidder for use in the contract under bidding.

16.34. Audit disclosed that there were no documents showing verification of availability of the equipment units pledged to the project as well as inspection (i.e. taking of photos, the stencils of body number, Chassis number and plate number of the equipment pledged to the project) and testing for the required capacities and operating conditions (i.e. whether A-1 condition). The Post Qualification Report only had a remark that the project requirement is verified and the bidder is found compliant. The activities undertaken in the conduct of post qualification were not indicated in the Post Qualification Report despite that the LPDC has multiple contracts with other government agencies, thus, inspection is necessary to determine the availability of the committed equipment units for the whole duration of the contract.

Non-verification of on-going contracts with other government agencies to determine bidders' capacity to complete the project within the specified contract duration

16.35. It was further noted that the BAC TWG only based its evaluation on the Statement of On-going Contracts submitted by LPDC. There were no documents to show that the BAC TWG made confirmations with other government agencies to determine the Contractor's capacity to complete the project within the specified contract duration. Table 33 shows the list of contracts of LPDC which remain not completed despite lapse of contract expiry date.

Table 33 – Status of Contracts of LPDC with Other Agencies

Contract	Amount	Contract Expiry Dates/ Duration	Actual Accomplishment	Cost of Outstanding Works
1. AUHFI	P 118,755,373	June 2017/ 340 Calendar Days (CDs)	50.49%	P 58,795,785
2. Design & Build of Isolation Ward with complete Ventilation System	21,878,261	May 2017/ 270 CD	49.431%	11,063,618
3. Design & Build of National Reference Laboratory Expansion	13,488,699	May 2017/ 270 CD	59.914%	5,407,080
4. Design Repair and Renovation of Various Areas	41,800,840	May 2017/ 270 CD	74.12% - Per plan/actual 55.00% per Value of Outstanding Work	22,990,462
5. Construction of Aesthetic Center	35,614,379	May 2017/ 270 CD	0% - Mobilization Contract Agreement not attached to the Technical Proposal	35,614,379
6. Roofing of OB-Ward	3,319,998	Not indicated	0% - Mobilization Contract Agreement not attached to the Technical Proposal	3,319,998
7. Contract 16FA0059	33,030,500	December 21, 2016	83.00%	5,615,185

16.36. The BAC TWG Post Qualification Report did not mention whether the contracts of LPDC with one of the government hospitals as indicated in the Statement of On-going Contracts were verified, considering that the hospital is only a few blocks away from NFA Head Office.

16.37. The foregoing deficiencies demonstrate that the BAC and its TWG did not properly evaluate the eligibility documents submitted by Contractor.

16.38. **We recommended that Management:**

- a. **Ensure that the Budget for the Contract is signed and approved by the Head of Procuring Entity or his designated representative/s;**
- b. **Require the concerned Department to submit to the Office of the Supervising Auditor copy of the ABC, which shall be supported by detailed breakdown of estimates especially the items with lump sum cost;**
- c. **Instruct the BAC and its TWG to: (i) strictly comply with the Standard PBD 5th Edition prescribed under the 2016 Revised IRR of RA No. 9184 in all local competitive bidding of the Agency, and (ii) ensure that the procedures in the Revised IRR of RA No. 9184 and GPPB Manual of Procedures for the Procurement of Infrastructure Project in the conduct of post qualification are strictly observed to ensure compliance of the Bidder with Lowest Calculated and Responsive Bid with the eligibility requirements;**
- d. **Henceforth, require the Internal Audit Services Department (IASD) to review the bid evaluation and post-qualification procedures being conducted by the NFA BAC to identify the lapses in the processes and determine the appropriate actions to address the same to avoid the award of contract to non-compliant bidders; and**
- e. **Direct the Legal Affairs Department (LAD) to:**
 - e.1 **Conduct investigation to determine the liability of the Contractor for submitting deficient documents to support compliance with the eligibility requirements of the Contract, i.e. (i) Statement of On-going Contracts that did not disclose all of its on-going contracts with other government agencies, and (ii) Statement of Single Largest Completed Contract that did not completely disclose its percentage of participation in the Joint Venture Agreement;**
 - e.2 **Take appropriate action against the Contractor for submitting deficient documents to conceal relevant information that led to the awarding of the contract, instead of disqualification, and impose corresponding sanctions as provided in the 2016 Revised IRR of RA No. 9184, if warranted; and**
 - e.3 **Conduct investigation to determine the extent of the participation of NFA officials, members of the BAC and its TWG in the award of contract to non-compliant Contractor, and file appropriate charges, if warranted.**

16.39. **Management submitted the following comments:**

- a. **The ABC was based on the result of the current Market Survey conducted in Metro Manila. Thereafter, the detailed estimate was prepared by the Consultant and the same passed the review and evaluation of NFA. In view of this, the BAC recommended to then NFA Officer-in-Charge the approval of the conduct of public bidding for the construction of NFA Central Office Building with**

an ABC of P475.655 million through NFA's Council Resolution No. 2016-L-009 dated December 15, 2016. In compliance to the Audit Observation Memorandum (AOM), NFA submitted to the Audit Team the copy of ABC duly approved by the Head of Procuring Entity.

b. NFA inadvertently used the PBD 4th Edition. It must be emphasized that both editions of Standard PBD are anchored on the same law, RA No. 9184, and the same rules were equally applied to all bidders. The non-use of the PBD 5th Edition did not in any manner cause damage or disadvantage to the government or it curtailed open competition.

c. The BAC, as well as the TWG, carefully scrutinized, evaluated, validated and verified all the statements made as well as the documents submitted, which included, among others, the legal, technical and financial requirements.

d. The BAC and its TWG have undertaken all actions necessary in the conduct of post-qualification. The Committee did not rely on the face of the documents, but further inquiries were likewise made to ascertain all the material information. All activities were exerted in compliance with what is required by law and everything was done in good faith. The existence of some of the equipment and vehicles listed on the submitted list of equipment were checked and verified to be registered with the Land Transportation Office.

16.40. As audit rejoinders to the above comments of Management, we would like to state the following:

a. Evaluation of the submitted ABC showed no derivation for each work item expressed in lump sum/lot. The basis on how the lump sum amount was derived at could not be determined.

b. The 4th and the 5th Editions of the PBD are indeed anchored on RA No. 9184. However, there were provisions in the PBD 4th Edition that were modified in the PBD 5th Edition. NFA should have carefully checked the relevance of the provisions in the PBD 4th Edition in the light of the 2016 Revised IRR of RA No. 9184.

c. The non-use of the PBD 5th Edition might disadvantage the Government or curtail open competition because in the PBD 4th Edition there was the requirement (for bidders) of having completed a single contract similar to the project within a 10-year period. This requirement is no longer found in the PBD 5th Edition. The Audit Team deems that the rationale for the deletion is to promote wide and open competition by not limiting the qualification only to those bidders having completed contracts similar to the project to be bid within a 10-year period, instead to extend to others who may be eligible and qualified to participate in the bidding to ensure that the government would obtain the most advantageous offer.

d. The contentions of Management that the BAC and its TWG had scrutinized, evaluated, validated and verified all the statements made as well as the documents submitted by bidders and had undertaken all actions necessary in the conduct of post-qualification were not fully substantiated. To illustrate, there were

no documents to show that there were confirmations made by the BAC TWG with other government agencies with regard to the Contractor's Statement of On-going Contracts, resulting in the non-determination of the contracts which remained not completed despite the lapse of contract expiry date as discussed above. The contract of LPDC with NDCP was only validated by the BAC due to anonymous complaint that such project was not disclosed in LPDC's Statement of On-going Contracts. Likewise, there were no documents submitted to the Audit Team to show that NFA had verified the availability of and inspected the equipment pledged to the project. Granting, the equipment units are registered with the LTO in the name of the Contractor, but these might not be available for the duration of the project or in good operating condition.

16.41. We further recommended that the BAC and its TWG attend trainings on the Standardized Bidding Procedures for Goods and Infrastructure Projects and salient provisions in the 5th Edition of the PBD and 2016 Revised IRR of RA No. 9184.

Registration and Licensing of Grains Businesses

17. Registrations and licenses were approved by NFA-East District Office (EDO) and Zamboanga City Provincial Office (PO) despite the non-submission and/or incomplete submission of the documentary requirements of Regulation IV of the Revised Rules and Regulations of the NFA on Grains Business and NFA SOP No. BR-RL06; hence, affecting the legitimacy of grains business entities. Likewise, a number of grains business entities in Zamboanga City PO did not comply with the provisions of the Revised Rules and Regulations of the NFA on Grains Business.

17.1. To maintain an industry databank and ensure rational distribution of grains business, NFA issued policies/guidelines governing grains business, licensing and registration of all rice and corn businesses, viz.:

a. Regulation IV of the Revised Rules and Regulations of the NFA on Grains Business dated November 23, 2006, particularly Section 5 thereof, requires the submission of certain documents by new and old applicants, such as sole proprietorship, partnership, corporation, and people's organization, e.g., association or cooperative for license and/or registration. This regulation also enumerates the additional requirements for other line of business activities, including warehousing and transportation.

b. SOP No. BR-RL06 on Registration and Licensing of Grains Business dated June 5, 1995 was issued to effectively regulate, supervise and monitor the grains industry through efficient and systematic licensing/registration of grains businessmen, and monitor and report grains business activities and licensing/registration accomplishments. This SOP covers the processing, evaluation, approval/disapproval of Applications for License and/or Registration, issuance of License and/or Registration Certificates/Stickers to Grains Businessmen and reporting and monitoring system.

17.2. Item 6 of the implementing guidelines of SOP No. BR-RL06 provides that no application for license and/or registration shall be accepted unless all documentary requirements are complete. The checklist of requirements for the issuance of license and/or registration indicated in the SOP is presented in Table 34.

Table 34 - List of Requirements for Issuance of License to Grains Businessmen

Category	Required Documents
I. License	
A. New Applicants	<ol style="list-style-type: none"> 1. Passport-size pictures of the applicant 2. Proof of Filipino citizenship if applicant has acquired Filipino citizenship by naturalization or by other means of acquisition as provided by law 3. Proof of ownership such as Deed of Sale, Certificate of Title, Tax Declaration or other proofs of ownership. In case applicant does not own the facility, a certified copy of document allowing him/her use of the facility, such as a Contract of Lease 4. Authorization of representative to apply for license/sign for and in behalf of applicant as follows: <ol style="list-style-type: none"> a. Individual - Special Power of Attorney of representative; b. Corporation/Partnership/Cooperative - Secretary's Certificate of a Board Resolution authorizing the representative of the corporation/entity; and c. Estate - Court Orders appointing the Special Administrator/ Executor 5. Pledge to fulfill and comply with all his/her duties as NFA licensee 6. Additional requirements for Corporation/Partnership/Cooperative: <ol style="list-style-type: none"> a. Articles of Incorporation and By-laws and all amendments thereto; and b. Certificate of Registration with Securities and Exchange Commission (SEC)/Certificate of Cooperation with Cooperative Development Authority (CDA) 7. Additional requirements for Warehousing: <ol style="list-style-type: none"> a. Postcard-size picture of the warehouse; b. Location plan indicating the principal roads bounding the size of the warehouse; and c. Warehouse plan indicating therein the materials used, floor area, height, storage space or capacity
B. Renewal	<ol style="list-style-type: none"> 1. Passport-size picture of the applicant/authorized representative 2. Income Tax Return (ITR) for the preceding year 3. Financial Statement (FS) for the preceding year: <ol style="list-style-type: none"> a. For Individual - if capitalization in the rice and/or corn business exceeds P100,000.00; and b. For Corporation/Partnership/Cooperative - audited and certified by the BIR 4. License and/or Registration Certificate issued for the preceding year 5. Additional requirements for Corporation/Partnership/Cooperative: <ol style="list-style-type: none"> b. Secretary's Certificate of a Board Resolution authorizing the representative to sign for and in behalf of the corporation/entity, if there is a change of representative; and c. Copy of Information Sheet submitted to the Securities and Exchange Commission
II. Registration	<ol style="list-style-type: none"> 1. Passport-size picture of the registrant/authorized representative; 2. For Motor Vehicles used or intended to be used for hauling rice and/or corn- LTO Registration Certificate with LTO Official Receipt.

17.3. In NCR-EDO, in CY 2017, a total of 282 grains business entities were issued license/registration certificate consisting of 33 new applicants and 249 renewals. However, evaluation of the documents supporting the applications of 20 registered/licensed grains businessmen (selected samples) disclosed that all were registered/issued licenses despite the deficiencies in documentary requirements.

17.4. Five of the 20 selected samples were verified from the 33 new applicants and it was observed that four of the registered/licensed grains businessmen had no Tax Identification Number (TIN) while one had no latest passport size picture. Likewise, 15 applications for license renewal had no Income Tax Return (ITR) of prior year and 13 of them had no TIN. The result of the evaluation is summarized in Table 35.

Table 35 - Summary of Deficiencies noted in 20 Selected Samples

Lacking Documents/Information/Deficiencies	No. of Grains Business Entities
a. On the 5 new licenses:	
• No TIN	4
• No Passport-size Picture	1
b. On the 15 renewal of licenses:	
• No TIN	13
• No Proof of ownership	4
• No Passport-size Picture	2
• No ITR – prior year	15
• No Financial Statement (FS) for capitalization that exceeds P100,000 – prior year	6

17.5. In Zamboanga City PO, during the period January 1 to September 30, 2017, 677 registration and new license applications and renewals were processed. Verification of the registration and licensing documents revealed that many of the registrations and license applications were approved despite non-submission and/or incomplete submission of the documentary requirements prescribed in SOP No. BR-RL06. Likewise, the following deficiencies were noted:

- a. Important information/data such as TIN and DTI/SEC/CDA Registration were not required from the registrants and licensees and application forms were not completely filled up.
- b. Individual folders for each applicant with the control number arranged in chronological order were not maintained.

17.6. The absence of the required documents/information for license /registration casts doubt on the legitimacy of the applicants' grains business operation and is contrary to the afore-cited NFA rules and regulations on licensing and registration of grains business entities. Likewise, non-compliance by licensees and registrants of the documentary requirements and the laxity by Management in the approval of new applications and renewal of registrations and licenses exposes NFA to the risk of allowing a person or entity to engage in grains business without proper qualification and sufficient capacity which will ultimately impact on its function to improve the grains industry and promote harmonious and productive relationship among rice industry stakeholders.

17.7. The following deficiencies were also noted during the ocular inspection at various rice retailers outlets in Zamboanga del Sur and Zamboanga Sibugay:

- a. Weighing scale used were not calibrated;

- b. Standard measurement and color of price tags/rice boxes were not observed;
- c. Display of signboard bearing the name and business name of the licensee, the NFA control number and the words “Licensed Grains Retailer” or “Wholesaler” as the case may be, with the prescribed size and display of metal plates were not observed. Several retailers have lost their metal plates;
- d. Listing of brand names for the rice and corn products being traded by grains businessmen were not submitted to the NFA;
- e. Changes in licensee were not updated accordingly;
- f. Incomplete documentation of the location of retailer; and
- g. Declared capitalization by the retailers was way below or above the actual capitalization upon inspection.

17.8. Inquiry revealed that Zamboanga City PO Management is gradually enforcing the said regulations on retailers at remote areas as these retailers are quite hesitant because observance thereof would entail additional cost.

17.9. We recommended that Management require the NFA-EDO Manager and Provincial Manager of Zamboanga PO to:

- a. Ensure that the grains businessmen who apply for registration/renewal of license fully comply with the documentary requirements provided under the implementing guidelines of NFA SOP No. BR-RL06 and Regulation IV of the NFA Revised Rules and Regulations on Grains Business;**
- b. Require the Registration and Licensing Unit to maintain individual folder for each applicant with registration and licensing documents systematically filed; and**
- c. Undertake systematic and periodic review to monitor compliance by the rice retailers with the rules and regulations of NFA related to the grains business operations.**

17.10. Management submitted the following comments:

- a. NCR-EDO

The following courses of action were taken by the Industry Services Section (ISS) on the deficiency requirements in the renewal of the grains license:

- i. Follow-up letters were sent to various grains registrants to remind them on the submission of licensing requirements for CY 2018, particularly ITR for the year;

- ii. The ISS coordinated with RRA Market Presidents on the compliance with the submission of ITRs and FSs of their retailer-members/area of jurisdiction on every renewal period; and
- iii. Newly registered licensees without ITR for the current year were given a chance to submit ITR on their renewal period.

For those with application for renewal with no ready ITR, only the original copy of Official Receipt (OR) was released to the licensee. The Grains Business Licenses were only given/released upon completion of the requirements. Saturation drive on the unlicensed rice retailers in the Province of Rizal was coordinated with the Office of the Governor through LGUs to assist EDO in the drive on the licensing of grains businessmen engaging in rice retailing (sari-sari store) prior to issuance of their municipal business permit. EDO will try its best to increase the percentage of compliance on the submission of required documents pursuant to Section 5, Regulation IV of the NFA Rules and Regulation on Grains Business.

b. In RO No. IX-Zamboanga City PO

The reasons for the deficiencies on documentary requirements relative to the approval of registration and renewal of license of grains retailers are as follows:

- *Passport size picture & proof of ownership of facilities*

During the inspection, those found operating without license were required to secure license from NFA. Since inspection was sudden, majority did not have ready requirements like pictures or proof of ownership of the business. Also, most of the structures are temporary and located in squatter areas, or along streets or highway and some are extensions of the retailers' residence turned into rice retail outlets and have not secured business permit from the local government. However, since they were engaged in grains business NFA has to license them right away.

- *Authorization of representative to apply for license for and in behalf of applicant*

Customary to many licensees of small scale business from far flung areas to ask favor from their neighbor businessmen, friends, relatives and workers who are coming to NFA's office to do the renewal of their licenses on their behalf. As they will just renew the license and do not enjoy any other special privilege like buying rice from NFA, hence they were given consideration.

- *Income Tax Return for the preceding year and Financial Statement for the preceding year for registrant/licensee for capitalization exceeds P100,000*

Though repeatedly reminded, licensees failed to submit copy of their ITR and/or FSs. Others claimed that they do not have separate FSs for grains

business and they deal different commodities in the same store.

- *Important information such as: TIN/DTI/SEC/CDA registration were not required from the registrant and licensee and application forms were not completely filled up*

All Corporations and Cooperatives registered/licensed in NFA submitted their DTI/SEC/CDA registration on their first application for the registration/license and majority of them are large scale business engage in retailing/wholesaling/importing/warehousing/transporting and their documents are in separate individual file folders.

- *Individual folders for each applicant with control number arrange in chronological order were not maintained*

Individual file folders per control number were initiated, but were not updated. A one annual alphabetical file is maintained to hasten the licensing process and for easy reference. Further, periodic monitoring and inspection are being conducted by the Provincial Enforcement and Investigation Office throughout the year. Rest assured, the PO shall continue its intensive monitoring and information dissemination to all grains businessmen.

17.11. As audit rejoinder, we recognize Management's action to increase the percentage of compliance on the submission of the required documents for licensing. However, we will continue to monitor Agency's implementation of the above recommendations.

Documentation of Warehouse Stock Issues

18. In NDO and EDO, the Warehouse Stock Issues (WSIs) were not properly accomplished according to the guidelines provided under NFA SOP No. GM-WH11 dated January 29, 2001, that could lead to unverified information and errors in computations of filler issuances and result in undetected fictitious transactions or intentional errors to cover unscrupulous activities within the warehouses.

18.1. The WSI serves as the document evidencing all stocks issued from the Warehouse Supervisor's (WS) accountability. It is prepared to document transactions specified in the Authority to Issue (AI), except for in-warehouse activities which are documented through the Weigher's Tally Sheet (WTS).

18.2. NFA SOP No. GM-WH11, dated January 29, 2001, or the Revised SOP on Warehouse Stock and MTS Documentation and Reporting System provides the following implementing guidelines, among others:

4. All entries in the warehouse documents shall be written legibly and forcefully in printed form so that all carbonless copies are readable.

5. Erasures in any form shall not be allowed. An erroneous entry shall be corrected by crossing with a straight line and the Warehouse Supervisor II (Sr. GOO) shall affix his initials over the correction.

6. *In accomplishing the WSR/WSI forms, the following shall be observed as control measures:*

6.1 *The tally portion of the warehouse documents shall be filled up in such a way that the first column shall be utilized fully before using the next column.*

6.2 *The last entry on the tally portion shall be closed by a double underline.*

Xxxx

10. *The Warehouse Supervisor shall see to it that all entries in the WSI, WSR and WTS are filled up before affixing his signature on the Certified Correct portion of the documents.*

11. *Signatories to the documents shall print their name and affix their signature over it.*

12. *All copies of cancelled documents which shall be marked CANCELLED and perforated by a puncher in the middle shall be submitted by the Accountable Officer/WS II to the Commission on Audit together with the COA's copy of the Stock Report. Such cancellation shall also be noted in the stock report.*

18.3. Examination of WSIs attached to the stock reports submitted by the WSs of NDO and EDO for CY 2017 disclosed some deficiencies, as follows:

a. The "Name of Carrier" and "Inspected By" portions in some WSIs were not accomplished;

b. Some of the affixed signatures of recipients were not required to be forcefully written, hence unclear/unreadable;

c. Some recipients' signatures were not affixed;

d. Some erroneous entries were corrected using the correction tape instead of crossing such with a straight line;

e. Some corrected entries were not initialled by the WS II (Sr. GOO);

f. In NDO, the tally portion of some WSIs was not filled up in such a way that the first column was utilized before using the next column and the last entry was not closed by a double underline;

g. In NDO, only the Auditing copies of the cancelled WSIs numbered 24929579, 25041283, 25043619, 25043620 and 25043695 were attached to the Stock Report submitted by the WSs; and

h. In EDO, the original or white copies of cancelled WSIs numbered 25045160, 25045601, 25046623 and 25047430 were not attached to the duplicate copies, while WSI No. 25045009 was not on file or has not been presented for audit.

18.4. Moreover, in NDO, there were issued WSIs that had erasures/alterations, and errors in addition/subtraction which resulted in over/under issuance of fillers, as summarized in Table 36.

Table 36 - Over/Under Issuances of Fillers in NDO

Warehouse No.	WSI No.	No. of Bags	Fillers (In Kgs)			Remarks
			Per WSI	Should be	Difference	
MFC 2	24686296	180	392.56	212.56	180.00	Over-issuance
MFC 5A	25041869	20	4.20	2.20	2.00	Over-issuance
	25041871	130	82.30	77.30	5.00	Over-issuance
	25086666	30	3.60	(16.40)	20.00	Over-issuance
	25086711	80	19.60	(10.40)	30.00	Over-issuance
MFC 5B	24468891	54	16.60	(53.40)	70.00	Over-issuance
MFC 5K	25089074	20	4.40	0.40	4.00	Over-issuance
	25089075	20	4.40	0.40	4.00	Over-issuance
TOTAL			527.66	212.66	315.00	
MFC 5B	24273992	50	29.00	35.00	(6.00)	Under-issuance
	24273993	50	31.00	37.00	(6.00)	Under-issuance
	25042926	120	4.40	14.40	(10.00)	Under-issuance
	25087988	80	(1.60)	(0.40)	(1.20)	Under-issuance
	25087990	80	(1.60)	(0.40)	(1.20)	Under-issuance
	25088014	80	(1.60)	(0.40)	(1.20)	Under-issuance
	25088984	80	(1.60)	(0.40)	(1.20)	Under-issuance
MFC 7	24685717	100	(2.00)	1.00	(3.00)	Under-issuance
TOTAL			56.00	85.80	(29.80)	

18.5. Based on NFA SOP No. GM-WS11, it is the responsibility of the WS to ensure that computations are correct and any alterations/erasures made on the form/document bear his initial. The laxity of the WSs to observe the provisions of the said NFA SOP, and the deficiencies noted in audit on the issuance of WSIs are indications of breakdown of significant controls in the warehousing operations.

18.6. Likewise, the improper accomplishment of WSIs could lead to unverified information and errors in computations of filler issuances and result in undetected fictitious transactions or intentional errors to cover unscrupulous activities within the warehouses.

18.7. We recommended that Management require the Managers of NDO and EDO to instruct the concerned WSs to:

- a. Properly accomplish the WSIs in accordance with the pertinent provisions of NFA SOP No. GM-WH11;
- b. Submit to COA all original copies of the cancelled WSIs, for audit purposes;

- c. **Thoroughly review the computations and other information indicated in the WSIs before signing in the “Certified Correct” portion thereof;**
- d. **Cause the payment of over-issued fillers and account for the receipt of unissued fillers at NDO; and**
- e. **Submit WSI No. 25045009 for audit purposes to the Audit Team of EDO.**

18.8. NCR-NDO and EDO commented that:

a. In NCR-NDO, Intra-Office Memo No. NDO-OPM-D-01 was issued to all WSs reminding/instructing them to implement SOP Guidelines on proper documentation of WSIs/WSRs. The over-issuance of fillers will be verified/validated by the Accounting Section, and any discrepancy will be demanded from the accountable WSs, for payment.

b. In NCR-EDO, the WSs had undergone Seminar on Warehouse Stock and MTS Documentation to remind them on the proper warehouse documentations. In compliance with the other audit recommendations, EDO forwarded to the Audit Team the original copies of the cancelled WSI Nos. 25045160, 25045601 and 250446623. However, WSI No. 25047430 could no longer be retrieved from the concerned stakeholder because the client had disposed it after he had withdrawn the stock. EDO assures that it will always remind the WSs to thoroughly review data and computations indicated in the WSIs before signing the “Certified Correct” portion thereof and to religiously adhere with SOP on warehouse documentation.

18.9. As audit rejoinder, the Audit Teams acknowledge the NDO and EDO Managements’ initial actions to implement the recommendations. However, their full compliance with the recommendations will be continuously monitored.

Gasoline, Oil and Lubricants Expenses

19. The propriety of the gasoline, oil and lubricants expenses amounting to P3.241 million for CY 2017 could not be determined due to non-submission of the Monthly Report of Official Travels supported with properly accomplished and duly approved Driver’s Trip Tickets, Monthly Report of Fuel Consumption and Journal Entry Vouchers (JEVs) recording the gasoline, oil and lubricant expenses in the books, contrary to existing government rules and regulations. Moreover, gasoline, oil and lubricants expenses increased by P0.514 million in CY 2017, which did not conform to Administrative Order (AO) No. 103 which requires, among others, the reduction of at least 10 per cent in the consumption of fuel, water, office supplies, electricity and other utilities.

19.1. Section V of COA Circular No. 75-6 dated November 7, 1975 provides for the following:

V. Regulations in the Proper Use of Government Vehicles -

(1) *Use of trip tickets -*

*The use of government motor vehicles by the bureaus and offices enumerated under Sec. 12 of Presidential Decree No. 733 for the purpose herein indicated shall be authorized only through the issuance of each trip ticket, duly signed by the Chief or the Administrative Officer of the bureau, office or entity concerned in Form A, Driver's Trip Ticket, xxx (Section 13, *ibid*). At the end of each month, the date shown on all the trip tickets (Form A) issued during the month should be transcribed or summarized in chronological order in a Monthly Report of Official Travels (Form B) xxx, to be accomplished by the driver of each car concerned. The Monthly Report of Official Travels should be accomplished in triplicate, the original thereof supported by all the Driver's Trip Tickets, to be submitted, thru the administrative officer (or equivalent officer) of the bureau, office or entity concerned, **to the auditor thereof**, the duplicate to be kept by the bureau, office or entity, and the triplicate to be retained by the driver (General Circular No. 26, dated July 28, 1953).*

Except in emergency cases, under no circumstance should government motor vehicles be used without the corresponding trip ticket having been duly issued by the official designated for the purpose. In case of use of said vehicles without such trip tickets, the official to whom the vehicle is assigned, his driver and other passengers shall be held personally liable for the unauthorized use thereof.

19.2. The above provisions were reiterated in COA Circular No. 77-61 dated September 26, 1977, prescribing the use of the "Manual of Audit for Fuel Consumption of Government Motor Vehicles," in order to minimize wasteful, excessive and unnecessary expenditures for fuel consumption of government vehicles, in line with the government's concern and efforts to ensure the effective conservation of energy and proper utilization of government motor transportation.

19.3. Section B.2 (Specific) of the said Manual provides the following:

B. RULES AND REGULATIONS

Specific

Xxx

2. Use of government vehicles shall be properly controlled and regulated

- The use of government motor vehicles should be controlled through **properly accomplished and duly approved Driver's Trip Tickets** (Appendix A) which should be serially numbered, a summary of which shall be made at the end of*

the month in a Monthly Report of Official Travels (Appendix F), for audit purposes. [Emphasis supplied]

19.4. Section D.7 of the same Manual further provides that, monthly, a report of fuel consumption shall be prepared and submitted by the Agency personnel concerned to the Auditor for verification purposes. The report shall show, among others, the different types of motor vehicles utilized by the agency during the month, total distance traveled, total fuel used and the normal fuel consumption for each vehicle.

19.5. Likewise, Paragraphs E.1 and 4 and G.1 of unnumbered NFA-SOP on Vehicle Control System dated January 2, 1997, provide for the following:

E. Trip Ticket

1. *Use of Trip Ticket*

The use of NFA service vehicles shall only be authorized through the issuance of an approved trip ticket using the Vehicle Trip Ticket (VTT form - Exhibit 2). Except in emergency cases, under no circumstances should NFA motor vehicles be used without the corresponding trip ticket having been duly issued by the official designated for the purpose. In case of use of an NFA vehicle without such trip ticket, the official to whom the vehicle is assigned, his driver and other passengers shall be held personally liable for the unauthorized use thereof.

Xxxx

4. **All passengers shall affix their signatures on the “Passengers Signatures” portion on the trip ticket after the completion of trip. The time released portion shall be signed by the last passenger, as certified correct by the driver.**

Xxxx

G. Gasoline and Oil Allocation

1. *Only a service vehicle with an approved trip ticket and whose driver has submitted to the gas clerk the completed trip ticket of the preceding day/trip, shall be issued fuel and oil products based on the Gasoline and Oil Allocation Report (GOR). [Emphasis supplied]*

19.6. On the other hand, Section 4 of PD No. 1445 enumerates the fundamental principles governing financial transactions and operations, one of which is the provision of Paragraph 6 which requires that claims against government funds shall be supported with complete documents.

19.7. Corollary to Section 4(6) of PD No. 1445, Item 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009, requires that:

The Chief Accountant, bookkeeper and/or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that: a) the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month. Xxx.

19.8. Records showed that the signed JEVs to record the gasoline, oil and lubricant expenses as well as the Monthly Report of Travels supported with trip tickets and Monthly Report of Fuel Consumption were not submitted to the Auditor, contrary to the afore-cited laws, rules and regulations.

19.9. Further verification disclosed that the trip tickets were not properly accomplished as they lacked the necessary details, such as, the name of authorized passengers, purpose of travel and the destinations; thereby the passengers and the purpose of the use of NFA vehicles could not be determined.

19.10. In CARAGA Region, the reasonableness of the Surigao del Norte PO fuel consumption amounting to P105,837 for the period March 15 to July 13, 2017 could not be verified due to improper preparation of the Vehicle Daily Trip Tickets as required under COA Circular No. 75-6 dated November 7, 1975, on Regulations in proper use of Government vehicles.

19.11. The Daily Trip Tickets are important in the determination of the non-entitlement/proportionate reduction on Transportation Allowance (TA) of government officials using government motor vehicles as required in the following laws, rules and regulations:

a. Section 54 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2017 provides that the TA, whether in full or partial amounts, authorized therein shall not be granted to officials who are assigned or actually using government motor transportation.

b. Section 2.3 of COA Circular No. 2000-005 dated October 4, 2000 provides that whenever an official and employee entitled to TA uses the government vehicle issued to his office, a corresponding proportionate reduction on his TA shall be made.

c. COA Circular No. 99-002 dated June 16, 1992 states that where the Head of the agency does not specifically assign a vehicle to a subordinate official entitled to TA, or to the unit or division of the said subordinate official, the latter shall be allowed to collect the TA, but shall refund the proportionate amount thereof whenever he avails of a government motor vehicle, corresponding to the number of days he has used the said government vehicle.

19.12. Moreover, Annex B of COA Circular No. 2012-003 dated October 29, 2012, re: Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures, enumerates the cases which

are considered as illegal expenditures or uses of government funds and property, one of which is the payment of TA to officials who are assigned or presently use government motor vehicles and similarly, the grant of gasoline allowance or reimbursement of gasoline expenses to officials who are receiving TA.

19.13. In addition, records showed that the gasoline, oil and lubricant expenses at NFA HO increased by P0.514 million or 19.62 per cent from P2.621 million expended in CY 2016 to P3.135 million in CY 2017. This is contrary to AO No. 103 which directs the continued adoption of austerity measures in the government. Section b.2 thereof requires the reduction of at least 10 per cent in the cost of consumption for fuel, water, office supplies, electricity and other utilities.

19.14. **We recommended that Management:**

a. Require the HO-General Services Department (GSD) to submit to the Office of the Auditor the Monthly Report of Official Travels supported with properly accomplished and duly approved Trip Tickets and Report of Fuel Consumption, for audit purposes;

b. Require the HO-Accounting Services Department (ASD) to submit to the Office of the Auditor signed/approved JEVs taking up gasoline, oil and lubricants expenses duly supported with relevant/proper documents for audit purposes; and

c. Ensure compliance with the austerity measures provided for in AO No. 103.

19.15. Management submitted the following comments:

a. The GSD will abide on the submission to the Auditor of duly approved Trip Tickets starting January 2018 and for the months thereafter and will make sure to affix the signature of the passenger/s on the portion provided for the purpose. GSD is also proposing that diesoline should be based on liter consumption and not on peso amount in as much as prices for diesoline are fluctuating.

b. In Surigao del Norte PO, Management had instructed the Acting Provincial Administrative Officer and Truck Driver to strictly adhere with COA Circular on the proper preparation of vehicle Trip Ticket and the submission of the monthly report of official travels to the Office of the Auditor. In addition, the PO maintains a logbook for vehicle Trip Tickets, for proper monitoring of the use of government vehicle and to regulate fuel consumption.

19.16. As audit rejoinder, we acknowledged the immediate action taken by Management on the observation and recommendations. However, the submitted Trip Ticket for first quarter of CY 2018 still lacked the necessary details such as the name of authorized passengers and their signature, purpose of travel and their destinations.

19.17. As regards the proposal of GSD that diesoline should be based on liter consumption and not on peso amount in as much as prices for diesoline are fluctuating, **we further recommended that the Monthly Report of Fuel Consumption be submitted to the Office of the Auditor for evaluation and validation.**

Foreign Travel Expenses

20. Foreign travel expenses increased by P2.019 million or 200 per cent from last year's expenses mainly due to the increase in the number of participants to the foreign trainings/conferences, in view of the NFA's commitment to the World Trade Organization (WTO) and in preparation for its hosting the ASEAN Summit, which is not in conformity with the Department of Budget and Management (DBM) Budget Circular (BC) No. 2017-5 dated December 11, 2017, mandating the judicious and prudent use of government funds.

20.1. Foreign travel expenses in CY 2017 of P3.029 million increased by P2.019 million or 200 per cent, from P1.010 million in CY 2016 which could be attributed to the increase in the number of participants to the foreign training/conference from one to two participants in CY 2016 to one to four participants in CY 2017. This is not in conformity with Paragraphs 2.0 and 3.0 of DBM-BC No. 2017-5 dated December 11, 2017, re: *Reiterating the Existing Laws, Rules, Regulations and Other Issuances Relative to the Judicious and Prudent Use of Government Funds in Line with the issuance of Administrative Order (AO) No. 6, s. 2017*, which are quoted as follows:

2.0 *As specifically indicated under Section 1 of AO No. 6 s. 2017, notwithstanding the repeal of AO No. 103, s 2004, existing laws, rules and regulations mandating the judicious and prudent use of government funds shall remain in full force and effect, and all agencies and instrumentalities shall continue to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the government.*

3.0 *Xxx, all national government agencies and instrumentalities are reminded to ensure strict compliance with the existing laws, rules, regulations and other issuances, such as but not limited to the following, to ensure the expedient use of government fund.*

Particulars	Relevant issuances
3.1 <i>On foreign and local travels</i>	<ul style="list-style-type: none"> ➤ Xxx ➤ <i>Memorandum Circular No. 35 (Clarifying and Reinforcing Existing Rules and Regulations on Foreign Travel Authorities, Travel Entitlements, and Travel Tax Exemptions, which require the Approval of the Office of the President) dated November 22, 2017, which provides, among others, that no official travel abroad shall be allowed unless it satisfies all of the following minimum criteria: (a) the purpose of the trip is strictly within the mandate of the requesting government official or personnel; (b) the projected expenses for the trip are not excessive; and (c) the trip is expected to bring substantial benefit to the country.</i> ➤ Xxx

Xxx.

20.2. Section 25, Paragraph (a), Chapter 6, Volume I of the GAM provides that:

*No government fund shall be utilized to defray foreign travel expenses of any government official or employee, except in the case of training, seminar or conference abroad when the officials or other personnel of the foreign mission cannot effectively represent the country therein, and travels necessitated by international commitments; provided that **no official or employee**, including uniformed personnel of the Department of the Interior and Local Government (DILG) and Department of National Defense (DND) **will be sent to foreign training, conferences or attend international commitments when they are due to retire within one year after the said foreign travel xxx.***

20.3. Notwithstanding the above provisions, in CYs 2016 and 2017, records showed that there are three NFA officials who are due to retire within one year from the date of their travels, but still incurred foreign travel expenses in the total amount of P1.392 million, details of which are presented in Table 37.

Table 37 – Summary of Foreign Travel Expenses of Officials Due to Retire Within One Year After the Travel

Official/Effectivity Date of Retirement	Purpose of Travel	Amount	Remarks
Deputy Administrator for Finance and Administration/ Effectivity of retirement May 7, 2017	Attend the Technical Working Group (TWG) meeting on Strengthening the Reserve Implementation & the Subsidiary Regulations of the ASEAN Plus Three Emergency Rice Reserve (APTERR) in Pattaya, Thailand on July 25-28, 2016	16,615	Reimbursement/Liquidation of Travelling expense to Pattaya, Thailand
	Attend 8th "Rice Trader" World Rice Conference 2016 on November 15-18, 2016 in Chiang Mai, Thailand	13,418 48,437	Plane Ticket & tax Reimbursement/Liquidation of Travelling expense
	Organization for Economic Cooperation and Development (OECD)-Global Forum Regional Conference on Policies to Enable Food Security, Agricultural Productivity and Improved Nutrition on June 13-16, 2016 at Nay Phi Taw, Myanmar	1,500	Pre-travel expenses
	Discussion meeting per Japan International Cooperation Agency (JICA) Research Institute invitation at Haneda, Japan on February 14-18, 2017	43,971 64,773	Plane Ticket Reimbursement/Liquidation of travelling expense
	Working Meeting on the Remedied Financial Management Plan of the APTERR Secretariat & implementation of the APTERR Tier 1 on March 14-17, 2017 in Bangkok, Thailand	70,065 36,132	Plane Ticket Reimbursement/Liquidation of travelling expense
	Attend the Organization for Economic Cooperation and Development (OECD) Global Forum and Association of South East Asian Nation (ASEAN) Inter-Sectoral Consultative Meeting on May 1-6, 2017 in Paris, France	97,058 73,464	Plane Ticket Reimbursement/Liquidation of travelling expense
			465,433
Division Chief Grains Marketing Operations Department/ Effectivity of retirement February 18, 2018	Working Meeting on the Remedied Financial Management Plan of the APTERR Secretariat & Implementation of the APTERR Tier 1 on March 14-17, 2017 in Bangkok, Thailand	36,132 70,162	Reimbursement/Liquidation of travelling expense Plane ticket

Official/Effectivity Date of Retirement	Purpose of Travel	Amount	Remarks
	Meeting of ASEAN +3 Emergency Rice Reserve (APTERR) Council on May 1-5, 2017 in Bali, Indonesia	36,494	Reimbursement/Liquidation of travelling expense
		64,528	Plane Ticket
	Special Senior Official Meetings (SOM) -38th ASEAN Ministers on Agriculture and Forestry (AMAF), Special SOM-16th AMAF+3 & the 2nd Special ASEAN-Russian Federation SOM in Agriculture on Aug. 13-18, 2017 in Singapore	35,084	Plane Ticket
		106,663	Reimbursement/Liquidation of travelling expense
	39th Meeting of the ASEAN Ministers on Agriculture & Forestry (AMAF) & 17th Meeting of AMAF+3 on September 24-October 1, 2017 in Chiang Mai, Thailand	82,010	Reimbursement/Liquidation of travelling expense
		431,073	
Deputy Administrator for Finance and Administration/ Effectivity of retirement December 24, 2017 with extension of service for a period of six months or until June 24, 2018, per Civil Service Commission (CSC) Res. No. 1701496 promulgated on November 7, 2017.	Special SOM-38th AMAF, Special SOM-16th AMAF+3 & the 2nd Special ASEAN-Russian Federation SOM in Agriculture on Aug. 13-18, 2017 in Singapore	131,251	Reimbursement/Liquidation of travelling expense
	39th Meeting of the ASEAN Ministers on Agriculture & Forestry (AMAF) & 17th Meeting of AMAF+3 on September 24-October 1, 2017 in Chiang Mai, Thailand	83,110	Reimbursement/Liquidation of travel expense
	11th Session of the World Trade Organization (WTO) Ministerial Conference (MCII) on Dec. 7-15, 2017 in Buenos Aires, Argentina	196,627	Plane Ticket, SHLT Light Tours, Inc.
		84,913	Reimbursement/Liquidation of travelling expense
		495,901	
		P 1,392,407	

20.4. Moreover, there was a variance of P0.526 million (absolute figure) in the total foreign travel expenses between the record of Responsibility Center (RC) and the amount in the books, as presented in Table 38.

Table 38 – Variance on Foreign Travel Expenses between RC and books

RC	Per RC	Per Book Balance	Difference (Absolute figure)
Office of the Administrator	P 1,428,470	P 1,249,505	P 178,965
Office of the Deputy Administrator for Finance	516,713	385,462	131,251
Office of the Deputy Administrator for Marketing	364,649	495,900	131,251
Office of the Assistant Administrator for Marketing	297,648	382,561	84,913
	P 2,607,480	P 2,513,428	P 526,380

20.5. **We recommended that Management:**

- a. **Strictly observe DBM Budget Circular No. 2017-5 on the judicious and prudent use of government funds to ensure that no irregular, unnecessary, extravagant, excessive and unconscionable expenses shall be incurred by the Agency;**
- b. **Ensure compliance with the guidelines provided in Section 25 of GAM pertaining to foreign travel of government officials and employees; and**

c. Reconcile the variance in the total foreign travel expenses between the record of RC and the amount recorded in the books.

20.6. Management informed that NFA officials who traveled abroad to attend conferences and meetings were already the representatives of NFA before. Also, the travels were NFA's commitment to the World Trade Organization. Moreover, as NFA had been a host in the ASEAN summit, part of the process is to attend meetings and conferences.

20.7. Further, Management noted the audit recommendations and assured to comply with the guidelines provided in the DBM Circular and GAM pertaining to foreign travels. They informed that the abovementioned officials were the most competent and trained to attend such conferences abroad.

20.8. As a rejoinder, we acknowledge the commitment made by Management to implement the recommendations. However, we will keep monitoring the propriety of foreign travel expenses. On the other hand, since the increase in foreign travel expenses was attributed to the increase in the number of NFA participants to foreign trainings/conferences, **we further recommended that the practice of sending more than one officer in foreign conferences and seminars be minimized, if not totally avoided.**

WAREHOUSING

21. The warehousing policies and procedures on warehouse custody, piling system, storage structure and specification, and good warehouse-keeping were not strictly observed at NFA warehouses that could lead to environmental and health hazards and losses due to grain damage/deterioration and theft/pilferage of stocks.

21.1. NFA SOP No. GM-WH07 dated January 10, 1995 prescribes the warehousing policies and procedures, and covers, among others, the basic and accountability procedures, warehouse layout, warehouse maintenance, and standards and safety practices, as follows:

- a. On Custody of Warehouse:
 - All laborers working and assigned in the warehouse shall be required to wear identification cards. The identification card shall be controlled by each Provincial Offices. At the close of office hours, all doors, windows, sliding and other outlets of the warehouse shall be inspected daily by the Sr. Grains Operations Officer – Warehouse Supervisor (Sr. GOO-WS) together with assigned security guard to see to it that they are locked and secured. Moreover, a logbook wherein the detailed security guard shall receive the warehouse stating that there is no tampering of any door, window, sidings, roofings and other outlets, shall be maintained and updated at the start of its every duty.

- The SGOO-WS shall be accountable for stocks in process at rice mill/dryers/silo wherein such facilities located within the issuing/receiving warehouse without any partition. There shall be one SGOO-WS assigned for every warehouse. However, duplex or triplex type warehouses shall be considered as one warehouse. There shall also be one regular GOO II-PCO and calibrator for every Provincial Office to effect immediate pest control administration and timely/regular calibration of all utilized platform scales. SGOO-WS shall refrain from delegating sensitive matters and responsibilities like accountable document completion/filling out to the utility worker and/or laborers.

b. On Piling System:

- The Sr. GOO-WS shall decide on the height of piles in terms of bags of 50 kilogram net weight capacity or the corresponding standard weight for imported cereals. Basis shall be the warehouse ceiling height and capacity. The following are sample standards which may be adopted:

- For 50 kilogram net weight capacity- 20 bags per height pile
- For 100 kilogram net weight capacity- 15 to 18 per height pile

- The maximum allowable safe height of the pile of sacks must be determined so that the sack at the bottom of the pile should not be destroyed within a reasonable length of time. From warehouse experiences, 18 to 25 sacks of palay can be adequately supported by bottom bags without damage for at least 6 months or more.

- Stocks earlier received shall be piled in such a way that it will be convenient to issue such stock first. The First In-First Out (FIFO) principle shall always be applied.

- An updated bin card shall be attached to every pile.

c. On Storage Structure and Specifications

- The flooring of the warehouse should be adequately strong. It should be free from cracks where moisture from the ground may affect the stored grains. Moisture sealing compound or asphalt should be provided to fill the floor cracks against moisture.

- The warehouse structure should as much as possible be kept insect, rodent, and bird proof.

- To make the structure rodent and bird proof, a ¼ inch opening mesh wire shall be provided on all openings or vents and in the space between the roof and the vents. If possible, the doors must be provided with screen doors aside from the regular warehouse door. This is to provide some security when warehousing activities are at its minimum.

- d. On Good Warehouse-keeping:
- Warehouse Maintenance
 - Inspection of roofings for any holes, leakages, or damages must be regularly made.
 - Any sign of leak or damage shall be immediately reported in writing by the accountable officer for the necessary repair.
 - Structural defects like gutters/downspouts shall be properly and immediately repaired.
 - Cracks and crevices shall be properly filled up with cement plaster to remove places where dust, dirt, residue, etc. can accumulate and where insects can breed.
 - Warehouse Hygiene and Sanitation
 - In warehouses where commodities are being moved daily, the entire work area should be swept daily. Sweepings should be reconditioned immediately, and the unrecoverable portions isolated for proper disposal.
 - A weekly cleaning of the top and sides of piles should be done to remove dust and webs and to eliminate possible breeding place of rats, birds and insects.
 - After cleaning the sides and top of the pile, the pile must be covered with mended unserviceable MTS on top and at least half of the sides to protect the pile from direct attack of birds and insect.
 - Unused pallets should be removed from the warehouse and kept in a separate storehouse together with other unused items.
 - Empty sacks should be stored in a separate storehouse if not required for immediate use.
 - If a separate building cannot be provided, sacks, pallets, pesticides, and unused machineries should be stored in a separate portion of the warehouse, grouped together and stocked neatly and orderly.
 - Warehouse Safety
 - All personnel directly exposed to warehouse operations, including job orders must be required to use dust masks for health protection.
 - Fire extinguishers must be furnished and all necessary steps for fire prevention should be posted and taken up.

- Stock Locator System
 - All personnel directly exposed to warehouse operations, including job orders must be required to use dust masks for health protection.

21.2. Ocular inspection of some NFA warehouses revealed that certain provisions and requirements of NFA SOP No. GM-WH07 were not strictly observed/followed by concerned Provincial Offices (POs), as summarized in Table 39.

Table 39 - Results of Ocular Inspection of NFA Warehouses

Deficiencies	District Offices/ROs/POs
<ul style="list-style-type: none"> • The roofing, gutters and sides of the warehouses have holes and leaks, which serve as entrance for birds and rodents and passage of rain water that could cause damage to the stocks. 	RO No. II – Isabela PO RO No. III – Bulacan, Pampanga, Nueva Ecija POs RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> • Personnel including contract workers, assigned/working in the warehouses were not wearing their identification cards (IDs) causing the ins and outs of unauthorized persons in the warehouse, resulting in security problems. 	RO No. II – Isabela PO RO No. III – Bulacan, Pampanga, Tarlac, Nueva Ecija, Aurora POs RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> • The floorings of the warehouses were dirty and have cracks and crevices causing the ground to moist and may affect and damage stored rice/palay, and the floorings may become breeding place of insects. 	RO No. II – Isabela PO RO No. III – Tarlac, Nueva Ecija POs RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> • There were no warning signs or color codes in the premises of the warehouses. 	RO No. II – Isabela PO RO No. III – Bulacan, Pampanga POs RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> • Warehouse Supervisors (WSs) were given multiple assignments contrary to NFA SOP No. GM-WH07 dated January 10, 1995, requiring one SGOO-WS for every warehouse. 	RO No. II – Isabela PO
<ul style="list-style-type: none"> • Some of the wind powered ventilators installed in the warehouse were not rotating, thus affecting proper ventilation for rice/grains stored inside the warehouse. 	RO No. III – Bulacan, Pampanga, Tarlac POs
<ul style="list-style-type: none"> • The warehouses were prone to insects, rodents and birds infestation due to unprotected openings or vents. 	RO No. III – Bulacan, Tarlac, Nueva Ecija, Aurora POs RO No. IX - Zamboanga City PO
<ul style="list-style-type: none"> • The ¼ inch opening mesh wire was not provided in some of the warehouses. 	RO No. III – Bulacan, Pampanga Tarlac POs
<ul style="list-style-type: none"> • Bin cards are not attached to piles and/or not updated. 	RO No. III – Bulacan, Pampanga, Tarlac, Nueva Ecija, Aurora POs RO No. IX – Zamboanga City PO RO No. XI – Davao City RO No. XIII – Augustan del Sur PO
<ul style="list-style-type: none"> • The personnel directly exposed to warehouse operations were not wearing dust masks for health protection. 	RO No. III – Bulacan, Pampanga, Tarlac, Nueva Ecija, Aurora POs RO No. IX – Zamboanga City, Zamboanga del Norte POs

Deficiencies	District Offices/ROs/POs
<ul style="list-style-type: none"> The surroundings of the warehouses were not thoroughly cleaned, leaving unnecessary materials, grasses not trimmed and trees were not cut down which could be possible breeding places of rats, birds and insects. 	RO No. III – Bulacan, Tarlac, Nueva Ecija, Aurora POs RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> The roll-up doors of some warehouses were broken. 	RO No. III – Pampanga PO
<ul style="list-style-type: none"> Secondary screen doors were not supplied in all existing doors in some warehouses. 	RO No. III – Nueva Ecija PO
<ul style="list-style-type: none"> Screens were not provided on windows of some warehouses, while screen windows of some warehouses are damaged. 	RO No. III – Nueva Ecija PO RO No. IX – Zamboanga del Norte PO
<ul style="list-style-type: none"> The top of piles in all warehouses not covered with mended unserviceable empty sacks (MTS), causing wastes of birds, rats, bats and insects to accumulate on the top sacks, affecting the quality and quantity of stocks. 	RO No. III – Nueva Ecija, Aurora POs RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> Unused pallets inside the warehouses were not arranged and empty sacks and tarpaulins were not stacked neatly and orderly. 	RO No. III – Nueva Ecija, Aurora POs RO No. X – Misamis Oriental PO RO No. IX – Zamboanga City PO
<ul style="list-style-type: none"> There are no fire extinguishers in some warehouses. 	RO No. III – Nueva Ecija PO
<ul style="list-style-type: none"> Yearly medical check-up of all personnel assigned in some warehouses was not undertaken every year leaving their health and safety unmonitored. 	RO No. III – Nueva Ecija, Aurora POs
<ul style="list-style-type: none"> The following deficiencies were noted: <ol style="list-style-type: none"> Purchased stocks 500 bags and below were not withdrawn in one day. It was observed during the inspection that some retailers would not withdraw all of their stock purchases on the same day even if the number of bags is below 500. WSIs were not filled up even if there were already issuances. Several WSIs were not filled up with the necessary data even if there were already withdrawals made. The WSIs contained only the signatures of the retailers and the Supervisor. The warehouse clerk explained that sometimes retailers did not have the patience to wait until all the necessary data were filled up in the WSI in order for them to withdraw their stock purchase. Thus, they just signed the WSI and later in the day, the warehouse clerk will fill up the WSI. The WS already signed the “Certified Correct” portion of the WSI even if there was no issuance yet. He did not see to it that all entries in the WSI, WSR and WTS were filled up before affixing his signature on the “Certified Correct” portion of the documents. It was found out that the WSIs were pre-signed by the WS, thus he was not able to verify if all the entries in the WSI were true and correct. Some signatories to the documents did not print their names before affixing their signatures. The weight in gross kilograms was not written in words immediately below the double underline followed by a series of asterisk or (x) marks. The clerk only indicated the quantity of bags in words. In the verification of AIs and WSIs, erroneous data and inconsistencies which resulted in the discrepancies between the AIs and WSIs were noted. Errors involved mainly in the number of bags written in the AIs as compared to the number indicated in the WSIs. Some errors noted were also in the names of retailers stated in the AIs as against the WSIs. 	RO No. V – Albay PO

Deficiencies	District Offices/ROs/POs
• No CCTVs were installed in some warehouses.	RO No. IX – Zamboanga City PO
• Pile levels of stocks exceeded the maximum safe height which may cause damage to the bottom sacks of piles.	RO No. IX – Zamboanga del Norte PO RO No. XIII – Agusan del Sur PO
• Some of the stocks were placed in the dryer room, causing the stocks susceptible to damage and infestation.	RO No. IX – Zamboanga del Norte PO
• Utilization of the warehouses (GID-Aglayan; Valencia; Maramag Main; Maramag Annex; Kalilangan; Wao and Wao INF) was not maximized as to effective capacity in bags because of very minimal number of bags in inventory, thus there were vacant spaces	RO No. X – Bukidnon PO
• Utilization of owned and leased Ilang Agri-Industrial Estate Corp. (ILAIECO) warehouses was not reflective of economical and efficient management as well as good warehouse keeping practices, resulting in opportunity loss of P2.202 million for CY 2017.	RO No. XI – Davao City PO

21.3. We recommended that Management instruct the concerned Provincial Managers to:

- a. Cause the repair of the damaged roofing, sides and flooring of the warehouses;**
- b. Require warehouse personnel to:**
 - b.1 Strictly comply with the provisions of NFA SOP No. GM-WH07;**
 - b.2 Attend training/re-orientation on warehousing policies and procedures at least every two years as provided in the SOP;**
 - b.3 Ensure cleanliness at all times the premises of the warehouse and remedy the cracks on the flooring by filling with asphalt, to prevent moisture from the ground and preserve the good condition of stored rice/palay; and**
 - b.4 Install proper signage in order to prevent the occurrence of accident or casualty;**
- c. Conduct regular monitoring of the compliance by the warehouse personnel of the provisions of NFA SOP No. GM-WH07;**
- d. Address the: (i) deficiencies on safety screens/mesh wires, repair roofing and (ii) problems on the old warehouse doors, leaks on roof and cracks on posts, among others;**
- e. Install CCTVs, safety nets/screens on doors and watch towers/bridges at the NFA warehouses;**
- f. Cause the immediate disposal of all unserviceable MTS, pallets and machineries stored at the warehouses; and**

g. See to it that the Warehouse Supervisor be assigned to one warehouse only to enable him to fully discharge his duty and exercise the diligence of a good father of a family in the custody and maintenance of a warehouse.

21.4. Management submitted the following comments:

a. Bulacan, Pampanga, and Isabela POs committed to strictly impose the wearing of IDs, protective gears and uniforms for the employees and laborers inside the warehouses.

b. Tarlac, Bulacan, Isabela, and Misamis Oriental POs informed that job estimates for the major repair will be prepared and submitted to the RO for budget request. Louvers were installed over floor level and side of the wall, while roof vents were also installed in the form of rotary ventilator. The WSSs initiated to put up nets, improvised insect repellent using portable charcoal stove with burning madre cacao leaves, miracle tree leaves, etc. and cans-on strings to create noise to drive away birds and other insects. A project proposal had been submitted to the RO for funding the cracks on the floors and to construct a tarena shed to store unused wooden pallets.

c. Isabela PO informed signage (warning signs and color coding) will be implemented upon completion of the repair.

d. Aurora PO committed that visitation/inspection of all warehouses every month will be conducted by the different Section Chiefs of the branch to check and validate their compliance to good warehouse keeping management thru the checklist requirement compliance form provided by the Technical Section.

e. Bukidnon and Davao City POs informed that a recommendation was just recently made to the RO for the leasing of these unutilized warehouses to realize income in order to maximize their utilization.

21.5. As audit rejoinder, we appreciate concerned NFA POs' commitment to implement the audit recommendations. However, the Audit Teams will continue to monitor their compliance with NFA SOP No. GM-WH07 dated January 10, 1995 prescribing the warehousing policies and procedures, i.e. accountability procedures, warehouse layout, warehouse maintenance, and standards and safety practices.

Filler Transactions

22. The actual net kilograms (nkgs) of stock sold with filler transactions and the balances of stocks at any given month could not be accurately determined due to: (a) the unaccounted receipts of the excess kilograms from withdrawals of stocks weighing more than the required gross weight in North District Office (NDO); and (b) the discrepancies between the total number of bags issued as fillers in the Stock Reports and its total equivalent to nkgs based on the Warehouse Stock Issues (WSIs) in Cavite Provincial Office (CPO) and Central District Office (CDO).

22.1. One of the scenarios in filler transactions as embodied in the NFA SOP No. GM-DN10.A entitled, “Amendment to the Implementing Guidelines on Filler Transactions” is the issuance of filler stocks. The filler stocks are issued when the authorized quantity of stocks for issuance per Authority to Issue (AI) as to the number of bags was fully served but the net kilogram (nkg) still has a balance for issuance. On the other hand, there are cases wherein the nkg have been served, but the number of bags still has a balance per issuance, in which case filler sacks are issued.

22.2. NFA SOP No. GM-DN10.A provides that:

A.1 Filler Stocks

3. The quantity of emptied containers from filler stocks for a certain month shall be documented by a separate WSI and a corresponding empty sack receipt (ESR) as receipt of empty sacks (MTS) from fillers.

At the end of each month, the Warehouse Supervisor [WS] shall request for the preparation of an Authority to Issue (AI) for the emptied containers from filler stocks issued for that particular month. The request shall be supported by a statement of filler stocks issued indicating the following:

- a. WSI number covering the stocks issued to the buyer/customer*
- b. Date of said WSI*
- c. Volume of stocks issued as fillers, and type of sack*

The number of bags to be requested for the AI shall be the actual number of bags emptied from filler stocks for the month.

22.3. Audit of the filler transactions in NDO, CDO and CPO revealed deficiencies as discussed in the succeeding paragraphs.

Unaccounted receipts of the excess kilograms from withdrawals of stocks weighing more than the required gross weight

22.4. In NCR-NDO, verification of WSIs submitted by the WSs showed that there were stock issuances to various retailers that weighed more than the required gross kilograms (kgs). Excess in the required gross kgs in the withdrawals of stocks by various retailers happens when the total Net Weight (NWT) of the number of bags being withdrawn exceeded the required gross kgs [50kgs/bag + empty sacks (MTS) weight] to be issued.

22.5. As shown in Table 40, for CY 2017, a total of 99,571 bags with NWT of 4,998,296 kgs were issued to various retailers from different warehouses of NDO. The required gross kgs in the said number of bags issued was only 4,990,025.86 kgs, thereby showing an excess of 8,270.14 kgs or equivalent to approximately 165 bags [8,270.14 kgs./50kgs. per bag].

Table 40- Total Nkgs in Excess of NWT (NDO)

Whse No.	No. of Bags Issued a	Gross Kgs b	Net Kgs c= a x 50	MTS (Weight of Empty Sacks in kgs)			NWT (in kgs) g=e - f	Total Nkgs in excess of NWT h=b - g
				MTS (Weight of Empty Sacks in kgs) d=b-c	GWT (in kgs) e	TWT (in kgs) f		
MFC 2	20	1,002.40	1,000.00	2.40	6,750.00	5,720.00	1,030.00	(27.60)
MFC 3	110	5,513.20	5,500.00	13.20	8,640.00	2,680.00	5,960.00	(446.80)
MFC 4	21,100	1,057,384.25	1,055,000.00	2,384.25	1,796,400.00	737,620.00	1,058,780.00	(1,395.75)
MFC 5A	21,903	1,097,778.36	1,095,150.00	2,628.36	1,902,450.00	802,650.00	1,099,800.00	(2,021.64)
MFC 5B	5,355	268,392.60	267,750.00	642.60	633,140.00	364,210.00	268,930.00	(537.40)
MFC 5C	3,990	199,950.50	199,500.00	450.50	351,990.00	151,720.00	200,270.00	(319.50)
MFC 5K	92	4,611.04	4,600.00	11.04	40,200.00	35,580.00	4,620.00	(8.96)
MFC 7	47,001	2,355,393.51	2,350,050.00	5,343.51	4,192,286.00	1,833,380.00	2,358,906.00	(3,512.49)
	99,571	4,990,025.86	4,978,550.00	11,475.86	8,931,856.00	3,933,560.00	4,998,296.00	(8,270.14)

MTS – Empty Sacks TWT – Tare Weight GWT – Gross Weight NWT – Net Weight *NWT is computed by deducting the TWT from the GWT

22.6. Review of the WSIs issued by the WSs showed that although computations were made in each WSI, there was no indication or notation that the excess stocks were taken back from the sold stocks. In some of the issued WSIs, the issuances of filler stocks were indicated in the “add/less” portion of the computation. “Add” means fillers were issued as the required gross kilograms of the number of bags being withdrawn was not yet served, while “less” means there was an excess in the gross kilograms of the number of bags being withdrawn. No proper accounting/documentation is being made for this kind of transaction or is treated following the guidelines prescribed in the aforementioned SOP.

22.7. Interview with a WS disclosed that the excess nkgs are being collected from the bags using the “buriki” method (a probe use to sample rice from sacks). As claimed, the collected nkgs are being returned to bags and will be used in the issuances of filler stocks.

22.8. In the Weekly Stock Reports, particularly in the Statement of Weekly Issues, only the net weight of the filler stocks was presented as part of the gross and net weights of the sales/distribution which is the basis of the Accounting in recording the cost of inventories from rice sales. The excess stocks taken back from sold stocks with net weight more than the required gross weight were not included. When the excess stocks were not fully documented, it showed that said stocks were not added back to the Stock Accountable Officer’s (SAO) accountability and is deemed withdrawn, thereby the actual net kilograms of stocks sold with filler transactions and the actual balances of stocks at any given month could not be accurately determined.

Discrepancies between the total number of bags issued as fillers in the Stock Reports and its total equivalent to nkgs based on the WSIs

22.9. In CPO and CDO, fillers were given to customers/retailers to complete the 50 nkgs per bag of rice they withdrew from the warehouses. The bags of rice sold/distributed to the retailers were recorded at 50 nkgs per bag since fillers were given to these retailers.

22.10. A series of WSIs (for the same variety of rice) were first issued to a number of retailers for their balances in nkgs (after they had been fully served of the number of

bags). The Accounting Section recorded the bags of rice sold/distributed for the year based on the 50 nkgs/bag (which already included the fillers) as indicated in the Stock Reports.

22.11. Empty Sack Receipts (ESRs) were prepared by the Ws of CPO as receipt of sacks emptied for fillers given to the retailers every month. WSIs were also issued for the quantity of emptied sacks from these fillers with the corresponding AIs. Memo entries were likewise prepared by the Accounting Section for said ESRs through JEVs.

22.12. Review of the filler transactions in CPO further disclosed that there were discrepancies between the equivalent nkgs of bags of fillers based on the ESRs and those actually issued based on the WSIs from January to December 2017, as illustrated in Table 41.

Table 41 - No. of Bags Emptied from Fillers and Equivalent Nkgs Based on the ESRs vis-a-vis Actually Issued per WSIs (CPO)

Warehouse/ Month CY 2017	Type of Sack	ESR (In Bags)	Equivalent Nkgs	Fillers per WSIs (In Nkgs)	Over (Under) statement (In Nkgs)	Remarks
January-						
Omni	PRM-G50	24	1,200.00	1,719.28	(519.28)	Understatement
JY and Sons 2	-	-	-	1,490.20	(1,490.20)	-do-
GTW	PRM-G50	28	1,400.00	3,236.05	(1,836.05)	-do
	PRM-H50	12	600.00	-	600.00	Overstatement
		64	3,200.00	6,445.53	(3,245.53)	Net understatement
February-						
Omni	PRM-G50	38	1,900.00	1,925.12	(25.12)	Understatement
JY and Sons 2	-	-	-	5,913.62	(5,913.62)	-do-
GTW	PRM-G50	43	2,150.00	689.80	1,460.20	Overstatement
	PRM-H50	120	6,000.00	2,035.94	3,964.06	-do-
		201	10,050.00	10,564.48	(514.48)	Net understatement
March-						
Omni	PRM-G50	30	1,500.00	533.82	966.18	Overstatement
JY and Sons 2	-	-	-	9,845.39	(9,845.39)	Understatement
GTW	PRM-G50	8	400.00	-	400.00	Overstatement
	PRM-H50	13	650.00	-	650.00	-do-
		51	2,550.00	10,379.21	(7,829.21)	Net understatement
April-						
Omni	PRM-G50	11	550.00	761.58	(211.58)	Understatement
JY and Sons 2	-	-	-	12,091.88	(12,091.88)	-do-
		11	550.00	12,853.46	(12,303.46)	Understatement
May-						
Omni	PRM-G50	16	800.00	660.20	139.80	Overstatement
JY and Sons 2	-	-	-	8,261.91	(8,261.91)	Understatement
GTW	-	-	-	149.84	(149.84)	-do-
	-	-	-	310.90	(310.90)	-do-
		16	800.00	9,382.85	(8,582.85)	Net understatement
June-						
Omni	PRM-G50	15	750.00	105.08	644.92	Overstatement
JY and Sons 2	PRM-G50	565	28,250.00	2,684.47	25,565.53	-do-
		580	29,000.00	2,789.55	26,210.45	Overstatement
October-						
Omni	-	-	-	181.40	(181.40)	Understatement
GTW	-	-	-	674.00	(674.00)	-do-
	(Local Rice)	2	100.00	151.88	(51.88)	-do-
		2	100.00	1,007.28	(907.28)	Understatement
November-						
Omni	PRM-G50	5	250.00	767.60	(517.60)	Understatement
GTW	PRM-G50	62	3,100.00	2,581.40	518.60	Overstatement
		67	3,350.00	3,349.00	1.00	Net overstatement
December-						
Omni	PRM-G50	18	900.00	-	900.00	Overstatement
		1,010	50,500.00	56,771.36	(6,271.36)	Net understatement

22.13. As shown in Table 41, a total net understatement of 6,271.36 nkg or approximately 125 bags [6,271.36 nkg/50 nkg per bag] from January to December 2017 was noted from comparing the emptied sacks due to fillers based on the ESRs of 50,500 nkg with those actually issued per WSIs of 56,771.36 nkg.

22.14. Similarly in CDO, review of the filler transactions disclosed that there were discrepancies between the equivalent net kilograms of bags of fillers recorded in the Stock Reports and those issued based on the WSIs for January to April 2017. A total net overstatement of 3,793.41 nkg or approximately 76 bags [3,793.41nkg/50nkg per bag] was noted from comparing equivalent nkg of bags of fillers based on the Stock Reports and those actually issued based on the WSIs, as shown in Table 42.

Table 42 - No. of Bags Emptied from Fillers and Equivalent Nkgs Based on the Stock Reports vis-a-vis Actually Issued per WSIs (CDO)

Warehouse/Month	Fillers per Stock Reports		Fillers per WSI Nkgs.	Over (Under) statement in Nkgs.	Remarks
	Bags	Nkgs.			
January 2017					
Visayas	74	3,700.00	3,619.33	80.67	Overstatement
Minprocor	-	-	389.58	(389.58)	Understatement
MFC 1B	59	2,950.00	-	2,950.00	Overstatement
MFC -1C	3	150.00	1,936.00	(1,786.00)	Understatement
Kingswood G	54	2,700.00	3,012.30	(312.30)	-do-
Kingswood E/F- A. Baroña	6	300.00	577.02	(277.02)	-do-
Kingswood E/F- D. Añes	88	4,400.00	3,031.66	1,368.34	Overstatement
Kingswood 11	6	300.00	71.04	228.96	-do-
Kingswood 8/9- A. Baroña	63	3,150.00	3,131.19	18.81	-do-
Kingswood 8/9- D. Añes	39	1,950.00	1,404.19	545.81	-do-
	392	19,600.00	17,172.31	2,427.69	Net overstatement
February 2017					
Visayas	11	550.00	179.06	370.94	Overstatement
Minprocor	37	1,850.00	20.25	1,829.75	-do-
MFC -1C	-	-	1,257.60	(1,257.60)	Understatement
Kingswood G	21	1,050.00	726.22	323.78	Overstatement
Kingswood E/F	91	4,550.00	3,801.99	748.01	-do-
Kingswood E/F- D. Añes	31	1,550.00	1,063.70	486.30	-do-
Kingswood E/F- A. Baroña	48	2,400.00	3,114.39	(714.39)	Understatement
Kingswood 10	-	-	626.10	(626.10)	-do-
Kingswood 11	36	1,800.00	1,531.42	268.58	Overstatement
	275	13,750.00	12,320.73	1,429.27	Net overstatement
March 2017					
Visayas	16	800.00	580.92	219.08	Overstatement
MFC -1C	237	11,850.00	7,528.80	4,321.20	-do-
Kingswood G	47	2,350.00	1,511.94	838.06	-do-
Kingswood E/F	64	3,200.00	2,512.06	687.94	-do-
Kingswood E/F- A. Baroña	20	1,000.00	957.33	42.67	-do-
Kingswood E/F- D. Añes	30	1,500.00	1,154.40	345.60	-do-
Kingswood 10	73	3,650.00	3,046.74	603.26	-do-
Kingswood 11	126	6,300.00	5,416.98	883.02	-do-
	613	30,650.00	22,709.17	7,940.83	Overstatement
April 2017					
Visayas	1	50.00	1,140.98	(1,090.98)	Understatement
MFC -1C	-	-	1,560.00	(1,560.00)	-do-
Kingswood G	12	600.00	5,559.82	(4,959.82)	-do-
Kingswood E/F	45	2,250.00	2,276.78	(26.78)	-do-
Kingswood 8/9	33	1,650.00	1,791.20	(141.20)	-do-
Kingswood 10	-	-	25.60	(25.60)	-do-
Kingswood 11	-	-	200.00	(200.00)	-do-
	91	4,550.00	12,554.38	(8,004.38)	Understatement
	1,371	68,550.00	64,756.59	3,793.41	Net overstatement

22.15. The process of not reporting the excess kgs in the issuances of bags of stocks weighing more than the required gross kgs is an indication of weak internal control, which when undetected and unresolved, encourages fraudulent acts by warehouse personnel. Likewise, the discrepancies noted above resulted in the non-determination of the actual nkg of bags of rice in the inventory of the Ws and/or actual nkg of rice sold or distributed.

22.16. We recommended that Management require the Managers of NDO, CPO and CDO to:

- a. Instruct warehouse personnel to:**
 - a.1 Strictly observe pertinent provisions of NFA SOP No. GM-DN10.A, on the issuance of fillers; and**
 - a.2 Institute proper documentation procedure and reporting system for issuances of bags of rice where the net weight is more than the required gross weight in kgs;**
- b. Adopt control measures such as installation of CCTVs to monitor warehouse activities and operations;**
- c. Ensure strict monitoring and accounting of the filler transactions of warehouses, i.e. from the recording of the fillers in the Ws, preparation of the ESRs, Ws for ESRs and Als to the recording of the transactions in the Stock Reports and in the books; and**
- d. Investigate discrepancies noted in the issuance of fillers between Stock Reports and Ws, and impose appropriate sanctions against erring Warehouse personnel, if warranted.**

22.17. The following are the comments from NDO, CPO and CDO:

- a. NDO committed to implement the proper documentation procedure and reporting system on excess weight although no official/formal SOP has been issued yet on the matter. Internal policy will be prepared for recommendation to higher management for the enhancement of internal control.
- b. CPO explained that, for strict monitoring and accounting of the filler transactions, in CYs 2015 to 2017, it issued memoranda to ensure the accuracy of the filler transactions of the different warehouses. Further, after the Special Audit on Stock Accountabilities, all SAOs/WSIs had been reoriented on Operational Procedures and Warehousing Documentation. Upon verification on filler transactions of CPO warehouse, the fillers (documented by WSI) and the emptied bags for fillers (documented by ESR) showed no variance. There are some instances of late documentation and reporting on the filler transactions. With further study and analysis, there were neither net overstatements nor understatements in fillers in nkg, provided that the recorded fillers in WSI are the actual fillers issued for the underweight stocks. Also, the weight of rice per bags that are emptied are not pegged at 50 kgs. Most of the rice per bag weighed less than 50 kgs.

c. CDO informed that it issued various memoranda in CYs 2016 and 2017 to ensure the accuracy of the filler transactions of the different warehouses, and upon verification of the fillers of CDO warehouses for the period of January to April 2017, the fillers and the emptied bags showed no variance. The variance was due to late documentation and reporting of filler transactions.

22.18. As a rejoinder, we recognize the efforts of NDO, CPO and CDO in ensuring the accuracy of the filler transactions and we look forward for an updated recording and reporting of filler transactions.

Tolerable Allowance (TOLA) for Unaccounted Stocks in Bags

23. Despite the absence of written policy, the shortages in filled bags or number of bags of stocks were subject to Tolerable Allowance (TOLA) computation in the liquidation of the accountabilities of the Stock Accountable Officers (SAOs) in CPO and in four POs in RO No. I, thereby giving undue advantage to SAOs and resulted in unrecouped loss of assets on the part of the Agency.

23.1. Stock examination is the process of determining the accountability of Warehouse Supervisors (WSs) through accounting for stock receipts and issues. On the other hand, TOLA computation is the process of determining losses during storage due to natural causes such as moisture content variation, insect infestation, rodent infestation and bird infestation. It also includes post-harvest losses in drying operations, spillages and other factors which are beyond the control of the SAOs.

23.2. NFA SOP No. GM-WH07 dated January 10, 1995, on Warehousing Policies and Procedures, provides that the proper management of stocks rests on the handling and preservation of quantity and the quality of grains stored in the NFA warehouses and is under the direct responsibility of Sr. Grains Operations Officers (Sr. GOOs)/WSs. Moreover, Item J on the Inventory Maintenance and Accountability of same NFA SOP states that:

The physical accountability of all inventories is a direct responsibility of warehousing. The maintenance of a complete, updated and accurate inventory record file together with the supporting documentation is mandatory for all Sr. GOO-WS.

All receipts/issues shall be properly weighed, inspected, classified and documented.

Being accountable means "being answerable to the company for all goods/commodities received by the warehouse." Goods received by a warehouse must be in storage in the warehouse unless disposed by authorized and acceptable means. Inventories do not just vanish without a valid explanation. Reasons may be undesirable such as theft, fire, and shrinkage through chemical processes. A certain amount of loss through undesirable reasons may be considered justifiable in some cases but this does not give an excuse for the Sr. GOOs-WS responsibility for the

losses on the affected inventories.

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*In all inventory activities, the following elementary formula establishing accountability shall be used as a guide in the control procedures for warehousing transactions: **Inventory at Hand = Total receipts - Total Issues.** [Emphasis supplied]*

23.3. The two types of accountabilities of the SAO are cereals and empty sacks (MTS). These are reported separately in the stock reports' Statement of Weekly Receipts/Issues-Grains and Statement of MTS Receipts/Issues. The cereals pertain to rice contained inside 50 kilogram (kg) sacks. During storage, the grains incur losses due to natural causes such as moisture content variation, insect infestation, rodent infestation and bird infestation. Post-harvest losses in drying operations, spillages and other factors which are beyond the control of the SAO are also causes of grain loss.

23.4. A weekly stock report is prepared by the SAO to monitor the warehouse stock movements. The physical inventory count is conducted by the Provincial Office Inventory Committee twice a year to ascertain the physical existence and condition of stocks. The accountability of the SAO is determined on per warehouse, per cereal/MTS type and per period of accountability.

23.5. The determination of the SAO's accountability is undertaken by the Provincial Offices' Stock Examination (PSE) Working Group through the conduct of stock examination using the New Computerized Stock Examination System (for Grains & MTS), which is a process of accounting for the grains receipts and issuances handled by the SAO. The result of the grains stock examination could be either shortage or overage. Stock shortage occurs when the total receipts including the beginning inventory are more than the total issues including the ending inventory, otherwise it is an overage. NFA SOP No. GM-WH13 dated April 22, 2003 on the New Computerized Stock Examination and TOLA Computation provides that only grains stocks accountabilities with shortages are subject to TOLA computation, no TOLA are granted for MTS accountabilities.

23.6. In NFA NCR-CPO, the SAO designated as WS of Omni warehouse for the period August 22, 2014 to June 15, 2017 transferred the remaining stocks to the General Trias warehouse at the end of his accountability. Analysis made by the Audit Team on the stock reports resulted in shortages, as shown in Tables 43 and 44. The same shortages were obtained during the stock examination conducted by CPO per Office Memo NCR-CVT-17-H-48 dated August 4, 2017.

23.7. Subsequently, the stock shortages in net weight of 54,524.36 kgs for IMR 15 per cent broken and 92,013.92 kgs for IMR 25 per cent broken were offset after TOLA computation. The TOLA granted were 0.6424 per cent and 0.7972 per cent of total stocks handled by the SAO and were the results from the New TOLA Computation System based on the Manual on TOLA Factors and Methodologies which is beyond the scope of the Audit Team's evaluation.

Table 43 – Stock Accountability on Imported Rice (IMR) 15 per cent Broken

Particulars	IMR 15% Broken			
	Variety	No. of Bags	Nkgs	Ave. Nkgs
Year 2014				
Vinaship Sea	VCCW42	92,750	4,626,139.00	49.88
Tay Son 2	VCCW42	39,999	1,995,321.12	49.88
Diamond Star	VCCW42	37,398	1,865,484.24	49.88
Returned Stocks	VCCW42	6	300.00	50.00
Total Quantity Handled		170,153	8,487,244.36	49.91
Less: Quantity Issued				
Sales		141,436	7,071,707.40	49.99
Rice Allowance		-		
Dispersal		27,250	1,355,462.00	49.74
Biddings		95	4,750.00	50.00
Fillers		699	*	45.68
Rebagging, net		657		
Dumping		16	800.60	50.04
Total Quantity Issued		170,153	8,432,720.00	49.09
Shortages/Stock Report, End		-	54,524.36	

* Fillers weighing 31,929.36 nkgs were already included in the Sales

Note: TOLA granted was 0.6424%

Table 44 – Stock Accountability on Imported Rice (IMR) 25 per cent Broken

Particulars	IMR 25 % Broken			
	Variety	No. of Bags	Nkgs	Ave. Nkgs
Year 2015				
Exelixis	VCEW51	55,985	2,790,535.80	49.84
Vinaship Diamond	VCEW52	17,000	848,903.00	49.94
Sea Dragon	VCEW52	14,000	698,450.00	49.89
Vinaship Ocean	VCEW52	21,000	1,047,651.00	49.89
Vinalines Fortuna	VCEW52	12,000	598,048.00	49.84
Year 2016				
Nordic Suzhou	TFEW52	7,850	391,576.50	49.88
Inlaco Express	TFEW61	17,270	861,221.30	49.87
Vinaship Pearl	VCEW61	31,400	1,564,684.00	49.83
SDO	VCEW52	25,000	1,246,139.00	49.85
SDO	VCEW61	29,999	1,495,165.12	49.84
Total Quantity Handled		231,504	11,542,373.72	49.86
Less: Quantity Issued				
Sales **		225,173	11,258,696.80	50.00
Rice Allowance		174	8,700.00	50.00
Dispersal/Transfers		3,520	175,963.00	49.99
Biddings		140	7,000.00	50.00
Fillers **		475	*	48.59
Rebagging, net		275		
Recondition, net		820		
Total Quantity Issued		230,577	11,450,359.80	49.66
Shortages/Stock Report, End		927	92,013.92	

* Fillers weighing 23,081.43 nkgs were already included in the Sales

** 36 bags of fillers were erroneously included in the Sales at stock examination

Note: TOLA granted was 0.7972%

23.8. Validation of the Stock Examination Reports (SERs) disclosed that all warehouse documents have been properly recorded except for the 36 bags of fillers with WSI Nos. 4563340 dated November 28, 2016 and 4563346 dated December 9, 2016, shown in Table 44, which were erroneously included in the Sales portion of the Stock examination of IMR 25 per cent broken.

23.9. Further analysis of the SER as well as the final stock reports on June 15, 2017- Statement of Weekly Receipts/Issues-Grains revealed that shortages of 927 filled bags of grains as shown in Table 44 had been omitted in the determination of the accountability of the concerned WS.

23.10. The stock reports and SER also showed an overage of 938 MTS, as presented in Table 45. The overage was almost equal to the shortages in filled bags of 927 sacks shown in Table 44. The elementary formula in establishing accountability used as a guide in the control procedures for warehousing transactions based on NFA SOP No. GM-WH07 is "Inventory at Hand equals Total Receipts less Total Issues." It means that after the physical count and transfer of the actual stocks with physical existence, there should have been no balance left in the number of bags or MTS if all the stock movements had been properly and completely recorded.

Table 45– Stock Accountability of Empty Sacks (MTS)

Particulars	No. of Forms	No. of MTS
Empty Sack Receipts (ESR)	62	3,613
Empty Sack Issues (ESI)	7	4,551
Overage		(938)

23.11. NFA SOP No. GM-WH13 provided that only the grains are subject to TOLA computation. This NFA policy in the application of TOLA computation pertained only to shortages in weight. It does not provide that the shortage in filled bags or number of bags is subject to TOLA computation in the liquidation of the SAO's accountability. There should have been zero balance in the number of bags had there been proper documentation of warehouse transactions, as in the IMR 15 per cent broken presented in Table 43, since the MTS was not subject to TOLA computation.

23.12. The main cause of the shortages of 927 filled bags and overages in 938 MTS could be the undocumented fillers as there were only 3,134 out of 7,226 or 43.37 per cent of WSIs with fillers for the accountability period as shown in Table 46. The filled sacks should have contained stocks, unlike the empty sacks, and that the two could not be subject to offsetting based on NFA SOP No. GM-WH13, as amended by NFA SOP No. GM-WH13.A dated August 21, 2008. If there was a shortage in filled bags then it can be inferred that there was also shortage of stocks. It appears that NFA CPO did not consider the shortage in the number of bags of stocks in the SAO's accountability as should be filled with stocks, with higher value and cost compared to MTS. This casts doubt on the correctness of the stock and empty sack accountabilities of the SAO.

Table 46 – Summary of Sales Transactions per WSIs

Transactions	No. of WSIs	Percentage
Sales with Fillers	3,134	43.37%
Sales without Fillers	4,092	56.63%
Total Sales	7,226	100.00%

23.13. It is worthy to mention that for CYs 2015 and 2014, the Audit Team had audit observations on unaccounted filler transactions at the CPO warehouses including Omni, equivalent to approximately 1,756 and 874 bags, respectively, due to undocumented/unidentified filler transactions, resulting in erroneous stock reports and inaccurate balance of the stocks at any given month. The audit recommendation to conduct thorough analysis and verification of warehouse transactions to account for the correct stock balances of each warehouse and investigate the accuracy of reported filler transactions have not been implemented by the NFA CPO.

23.14. In NFA RO No. I, the Audit Teams in NFA Abra and Ilocos Norte POs witnessed the conduct of bag-to-bag count and weighing of the remaining stocks on April 4-5 and on July 11-12, 2017, respectively, in view of the liquidation of accountabilities of concerned WSs in the said POs. The physical count was undertaken simultaneously with the turn-over of inventoried stocks to the incoming SAOs. Results of the physical inventory of stocks in the two POs, as compared with the balance per stock reports as of the date of count, showed a variance both in bags and in net kilograms (nkgs) as presented in Table 47.

Table 47 - Comparison of Imported Rice Varieties in Bags and in Nkgs per Bag to Bag Count vis-a-vis Stock Reports as of Date of Inventory

Pile No./ (Rice Variety)	Per Count		Per Stock Reports		Variance	
	In Bags	In kgs	In Bags	In nkgs	Shortage/(Overage)	In nkgs
<u>NFA Abra PO:</u>						
<u>Imported Rice (Period of Accountability - 4/23/2014 to 4/5/2017)</u>						
1. Pile No. 3 B (VCEW62)	1,504	68,445.520	1,500	74,750.000	(4)	6,304.480
2. Pile No. 6B (TFEW 61)	492	24,187.880	492	24,635.000	0	447.120
3. Pile No. 2A (VCEW 61)	10	404.800	387	20,904.000	377	20,499.200
4. Pile No. 6A (VCCW51)	0	0.00	64	21,693.400	64	21,693.400
Sub-total					(4)	48,944.200
					441	
<u>Local Rice (Period of accountability - 2/25/2017 to 5/17/2017)</u>						
5. (PD1ME50)	2,784	134,035.200	3,107	156,851.500	323	22,816.30
Total					(4)	71,760.500
					764	
<u>NFA Ilocos Norte PO:</u>						
VCEW62	2,274	113,126.12	2,337	116,325.00	63	3,198.88

23.15. Table 47 showed that for VCEW62 variety, there was an overage of 4 bags, but a shortage in weight of 6,304.48 nkgs; for TFEW61 variety, there was no shortage in bags, but there was a shortage in weight of 447.12 nkgs; and for the VCEW61 variety, there were shortages of 377 bags and in weight of 20,499.20 nkgs. Notable also was the shortage in local rice stocks under Item no. 5 of Table 47, as said stocks were handled by the WS for almost three months only, yet there was a remarkable shortages of 323 bags and in weight of 22,816.30 nkgs. This would indicate that the shortage was too high to be attributed to natural causes such as moisture content variation, insect infestation, rodent infestation and bird infestation. Likewise, the incurrence of shortage totaling 764 bags could mean misappropriation, mishandling or theft as stocks would not disappear without human intervention.

23.16. Relative to the shortages noted, the NFA Abra PO Audit Team requested the former Acting WS to submit explanation/justification why the variances/shortages occurred. In reply, the former WS justified that he solely shouldered the responsibility in all transactions within the warehouse which involved voluminous works, such as,

weighing, recording, updating, documentation, reconciliation, etc. that required more than one personnel to handle. He further claimed that various transactions and untoward incidents contributed to losses of stocks, such as, the transfer in or out of stocks within the region, transfer of accountability, repiling, rebagging, and issuance of fillers. Moreover, he also claimed that he held two warehouses simultaneously wherein he experienced difficulty in undertaking all transactions without assistance. He reasoned out that the variances incurred have been caused by the over issuances of rice stocks sold to retailers and stakeholders.

23.17. From the foregoing justifications, it could be inferred that negligence is one of the reasons for incurring shortages. The incurrence of shortages in bags is rather unusual because if all warehouse activities and rice withdrawals were duly authorized and properly recorded, this would not result in shortages in bags. As to the reason of transfer of stocks and accountability, it would be carelessness on the part of the former Acting WS to accept accountabilities and record in the WSRs the weight in nkgs and bags indicated in the WSIs of the issuing Province or outgoing WS if the actual and weight and bags received were lesser.

23.18. Dispersal of stocks and transfer of accountabilities to another SAO are done through bag-to-bag with actual weighing in the presence of Provincial Inventory Committee. As to repiling, it is just a relocation of stocks to another pile and is not regularly undertaken. The spillages on ruptured bags could have occurred, but only minimal contributory factor that could affect the huge shortage in nkgs. Spillages may be recovered and placed again inside the sack if these fell on a clean floor/ground. As to the justification in rebagging, there might be spillages but very minimal. If the number of bags decreased after re-bagging, such was documented and recorded as credits to his accountability; thus, it is not a contributory factor in the incurrence of shortage in bags. As regards the issuance of fillers, it was deemed that it was closely monitored even if done through the assistance of laborer. The possibility of under-issuance of fillers may arise rather than over issuance.

23.19. Meanwhile, based on records of NFA Ilocos Norte PO, on July 13, 2017, the then NFA Acting Provincial Manager of the PO issued an Office Memorandum to the former WS of Laoag GID, demanding a written explanation for the incurrence of the variance. In his letter-reply, the former WS pointed out that the variance could be due to the accumulated shortages sustained during the period of his accountability and requested that the variance be covered up by the TOLA allowed for shortages incurred.

23.20. On August 3, 2017, the Audit Team of NFA Ilocos Norte PO, likewise, issued an Audit Query Memorandum (AQM) requesting the PO Management and the WS to explain how the variance/shortage of 63 bags was incurred, since the Audit Team deemed that there was no compelling reason to believe that the variance might be due to accumulated shortages sustained during the period of WS's accountability considering that the withdrawal of rice stock (VCEW62) only started to peak in June and July 2017 or a month before the conduct of bag-to-bag count and the transfer of the remaining stocks to the incoming SAO, and the subject rice variety had only been confined to a single pile, thus, the contention on possible offsetting or carry over from another pile is unacceptable.

23.21. In their reply dated September 7, 2017, Management informed that the AQM had been endorsed to the RTAC for their comment. And as per Memorandum coded ROI-2017-H-019 dated August 16, 2017, the matter was endorsed to the National Tolerable Allowance Committee (NTAC) for their study and review. As regards the request in the AQM to explain how the variance in bags was incurred, PO Management and the SAO have not submitted to the Audit Team written explanation.

23.22. Meanwhile, perusal of the RTAC Resolution dated August 6, 2017, it was noted that the RTAC members unanimously agreed that the concerned SAO should be held liable for the unaccounted number of bags (container and contents) if this cannot be justified by the SAO.

23.23. On September 15, 2017, the Audit Team received a copy of the SER with TOLA computation showing that all stocks handled with shortages were all covered by TOLA, resulting in zero shortages on all stocks handled by the SAO, without due regard to the earlier position of the RTAC that the unaccounted shortages both in bags and contents shall be disregarded in the computation of TOLA if this cannot be justified by the SAO.

23.24. Meanwhile, as presented in Table 48, in NFA Western Pangasinan PO, a SAO was short by 317 bags with net kilograms of 59,074.420 was granted TOLA of 112,030.885 kgs., and in NFA Eastern Pangasinan PO, a SAO was short by 880 bags with net kilograms of 132,014.407 and was given a TOLA of 132,014.407 kgs., both resulting in offset/zero shortage.

Table 48 - Summary of Stock Examination and TOLA Computation

	Nkgs.	Bags
<i>NFA Western Pangasinan PO: (SAO 1)</i>		
RECEIPTS:		
Test Milling	484,585.050	9,746
Private Milling	4,153,014.358	83,140
Transfer out	1,749,599.850	34,717
TOTAL RECEIPTS	6,387,199.258	127,603
ISSUES:		
Dispersal within the Region	759,365.695	15,467
Dispersal outside the Region	2,774,454.000	55,560
LOCAL RICE		
Transfer In/Out within the province	730,742.650	14,738
Distribution- Cash	2,026,370.000	40,544
Distribution on account	5,000.000	100
Distribution-CDIF	18,945.264	378
Rice Allowance	6,000.000	120
Payment in Kind	7,223.229	130
Sample/Lab Analysis	24.000	-
Fillers	-	249
TOTAL ISSUES	6,328,124.84	127,286
Shortage before TOLA	59,074.420	317 bags
TOLA GRANTED	112,030.885	-
Shortage net of TOLA	offset	-

	Nkgs.	Bags
NFA Eastern Pangasinan PO: (SAO 2)		
RECEIPTS:		
Re-Milling	14,108.85	282
Transfer in/within the Region	50,089,771.60	1,004,859
Transfer in/ outside the Region	1,415,911.40	28,455
Transfer in/out within the province	49,862.03	1,004
Rolling Store	14,740.00	295
Returned Stocks	2,750.00	55
TOTAL RECEIPTS	51,587,143.88	1,034,950
ISSUES:		
Test Milling	4,798.00	100
Dispersal within the Region	1,754,517.44	35,288
Transfer in/out within the Province	40,246.93	885
Remilling	9,746.00	200
Distribution – Cash	42,255,314.028	846,027
Distribution on account	104,500.00	2,090
Distribution – CDIF	51,116.47	1,046
Sales – FAIR	1,833,373.50	36,680
IFR Mixing	1,855,000.00	37,100
Distribution IFAD	707,950.00	14,159
LOCAL RICE		
Rolling Store	772,050.00	15,441
Rice Allowance	1,200.00	24
Payment in Kind	316,473.265	6,330
LOCAL RICE		
Sample/Lab Analysis	29.00	1
Sales thru Market Determined Price	1,008,156.56	20,163
Sales Auction	783,000.00	14,760
Distribution – PPISO	1,900.00	38
Dumping	794.28	16
Fillers	-	3,722
TOTAL ISSUES	51,455,129.473	1,034,070
Shortage before TOLA	132,014.407	880
TOLA GRANTED	132,014.407	-
Shortage net of TOLA	offset	-

23.25. Results of evaluation showed that TOLA was computed and granted to shortages regardless of the manner of how the stocks disappeared.

23.26. The disappearance of the number of bags could not be attributed to natural causes that warrant the grant of TOLA because natural causes such as moisture content variation, insect infestation, rodent infestation and bird infestation, is not likely to cause the disappearance in the entirety of the whole content of a bag of stock including the bag itself.

23.27. The inability of the former SAOs to provide satisfactory or reasonable justifications for the shortages incurred made them accountable for the loss pursuant to Sections 101(1) and 105(1) of PD No.1445 and Item J of NFA SOP No. GM-WH07 dated January 10, 1995.

23.28. As to the determination of the final shortage of the SAO, the Audit Team believes that NFA SOP No. GM-WH13 dated April 22, 2003, entitled *SOP on the NEW Computerized Stock Examination and TOLA Computation* which prescribes the whole

process of determination of stock accountability from stock examination to TOLA computation is not applicable to the shortages in bags of stocks incurred by SAOs. One of the policies mentioned in TOLA computation is that only grains stocks accountabilities with shortages are subject to TOLA computation and that no TOLA are granted for MTS accountabilities. The term “grains” is deemed to refer to nkgs. Inquiry from Management also disclosed that no NFA SOP has been formulated/issued yet on how to treat the SAOs’ shortages in bags.

23.29. The above scenario may be likened to short-landed receipts defined under NFA SOP No. FS-FA11, dated June 15, 1999, entitled “*Revised SOP on Accounting for Stocks*” which has not granted TOLA following said SOP and NFA SOP No. GM-DL03, dated January 1, 1999, to wit:

Short-landed receipts occur when number of bags received is less than number of bags issued/transferred. If the truck used in transfer is NFA-owned, the value of the stocks short-landed shall be chargeable to the driver. A receivable account shall be set up at the provincial office where the driver is assigned. If transport is made through a private contractor the value of stocks short-landed shall be deducted from trucking claims.

The hauler-contractor shall likewise be liable at replacement cost at the time of loss for shortages in the number of containers, regardless of whether the shortages in weight of the stocks at the receiving warehouse is within the tolerable allowance or not.

23.30. By analogy, the SAOs should not have been granted TOLA on their shortages in bags of stocks which resulted in zero shortages, but instead they should have been held liable for the replacement cost of the number of bags of rice regardless of whether the shortages in weight is within the TOLA or not. As computed by the Audit Team, the money value of shortages incurred by the former SAOs of Abra PO and Ilocos Norte PO approximately amounted to P3.239 million and P142,830, using replacement cost-intentional losses based on NFA AO-2K15-03-028 dated March 12, 2015, as illustrated in Table 49.

Table 49 - Money Value of Shortages in Bags Incurred at Replacement Cost

Rice Variety	Shortage in Nkgs (a)	Replacement Cost (b)	Total (axb)
<i>NFA Abra PO:</i>			
Imported Rice			
15% Broken	21,693.40	P 45.44	P 985,748
25% Broken	27,250.80	44.65	1,216,748
Local Rice			
63% Broken	22,816.30	45.44	1,036,773
Total			3,239,269
<i>NFA Ilocos Norte PO:</i>			
VCEW62 25% broken	3,198.88	44.65	142,830

23.31. Inquiry with the then RTAC Chairman of RO No. I disclosed that they have computed and granted TOLA without regard to the shortage in the number of bags since there is no SOP specifically prohibiting the grant of TOLA for shortages in bags. The provisions of NFA SOP Nos. FS-FA11 and GM-DL03, although analogous, were not

applied since it would be burdensome for the SAOs, in the absence of express provision applicable thereto.

23.32. Granting of TOLA on the shortages in filled bags or number of bags of stocks in the liquidation of the accountabilities of the SAOs, despite absence of written policy gives undue advantage to SAOs and results in unrecouped loss of assets on the part of NFA.

23.33. We recommended that Management require the Managers of concerned POs to:

- a. Discontinue the practice of granting TOLA on shortages in filled bags or number of bags of stocks in the absence of written policy; and**
- b. Instruct the Senior Accounting Specialists (SAS) to record in the books of accounts the receivable from SAOs representing the money value of the shortages in bags of stocks using the replacement cost-intentional losses, if warranted.**

23.34. The NFA NCR-CPO and NFA RO No. I gave the following comments:

- a. NFA NCR-CPO

An in-depth analysis and reconciliation is being done by the Accounting Section during stock examination process and it will discuss the recommendation regarding exclusion of filled bags shortages in the computation of the SAO's stocks accountability with NFA-NCR Regional Accounting and NFA-HO.

- b. NFA RO No. I

In Abra PO, final shortages will be recorded in the books of accounts when the decision/recommendation from the NTAC is received by the PO. The RTAC made a standpoint per Memorandum ROI-2017-H-019 dated August 16, 2017 not to compute TOLA on variances/shortages in bags after the conduct of bag-to-bag inventory count. The Committee also specified that the SAOs should be held liable for the unaccounted number of bags incurred if this cannot be justified by them. The PO had elevated this matter to RO. The Audit Observation Memorandum (AOM) served as a supporting document for RTAC's viewpoint and was forwarded to the HO for deliberation.

In NFA Ilocos Norte PO, they are seeking advice/comment as to whether or not to wait for the final resolution/decision of the NTAC since the matter was already forwarded/elevated to their attention, before taking up the shortages of the SAO in the books of accounts using the replacement cost – intentional losses in the amount of P142,830 as recommended by the Audit Team, considering that there are no existing NFA policies formulated/issued yet to treat SAO's shortages both in bags and in net kilograms. In a letter dated February 9, 2018, the PO informed the Audit Team that as per NTAC meeting on February 6, 2018, the Vice-Chairperson and Presiding Officer instructed concerned departments to study the recommendation and prepare a guideline/SOP on the matter as per information relayed from the Internal Affairs Services Department (IASD) through wire

message coded IASD-FAD-B-03 dated February 7, 2018. As regards the audit recommendation requiring the SAO of NFA Ilocos Norte PO to submit in writing why the shortages occurred and justification why he should not be held accountable therefor, management, likewise, attached a copy of the SAO's letter wherein he indicated his track record as accountable officer for the period of his accountability. He claimed that the total stock shortages he incurred represent only 0.139 per cent of the total stocks he handled, way below the computed TOLA of 1 per cent which proves to show that he did not have any intention to use TOLA in covering up shortages neither did he make any unauthorized withdrawals for his personal gains and advantages.

Likewise, the RTAC agreed to stop granting TOLA with corresponding shortage in bags.

23.35. As audit rejoinder, the Audit Team of NFA Ilocos Norte PO maintains its stand to hold the concerned SAO accountable for the incurrence of the shortage of 63 bags. The actual bag-to-bag count of rice inventories as witnessed by the Audit Team sufficiently established the unaccounted loss of 63 bags of rice inventories. The SAO's allegations and justifications that the unaccounted 63 bags might have been in-warehouse transactions like issuances of fillers in bags but recorded only in weight, re-bagging of spillages and loose bags, eradication of sweepings to maintain good warehouse-keeping which he had failed to record or document, is not convincing.

Disaster Risk Reduction and Management

24. The NFA Disaster Preparedness Manual and SOP No. SP-OT01 devised/ formulated several years ago are no longer aligned to the goals and objectives of Republic Act (RA) No. 10121, otherwise known as the Philippine Disaster Risk Reduction and Management Act of 2010" that might affect/limit the ability of NFA to respond to disasters risks in consonance with the National Disaster Risk Reduction and Management Plan.

24.1. Disaster as defined in RA No. 10121 is a serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources. It is often described as a result of the combination of: the exposure to a hazard; the conditions of vulnerability that are present; and insufficient capacity or measures to reduce or cope with the potential negative consequences. Disaster can be the result of natural or man-made causes, or a combination of the two. It can occur suddenly or it can develop slowly.

24.2. The Filipinos have always endured hardship of a hostile environment and have continually sought survival against typhoons, floods, earthquakes, epidemics, fires and other major calamities that occur in the country. The government realized that it is appropriate to enact a law that would strengthen the Philippine disaster control, capability and establishing the national program on community disaster preparedness. Hence, PD No. 1566 was enacted in 1978.

24.3. The NFA took steps for disaster preparedness through the formulation of SOP No. SP-OT01, dated May 15, 1985, entitled “*NFA Disaster Calamity Preparedness and Action Plan*” which sets out the procedures to be performed whenever calamity has been declared, the creation of a Disaster Action Group and formulation of Action Plan. The SOP also sets guidelines to address the following during disasters: communication services, relief services, evacuation and engineering, health services and transportation services.

24.4. The same SOP also provides for the Framework of specification of authority regarding:

- a. Cash/Credit Sales;
- b. Purchase of rain soaked/typhoon damages stocks;
- c. Sale of palay seeds to calamity victims; and
- d. Transfer of stocks to calamity stricken areas.

24.5. Further, the SOP vests to the Office of the Deputy Administration for Operations the Central Monitoring/Coordinating Unit (nationwide) regarding the Action Plan for: pre-emergency phase, emergency phase and post-emergency phase, assistance to NFA employees and repair of NFA Properties.

24.6. The NFA has continually participated in the disaster control and preparedness. During the administration of then President Fidel V. Ramos or from CYs 1992 to 1998, the NFA was able to create a Disaster Preparedness Manual which aimed:

- a. To define the responsibilities of NFA field personnel involved in disaster operations;
- b. To establish guidelines and procedures for implementation before, during and after a calamity/disaster;
- c. To adopt operation plans and programs on food security for implementation in the field; and
- d. To facilitate the delivery of relief services to calamity and disaster victims in the form of emergency rice releases.

24.7. The NFA Disaster Preparedness Manual provided for the detailed procedures, instructions, forms and reports as set out in the SOP. The Manual also included the Memoranda of Agreement (MOAs) entered by NFA with various agencies of the government, including local government units.

24.8. From 1978 to present, there were advent of vast and catastrophic disasters that occurred in our country that the government had deemed it proper to further strengthen the Philippines Disaster Preparedness, Risk Reduction and Management System. Thus, last May 27, 2010, RA No. 10121, also known as the “*Philippine Disaster Risk Reduction and Management Act of 2010*” was signed into law which provides, among others, viz.:

Section 2. Declaration of Policy. – It shall be the policy of the State to:

Xxxx

*(d) Adopt a disaster risk reduction and management approach that is holistic, comprehensive, integrated, and proactive in lessening the socioeconomic and environmental impacts of disasters including climate change, and promote the involvement and **participation of all sectors and all stakeholders concerned**, at all levels, especially the local community;*

*(e) Develop, promote, and implement a comprehensive National Disaster Risk Reduction and Management Plan (NDRRMP) that aims to **strengthen the capacity** of the national government and the local government units (LGUs), together with partner stakeholders, to build the disaster resilience of communities, and to institutionalize arrangements and measures for reducing disaster risks, including xxx enhancing disaster preparedness and response capabilities at all levels;*

*(f) Adopt and implement a coherent, comprehensive, integrated, efficient and responsive disaster risk reduction **program incorporated in the development plan at various levels of government** adhering to the principles of good governance;*

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Section 14. Integration of Disaster Risk Reduction Education into the School Curricula and Sangguniang Kabataan (SK) Program and Mandatory Training for the Public Sector Employees.

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*The **public sector employees** shall be trained in emergency response and preparedness. The training is mandatory for such employees to comply with the provisions of this Act. [Emphasis supplied]*

24.9. In addition, the SENDAI Framework for Disaster Risk Reduction 2015-2030 was adopted at the Third United Nations (UN) World Conference in Sendai, Japan last March 18, 2015 which outlines four priorities for action to prevent new and reduce existing disaster risks, to wit:

- a. Understanding disaster risk;
- b. Strengthening disaster risk governance to manage disaster risk;
- c. Investing in disaster reduction for resilience; and
- d. Enhancing disaster preparedness for effective response and to "Build Back Better" in recovery, rehabilitation and reconstruction.

24.10. Furthermore, the implementation of RA No. 10121 finds support in the 2017 General Appropriations Act which provides:

*The agencies of the government shall implement programs, projects and activities designed to enhance XXX **mitigation and disaster risk reduction** at the national and local community levels. The programs, projects and activities shall include those that would:*

- (i) Strengthen participatory local risk governance;*
- (ii) Enhance the resilience of rural livelihoods and promote business continuity planning;*
- (iii) Preserve the integrity of the ecosystems;*
- (iv) Promote the resilience of culture and indigenous practices; and*
- (v) Strengthen the early disaster recovery planning.*

24.11. Meanwhile, considering the prolonged period that had elapsed, the NFA remains static and still sticks to its then created SOP and Manual. Thus, due to the passage of time these SOP and Manual accumulated deficiencies and now warrants the need to be updated so as to be in-tuned or applicable to the current situation of the country. The following are few points that need to be updated or incorporated in the NFA's SOP and Manual on Disaster Preparedness:

- a. The development of a concrete Disaster Risk Reduction and Management Framework that would serve as a guide in the preparation of a specific Disaster Risk Reduction and Management Plan;
- b. The update of the existing Disaster Preparedness Manual into a Disaster Risk Reduction and Management Plan that is more focused on the Preparedness/Pre-Disaster Phase which aims to mitigate the effects of unanticipated disasters;
- c. The renewal of old/engagement to new MOA to various agencies/instrumentalities/civil society organizations to gather a wide array of networks or connection that will help respond during and after the disaster; and
- d. The formulation/establishment of activities/tools that will strengthen awareness of NFA personnel, such as dissemination of the "would be updated Manual."

24.12. It was also observed that the Agency had no structured risk management plan in place. Although fragmented risk processes were adopted, they have not been put together in a holistic, comprehensive/integrated structured/plan that is easily definable/identifiable. As such, control activities to mitigate every possible risk of the Agency were also not defined and therefore monitoring of the effectiveness of same control activities was not possible. This could result in financial losses and affect the achievement of the goals and objectives of the Agency. Likewise, there were no plans

and targets on Disaster Preparedness through which accomplishments could be based on.

24.13. Validation and evaluation of the NFA's risk reduction activities disclosed the following significant deficiencies, among others, on the risk management processes/control activities of the Agency:

a. The warehouse personnel and other employees of NCR, CPO, BPU and SDO who are members of the Regional/Provincial Disaster Action Groups, having the Regional/Provincial Managers as the Group Leader/s, did not have trainings on all aspects of disaster preparedness control and reaction measures. Likewise, the Action Groups were not able to conduct earthquake/fire, etc. drills/exercises periodically to effect the efficient mobilization of equipment, manpower and related resources as provided in the abovementioned NFA SOP on Disaster Calamity Preparedness and Action Plan and RA No. 10121. In SDO, the only calamity drilling exercise reported was the employees' participation in the fire/earthquake drill organized by the Food Terminal, Inc. (FTI) on July 14, 2017. However, there were Office Orders issued in May 2014 and May 2016 for SDO and CPO, respectively, and Office Orders issued in NCR organizing Disaster Preparedness Teams and Operation Centers (OPCEN), although in SDO, some of its members were already either retired from service or deceased, or had transferred to other ROs/DOs.

b. The NFA-BPU depended only on one service vehicle aged 22 years to serve as transport vehicle in times of emergencies as the other vehicle, a Canter, was already unserviceable. Likewise, SDO has only three service vehicles aged 9-33 years to serve as employees' transport vehicles during times of emergencies, including a 1985 Canter which requires frequent repairs and is poorly maintained. Moreover, there were cracks on the walls/posts of both the BPU and SDO offices and warehouses and there were also leaks on the roofs of the offices. In NFA-CPO, there were holes on the roof of the new General Trias Warehouse (GTW) which have not been attended to or repaired. Poor maintenance of the old service vehicles and non-rehabilitation of the offices and warehouses could cause further damage to property and risks to the safety of NFA's personnel.

c. In SDO, the fire extinguishers, including damaged ones kept inside the office premises, are all expired, thus, casting doubt on their usefulness in case of fire outbreak. Since most of the fire extinguishers rely on pressurized gas to propel chemicals to put out a fire, they need to be replaced/serviced/refilled as soon as these have been used or have not been used for a long time to ensure that the gas is of the right pressure. Meanwhile, damaged fire extinguishers should be disposed of properly to prevent leakage of harmful chemicals.

d. In NFA Sorsogon PO, it was learned that it is currently a member of Provincial Disaster Risk Reduction Management Council of Sorsogon (PDRRMC-Sorsogon) which only stresses the vital role and mandate of NFA to provide stable supply and prices of rice at all times.

24.14. The above significant deficiencies on disaster risk management processes/control activities, together with all other deficiencies, if immediately identified/defined in a comprehensive structured plan, could easily be provided with control/corrective measures and monitored to determine whether measures adopted are adequate and effective to limit/lessen the risks to the Agency in case of disasters or calamities.

24.15. Disaster impacts may include loss of life, injury, disease and other negative effects on human, physical, mental and social well-being, together with damage to property, destruction of assets, loss of services, social and economic disruption and environmental degradation. Disasters usually result in tremendous losses of lives and properties and oftentimes prolonged sufferings of the people. Hence, there is a need to put a step ahead and anticipate possible outcome in order to be resilient if not possible to avoid the impact of disasters.

24.16. The updating of the above-mentioned SOP and Manual has long been overdue. In addition, NFA needs to have a holistic, comprehensive, integrated and proactive guidelines or procedures in addressing the impact of disasters and to meet the needs of the current circumstances of the country. Prolonging the updating of SOP and Manual will surely result in the non-attainment by the Agency of its sworn mandate to maintain food security stocks at any given time in order to effectively and immediately respond during disaster/emergency situations.

24.17. **We recommended that Management:**

- a. **Adopt a Disaster Risk Reduction and Management Framework and Plan in congruence with the National Disaster Risk Reduction and Management Framework and Plan in order for NFA to be equipped and be responsive in times of disaster or calamity;**
- b. **Significantly update and/or revise NFA SOP No. SP-OT01 to be aligned with the adopted Disaster Risk Reduction and Management Plan;**
- c. **Thoroughly disseminate the Plan and the SOP to promote and encourage the involvement and participation of all sectors and stakeholders concerned, at all levels;**
- d. **Require the concerned personnel of NFA to conscientiously prepare or craft the Agency Annual DRRM Plan and Budget in accordance with the provisions of RA No. 10121; and**
- e. **Henceforth, constantly update/revise the SOP and Manual on Disaster Risk Reduction and Management to be always in tune with the current situation and/or time.**

24.18. Management provided the following comments:

- a. NCR, CPO and BPU

They will coordinate with NFA-HO in preparing the Agency's structured risk management plan that is holistic, comprehensive, integrated and pro-active to

identify all the possible risks, define the control activities to mitigate risk and monitor its effectiveness.

NCR has been assigning personnel/tasking teams for Disaster Preparedness and the Operation Center. Special/Office Orders were issued delegating NCR employees of their specific duties and responsibilities during certain disasters/calamities such as robbery/holdup, typhoons and earthquakes.

CPO has prepared an Office Order for the creation of a Provincial Disaster Preparedness Team and Operations Center for the year 2018.

With regard to CPO's warehouse personnel and other employees who are members of the Provincial Disaster Preparedness Team who lack trainings on all aspects of disaster preparedness, a budget will be requested from NFA-NCR for said trainings. CPO will coordinate with concerned agencies for the conduct of seminars/lectures on Disaster Preparedness and the conduct of earthquake/fire drills/exercises so that employees will be aware of their duties and responsibilities in times of disasters/calamities.

b. BPU

BPU closely coordinates with the Provincial Governors Office (PGO) and Provincial Disaster Risk Reduction Management Office (PDRRMO) on the available trainings, seminar, workshop, etc. and requests to include BPU as Council Member of PDRRMO in all trainings/seminars/workshop regarding Disaster Preparedness conducted by the National Disaster Risk Reduction Management Office (NDRRMO) or PDRRMO.

Also, BPU has participated in the earthquake drill conducted by the Province of Batanes in March 2017 or there was simultaneous earthquake drill with BPU personnel.

Moreover, BPU already made several requests from NCR for a service vehicle which would have less maintenance to replace the present service vehicle which is already 22 years old and already dilapidated due to exposure to natural elements, and for the inspection assessment on the structural integrity of the BPU office building which is almost 40 years old.

c. SDO

In 2013, SDO created a Disaster Preparedness Team (DPT) in compliance with Republic Act No. 10121 to immediately respond to any disaster or calamities that may happen within its jurisdiction. In times of calamities, the DPT is assigned to the Operation Center to monitor and coordinate with counterparts in the different government agencies. Further, SDO employees consistently attended all the fire and earthquake drills/exercises conducted by the different government agencies to enhance their knowledge/skills in dealing with the actual situations.

SDO Management had evaluated/checked the usefulness of the fire extinguishers and found that these could still be effectively used in case of fire. Although the warranty given for fire extinguishers' effectiveness is only one year,

these could still be considered effective and functional as long as the needle is pointed to the green area of the pressure gauge. In fact, one fire extinguisher performed perfectly during the recent fire drill conducted by the Bureau of Fire Department within the FTI Compound.

24.19. As audit rejoinder, we appreciate Management's commitment to prepare Agency's structured risk management plan and the activities that have been undertaken with regard to disaster risk reduction. However, their full compliance with all of the above-mentioned recommendations will be continuously monitored and validated.

Gender and Development (GAD)

25. The CY 2017 GAD Plan and Budget (GPB) of NFA amounting to P453.282 million was not approved/endorsed by the Philippine Commission on Women (PCW), as required under Section 8.6 of Joint Circular (JC) No. 2012-01 issued by the PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM), due to the submission to PCW of the revised version of the GPB beyond the prescribed deadline; thus, there was no assurance that the programs, activities and projects (PAPs) indicated therein were aligned with the gender issues under the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025. Despite the non-approval/endorsement of its CY 2017 GPB, NFA carried out some of the GAD PAPs costing P40.537 million. However, in the absence of CY 2017 GPB duly endorsed by PCW, there is no assurance that the activities conducted were supportive or responsive to the gender issues of the Agency and its clients.

25.1. Section 1 of Executive Order (EO) No. 273 dated September 8, 1995, on the adoption of Philippine Plan for Gender-Responsive Development 1995-2025, referred to in the EO as Plan, directed all government agencies, departments, bureaus, offices and instrumentalities to: (a) take appropriate steps to ensure the full implementation of the policies/strategies and programs/projects outlined in the Plan; and (b) institutionalize GAD efforts in government by incorporating GAD concerns as spelled out in the Plan in their planning, programming and budgeting processes.

25.2. Section 30 of the General Provisions of the General Appropriations Act (GAA) for Fiscal Year (FY) 2017 provides, among others, for the following:

Section 30. Programs and Projects related to Gender and Development. All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under R.A No. 9710 or the Magna Carta of Women, Convention on the Elimination of all Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025) and the Philippine Development Plan.

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The preparation and submission of the annual GAD Plan and Annual Accomplishment Report shall be subject to the guidelines issued by the agencies concerned.

25.3. PCW-NEDA-DBM JC No. 2012-01 prescribes the guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GPBs and GAD AR, relevant provisions of which are as follows:

3.5 Agency GAD Focal Point System (GFPS) xxx shall coordinate the preparation of the agency GPB and the GAD Accomplishment Report (AR), monitor its implementation and report on its results. Xxx.

7.0 Schedule to be observed in GAD Planning and Budgeting:

i. September (2 years before budget year) - PCW issues notification letters to all line departments or central offices for the submission of their annual GPB and GAD ARs to PCW.

v. January (1 year before budget year) - Submission of reviewed GPBs and ARs to PCW.

vii. March - Xxx central offices submit revised GPBs to PCW. PCW approves and endorses all revised GPBs and returns them to the concerned offices for submission to DBM xxx.

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8.6 PCW shall endorse agency GPBs only xxx if they are reviewed by the mother or central office;

10.1 Xxx. The agency GFPS shall prepare the annual GAD AR based on the PCW-endorsed GPB xxx following the form prescribed in Annex B.

25.4. Likewise, PCW Memorandum Circular (MC) No. 2015-04, on the Preparation and Online Submission of FY 2017 GPBs and FY 2015 GAD Accomplishment Reports (ARs) and Other Matters, provides that the submission, review and endorsement of GPBs and GAD ARs shall be coursed through the Gender Mainstreaming Monitoring System (GMMS), the PCW online system for managing GAD profiles, GPBs and GAD ARs, as well as for generating GAD-related reports.

25.5. Section 8 of the same PCW MC provides that the deadline for the submission of all FY 2017 GPBs and FY 2015 GAD ARs to PCW through the GMMS is February 1, 2016. Also, several sections of the MC and succeeding MCs issued by the PCW provide for the agency requirements for the online submission of GPBs and GAD ARs as well as additional information on the process of preparation and submission of GPBs and GAD ARs. The MCs also provide for the guidelines on how GMMS focal persons, reviewers and endorsers may familiarize themselves with the GMMS.

25.6. Section 10 of MC No. 2015-04 further provides that agencies are encouraged to read the full text of PCW-NEDA-DBM Joint Circular No. 2012-01 for additional information on the process of preparation and submission of GPBs and GAD ARs.

25.7. On the other hand, Part V of COA Circular No. 2014-001 dated March 18, 2014 provides that the Audited Agency shall submit a copy of the Annual GPB to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW, or their mother or central offices, as the case may be. Likewise, a copy of the corresponding GAD AR shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year. It is worth mentioning that the AR was submitted by NFA to the Audit Team on February 8, 2018 which is beyond the prescribed period.

25.8. NFA's CY 2017 GPB consisting of approved and attributed budget amounted to P453.282 million. Included in the GPB were organization and client focused activities mainstreamed within the programs/projects of the Agency.

25.9. Records showed that the copy of NFA's GPB for CY 2017 was submitted to the PCW on February 29, 2016 contrary to the provision of MC No. 2015-04 which sets the deadline for its submission to the PCW on February 1, 2016.

25.10. Meanwhile, despite the non-endorsement by the PCW of its CY 2017 GPB, NFA carried out some of the GAD PAPs indicated therein, incurring total expenditures of P40.537 million consisting of the approved budget and attributed amount as shown in the NFA's GAD AR for CY 2017 which was submitted to PCW on January 31, 2018.

25.11. The GAD activities undertaken by NFA in CY 2017 were: (a) issued Memorandum for the submission of an updated sex-disaggregated database for monitoring purposes, planning and budgeting; (b) conducted Ugnayan activities for stakeholders/clients of the Agency; (c) provided the Agency's clients with GAD-related Information, Education and Communication materials with topics on Anti-Violence Against Women and Children Law, Anti Sexual Harassment Law, etc.; (d) conducted meetings/consultations with the Focal Point System members, GAD TWG, EXECOM members, Regional Managers on GAD Planning and Budgeting and other issues; (e) conducted GAD Advocacy Programs, seminars on laws on women, GAD inclusive leadership training, Gender Sensitivity Training, Gender Analysis Tools (HGDG and GMEF) and Gender Statistics; (f) maintained the existing Day Care Center; (g) conducted Information dissemination; and (h) hired qualified technical staff.

25.12. However, there is no assurance that the abovementioned activities were supportive or had contributed in responding to the gender issues of the Agency and addressed the gender issues of NFA's clients.

25.13. **We recommended that Management:**

a. Strictly comply with EO No. 273, PCW-NEDA-DBM JC No. 2012-01, COA Circular No. 2014-01 and PCW Memorandum Circulars; and

b. Direct the GAD focal person to:

b.1 Prepare the Annual GPB and submit the same together with the GAD AR to PCW for approval/endorsement within the deadline set; and

b.2 Submit to the Audit Team copy of the approved/duly endorsed GPB within five working days from receipt thereof and GAD AR within five working days from the end of January of the following year.

25.14. Management explained that the 2017 Annual GPB was unendorsed by PCW because the revised version thereof was not submitted on the given deadline. Efforts were made to submit the revised GPB so that it may be endorsed, but since submission is through an online system, this was not possible. However, the Agency was advised by PCW that GAD PAPs can still be implemented for 2017 even if the GPB is unendorsed by PCW.

25.15. As audit rejoinder, we will continue to monitor NFA's compliance with EO No. 273, PCW-NEDA-DBM JC No. 2012-01, COA Circular No. 2014-01 and PCW Memorandum Circulars with regard to submission to PCW and COA of the Annual GPB and GAD AR.

Compliance with Tax Laws

26. Management properly withheld the required Percentage/Final, Expanded Withholding and Value Added Taxes from the purchase of goods and services and taxes on compensation income from salaries of officials and employees and promptly remitted these amounts to the Bureau of Internal Revenue (BIR) in CY 2017, thereby helping the National Government to collect funds needed for its operations. Total taxes withheld amounting to P550.954 million were remitted within the period prescribed by the BIR regulations.

Compliance with GSIS Law

27. The Agency had substantially complied with Section 14.1 of the IRR of RA No. 8291, which provides that each government agency shall remit directly to the Government Service Insurance System (GSIS) the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. The summary of remittances of employees' premium contributions and employer's premium contributions for CY 2017 is shown in Table 50.

Table 50 - Summary of Remittances to GSIS in CY 2017

	Withheld	Remitted
Life and retirement premiums, employees share	P 139,219,792	P 124,109,519
Government share	-	149,750,996
	P 139,219,792	P 273,860,515

C. PERFORMANCE

Utilization of National Government Subsidy

28. The National Government Subsidy to NFA for CY 2017 in the amount of P5.100 billion was used for the payment of maturing loans; thus, the intended purpose of the funds to implement the Food Security Program of the Agency might not be fully realized.

28.1. The GAA for FY 2017, RA No.10924, allocated the total amount of P5.100 billion to the NFA for the Food Security Program of the government. The appropriated amount shall be used specifically to stabilize the price and supply of rice and corn.

28.2. The Special Provision of the GAA for FY 2017 also directed NFA to observe the following conditions in the utilization of the government subsidy:

The NFA shall buy directly from farmers, except in case of calamities, fortuitous events, or shortfall in production, where the NFA is authorized to import rice and corn upon the recommendation of the NFA Council and approval by the President of the Philippines. The pricing schemes for imported rice and corn shall as far as practicable, consider the full recovery cost.

28.3. Consequently, the Department of Budget and Management (DBM) issued Special Allotment Release Order (SARO) No. BMB-C-17-0002143 dated February 24, 2017, with validity period until December 31, 2017, to cover the release of the National Government subsidy to the NFA for CY 2017 for the implementation of the Food Security Program.

28.4. NFA recognized in the books the receipt of funds in the total amount of P5.100 billion on March 2, 2017. Analysis of the transaction disclosed the following:

a. The Bureau of the Treasury (BTr) charged against the SARO the total amount of P3.010 billion to offset BTr's payment of previous year's Guarantee fee and the contribution to the Debt Reserve Funds (DRF sinking fund) in the amounts of P510.000 million and P2.500 billion, respectively.

b. The remaining cash proceeds in the amount of P2.090 billion was deposited to NFA's Land Bank of the Philippines (LBP)-Rice Collection Savings Account instead of the Cereal Procurement Fund (CPF) Account - LBP CPF Savings Account and Development Bank of the Philippines (DBP) CPF Savings Account which then had balances of P133,968 and P514,986, respectively; thus, there is a potential risk that the amount of P2.090 billion deposited to the Rice Collection Savings Account might be utilized other than its intended purpose.

c. The cash proceeds deposited to the Rice Collection bank account on March 2, 2017 was debited in the total amount of P2.090 billion representing payment of principal and interest on NFA's loans to LBP and DBP in the amounts of P1.046 billion and P1.044 billion, respectively. The transaction was recorded in the books under JEV No. 2017-03-005201 and JEV No. 2017-03-005203.

28.5. In view of the effort of NFA to meet its current obligations, the funds received by the Agency were utilized for the payment of maturing loans, thus, the intended purpose of the allotment/funds received for CY 2017 for the implementation of Food Security Program might not be fully realized.

28.6. Presented in Table 51 are the programs and the actual accomplishments of the Agency in the implementation of Price and Supply Stabilization of Rice and Corn which might have been adversely affected by prioritizing the payment of maturing loans.

Table 51 – Programs vis-a-vis Accomplishments on Price and Supply Stabilization of Rice and Corn

Program	Target	Actual Accomplishment	% of Accomplishment	Variance
SUPPORT TO FARMERS				
<i>Palay procurement from farmer's organization and individual.</i>	153,483 MT	28,514 MT	18.58	(124,969) MT
NFA Rice Distribution	1,130,120 MT	700,864 MT	62.02	(429,256) MT
Grains Business Licensing & Registration	78,565 Registrants	76,228 Registrants	97.02	(2,337) Registrants
Rice Importation	250,000 MT	250,000 M	100.00	-
Buffer Stocking	15 days average daily inventory 30 days lean months	7 days 5 days		(8 days) (25 days)

Source: NFA Annual Accomplishment Report 2017

28.7. The subsidy from the National Government for CY 2017 was intended for NFA's Food Security Program and should have been deposited to the Cereal Procurement Fund account to ensure that cash is readily available in time that there is procurement of palay in the Regional Offices (ROs) and field operating units (FOUs). However, the payment of NFA's maturing loans was given precedence, thereby affecting the Agency's programs and target accomplishments for CY 2017.

28.8. Based on records, NFA posted a procurement shortfall in the total of 124,969 metric tons of palay in CY 2017, which might be partly attributed to unavailability of funds in the ROs/FOUs during harvest season. NFA could have used the subsidy for additional incentives to farmers to level up and/or compete with local traders in order to attain its objective of providing market for farmers' produce with fair return on their investment in production cost so as to encourage farmers to sell their produce to the Agency. Had the NFA attained its target procurement, it would not have only added to the mandatory buffer stock requirement, but would have likewise encouraged farmers to produce more and minimize the need to import rice which utilizes foreign exchange reserve that eventually result in foreign or domestic borrowings for NFA.

28.9. Also, the procurement shortfall affected other programs of NFA, such as rice distribution and buffer stocking resulting in higher price of rice, unavailability of NFA rice in the market and lower inventory of rice in various NFA warehouses.

28.10. We recommended that the Management:

- a. Ensure that the government subsidy is used solely for its intended purpose, particularly on NFA's Food Security Program through procurement of palay and rice importation; and**
- b. Regularly monitor extent of utilization of available funds based on the palay production during the period to meet or even exceed the targeted palay procurement.**

28.11. Management explained that the net amount of P2.090 billion from the proceeds of the subsidy of P5.10 billion was initially used for payment of maturing obligations on March 2, 2017 due to the following reasons:

- a. To save on financial expenses such as interest and documentary stamp tax - the highest contributory factor to NFA's losses is the financial charges due to its high level of outstanding debts. For CY 2016, financial charges amounted to P6 billion, which was higher than operating expenses of P4 billion for Personal Services and Maintenance and Other Operating Expenses. Total savings on financial expenses with the immediate payment of maturing obligations of P2.090 billion amounted to P2.083 million and P2.564 million in interest expense and documentary stamps, respectively, or a total saving of P4.647 million. Maintaining the idle/unutilized procurement fund of P2.090 billion as of March 2017 in the bank will only earn minimal interest income of 0.10 per cent (regular savings) to 0.25 (high yielding rate) per annum, compared to the savings in paying interest expenses for loans at the rate of 2.5 per cent per annum aside from the savings on documentary stamp tax;
- b. To replenish partially the 2016 payment of 250,000 MT G to G rice importation through loan of P3.7 billion. This amount was not covered by the 2016 government subsidy resulting in the reduction of NFA's credit lines; and
- c. To ease the Agency's depleting credit lines in February 2017 which was deficit by P1.595 billion.

28.12. On the low accomplishment in procurement of palay, NFA justified that this was due to difficulty in purchasing palay at NFA's government support price of P17.00/kg clean and dry (14 per cent moisture content) or even lower than P17.00/kg depending on the quality and high moisture content of the palay procured, as compared to the prevailing ex-farm prices offered by traders to the farmers ranging from P18.40/kg in January 2017 to P18.98/kg in February 2017, while succeeding prevailing ex-farm price of palay as of end of March, April and May 2017 were P19.49/kg, P19.80 kg, and P20.29/kg, respectively, wherein the NFA's mandate to stabilize price of palay was accomplished.

28.13. As audit rejoinder, we recognize Management's prudent decision in paying maturing loans to save on interest expenses and documentary stamp tax. However, the utilization of the subsidy other than the intended purpose could compromise the implementation of NFA's programs for food security through procurement of palay and rice importation.

Maintenance of Buffer Stock

29. The rice inventory levels in NFA-NCR and other ROs/POs in almost all months of CY 2017 were way below the mandatory buffer stock requirements of 15 days in each month and 30 days in June, ranging from as low as 0.12 day to as high as 29.99 days, due to low importation and non-competitive buying price of palay in CY 2017, causing rice supply shortages and higher prices of commercial rice in the market; thus, might had adversely affected the Agency's ability to achieve its mandate of providing stable supply and prices at all times and had compromised its capability to effectively and immediately respond in times of disaster and emergency situations.

29.1. In line with NFA's mandate to maintain food security stocks at any given time in order to effectively and immediately respond during disaster/emergency situations, it issued the Food Security Policy per Memorandum 2013 AO-2K13-02-037 dated February 18, 2013. The policy provided that the Agency shall maintain a Strategic Rice Reserve equivalent to at least 15-day consumption requirement and likewise, must maintain the Government Rice Buffer Stock at 30-day level by July 1 of each year, inclusive of the 15-day operational stocks for the traditional rice lean months which starts in July.

29.2. Under the Marketing Plan of the NFA, the Daily Consumption Requirement (DCR) of each NFA Office in every Region was determined as basis in computing the number of rice bags for the required 15-day, and 30-day buffer stocks.

29.3. However, given that the national average of stock requirement is good for 15 days, the buffer stock requirements vary by province according to their classification: (a) very critical - provinces with negligible production that are almost fully dependent on other provinces for rice supply; (b) less critical - provinces with minimal production that are partly dependent for rice supply; (c) self-sufficient - production meets the consumption requirements; and (d) surplus areas - provinces with sufficient production to be able to export to other provinces. The very critical and less critical provinces are required to maintain buffer stocks of at least equivalent to 30 days and 15 days, respectively. On the other hand, the self-sufficient and surplus areas are only required to maintain buffer stocks of at least equivalent to five days and two days, respectively.

29.4. Verification of the Summary of Weekly Stock Receipts, Issues and Balances submitted by the Warehouse Supervisors (WSs) in the NFA-NCR and other POs showed that the required buffer stock levels based on each office's Daily Consumption Requirement (DCR) were not consistently maintained, as illustrated in Table 52.

29.5. As shown in Table 52, the four District Offices (DOs) of NFA-NCR and 19 POs showed deficit stock levels from 7 to 12 months during the year over the required buffer stock requirements which can be attributed primarily to the low receipt of imported rice due to the importation of only 250,000 Metric Tons (MTs) of rice in CY 2017 for NFA's ROs/DOs/POs which arrived only during the latter part of the year and the significantly low procurement of palay in the POs, as illustrated in the Table 53.

Table 52 - Summary of Buffer Stock Levels in NFA-NCR and Other POs

NFA Office	DCR	No. of Months with Excess Level	No. of Months Below Stock Level	Range of Deficit (No. of Days)
NATIONAL CAPITAL REGION				
Central District Office (CDO)	28,060 bags (Jan. - June) and 26,712 bags (July - Dec.)	0	12	1.07 to 29.02 days
North District Office (NDO)	16,296 bags (Jan. - June) and 15,513 bags (July - Dec.)	4	8	6.96 to 29.44 days
South District Office (SDO)	23,790 bags (Jan. - June) and 22,647 bags (July - Dec.)	1	11	0.20 to 29.14 days
East District Office (EDO)	24,356 bags (Jan. - June) and 23,185 bags (July - Dec.)	0	12	0.49 to 28.90 days
Cavite Provincial Office (CPO)	22,238 bags (Jan. - June) and 21,169 bags (July - Dec.)	0	12	0.12 to 29.86 days
REGION II				
Ifugao PO	1,660 bags	0	12	3.28 to 13.72 days
Kalinga Apayao PO	1,960 bags	5	7	0.62 to 13.83 days
Mt. Province PO	1,320 bags	0	12	22.03 to 28.28 days
REGION III				
Bulacan PO	20,400 bags	0	12	4.59 to 29.19 days
Pampanga PO	16,800 bags	0	12	6.15 to 24.65 days
Tarlac PO	8,960 bags	5	7	0.11 to 1.55 days
REGION IV				
Batangas PO	16,120 bags (Jan. - Sept.) and 15,340 bags (Oct. - Dec.)	1	11	5.00 to 28.90 days
Laguna PO	17,900 bags	0	9	12.40 to 28.16 days
Palawan PO	8,520 bags	3	9	0.41 to 7.66 days
Occidental Mindoro PO	2,580 bags (Jan. - Sept.)/ 2,720 bags (Oct. - Dec.)	9	3	none
Oriental Mindoro PO	6,220 bags (Jan. - Sept.)/ 5,960 bags (Oct. - Dec.)	4	8	0.77 to 1.78 days
REGION V				
Camarines PO	13,840 bags	8	4	none
REGION VI				
Iloilo PO	21,680 bags	8	3	none
REGION VII				
Cebu PO	18,640 bags	3	9	3.70 to 29.36 days
REGION VIII				
Southern Leyte PO	5,200 bags	8	4	none
Biliran PO	1,660 bags	5	7	2.75 to 7.23 days
REGION IX				
Zamboanga City PO	5,260 bags	7	5	none
REGION X				
Misamis Oriental PO	8,100 bags	6	6	none
REGION XI				
Davao City PO	8,580 bags	5	7	1.02 to 26.70 days
Davao del Norte PO	7,720 bags	0	12	10.22 to 28.63 days
Compostela Valley PO	2,600 bags	0	12	1.87 to 28.00 days
REGION XV- CARAGA				
Agusan del Norte PO	4,540 bags	0	12	2.87 to 29.99 days
Surigao del Sur PO	4,200 bags	4	8	2.29 to 19.57 days
Surigao del Norte PO	1,527 bags	0	12	0.54 to 29.98 days

Table 53 - Palay Procurement in some NFA POs

NFA Office	PROCUREMENT (in Bags)			Remarks
	Target (in Bags)	Actual	Percentage	
RO II				
Isabela PO	135,000	21,656	16.04	
Quirino PO	12,000	3,193	26.61	
Cagayan P	55,000	1,294	2.35	
Ifugao PO	9,000	2,966	32.96	
Kalinga Apayao PO				Did not conduct palay procurement during the year.
Mt. Province PO	25,000	424	1.69	
RO IV				
Batangas PO				No procurement because of price limitation. Non-attainment of palay procurement target due to high prevailing price of palay at the time of harvest.
Laguna PO				
Palawan PO	110,000	6,217	5.65	
Occidental Mindoro PO	890,000	177,639	19.96	
Oriental Mindoro PO				Procurement operations posted only at 41.67%
RO VIII				
Southern Leyte PO	2,500	339	13.56	
Biliran PO	4,000	320	8.00	
RO XI				
Davao City, Davao del Norte and Compostela Valley POs				Difficulty in the procurement of palay from farmers due to price limitation.

29.6. The low accomplishment on procurement was attributed to higher ex-farm prices ranging from P19.00 to P22.00 per kg. for ordinary clean and dry palay offered by private traders. The price offered by NFA, which was made effective nine years ago was not updated. Due to non-updating of the buying price of palay, the POs could not compete with the current price in their locality resulting in the below par accomplishments of NFA in its mandated function of procuring palay produced by farmers.

29.7. Had there been regular review of palay prices, the NFA would have at least met its target and would have not only added to the buffer stock for the food security requirement of the country but would have also encouraged farmers to produce more and eventually minimize, if not eliminate, the need to import rice.

29.8. The inability of these ROs/POs to maintain the required buffer stock requirement as provided under the approved Annual Marketing Plan could expose the cities/municipalities under their jurisdictions to risk of supply shortage and higher prices of commercial rice in the market thus, might have adversely affected the NFA's ability to achieve its mandate of providing stable supply and prices at all times and had compromised its capability to effectively and immediately respond in times of disaster and emergency situations.

29.9. We reiterated our previous year's audit recommendations that Management:

a. Devise a more realistic and relevant plan of rice procurement and allocation that is aligned with the mandate of NFA, specifically on buffer stocks and at the same time responsive to the needs/preferences and buying capacity of majority of the rice consumers to avoid the occurrence of excess or shortage of stocks over buffer requirement;

b. Revisit the allocation of stocks based on classification of each DO/PO and re-evaluate determination of DCR to improve inventory status; and

c. Strengthen the monitoring of rice stocks level to ensure at all times the availability of the required buffer stock levels to attain Agency's mandate to respond to the rice requirements during calamities and achieve national food security through stabilized supply and price of rice.

29.10. Managements of the concerned NFA offices provided the following comments/information pertaining to the maintenance of their buffer stocks:

a. NFA-NCR

The CDO is continuously strategizing to ensure that the RO and HO are fully aware of its inventory through prompt submission of reports and information regarding the inventory situation. The District has not disregarded its responsibility to ascertain the availability of rice for relief operation in CY 2017, especially to the Department of Social Work and Development (DSWD) wherein most of the stocks issued were intended for the displaced families in Marawi City.

The NDO, from time to time, has recommended to higher Management to provide the District with sufficient and bigger annual rice allocation in order to

meet the consumption requirement of the populace in Caloocan, Malabon, Navotas and Valenzuela (CAMANAVA) and be able to pursue NFA's mandate of food security and stabilization of prices of commercial rice especially in times of emergencies and calamities.

SDO admitted that the required level of monthly buffer stocks of 15 and 30 days were not attained during the year due to the late replenishment of its stocks through rice importation.

EDO explained that NFA's approved importation was only 250,000 MT or 5,000,000 bags wherein the District received a total of 311,451 bags, which would last for 13 days.

CPO admitted that it was a contributor to non-attainment of the required level of rice which was only 24 per cent or 230,000 bags out of the approved 839,000 bags for the province. Also, part of the rice intended to Cavite was re-allocated to other NCR DOs for relief operations through the DSWD, with standing MOA with NFA, and transferred to other deficit ROs/POs.

b. RO No. II

The Kalinga Apayao PO assured that it will strictly follow the rice distribution policies and procedures in order to maintain the required stocks/inventory level and adhere or comply with the audit recommendations.

c. RO No. III

The Bulacan PO committed to come up with realistic and conservative targets in its marketing operations plan in consonance with the mandate of the Agency.

The Pampanga PO committed to finish the milling of its palay stocks to have rice inventory available for distribution.

The Tarlac PO assured the Audit Team of its commitment of setting-up realistic and doable plans to ensure efficient, effective and successful accomplishment of goals and objectives.

d. RO No. IV

The Batangas PO conducted regular monitoring of stocks and is always in close coordination with the HO through the RO.

The Laguna PO commented that maintenance of the mandated NFA buffer stocks goes beyond merely monitoring stock inventory levels.

The Palawan PO committed to take extra efforts on palay procurement by: (i) conducting ugnayan with farmers prior to the onset of harvest; (ii) information/dissemination campaign thru tapping of local media and coordination with the LGUs; and (iii) undertaking repair/rehabilitation of all existing mechanical driers to be able to procure and accommodate all deliveries.

The Oriental Mindoro PO emphasized that it was able to maintain enough stocks during the last quarter of the year when calamities often strike the province. The Assistant Provincial Manager mentioned that NFA has already delimited the distribution of rice to reserve some stocks.

e. RO No. VII

The Cebu PO informed that it was not able to augment the inventory level during the year due to the very minimal import volume allocated for the region. Likewise, Cebu, being a non-palay production area, the palay procured from local farmers is only at a very minimal level.

f. RO No. VIII

The Southern Leyte PO commented that the understocking was a nationwide problem and was beyond its control. The RO determines the volume of stocks to be distributed to the provinces especially when the stocks were limited.

g. RO No. IX

In Zamboanga City PO, the NFA Regional Economist informed that Zamboanga City is a disport province of NFA RO No. IX, and the island provinces of Autonomous Region in Muslim Mindanao (ARMM). In CY 2017, Zamboanga City did not receive the allocated 600,000 bags from direct importation per approved 2017 Marketing Plan, but instead received only 27,975 bags in the early part of December and 18,830 bags in January 2018 from RO No. X, to augment the rice inventory of NFA RO No. IX, thus resulting in the rice shortage.

h. RO No. X

The Misamis Oriental PO commented that NFA Misamis Oriental, being the disport of the unloading of imported rice of RO No. X, is the depot for the rice requirements of the Region to include the allocation of Marawi, Lanao del Sur. During the 1st quarter of 2017, the RO exceeded the required buffer stocks level of the province since the supposed transfers for other provinces of the RO in the last quarter of 2016 were suspended.

i. RO No. XI

The Davao City PO commented that since Davao City is a non-productive area, it is relying on other province/region's augmentation or importation, when warranted, thus, strongly suggests the increase in support price of palay to be competitive to farm gate price of traders and attain higher procurement among surplus areas where local stocks are sourced. With or without importation, the assurance of 15 days rice reserve will be attained as mandated.

The Davao del Norte and Compostela Valley POs opined that if only government will resort to importation (government to government), subsidize the procurement of palay and increase the buying price to at least P21.00 – P22.00 per kilo, NFA's mandate on the buffer stocking of rice will be achieved.

j. RO No. XV – CARAGA

The Agusan del Norte PO informed that the volume of stocks allocated was not consistent with the said Marketing Plan for the province.

The Surigao del Norte PO informed that the stocks sold in CY 2017 were ageing stocks purchased in CYs 2014 and 2015. The said sale was in compliance to the instruction from the HO to completely dispose the ageing stocks.

29.11. As a rejoinder, we recognize the efforts of the DOs/POs in regularly monitoring the stocks and coordinating/informing the HO of the low rice stock levels in their jurisdictions. However, we maintain our stand that Management enjoin ROs/DOs/POs on the strict compliance with the mandatory buffer stock requirements in order to carry out the Agency's mandate of ensuring national food security and stabilization of supply and prices of staple cereals both at the farm gate and consumer levels.

Rice Distribution

30. In NFA-NCR, low distribution rate in CY 2016 of rice procured in CY 2015 and inefficient implementation of the First In First Out (FIFO) policy in the issuance of stocks from the warehouses resulted in the ageing of 325,436 bags of imported rice, which were sold in CY 2017 at adjusted price of P22.50 per kilo through Price Adjustment Mechanism (PAM), thereby incurring an opportunity loss of P40.679 million. Moreover, in NFA Ilocos Sur PO, sale of 20,240 bags of CY 2015 ageing imported rice amounting to P24.812 million to five grains businessmen through crisscrossing scheme was inappropriately/improperly carried out/executed as it was not approved by the NFA Administrator; thus exposing NFA's rice stocks to diversion, re-bagging or admixture of government stocks with commercial stocks, thereby defeating the Agency Rice Distribution Program's objective to ensure that prices of staple rice are reasonable and affordable to the consuming public.

30.1. The Rice Distribution Program aims to ensure that prices of staple rice and corn are reasonable and affordable to the consuming public. This is undertaken through the various distribution strategies wherein rice is sold at different accredited market outlets such as accredited retailers, government agencies, private institutions and others.

30.2. The NFA Administrator is the approving authority for the implementation of distribution schemes on market stabilization in response to the ever-changing prices and volume of grain supply and demand.

30.3. NFA SOP No. GM-DN09 dated November 4, 1994, entitled "*Revised Rice and Corngrits Distribution and Retailing Policies and Procedures*" as amended under NFA SOP No. GM-DN09.A dated November 20, 2006 provided the general policies on the concept of distribution and retailing including rules and regulations on the same and documentation and reporting system. Some of the relevant provisions are quoted as follows:

II. A. 2. Special Distribution Scheme

These are selling strategies which are implemented on a case to case basis depending on the prevailing situation.

2.1 These special distribution scheme requires prior and specific authority from the Administrator as to the cereal type, price, market outlets, area, duration, scheme, et[c].

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C. Accreditation of Buyers

At any point in time, sale and distribution of NFA rice and corngrits shall be made only to outlets indicated in the [Selling Price Bulletin] SPB. These outlets shall be recognized under the system of accreditation considering the following basic policies and criteri[a]:

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D. Allocation System

2.2 The weekly allocation shall be primarily based on the retailer's declared capitalizatio[n].

30.4. In NFA-NCR, Memorandum No. AO-2K16-12-028 was issued on December 1, 2016, setting up the selling price of ageing/old stocks of NFA NCR's DOs/POs through PAM at P22.50 per kilogram, posting another P2.50 markdown from the previous adjusted selling price of P25.00/kg.

30.5. Analysis of the sales transactions pertaining to the discounted selling price for the period December 2016 to June 2017 revealed that the NFA-NCR's DOs/POs had distributed a total of 325,436 bags of ageing VCEW52 variety of imported rice through the PAM, thus incurred opportunity loss of P40.679 million as presented in Table 54.

Table 54 – Computation of Opportunity Loss due to Price Reduction of Ageing/old Stocks

DOs/POs	Date Sold	Quantity Sold in Bags of 50 kg	Price Difference (P25.00 – P22.50)	Opportunity Loss
NDO	January 2017 to June 2017	63,872	P 2.50	P 7,984,000
CDO	January 2017 to April 2017	121,301	2.50	15,162,625
SDO	December 2016 to May 2017	39,614	2.50	4,951,750
CPO	January to June 2017	100,649	2.50	12,581,125
		325,436		P 40,679,500

30.6. The VCEW52 variety of imported rice was procured during the second semester of CY 2015 and by December 2016, it was already considered aged as the shelf life of rice is only six months. Rice inventory levels of the NFA-NCR in CY 2016 were above the required buffer stock levels and there was low distribution rate. The ageing of rice resulted also from the non observance of the FIFO policy required in NFA SOP No. GM-WH07 dated January 10, 1995. The policy was not strictly implemented in the issuance

of stocks from the warehouses such that the stocks procured at later dates were distributed first than the stocks procured at earlier dates.

30.7. In NFA-Ilocos Sur PO, for the period February to March 2017, the PO adopted crisscrossing distribution scheme as a marketing strategy to facilitate the disposition of CY 2015 ageing stocks due to their low-turn over. Crisscrossing scheme is basically the disposition of stocks outside the coverage/jurisdiction of the PO subject to the approval of the NFA Administrator. The PO requested authority to dispose its CY 2015 15 per cent broken imported rice ageing stocks through said scheme as the PO still have 31,049 bags as of September 8, 2016. To expedite the disposition thereof, said request had been approved by the Regional Manager on September 9, 2016 and instructed the PO to request endorsement from the PO where the principal place of business of the buyer is located attesting their volume limitation prior to disposition.

30.8. Records showed that the SPB of 15 per cent broken TFCW51 variety of imported rice was adjusted from P30.00/kg. to P27.00/kg as per NFA Memorandum 2016 AO-2K16-07-038 dated July 7, 2016 and further reduced to P26.40/kg. as per NFA Memorandum 2016 AO-2K16-K-048 dated November 18, 2016. Likewise, the SPB of VCCW51 variety of imported rice was also adjusted from P30.00/kg. to P26.40/kg. However, it was noted that the selling price to end consumers was not regulated or adjusted.

30.9. Examination of stock reports, Authority to Issue (AI), and Warehouse Stock Issue (WSI) showed that 20,240 bags of CY 2015 imported rice were sold to five grains businessmen through crisscrossing scheme during the period February 3, 2017 to March 31, 2017 all withdrawn from Tagudin FLGC and Gironella Warehouses in the total amount of P24.812 million as presented in Table 55.

Table 55 - Rice Sales in 2015 Imported Rice through Crisscrossing Scheme

Name of Buyer	Address	Rice Variety Purchased (in bags)			Total	
		VCCW51	TFCW51	VCEW52	Bags	Amount
EJ	Bulacan	4,000	-	-	4,000	P 5,280,000
JA	Pangasinan	2,000	-	1,500	3,500	4,327,500
KNK	Pangasinan	50	150	550	750	873,000
T A MPC	Pangasinan	1,650	2,290	7,550	11,490	13,739,550
UABFC	Pangasinan		150	350	500	591,750
		7,700	2,590	9,950	20,240	P 24,811,800

30.10. The adoption of Special Distribution Scheme to expedite the disposition of ageing stocks is provided for in Item II. A.2 (2.1) of NFA SOP No. GM DN-09. The Audit Team believes that crisscrossing falls within the ambit of a Special Distribution Scheme which should be approved by the NFA Administrator as provided in the said SOP. However, it was noted that it was only the Regional Manager of NFA RO No. I who approved the sale. It is worthy to mention that in similar situation, the disposition of CY 2014 imported rice provided in Item 1, Operational Strategies of coded Message numbered AO-2015-G-003 dated June 25, 2016, was authorized by the Administrator.

30.11. Furthermore, only in 15 per cent broken CY 2015 imported rice that the authorization of the RM to dispose through crisscrossing scheme was sought by the PO, but records showed that 9,950 bags of the 25 per cent broken imported rice or the VCEW52 variety was also sold through crisscrossing scheme to buyers.

30.12. Likewise, the 11,490 bags of imported rice sold to TA MPC in the total amount of P13.739 million (Table 55) were sold to an importer and not to an accredited retailer.

30.13. While the Audit Team recognized the efforts made by NFA Ilocos Sur PO to dispose the 20,240 bags of CY 2015 ageing stocks through crisscrossing scheme to minimize NFA losses due to further deterioration and save on costs if the stocks has to be re-transferred, the adoption of said scheme, however, was not authorized by the NFA Administrator and exposed stocks to diversion, re-bagging or admixture of NFA stocks with commercial stocks, thereby defeating the Agency Rice Distribution Program's objective to ensure that prices of staple rice are reasonable and affordable to the consuming public.

30.14. We reiterated our prior year's audit recommendation that Management require the Regional Manager of NFA-NCR and RO No. I to exert efforts to prevent ageing of rice and avoid incurrence of opportunity loss and further losses due to extended storage, through vigorous sales especially if buffer stock levels in the warehouses are high, dispersals to other district/provincial offices with low buffer stocks and strict compliance with the FIFO policy required in NFA SOP No. GM-WH07.

30.15. **We also recommended that Management:**

a. Require the Regional Manager of RO No. I and Provincial Manager of NFA-Ilocos Sur PO to request authority from the NFA Administrator every time they are resorting to Special Distribution Scheme to expedite disposition of ageing stocks as required in NFA SOP No. GM-DN09.A dated November 20, 2006; and

b. Conduct an investigation to determine persons liable on the sale of 20,240 bags of CY 2015 ageing imported rice to five grains businessmen through crisscrossing scheme in Ilocos Sur PO without authority from NFA Administrator and impose appropriate sanctions, if warranted.

30.16. Management gave the following comments:

a. NFA-NCR

In Cavite PO, for CY 2016, the supply of commercial rice in the NCR markets was abundant and stable while the prices were low resulting in low demand for NFA rice. NFA management approved the price adjustment mechanisms taking into account the following:

- Guidelines on the application of PAM for Ageing NFA Inventory through Sensory Evaluation per Memorandum 2015-K-023;
- To improve sales in order to attain/meet sales target;
- To avoid further quality deterioration and losses arising from prolonged storage;

- To avoid additional expenses such as holding cost and maintenance cost;
- To create warehouse space for incoming imported rice importation;
- To comply with the 9-6-3 Storage Policy of NFA or the shelf life of nine months for palay, six months for rice and three months for corn; and
- Termination of leased warehouse.

While the FIFO principle shall always be applied in the issuance of rice stocks, flexibility on this rule can be allowed due to some constraint as enumerated in the implementing guidelines in NFA SOP No. GM-WH07.A dated December 1, 2011 and in GMOD-IMD-2K15-C-31.

The SDO informed that it exerted utmost efforts to distribute the rice stocks received during the third quarter of CY 2015. Ageing of stocks was inevitable due to the prevailing market situation covering the fourth quarter of CY 2015 wherein the supply of commercial rice in the NCR market was stable and abundant while the prevailing prices were low and stable. This was further aggravated when the private sector was allowed to import through the Minimum Access Volume of about 805,000 MT.

NCR appreciated the recommendations which will be elevated to higher management for proper implementation.

b. NFA-Ilocos Sur PO

The instructions and authorities provided by NFA RO in the adoption of crisscrossing scheme for CY 2015 ageing stocks were believed to have been based from top Management. Requests from provinces that were approved by their RO have been properly evaluated especially programs that need top Management's decision just as the case of the 9,950 bags of 25 per cent broken IMR of VCEW52 sold through crisscrossing that were tied up with the TFCW51/VCCW51.

Regarding T A MPC, they considered said MPC to purchase since the authorized market outlets are all of grains businessmen which had been properly licensed.

30.17. As a rejoinder to the comment of NCR-SDO, the Audit Team maintains its stand that SDO Management strictly follow the NFA SOP on the disposition of ageing stocks and evaluate if the actions taken were strictly in accordance with the said policy, since according to Management, the same was "Open Sale." Thus, the Audit Team requested SDO to submit copies of supporting documents for validation purposes.

Rice Allocation

31. The maximum weekly rice allocation to retailers provided in NFA SOP No. GM-DN09 was not properly observed in NDO, CPO, and two POs in RO No. I, resulting in unequitable rice distribution, thereby defeating the intention of the

allocation system and giving undue advantage to selected retailers which could lead to diversion of stocks.

31.1. Allocation system was devised to ensure that NFA rice is distributed proportionately to the consuming public. NFA SOP No. GM-DN09 dated November 4, 1994 on the Revised Rice and Corngrits Distribution and Retailing Policies and Procedures provides that:

D. Allocation System

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- 2.1 *As basis for determining the quantity that shall be sold to retailers, a weekly allocation per retailer shall be set. NFA PO shall determine the weekly allocation based on the following:*
 - a. *NFA Stock Position*
 - b. *Prevailing Market Supply/Demand/Price Situation*
 - c. *NFA Distribution Program*
 - d. *Projected Rice and Corngrits requirement per area*
 - e. *Retailer's Declared Capitalization*

- 2.2 *The weekly allocation shall be primarily based on the retailer's declared capitalization, computed as follows:*

Capitalization Per Retailer
Selling Price of Cereal

Where:

Capitalization – is the amount of capital per type of grain declared in the license applied for.

Selling Price of Cereal – is the NFA prevailing selling price of the variety of cereal that the retailer is buying.

3. *Allocation shall not be cumulative, i.e. weekly allocation or the balance thereof not availed of the previous week shall not be added to the current week but shall be forfeited.*

31.2. In NDO, the wholesale selling price of rice to accredited retailers applicable to CY 2017 was set at P25.00/kg. under NFA Selling Price Bulletin (SPB) Memorandum No. AO-2K17-09-029 dated September 28, 2017. From the electronic copies of Daily Sales Report and Inventory Report for CY 2017 prepared by the Marketing Services and Finance Section, respectively, and accreditation documents, the Audit Team obtained data consisting of actual weekly rice allocations for the months of October to December 2017 of randomly selected accredited retailers whose capitalization ranged from P50,000.00 to P500,000.00.

31.3. Using the formula prescribed in NFA SOP No. GM-DN09, the weekly rice allocation quotas for accredited retailers arrived at are presented in Table 56.

Table 56 - Weekly Rice Allocation Quotas Based on SOP

Variety Coding per NDO	Per SPB		Weekly Rice Allocation per Capitalization						
	Variety	Selling Price	P500T	P400T	P375T	P350T	P250T	P200T	P100T
VCEW/VBEW	25% Broken IMR/IFR	P25.00	20,000	16,000	15,000	14,000	10,000	8,000	4,000

31.4. Review of the AIs, Stock Reports and WSIs for the period October to December 2017 disclosed that 21 retailers were allowed to withdraw rice allocations beyond their maximum weekly allocation based on capitalization from 10 bags to as high as 660 bags. Excess allocations given to 21 retailers totaled 14,936 bags or 746,800 kgs.

31.5. In CPO, according to Management, rice allocation to retailers depends on the program on sales which is indicated in the Grains Situation Report (GSR) prepared monthly. From the GSR, CPO determines the frequency of the allocations to retailers considering their market classification (major or minor), municipality and place of business (whether near or far from CPO). Also, in the sales of rice, CPO ensures that the number of bags it distributes at any given time does not exceed the limit which is the allowable number of bags based on the retailer's capitalization or his storage capacity, whichever is lower. It was observed, however, that this practice of CPO in determining the retailer's allocation was not in accordance with NFA SOP No. GM-DN09 and resulted in over-allocations to retailers classified/categorized as follows:

- a. Institutionalized Bigasan sa Palengke (IBSP);
- b. Inside the Market (ITM);
- c. Outside the Market (OTM); and
- d. Bigasang Bayan Outlet (BBO).

31.6. Evaluation showed that 51 retailers categorized as IBSP and ITM were issued rice beyond their weekly allocations as shown in Table 57.

Table 57 - Weekly Over-Allocation to 51 Retailers

Month/Week	Weekly Allocations (In bags)	Actual Rice Issuances (In bags)	Over-allocation (In bags)	Percentage of Over-allocation
October 2017				
1 st week	87	100	13	15%
2 nd week	160	300	140	88%
3 rd week	2,480	3,462	982	40%
4 th week	1,160	1,520	360	31%
	3,887	5,382	1,495	38%
November 2017				
1 st week	2,080	3,240	1,160	56%
2 nd week	2,520	3,695	1,175	47%
3 rd week	6,040	8,805	2,765	46%
	10,640	15,740	5,100	48%
	14,527	21,122	6,595	45%

31.7. The over-allocations for October and November 2017 totaled 6,595 bags or 45 per cent. No over-allocation was noted in December 2017.

31.8. Also, in NFA Region I - Ilocos Norte PO, audit of the Monthly Stock Report for CY 2017 showed that several retailers were allowed to withdraw rice stocks in excess of their prescribed weekly allocations, declared capitalization and/or storage capacity. Tables 58 and 59 showed the comparative data of actual withdrawals versus maximum allocations based on weekly allocations, declared capitalization and/or storage capacity of the concerned retailers.

Table 58 - Excess Allocations based on Weekly Allocations

Name of Retailer	Total Allocation*	Total Withdrawals	Excess Allocations	Percentage of Excess
AB	503	4,578	4,075	810%
N MPC	309	3,112	2,803	907%
M LM	478	1,080	602	130%
SM	477	5,772	5,295	1110%
MKM	271	1,958	1,687	622%
RAM	480	3,199	2,719	566%
RC	361	2,516	2,155	597%
MMPC	259	1,479	1,220	471%
LGC	416	1,334	918	221%
CDP	365	901	536	147%
SF	398	553	155	39%
JN	418	1,150	732	175%
RT	537	769	232	43%
NR	341	740	399	117%
AL	432	817	385	89%
AM	523	829	306	58%
JF	537	813	276	51%

Note: All figures are expressed in bag
* for the period April-December only

Table 59 - Excess Allocations Based on Capitalization and/or Storage Capacity

Name of Retailer	Maximum Allocation Based on		Highest Withdrawal Made in a Single Week		Excess Allocation Based on (whichever is lower)	
	Capitalization	Storage Capacity	Qty.	Week/ Month	Qty.	
AB	240	225	645	4 th Week - May	420	Storage Capacity
NMPC	340	315	560	4 th week - June	245	Storage Capacity
MLM	78	81	81	2 nd week - June	3	Capitalization
SM	200	225	571	4 th week - May	371	Capitalization
MM	160	160	200	2 nd week - February	40	Both SC & Capitalization
RAM	400	480	810	4 th week - May	410	Capitalization
RC	160	360	410	4 th week - May	250	Capitalization
MMPC	544	640	614	2 nd week - June	70	Capitalization
LC	120	60	140	4 th week - May	80	Storage Capacity
CDP	120	33	66	3 rd week - March	33	Storage Capacity
RT	72	34	92	4 th week - May	58	Storage Capacity
NR	204	34	40	3 rd week February	6	Storage Capacity
AL	120	150	205	4 th week - June	85	Capitalization
AM	76	150	135	3 rd week - May	59	Capitalization
JF	160	150	164	4 th week - June	14	Storage Capacity

Note: All figures are expressed in bag

31.9. Inquiry with the concerned Agency's official revealed that the Weekly Allocation Schedule is only a guide for the Agency's preparation and determination of their monthly distribution targets and could be revised anytime for as long as they do not exceed their targets and also depending on market situations and levels of demand; hence, retailers

may be allowed to withdraw stocks in excess of their allocations notwithstanding the limits set forth in the Weekly Rice Allocation schedules originally prepared.

31.10. Meanwhile, in NFA Ilocos Sur PO, review of the AI, Stock Reports and WSIs for the period October to December 2017 disclosed 19 retailers were allowed to withdraw rice allocations beyond their maximum weekly allocation based on capitalization. Excess allocations given to 19 retailers totalled to 3,009 bags, as presented in Table 60.

Table 60 - Excess Monthly Allocations of Retailers in NFA Ilocos Sur Po

Retailer	Location	Total Excess Allocations			Total
		October	November	December	
AM	Sto.Domingo		326	325	651
JT	Sto.Domingo		60	155	215
AG	Sto.Domingo		40	45	85
LL	Sto. Domingo		80	85	165
RLMPC	Sto Domingo.		30	10	40
MT	Sto. Domingo		30	30	60
JP	Sto. Domingo		72	65	137
JT	Sto. Domingo		40	35	75
TE	Sto.,Domingo		30	30	60
NRIC	Sto. Domingo		7	5	12
JR	Vigan City		140	320	460
EG	Vigan City		70	217	287
GL	Vigan City		40	25	65
BV	Vigan City		-	20	20
RCC	Magsingal		80	20	100
RCV	Magsingal		40	15	55
GS	Sto.Domingo		40	30	70
BS	Santa		60	57	117
EA	Tagudin	30	275	30	335
		30	1,460	1,519	3,009

**From October to December 2017*

31.11. The grant of excess allocations to selected retailers resulted in unequitable rice distribution, thereby defeating the intention of the allocation system and giving undue advantage to these retailers which could lead to diversion of stocks.

31.12. We recommended that Management require the Managers of NDO, CPO Ilocos Norte PO and Ilocos Sur PO to strictly adhere to NFA SOP No. GM-DN09 on the selling/distribution of NFA rice based on the weekly allocation set for each retailer and stop the practice of granting excess allocations to retailers.

31.13. We further recommended that Management consider enhancing NFA SOP No. GM-DN09, as amended to include a provision which requires that any increase in the weekly allocation of retailers be documented, evaluated and properly authorized.

31.14. Management gave the following comments:

- a. NFA-NCR

The NDO Management assured to strictly adhere to the provisions of NFA SOP No. GM-DN09, specifically on the allocation system to accredited retailers as they strive to implement the best strategies to stabilize rice supply and prices, and

further commented that setting of weekly rice allocation of retailers is based on considerations which are in accordance with said NFA SOP. The prescribed formula in the SOP based on the declared capitalization of the retailer vis-à-vis selling price cereals, as the basis for determining the weekly allocation, is being implemented on a per payment/transaction basis as a limitation or control to a particular payment and not on a weekly basis as was used in the Audit Team's computation to arrive at the weekly rice allocation quotas for the random retailers samples, thus resulting in over-allocation when compared to the actual weekly allocation of retailers. Sale of rice to some accredited retailers beyond estimated allocation could be attributable to the need/requirement of the populace in particular areas, number of existing outlets in the area, and the prevailing market situation (high prices of commercial rice).

The CPO Management commented that for the period October to December 2017, CPO injected 99,961 bags of NFA rice accomplishing 99.96 per cent out of 100,000 bags sales target. While capitalization and storage capacity are still the bases for rice allocation, increasing the turn-around of weekly allocation of accredited retailers can be considered to stabilize the supply and prices of commercial rice in the market as indicated in Radio Message No. AO-2016-K-017 dated November 22, 2016. Any provision which requires increase in weekly allocations of retailers shall be coursed to RO for appropriate action.

b. NFA RO No. I

In NFA Ilocos Norte PO, the listed observations of the Audit Team were noted and they appreciated the audit recommendation for the improvement of their distribution operations. Accordingly, they committed to continue to prepare Monthly Allocation Schedule taking into consideration the accredited retailers' capitalization and storage capacity. As regards the observations of the NFA Ilocos Norte PO Audit Team on over-allocation, they explained that the weekly allocations of retailers as indicated in the Monthly Allocation Schedule is withdrawable once or broken down into two or even four times depending on the maximum purchasable volume of the retailer at any one time based on capitalization and or storage capacity, whichever is lower, not on the weekly allocation itself. The purchase itself is also dependent on NFA's stock position and assessed market (supply/demand/price) situation in the province.

31.15. As audit rejoinders, to the above comments of NDO and CPO Management, the Audit Teams would like to emphasize that:

a. For NDO, the NFA SOP provision is very specific in stating that the weekly allocation is set to serve as basis in determining the quantity that shall be sold to retailers, not as limitation or control of a particular payment.

b. For CPO, the Audit Team opines that any increase in the weekly allocations of retailers be properly authorized, documented and evaluated to avoid giving undue advantage to selected retailers and diversion of stocks. NFA SOP No. GM-DN09, particularly Article D thereof, should be read and interpreted to give light to the very purpose of the allocation system which is proportionate distribution of NFA rice.

Sustainable Development Goals

32. The implementation of the programs, activities and projects (PAPs) of NFA was not directly aligned to the Sustainable Development Goals (SDGs) related to the mandate of the Agency such as: (a) SDG 1 - Zero poverty; (b) SDG 2 - No hunger; and (c) SDG 9 - Industry, innovation and infrastructure, due to the Management's inability to mainstream its existing PAPs towards the attainment of the identified SDGs.

32.1. In relation to the Philippine Statistics Authority (PSA) Resolution No. 4, s. 2016; National Economic and Development Authority (NEDA) Memorandum Circular (MC) No.12, s. 2016 and Executive Order (EO) No. 5, s. 2016, all geared toward the "Ambisyon Natin 2040," government agencies and government-owned and controlled corporations (GOCCs) which include NFA shall formulate their respective medium-term development plans and action programs that would contribute in the achievement of SDGs.

32.2. The following are the identified SDGs that are related to the programs of NFA that will contribute in the attainment of the National Goal "Ambisyon Natin 2040":

- a. SDG 1 - Zero poverty or to end poverty in all forms;
- b. SDG 2 - No hunger or to end hunger, achieve food security and improvement of nutrition and promote sustainable development; and
- c. SDG 9 - Industry, innovation and infrastructure or to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

32.3. NFA-HO has established systems and databases, as well as, formulated Agency's targets, policies, guidelines and procedures for the implementation of its existing PAPs related to the SDGs. However, these PAPs were not specifically or directly mainstreamed or aligned with the identified SDGs; hence, the relevant governance structures, resources, and other means of implementation, which are dedicated to the programs for the achievement of SDGs are not yet in place. In addition, NFA-HO has not initiated personnel awareness, and has not established monitoring and evaluation procedures for the implementation of SDG programs. Moreover, NFA-HO has not instructed its respective ROs/DOs/POs for the holistic actions of the Agency in implementing the programs contributing to the SDGs.

32.4. The NFA-HO Audit Team conducted interview with Management in connection with Agency's PAPs in the attainment of SDGs. The salient points gathered from the interview are as follows:

- a. NFA is aware of the deficiencies in identifying/mainstreaming the established Agency's targets with the SDGs;
- b. Management has no specific or direct PAPs being implemented towards the attainment of the SDGs; although, there are PAPs that indirectly contribute to the focused goals which are the regular Agency's PAPs;

c. The Agency has not initiated any action to directly address awareness of SDGs for Agency personnel, but Management planned to implement personnel awareness starting CY 2018;

d. The information systems, databases, and statistics in place by NFA for the implementation of the PAPs is the implementation of e-IFOMIS, but to date, such is not yet fully operational; and

e. The Agency has on-going coordination with Korean Official Development Assistance (ODA) Team for establishing real time ASEAN Food Security Information System and Developing Human Resource in the Philippines.

32.5. The non-formulation of policies and processes, non-placement of the relevant governance structures, non-identification and utilization of resources signify that NFA is not yet ready in implementing programs towards the achievement of the identified SDGs.

32.6. **We recommended that Management:**

a. Formulate policies and processes, put in place the relevant governance structures and identify resources towards the achievement of identified SDGs related to NFA's mandate;

b. Mainstream/align existing PAPs that will contribute to the achievement of the identified SDGs;

c. Conduct personnel awareness trainings, seminars, and symposium on the implementation of PAPs that will contribute to the achievement of SDGs; and

d. Issue guidelines and procedures to respective ROs/DOs/POs involved in the implementation of the PAPs directly related to the attainment of SDGs.

32.7. Management gave the following comments:

a. Every year, usually within the month of October, a National Planning Conference is being conducted by the Grains Marketing Operations Department (GMOD) of NFA-HO. This is being attended by all Regional Directors and other field operations personnel including those of NCR purposely in preparation for the following year's plans and programs.

b. In this yearly conference, the setting of targets for the procurement of palay, rice importation (if deemed necessary) and rice distribution are being discussed which will cover the succeeding year. The output of this activity is the Marketing Plan that serves as the operational guide for the said year.

c. As a matter of policy and commitment to support the pro-poor programs of the government in relation to SDGs, NFA is always allotting portion of its inventory annually for the DSWD Relief Operations and Special Feeding Program for the less privileged students in various public schools.

d. It is Management's belief that the assurance of having buffer stocks at any given time and the distribution of low-priced rice within NCR and NFA as a whole will surely contribute to the attainment of the Zero Poverty and No Hunger SDGs or at least alleviate poverty and hunger.

32.8. As audit rejoinder, we maintain our stance that Management establish the mechanism and structure, policies and processes and identify resources towards the achievement of SDGs and align existing PAPs that contribute to the attainment of SDGs.

Non-utilization of Properties

33. Machineries, warehouse equipment, stock warehouses and parcels of land of four POs were idle and unutilized due to technical defects, lack of manpower training, absence of local procurement and expansion-development programs; thus, defeating the purpose of these assets, and resulting in the inefficient and ineffective utilization thereof.

33.1. Sections 2, 76 and 79 of PD No. 1445 provide that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned. [Section 2]

Transfer of property between government agencies. – Any government property that is no longer serviceable or needed by the agency to which it belongs may be transferred without cost, or at an appraised value, to other agencies of the government upon authority of the respective heads of agencies in the national government, or of the governing bodies of government-owned or controlled corporations, other self-governing boards or commissions of the government, or of the local legislative bodies for local government units concerned. [Section 76]

Destruction or sale of unserviceable property – When government property has become unserviceable for any cause, or is no longer needed, it shall upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the official gazette or for not less than 3 consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least 3 public places in the locality where the property is to be sold. In the event

that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission. [Section 79]

33.2. The idle/unutilized machineries, warehouse equipment and land were observed in the following ROs/POs :

a. In RO No. IV-B-Oriental Mindoro PO, three units of mechanical grain dryers with biomass furnace costing P3.750 million were still unutilized for more than two years upon their installation at GID Naujan, GID Pinamalayan and GID Roxas. The post-harvest facilities were intended to be used as heating system in Oriental Mindoro to improve the quality of rice.

b. In RO No. IV-A-Infanta PO, a mechanical grain dryer with biomass furnace which was acquired and installed last February 2013 with 120 bags or 50 kilos drying capacity and an Upgraded Dust Collection System (DCS) had been idle/unutilized for four years and were not adequately safeguarded due to alleged complaint by the residents of the dusts caused/thrown by the dryer that reached and harmed the inhabitants within the vicinity. The PO requested for a Dust Collector, an equipment with air filter cartridges that collects dust properties of palay to prevent them from spreading outside the PO's premises. The DCS capability in controlling dust pollution that might be generated by the recirculating dryer has not yet been tested/confirmed.

c. In Albay PO, the presence of one unit unbooked, non-functional 120 bags capacity flatbed dryer, with estimated cost of P0.845 million and four units properties with an estimated value of P3.679 million, or a total of P4.524 million are not yet operational and/or no longer being used since their installation because of technical defects or lack of spare parts, proper documentation, obsolescence, poor planning and coordination among the agencies concerned.

d. In RO No. X, Misamis Occidental PO, the Agency received a large Hamsung Mechanical Dryer with a book value of P448,500 and a Hamsung Mechanical Dryer Electric Motor with book value of P24,954 or a total of P473,454 from NFA Zamboanga last September 2014. Since then, the machine was not utilized due to defective electric motor and parts, thus, rendering the machine idle and unproductive for more than three years which is occupying a big space inside the warehouse. In addition, two parcels of land with total area of 16,503 square meters remained idle for 37 to 40 years due to lack of expansion-development or divestment programs.

33.3. Non-utilization of the properties and equipment defeated their intended purposes that contributed in inefficient and ineffective operations.

33.4. We recommended that Management require the concerned Provincial Managers to: (a) conduct evaluation of the necessity of maintaining the properties how these can still be used in the operation; and (b) if found to be unnecessary due to obsolescence and/or the cost of repair or maintenance is excessive, recommend for the early disposition to avoid further deterioration and, possibly, to obtain economic value from the disposition.

33.5. In Infanta PO, the Quality Assurance Officer informed the Audit Team that although the dryer has not been utilized, maintenance such as test operation, oil grease and regular cleaning were done to make it ready if needed. The Agency always promotes the use of the existing dryer facilities when there are Ugnayan with the farmers and other fora, so they can avail of low price of drying facilities and quality dried palay.

UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

34. Table 61 summarizes the audit suspensions, disallowances and charges in CY 2017. The details and status of the unsettled suspensions, disallowances and charges as of December 31, 2017 are presented in Annex A, Part IV of this Report.

Table 61 – Audit Suspensions, Disallowances and Charges

	Beginning Balance	Issuance	Settlement	Ending Balance
Suspensions	P 9,069,206	16,450,693	4,894,340	P 20,625,559
Disallowances	178,749,767	P 8,740,345	P 4,630,492	182,859,620
Charges	2,717,922	-	-	2,717,922
	P 190,536,895	P 25,191,038	P 9,524,832	P 206,203,101

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS'
AUDIT RECOMMENDATIONS**

Of the 239 audit recommendations embodied in the prior years' Annual Audit Reports (AARs), 51 were fully implemented, 162 were partially implemented and 26 were not implemented. Details are as follows:

Observations and Recommendations	Actions Taken/Comments
CY 2016 AAR	
<p>1. The balance of the Merchandise Inventory (MI) account as of December 31, 2015 was not restated to recognize the customs duties (CDs) for calendar year (CY) 2015 and prior years of P24.329 billion as required in Philippine Accounting Standards (PAS) 1 and 8; thus, the comparative balances of the account as of December 31, 2015 and 2016 of P15.886 billion and P13.155 billion, respectively, are not correctly presented in the Balance Sheet. In addition, the adjustments to recognize the CDs for prior years and those for CY 2016 amounting to P25.780 billion were effected only in the consolidated financial statements as at year-end, but not in the separate books of the Field Offices (FOs), thus the affected accounts in their individual financial statements as of December 31, 2016 remained unadjusted. Moreover, the non-recognition of handling and transportation costs amounting to P5.224 million and other deficiencies such as transcription error, omission, error in costing and non-recording of dispersal loss of P492,592; all these cast doubt on the fair presentation of the MI account in the financial statements.</p> <p>We recommended that Management require the HO-ASD to:</p> <p>a. Ensure that the MI account as of December 31, 2016 to be presented in the CY 2017 comparative financial statements be adjusted in the individual books of the FOs to reflect the CDs taken up in the consolidated financial statements as of December 31, 2016; and</p>	<p>Related discussion in Part II, Observation No. 4 of this Report.</p> <p>Not Implemented.</p> <p>The individual books of the FOs were not adjusted to reflect the CDs taken up in the consolidated financial statements. The MI account balance as presented in the CY 2016 is the</p>

Observations and Recommendations	Actions Taken/Comments
	same as presented in the comparative FS for CY 2017.
<p>b. Henceforth, strictly comply with PAS 1 on the proper presentation of MI account in the financial statements to ensure comparability with the financial statements of previous periods and PAS 8 on correction of material PYs errors.</p>	Not Implemented.
<p>In NCR-Cavite PO, we reiterated our prior year's audit recommendations that Management closely coordinate with the NCR RO for the timely and complete recognition of the handling and transportation expenses to present the correct balance of MI account at the end of each year; and effect the necessary adjustments in the books the handling and transportation costs in the MI in CY 2016.</p>	<p>Fully Implemented.</p> <p>Cavite Provincial office (CPO) is in close coordination with NCR RO for the timely recognition of handling and transportation expenses.</p>
<p>On the issue on inexistent inventory and abnormal quantities, we recommended that Management immediately conduct reconciliation of the Inventories and effect the necessary adjustments in the books to come up with the correct balance of the MI account.</p>	<p>Partially Implemented.</p> <p>There is an on-going reconciliation at CPO and SDO between their Accounting and Property Sections' records to arrive at the correct balances.</p>
<p>We further recommended that, henceforth, Management ensure compliance with the pertinent accounting standards especially on the presentation of the financial statements.</p>	Not Implemented.
<p>2. The validity, existence and collectability of the Accounts Receivable (AR)-Trade of P1.393 billion cannot be ascertained due to the dormant accounts, non-availability of supporting documents, and the absence of updated information on collections; thus affecting the faithful presentation of the account in the financial statements. Moreover, the amount of P540.651 million for the NFA's receivable from Department of Transportation (DOTr) from the sale of parcel of land, where the office and warehouses of SDO were formerly located, was erroneously taken</p>	

Observations and Recommendations	Actions Taken/Comments
<p>up under the account instead of Due from National Government Agencies (NGAs); thereby overstating the account by the same amount.</p>	
<p>We reiterated our recommendations in previous years' audit that Management:</p>	
<p>a. Require the ASD to fast track the reconciliation of the receivables from NGAs, GOCCs and LGUs with the collections received at the NFA-HO. Accordingly, advise the ROs/POs on the results thereof for updating the recorded receivables in the respective regional and provincial books of accounts where receivables were recorded;</p>	<p>Partially Implemented.</p> <p>In Oriental Mindoro PO, NDCC account is being reconciled.</p> <p>Office Order for Task Force OPLAN Collection of NFA Receivables was issued to hasten collection of NFA's receivables from government agencies and other creditors giving focus on aging receivables.</p>
<p>b. Continue to vigorously pursue the collection efforts through demand letters and collaboration meetings and strictly enforce the provisions of the MOAs with the NGAs and LGUs, particularly the payment terms;</p>	<p>Partially Implemented.</p> <p>Gathering of documents is on-going to support the request for write-off of accounts.</p> <p>District Office (DO) Finance Section coordinated with Marketing Operations to intensify its collection efforts to be able to arrive at a favorable payment scheme. With regard to the account of the Department of Social Welfare and Development (DSWD)-NROC amounting to P3.825 million, a follow-up letter dated January 10, 2017 was sent to DSWD-HO, but no reply has been received.</p> <p>The needed documents were sent to HO as basis for collection and reversal of set up amount in the Accounts Receivable-Trade of Batanes PU.</p>
<p>c. Conduct in-depth analysis and verification of the receivables and determine those deemed uncollectible after all the efforts have been exerted, for</p>	<p>Partially Implemented.</p> <p>Reconciliation is on-going. Communication is being made to</p>

Observations and Recommendations	Actions Taken/Comments
possible write-off in accordance with COA Circular No. 2016-005 and NFA SOP No. FS-FA13; and	concerned offices for validation of account balances. If warranted, a request for possible write-off of those accounts which can no longer be collected after exerting all efforts for the collection will be filed with the Commission on Audit (COA).
d. Include the collection targets in the Annual Plans and Targets as means of gauging the efficiency of collection of accounts receivable.	Fully Implemented. As validated by the Governance Commission for Government Owned or Controlled Corporations (GCG), NFA's collection for CY 2016 surpassed its collection target.
We also recommended that SDO Management reclassify the account of DOTr from AR-Trade to Due from NGAs to correctly present the balances of the accounts; and henceforth, ensure that similar transactions in the future are recorded in their proper accounts.	Fully Implemented. In the books of NFA – SDO, Management reclassified the account of DOTr in the amount of P540.651 million from Accounts Receivable-Trade to Due from National Government Agencies-DOTr under Journal Entry Voucher (JEV) No. 17-04-0123 dated April 30, 2017.
3. The validity, existence and collectability of the inter-agency receivables totaling P241.268 million cannot be ascertained due to various dormant accounts, insufficient documents and negative results of confirmation, thus, affecting the fairness of presentation of the balances in the financial statements.	
We reiterated our prior years' recommendations that Management:	
a. Require the ASD to fast track the analysis and reconciliation of the receivable accounts. For those reconciliation or recovery which are already remote or nil after all the efforts have been exerted, request for write-off in accordance with COA Circular No. 2016-005;	Partially Implemented. In NCR-SDO, Management immediately reconciles current transactions to prevent further accumulation of reconciling items. All efforts are continuously exerted to retrieve JEVs/advices of prior years' transactions for reconciliation.

Observations and Recommendations	Actions Taken/Comments
	<p>In CARAGA - Surigao del Sur PO, based on the examination of the Trial Balance, balances of inter-branch transactions are still not reconciled by agencies. Negative balances in the books still exist.</p>
<p>b. Pursue an extensive collection policy for the accounts due to the NFA and intensify efforts to collect long outstanding accounts; and</p>	<p>Partially Implemented.</p> <p>The NCR Regional Finance consistently adheres to the guidelines of NFA SOP No. FS-GP13 in recording, reporting and monitoring inter-branch accounting transactions. It prepares the Monthly Schedule of Inter-Branch.</p>
	<p>In RO No. IV-A (RO and Batangas PO), the amount of P3.069 million was settled by GSIS under OR Nos. M0975914, M0975915, and M0016842, all dated July 19, 2017.</p>
<p>c. For the agencies which still have transactions with NFA, coordinate with their authorized official/s in order to finally collect these receivable accounts.</p>	<p>Partially Implemented.</p> <p>In RO VI, RO and Iloilo PO, JEV No. 17-06-0411 dated June 30, 2017 was prepared re: payment on DSWD-APTERR; In Aklan PO, receivables from NDRRMC are not yet collected while in Capiz PO, loan receivables are still outstanding as of date of validation.</p>
<p>4. Shortages of Stock Accountable Officers (SAOs) recorded as Due from Officers and Employees in the total amount of P227.209 million remained uncollected due to Management's inability to strictly implement its own policy, which casts doubt on the full recovery of the receivable account.</p>	<p>Related discussion in Part II, Observation No. 12 of this Report.</p>
<p>We reiterated our recommendations in prior years' audit that Management:</p>	<p>a. Revisit the existing warehousing policies and procedures to identify the causes of the incurrence of shortages and</p> <p>Partially Implemented.</p> <p>In NFA Eastern Pangasinan PO,</p>

Observations and Recommendations	Actions Taken/Comments
strengthen the measures that will prevent and/or address the same;	<p>Management had actually initiated SOP No. GM-WH13.C, dated November 3, 2016, which deals with the implementation of the two-year cut-off of accountabilities and its subsequent liquidation, through the reshuffle of accountable officers per Office Order No. 2017-001, dated January 3, 2017, and cut-off of accountabilities will be implemented every two years thereafter.</p> <p>In RO No. IV-A, Management set a cut-off date for liquidation of stock accountabilities or whenever the stocks of a particular warehouse become zero.</p>
<p>b. Prioritize the establishment of Agency level monitoring and evaluation of the implementation of the NFA SOPs and guidelines on the settlement of shortages particularly on the issuance of demand letters to SAOs with established shortages within the prescribed period, filing of the appropriate administrative, criminal and civil cases, and collection of shortages;</p>	<p>Partially Implemented.</p> <p>In RO No. IV-A, NFA SOP on payment of shortages has not been complied with as the Head Office usually accepted compromise agreement from SAOs in order to collect from them in gradual manner.</p> <p>In RO No. V, demand letters had been sent out and appropriate charges against SAOs with unsettled shortages have been filed with the Head Office's Legal Department.</p> <p>In NCR-SDO, of the SAOs with final TOLA computation, one made partial payment. Further, demand letters were issued to A. Andres and A. Malaiba for their accountabilities.</p>
<p>c. Prioritize the liquidation of the accountabilities of SAOs who are still in active service, especially those who are nearing retirement, and leverage on the role of Senior Accounts Specialist/Accountant, who conducts the deduction from benefits accruing to SAOs for the payment of shortages, in order to ensure NFA's welfare over the interest of SAOs; and</p>	<p>Partially Implemented.</p> <p>In RO No. IV-A, as soon as NFSSs have been submitted to the Legal Department, Management only waits for the corresponding Show Cause Orders as well as direction from the Legal Department to file appropriate charges.</p>

Observations and Recommendations	Actions Taken/Comments
<p>d. Persistently follow-up the early resolution of the cases of concerned accountable officers to effect immediate collection of their shortages.</p>	<p>In RO No. IV-B San Jose PO, as of September 30, 2017, the Branch was able to collect P5.789 million including settlement of shortages. Moreover, one SAO executed compromise agreement to pay his shortages.</p>
	<p>In Isabela PO, one SAO submitted request for compromise agreement, but he started paying his shortages last September 2017 through deduction from his salary and other benefits.</p>
	<p>Partially Implemented.</p>
	<p>NFA-NCR will be coordinating with the LAD-Central Office regarding the legal remedies for the collection of the P95.459 million receivables from the SAOs. Stock examinations of TOLA computation for SAOs are being done within one week from receipt of the district/province's request for TOLA computation.</p>
	<p>In NFA Eastern Pangasinan PO, Management signified its intention to act judiciously for the resolution of each case. The Branch will continuously and immediately follow-up the actions that should be undertaken with the assistance, instructions and guidance of the Regional and Central Office Management.</p>
	<p>In NCR-NDO, the matter was coordinated to NFA-LAD. Formal investigation is on-going and necessary documents were already forwarded in June 2015 for evaluation and assessment.</p>
<p>5. Two investment accounts, namely, Gasifier and Equipment Manufacturing Corporation (GEMCOR) in the amount of P1.242 million and Capitol City Sports and</p>	<p>Related discussion in Part II, Observation No. 7 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
<p>Country Club (CCSCC) of P22,500, or a total of P1.265 million, were written off from the NFA's books without authority from the COA, contrary to COA Circular No. 97-001 dated February 5, 1997. In addition, investments aggregating to P1.217 million did not reconcile with confirmed balances as of December 31, 2016 or not supported with documents due to non-monitoring of the account; thus, affecting the reliability of the Investment account balance at year-end.</p>	
<p>We recommended that Management require the ASD to:</p>	
<p>a. Reverse the entry writing-off investments in the GEMCOR and CCSCC;</p>	<p>Fully Implemented.</p> <p>A reversing entry for the Investments in GEMCOR and CCSCC was made under JEV No. 2017-02-004278 dated February 28, 2017.</p>
<p>b. Coordinate with DA for the return of NFA's investment in GEMCOR considering the sale of its assets; and</p>	<p>Partially Implemented.</p> <p>Management informed that a follow-up letter was sent to DA for the status of NFA's investment with GEMCOR, but upon request by the Audit Team of a copy of the letter, NFA could not provide the same.</p>
<p>c. For investments in Kutowato, DBP-Trust, MERALCO and NFA-EA, exert utmost efforts to retrieve/obtain documents to support the balance presented in the books and to reconcile with the investees the difference between the book and confirmed balances.</p>	<p>Partially Implemented.</p> <p>A correcting entry was made under JEV No. 2017-07-012089 for Investment in MERALCO in the amount of P620,300, as the redemption of MERALCO shares received last October 19, 1998 per OR No. 528696 was credited to dividend on stocks (income account) instead of other investment. Meanwhile, for other investments, retrieval of documents is on-going, for reconciliation purposes.</p>

Observations and Recommendations	Actions Taken/Comments
<p>6. Stock shortages taken up in the books under Other Assets account amounted to P2.791 billion, most of which remained outstanding for more than five years, and cannot be reclassified to Due from Officers and Employees due to missing/incomplete warehouse/stock reports and the slow-paced stock examination and computation of TOLA, thus adversely affecting the determination of the final shortages of the concerned SAOs and enforcement of collection/settlement from them could not be pursued.</p> <p>As this observation was also raised in our last years' audit, we reiterated our recommendations that Management:</p> <p>a. Require the Stock Examination Group to expedite the conduct of stock examination and apply the provisions of NFA SOP No. GM-WH13 on the use of secondary documents when warranted to facilitate the examination, and to immediately submit the Stock Examination Report (SER) to the RTAC for TOLA computation;</p> <p>b. Require the RTAC to speed up the TOLA computation to establish the final shortages of the SAOs/WSs so that the settlement/collection of the amounts could be pursued and the balance of the accountabilities that could not be ascertained be minimized/reduced;</p>	<p>Related discussion in Part II, Observation No. 13 of this Report.</p> <p>Partially Implemented.</p> <p>In RO No. IV-A and Batangas PO, some primary documents are still not found or traced in the secondary documents.</p> <p>In Mamburao PO, secondary documents for past accountabilities are difficult to retrieve since these accountabilities were very old, aging almost 20 years.</p> <p>The NFA Western Pangasinan PO had not implemented the audit recommendation on the use of secondary documents to facilitate stock examination.</p> <p>Partially Implemented.</p> <p>In RO No. II-Kalinga PO, the problem is with the program at the RO. The stock examination report submitted for the accountability of one of the SAOs cannot be read by their program.</p> <p>In RO No. IV-B Mamburao PO, as of August 31, 2017, the RTAC was able to release Final TOLA for 10 accountabilities for seven SAOs with</p>

Observations and Recommendations	Actions Taken/Comments
	<p>corresponding CULCA of P1.046 million. By offsetting the TOLA against CULCA, it was declared that two out of seven SAOs incurred final shortage. Moreover, NFA-Mamburao PO was able to submit three accountabilities with CULCA amounting to P9.509 million for TOLA computation. Considering the total value of CULCA per books of P154 million, the submitted accountabilities represents only six per cent of the total CULCA.</p> <p>In RO No. IV-B – Oriental Mindoro PO, there were still long outstanding shortages without stock examination and TOLA computation.</p> <p>In RO No. V, past accountabilities have been prioritized and submitted for TOLA computation by the RO.</p> <p>However, due to lack of manpower, other past accountabilities are yet to have final stock examination.</p>
<p>c. Revisit NFA SOP No. GM-WH13 where no timeline was set for the stock examination and TOLA computation and prescribe appropriate timeframe so that the final shortages could be established within a reasonable period and immediate collection of shortages could be facilitated;</p>	<p>Partially Implemented.</p> <p>NFA SOP No. GM-WH13 re: Amendment/Addendum to the SOP on the New Computerized Stock Examination and TOLA computation effective November 3, 2016 includes, among others, the hereunder provision:</p> <p><i>2.5 Target setting for the conduct of Stock Examination by the Provincial Office Stock Examination Working Group (POSEWG)</i> <i>The Provincial Accountant, being the head of the POSEWG shall initiate the conduct of stock examination which should start within five (5) days after the SAO's accountability has been cut-off reckoning from the date of his/her last Warehouse Stock Issue (WSI)/Empty Sack Issue (ESI). A</i></p>

Observations and Recommendations	Actions Taken/Comments
<p>d. Enforce the sanctions provided in the Special Provisions of NFA SOP No. GM-WH13 which states that “<i>Violation of the provisions of this SOP shall subject the offender to penalties provided for under applicable and reasonable NFA and Civil Service rules,</i>” to oblige the persons responsible to strictly implement the NFA SOPs on the stock examination and TOLA computation; and</p>	<p><i>timetable should be established to determine the date of completion of the stock examination activity based on average of 175 documents per day processing time.</i></p> <p>Furthermore, SOP No. GM-WH13.D approved and effective on September 22, 2017 states:</p> <p><i>2. As an addition to the timeline set in the aforementioned SOPs, the Regional Tolerable Allowance Committee (RTAC) has five (5) working days upon receipt of the certified copy of the Stock Examination Reports and request for TOLA Computation from respective Provinces to compute the Tolerable Allowance (TOLA).</i></p>
<p>e. Include stock examination, TOLA computation and collection targets in the Agency Annual Plans and Targets, particularly those SAOs who are deceased/separated or had resigned and with huge amounts of, long overdue and outstanding stocks accountabilities, as a means of not only gauging the efficiency of stock examinations and TOLA computation of concerned personnel but also on the collection of stock shortages from these SAOs.</p>	<p>Partially Implemented.</p> <p>While sanctions are included in Item II.A.b.2.7 of SOP No. GM-WH13.C entitled Amendment/Addendum to the SOP on the New Computerized Stock Examination and TOLA computation effective November 3, 2016, there were no documents to show NFA’s implementation of the said provision.</p> <p>Partially Implemented.</p> <p>The Northwestern Cagayan – Apayao Branch assured to include the conduct of stock examination and collection of shortages in their Annual Plans and Targets.</p>
<p>As to the amount reclassified from Due to Officers and Employees to the account Other Non-Current Assets-Other Receivables-Contingent Assets of</p>	<p>Partially Implemented.</p> <p>In RO No. XV – ARMM, the Sulu PO, cannot make the reclassification of</p>

Observations and Recommendations	Actions Taken/Comments
<p>P719.969 million, we recommended that the same be reverted back to the Due from Officers and Employees account.</p>	<p>such account until final TOLA computation is finalized from RO.</p> <p>The Mamburao PO was instructed by the NFA CO that booking of final stock shortages of employees no longer connected with NFA remains under Other Assets account.</p> <p>In RO No. V, final shortages have been classified to Due from Officers and Employees.</p>
<p>7. Uncollected overdue receivables amounting to P76.026 million from various companies, private individuals and former NFA officials/employees who died, resigned or retired from the service, remained dormant for five to 10 years and more due to lack of documentation and the failure of the concerned officials to undertake measures for the proper disposition of the dormant accounts pursuant to COA Circular No. 2016-005 and NFA SOP No. FS-FA 13, thus rendering the accuracy and existence of the reported balances doubtful.</p>	<p>Partially Implemented.</p> <p>In NFA HO, retrieval of documents from ACA Records was done to support possible reconciliation.</p> <p>In RO No. IV-A, Batangas and Quezon POs, collection had been made with GSIS under OR Nos. M0975914, M0975915, and M0016842 all dated July 19, 2017. The PO submitted to the RO all the supporting documents to follow up and reconcile the Account Receivable from one of the Legislators.</p>
<p>We reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Institute all appropriate measures to document the receivables and continuously send demand letters to all concerned to enforce collection of the dormant receivable accounts; and</p>	
<p>b. For those with remote or nil recovery, require the Accountant to take appropriate</p>	<p>Not Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
<p>action to have the accounts written-off pursuant to existing laws, rules and regulations.</p>	<p>In NFA HO, no request for write-off has been submitted by Management.</p>
<p>8. The net book value (NBV) of the PE account of P2.140 billion remained not reliable due to: a) unreconciled variance of P65.920 million between the book balance and the inventory count in the HO and six FOs; b) net understatement of accumulated depreciation in HO by P142,194 resulting in overstatement of Retained Earnings; c) undocumented ownership of parcel of land valued at P29.005 million in three FOs; d) inclusion of negative/abnormal balances amounting to P1.485 million in NFA-NCR; and e) incomplete physical inventory reports/Report on the Physical Count of Property, Plant and Equipment (RPCPPE) in five FOs.</p>	<p>Related discussion in Part II, Observation No. 6 of this Report.</p>
<p>We recommended that Management:</p>	
<p>a. Require the conduct of complete and thorough verification and reconciliation of the property and accounting records to determine the cause/s of discrepancies so that necessary corrections/adjustments can be effected in both records to arrive at the correct/reconciled balances;</p>	<p>Partially Implemented. In NFA-HO, NCR-SDO and RO No. II, there is an on-going reclassification/reconciliation of PPE accounts.</p>
<p>b. Prepare and effect the necessary adjusting entries for the PE that the Accumulated Depreciation was understated;</p>	<p>Partially Implemented. In NFA-HO, there is an on-going reclassification of accounts. NFA-NCR staff tasked for the PPE reconciliation had already finished encoding the subsidiary ledgers for fixed assets. As at year-end, the Regional Finance is still analyzing documents relative to the reconciliation of PPE accounts.</p>
<p>c. Fast track efforts to secure the documents needed for the transfer and registration of the land title in the name of NFA as basis for issuance of TCTs;</p>	<p>Partially Implemented. NFA-NCR Management has been coordinating with NFA-HO regarding</p>

Observations and Recommendations	Actions Taken/Comments
	<p>the matter. The GSD HO required NFA-NCR to submit a report on all booked properties so that the former can make necessary actions to facilitate transfer and registration of all real properties.</p> <p>Original Certificate of Title under the name/ownership of NFA Quirino was released by LRA and received by NFA on September 14, 2017.</p>
<p>d. Follow up vigorously the actions taken by HO-LAD on the titling of the parcels of land to establish full ownership over the property and provide basis for recording the value in the books of accounts and to avoid incurrence of losses for the funds spent on improvements thereon; and</p>	<p>Partially Implemented.</p> <p>CDO communicated to LAD-HO and the latter communicated to top Management its recommendation on the titling of the Minprocor property, etc.</p> <p>In Antique PO, a lot containing an area of 17,313 sq. m. is under court litigation handled by LAD, while the remaining area of 4,056 sq. m. is for subdivision survey.</p> <p>In Iloilo PO, lots are not yet titled in favor of the Agency.</p>
<p>e. Strictly adhere to the rules and regulations on the submission of inventory reports, reconcile any discrepancy between the accounting records and inventory report, and take up adjustments accordingly.</p>	<p>Partially Implemented.</p> <p>In RO No. VI-Aklan and Capiz POs, the PPE variance between ASD and GSD records was reduced by P17.19 million from the previous balance of P37.50 million as of December 31, 2015, leaving a variance of P20.31 million as of December 31, 2016.</p>
<p>9. Lapses in accounting, monitoring and control of supplies and materials such as: a) the non-reconciliation of the balance per books and inventory reports; b) incomplete conduct of physical inventory; c) poor maintenance of Stock Cards (SCs) by Supply Officers; and other deficiencies, contrary to pertinent provisions of the MNGAS, Volumes I and II, and the non-</p>	<p>Related discussion in Part II, Observation No. 8 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
<p>alignment of NFA SOP No. GS-PD16 to MNGAS resulted in unreliable balance of P419.251 million Inventory for Consumption accounts at year-end.</p>	
<p>We reiterated our prior year's audit recommendations that Management:</p>	
<p>a. Instruct the ASD and GSD/concerned Functional Offices to exert efforts to reconcile the balances of inventory for consumption in accounting and property records;</p>	<p>Partially Implemented.</p> <p>In NFA-HO, NCR-SDO, RO No. V-Masbate PO, NFA-Abra, RO No. VI, Iloilo and Aklan POs, there is an on-going reconciliation and/or reclassification of accounts.</p>
<p>b. Require all Property/Supply Officers of the GSD/concerned Functional Offices to use and maintain SCs while the ASD to properly maintain the Supplies Ledger Cards (SLCs) to ensure better control and monitoring of the inventories;</p>	<p>Partially Implemented.</p> <p>In NFA-HO, almost all of the Property/Supply Officers (PSOs) are currently using the SCs, while accounting is currently maintaining the SLCs.</p> <p>In RO No. V-Masbate PO, SCs were maintained by the Supply Officer.</p> <p>In RO No. VI and Iloilo PO, SCs are not yet maintained.</p> <p>In RO No. IV-B, the Finance and Admin Sections were able to maintain SLCs and PCs, respectively.</p>
<p>c. Instruct all Property/Supply Officers (P/SOs) of the GSD/concerned Functional Offices to conduct an inventory count as well as submit the results thereof using the prescribed Report on Physical Count of Inventories (RPCI); and</p>	<p>Partially Implemented.</p> <p>In NFA-HO, the P/SOs already prepared RPCI in the 2017 year-end physical inventory count conducted last January 5-12, 2018.</p> <p>The NFA-Abra PO committed to conduct physical count of inventories in CY 2018.</p> <p>In RO No. VI, physical inventory had already been conducted.</p>

Observations and Recommendations	Actions Taken/Comments
<p>d. Re-visit the provisions of NFA SOP No. GS-PD16 to identify the provisions that need to be revised/amended and those lacking provisions in order to align these to the provisions in the MNGAS.</p>	<p>Partially Implemented.</p> <p>NFA issued Memorandum '18 GSD-PSMD-04-47, instructing all HO Departments to implement the use of the revised forms prescribed under the Government Accounting Manual (GAM). However, there are still no revisions/updates made to NFA SOP No. GS-PD16.</p>
<p>We also recommended that Management:</p>	
<p>a. Strictly comply with the provisions in the MNGAS, particularly on the preparation, authorization and submission of RIS and RSMI;</p>	<p>Fully Implemented.</p> <p>In Occidental Mindoro PO, duly approved RIS is now required before issuance of any supply.</p>
<p>b. Instruct the ASD to use the asset method in which purchases of office supplies are recognized under Inventory account instead of as outright expense;</p>	<p>Partially Implemented.</p> <p>In RO No. IV-B - Mamburao PO, asset method for agricultural supplies was applied. For office supplies, the same will be implemented with regard to the recognition of Office Supplies Inventory.</p>
<p>c. Instruct the Accounting Office to prepare schedules of sub-accounts lodged to Other Supplies Inventory account as prescribed in Sections 111(1) and 114(2) of PD No. 1445. (Region I - Ilocos Sur and Abra POs); and</p>	<p>Partially Implemented.</p> <p>In NFA Ilocos Sur PO, inventory items issued had been reclassified to proper accounts.</p>
<p>d. Strictly adhere to NFA SOP in the accounting, safekeeping, monitoring and control, and issuance of accountable forms, specifically on the use of Invoice and Receipt of Accountable Forms (IRAF) in receiving and returning unused accountable forms. (Region V - Camarines Norte PO and Region XI - Davao del Sur PO)</p>	<p>Partially Implemented.</p> <p>In Davao del Sur PO, submission of the monthly report on accountability for accountable forms is being done.</p>
<p>10. The validity and accuracy of the balance of Accounts Payable amounting to P2.371 billion as of December 31, 2016 are doubtful due to existence of long</p>	

Observations and Recommendations	Actions Taken/Comments
<p>outstanding accounts amounting to P130.015 million; dormant accounts amounting to P2.741 million, accounts with abnormal/negative balances amounting to P489,570, and other deficiencies noted in recording transactions.</p>	
<p>We, therefore, reiterated our prior year's recommendation that Management consider the applicability of the guidelines and procedures prescribed under DBM-COA Joint Circular No. 99-06 dated November 13, 1999 on the reversion of accounts payable.</p>	<p>Partially Implemented. NFA-NCR shall exhaust all available efforts to reconcile the accounts and recommend reversion of payables, if deemed applicable.</p>
<p>We also recommended that Management require the ASD to:</p>	
<p>a. Analyze, verify and validate the dormant and abnormal/negative accounts and prepare necessary adjusting entries; and</p>	<p>Partially Implemented. Dormant account still exists as at year-end.</p>
<p>b. Review and reconcile the payable account with negative results of confirmation.</p>	<p>Fully Implemented. Management had reconciled the payable account with negative results of confirmation and prepared adjusting entries.</p>
<p>In Region XII - Sultan Kudarat PO, the concerned Audit Team recommended that the PO Accountant be advised immediately by the RO to effect the payment to the agency in order to have a fair presentation of the accounts in the financial statements. It also recommended the close coordination with the RO and maintenance of the individual SLs of the suppliers for proper monitoring of payment and determination of the accrued expenses.</p>	<p>Fully Implemented. Sultan Kudarat PO already complied with the audit recommendation.</p>
<p>11. The reliability and validity of the Loans Payable-Domestic and Foreign accounts as at December 31, 2016 amounting to P95.925 billion and P118.656 million, respectively, remained doubtful due to the</p>	<p>Related discussion in Part II, Observation No. 9 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
<p>existence of dormant accounts for more than six years of P600.619 million and absence of necessary supporting documents.</p>	
<p>We, therefore, reiterated our prior year's audit recommendations that Management require the ASD to:</p>	
<p>a. Exert extra effort to secure the supporting documents to facilitate the review of the long outstanding loans payable and prepare the necessary adjusting entries;</p>	<p>Partially Implemented.</p> <p>Management had furnished the Audit Team with copies of retrieved documents relative to Agrarian Credit Loan and Ministry of Agriculture and Food accounts. However, retrieval of other supporting documents is on-going.</p>
<p>b. Reconcile records with the records of the CCC; and</p>	<p>Fully Implemented.</p> <p>Based on the letter of CCC furnished by NFA to the Audit Team, its records were reconciled with NFA's books.</p>
<p>c. Obtain copies of documents from the creditor evidencing payments on the loans and the corresponding interests.</p>	<p>Not Implemented.</p> <p>The letter of CCC was not supported with any documents.</p>
<p>12. The Due to the National Treasury account balance amounting to P33.081 billion as of December 31, 2016 is unreliable due to the existence of dormant/long outstanding accounts, abnormal balance, and absence of necessary supporting documents which affected the reliability, validity and accuracy of the Inter-agency payable accounts. Moreover, outstanding guarantee fees of P7.608 billion and interest on advances/net lending amounting to P1.164 billion or 51.28 per cent of the total Interest Payable of P2.270 billion remained unsettled for one to two years and above, thereby depriving the National Government (NG) of the use of the funds to supplement its other priority goals, programs and projects.</p>	<p>Related discussion in Part II, Observation No. 10 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
<p>We, therefore, reiterated our previous year's recommendation that Management require the ASD to prioritize the retrieval of the supporting documents in order to undertake an in-depth analysis, verification and full extent of validation of dormant accounts, including the account with negative balance, so that necessary adjusting entries can be made.</p>	<p>Partially Implemented.</p> <p>ASD was able to retrieve relevant documents pertaining to the USPL 480 IFR, which is subject for payment to BTr. For the other dormant/abnormal accounts, Statements of Receipts and Expenses as of CY 1989 were retrieved; while retrieval of other supporting documents needed in the review and reconciliation of the accounts are on-going.</p>
<p>We further recommended that Management follow-up the status of its request for the possible transfer of NFA's obligation to NG; if not granted, settle outstanding advances, including the interest and guarantee fees; and if unable to settle due to limited funds, request negotiation on possible payment plan with the CAG-DOF.</p>	<p>Not Implemented.</p> <p>Management is still unable to pay its obligations to the Bureau of the Treasury. The balance at year-end further increased by P6.220 billion, from P33.081 billion in CY 2016 to P39.301 billion in CY 2017.</p>
<p>13. Trust liability accounts totalling P268.057 million in the books of HO have remained dormant for the past 10 years, rendering the existence of the obligation of NFA in the total amount of P558.916 million as of December 31, 2016 doubtful.</p>	
<p>We reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Require the thorough verification of the nature or purposes of the projects, with long outstanding balances, and determine the status whether already completed, discontinued or abandoned;</p>	<p>Partially Implemented.</p> <p>Reconciliation on going</p>
<p>b. Fast track the reconciliation of the balances against relevant records, determine the actual existence and proper valuation of accounts, ascertain and validate discrepancies between the recorded amounts and the actual existing balances;</p>	<p>Partially Implemented.</p> <p>Reconciliation on going</p>

Observations and Recommendations	Actions Taken/Comments
<p>c. Make the necessary adjustments in the books to determine actual balances and cause remittance to the concerned agencies; and</p>	<p>Partially Implemented. Reconciliation on going</p>
<p>d. Require the ASD and IASD to reconcile their records on Lingap Para sa Mahihirap Project Fund, effect the necessary adjustments which are adequately documented in order to reflect the correct balance, and submit fund utilization report indicating the summary of expenses and status of the report of accomplishments certified by the Accountant.</p>	<p>Partially Implemented. Management encountered difficulty in locating/retrieving necessary supporting documents.</p>
<p>We also recommended that Management in coordination with concerned SAs request for COA's authority to write-off dormant accounts in accordance with COA Circular No. 2016-005.</p>	<p>Not Implemented. No request for write-off has been submitted by NFA Management.</p>
<p>14. The documents supporting the Statements of Fund Balance/Annual Financial Status Reports for projects implemented by NFA-Food Development Center (FDC) were deficient and incomplete to support the liquidation of P11.213 million for the funds transferred of P14.928 million, contrary to Section 4(6) of PD No. 1445, Section 28 of MNGAS, Volume I and pertinent provisions of the MOA/Institutional Contractual Agreement (ICA) executed by the NFA with DA-BAR, LDC and UNU-Kirin; thus, the reliability of the financial reports and the validity of the projects and expenses incurred could not be fully ascertained.</p> <p>We recommended that Management:</p> <p>a. Require the NFA-FDC to support the Statement of Fund Balance/Annual Financial Reports for projects implemented with the following:</p>	<p>Partially Implemented.</p>
<p>a.1 Detailed Project Proposal; Work Plan Schedule; Budget Summary;</p>	

Observations and Recommendations	Actions Taken/Comments
<p>Logical Framework; Project Summary and request for extension of the projects duly corrected and signed/approved by the authorized signatories of both parties to prove their validity and conformity with the stipulations provided in the MOA;</p>	<p>NFA furnished the Audit Team with copy of the letter from the Source Agency approving the extension of the project and utilization/realignment of funds.</p>
<p>a.2 Terminal reports as required in Section 1, Article 3 and Section 4, Article 2 of the MOA, and prescribed in Paragraphs 6.4 and 6.5 of COA Circular No. 94-013;</p>	<p>Fully Implemented. Terminal reports have been submitted.</p>
<p>b. Closely monitor the implementation of the projects to ensure their completion within the required period considering that planning should have been undertaken before the project proposal is submitted for approval by authorized officers, and the required project liquidation and terminal reports are submitted within the prescribed period; and</p>	<p>Partially Implemented. Monitoring of the projects being implemented is on-going.</p>
<p>c. Exercise due diligence in the preparation and execution of the MOA to ensure that the project proposals, work plan schedules, budget summaries and other attachments to the MOA submitted are duly signed/approved and bear the letterhead of the NFA-FDC which is the requesting and implementing agency of the projects, and that the Document No., Revision No., Revision Date and Effectivity Date indicated in footnotes of the documents should pertain to NFA-FDC and contain information as agreed upon by the contracting parties.</p>	<p>Partially Implemented. Documents for the on-going projects still bear the logo of DA-BAR.</p>
<p>15. The intra-agency receivable and payable accounts were not zeroed out as at December 31, 2016 as there were significant balances amounting to P356.674 billion and P356.676 billion, respectively, due to timing differences in the recording of transactions and the non-reconciliation of these reciprocal accounts, which affected other accounts such as cash, inventories and expenses,</p>	<p>Related discussion in Part II, Observation No. 11 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
<p>among others. Moreover, in five Regions, there were variances of P8.272 billion for Intra-agency Receivables and P12.623 billion between the book balances as at year-end and the balances confirmed; thus casting doubt on the accuracy, completeness and existence of the reported year-end balances of the accounts.</p>	
<p>We reiterated our prior years' recommendations that Management:</p>	
<p>a. Require the concerned Accountants to prioritize the reconciliation of Intra-agency accounts in order to have reliable balances and strictly monitor compliance with NFA SOP No. FS-GP13, with emphasis on the regular preparation of schedule of inter-branch transactions and Monthly Reconciliation Statement to identify variances, if any, within the reporting period and immediately coordinate with other offices to resolve the differences and prepare the necessary adjustments; and</p>	<p>Partially Implemented.</p> <p>NCR Regional Finance consistently adheres to the guidelines under NFA SOP No. FS-GP13 in recording, reporting and monitoring inter-branch accounting transactions. It prepares the Monthly Schedule of Inter-Branch Transactions.</p> <p>In CDO, there were prior years' inter/intra-agency receivables/payables that were closed to government equity for the period January to July 2017.</p>
<p>b. Ensure that policies and guidelines on inter-branch transactions are strictly observed, especially the sanctions provided in NFA SOP No. FS-GP13 as deterrent to the accumulation of variances.</p>	<p>Partially Implemented.</p> <p>In Pampanga PO, the sanctions have not been imposed inasmuch as coordination is continuously undertaken with other offices for the closure of inter branch transactions to government equity account.</p>
<p>We further recommended that Management consider the applicability 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 Funds Transfers of the NGAs, LGUs and GOCCs.</p>	<p>Partially Implemented.</p> <p>In Central Luzon RO, there is a continuous coordination with HO-ASD to reconcile and eventually close dormant inter branch transactions.</p>

Observations and Recommendations	Actions Taken/Comments
<p>16. The balance of Deferred Credits account of P598.940 million as at December 31, 2016 is unreliable as this still includes dormant balances of P16.827 million in HO and several FOs with stocks that remained unwithdrawn for five years and more, and overages of Stock Accountable Officers (SAOs) of P178.328 million whose final accountabilities have not been established.</p>	
<p>We reiterated our prior year's recommendations that Management prioritize the in-depth analysis to clear the long outstanding balances in the Deferred Credits account and instruct the concerned HO departments/offices and ROs to include, among others, the following:</p>	
<p>a. Gather documents supporting the transactions pertaining to the advance payment of the legislator and on the conduct of stock examinations on SAOs with overages;</p>	<p>Partially Implemented. The required details were already submitted by Cavite PO.</p>
<p>b. Identify from the Deferred Credits subsidiary ledgers the warehouse accountable officers and their overages incurred per physical inventory count per year and take note of those who retired or were separated from service; and</p>	<p>Partially Implemented. Management returned the amounts of P7.5 million intended for relief operation in Albay (5,000 bags) and P150,000 for unwithdrawn 100 bags in NFA Catanduanes.</p>
<p>c. Obtain information and guidance on the following:</p>	
<p>c.1 Appropriate disposition of the advance payment made by the legislators since the stocks apparently have already been long withdrawn;</p>	<p>Partially Implemented. In RO No. IV-B - Palawan PO, there were no documents to support the status of reconciliation and action taken like letters, WSI for claimed withdrawn stocks, etc.</p>
<p>c.2 Status of accountability of the warehouse accountable officers; and</p>	<p>Partially Implemented. At CDO, the Deferred Credits account of one of the accountable officers in</p>

Observations and Recommendations	Actions Taken/Comments
<p>c.3 Appropriate disposition of the long outstanding overages of retired/separated SAOs with or without final TOLA computation.</p>	<p>the amount of P8.400 million was requested for write-off from COA.</p> <p>Partially Implemented.</p> <p>NDO had coordinated with RO as to the proper disposition of the accounts of retired/separated/deceased SAOs.</p>
<p>17. The five per cent Final Withholding Value-Added Tax of P90.109 million was withheld by the Department of Transportation (DOTr) from the 70 per cent of purchase price on the sale of NFA's parcel of land contrary to the provisions of the National Internal Revenue Code of 1997, as amended, thereby understating the amount collected from DOTr. In addition, the amount of P540.651 million or 30 per cent of the purchase price plus legal interests remained uncollected by NFA even with the DOTr's delay in the transfer of title to its name, which deprived NFA the use of the same in its operations. Moreover, the amount of P198.239 million tax withheld by DOTr was not considered in the recognition of gain on sale of assets, thus, the Gain on Sale of Assets and Tax Expense accounts were understated by the same amount in the NFA NCR RO and HO books.</p>	<p>Partially Implemented.</p> <p>The NFA Administrator sent a follow up letter dated June 8, 2017 to the DOTr Secretary for the remaining 30 per cent of purchase price plus legal interest. As at audit date, no reply has been received from DOTr.</p> <p>In a letter dated July 3, 2017, the NFA Budget, Treasury and Fund Management Department Manager requested from the NFA Legal Affairs Department Manager legal opinion</p>
<p>We recommended that Management:</p>	
<p>a. Require the DOTr to pay NFA the amount of P90.109 million representing five per cent FWWAT deducted from the 70 per cent of purchase price, and P540.651 million for the remaining 30 per cent of purchase price plus legal interest; and</p>	

Observations and Recommendations	Actions Taken/Comments
b. Direct the Finance Section to undertake the following:	relative to the denial of BIR for the refund of the 5 per cent FWVAT on the sale of SDO lot to the DOTr.
b.1 Effect the necessary adjustments to correct the amount of recorded gain on sale of assets and tax expenses incurred;	Partially Implemented. The Finance Section made adjustment on the revised Statement of Income and Expenses for CY 2016.
b.2 Coordinate with NCR RO and HO on the effect of changes in the Consolidated SIE due to the understated gain and tax expenses;	Partially Implemented. SDO coordinated with NCR RO and NFA HO to correct the amount of gain and tax expenses recorded in the books.
b.3 Revise the SDO's SIE by including the gain on sale of assets in the computation of year-end Net Income; and	Fully Implemented. The Finance Section prepared the revised Statement of Income and Expenses for CY 2016.
b.4 Henceforth, exercise due diligence in the use of account codes, recording of transactions and in the preparation of financial statements.	Partially Implemented.
18. The accrued interest expense for domestic loans as at year-end was erroneously computed, which resulted in the overstatement of Interest Payable and related expense accounts by P11.003 million.	
We, therefore, recommended that Management require the ASD to effect the necessary adjustments in the books due to erroneous computation of accrued interest expense; and henceforth, see to it that the interest expense is correctly computed to avoid misstatement of the interest payable and related accounts in the financial statements.	Fully Implemented. Management already made the corresponding adjustments to correct the deficiencies noted which were taken up in CY 2017 Trial Balance.

Observations and Recommendations	Actions Taken/Comments
<p>19. DAP Funds which were unutilized/unobligated and obligated after July 1, 2014 in the amount of P1.918 million and P2.039 million, respectively, or a total of P3.957 million as of December 31, 2016 remained unremitted to the BTr despite prior years' audit recommendations, due to the reluctance of NFA Management to have these funds remitted contrary to Supreme Court (SC) Decision in G.R. No. 209287 dated February 3, 2015.</p>	
<p>We reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Provide instruction/guidelines on the remittance of unobligated/unutilized DAP funds, and oblige the ROs/POs to return the same to the HO; and</p>	<p>Not Implemented.</p> <p>BTFMD informed the Audit Team that there were series communication with the ROs/POs to return the funds to HO. However, it could not provide the Audit Team with copy of the alleged written instructions.</p>
<p>b. Require the BTFMD to remit to the BTr the unutilized DAP Fund of P1.918 million and the amount of P2.039 million which was obligated after July 1, 2014.</p>	<p>Not Implemented.</p> <p>The BTFMD has not yet made any remittance to the BTr for the unobligated/unutilized DAP fund. Management is still insisting that they should not return to the BTr since NFA had spent more than what it received.</p>
<p>20. The NFA officers and employees in HO and some POs in NCR, Regions IV-B and IX designated as authorized signatories in the issuance of checks, approval of Disbursement Vouchers (DVs) and Stock Accountable Officers (SAO) were not bonded, while the fidelity bond of Collecting and Disbursing Officers in Cavite PO and CDO, and SAO in Zamboanga del Norte PO were inadequate to cover their accountabilities for collections and disbursements; thus, exposing NFA of not being indemnified in case of loss due to improper or unauthorized use or misapplication of</p>	

Observations and Recommendations	Actions Taken/Comments
<p>public funds and property and for all losses attributable to negligence in the keeping thereof.</p>	
<p>We recommended that Management:</p>	
<p>a. Conduct immediate review of the fund accountability of concerned accountable officers including those designated/authorized to sign and approve the DVs per NFA GMO No. AO-2015-05-003 dated May 29, 2015 and post the corresponding fidelity bond corresponding to their accountabilities; and</p>	<p>Partially Implemented. Management requested from the BTr for exemption in the posting of fidelity bond for signing/approving officers but was denied, hence fidelity bonds were posted for some signing/approving officers.</p>
<p>b. Henceforth, conduct regular review of fund and property accountabilities of accountable officers, including those officers who are authorized signatories and counter signatories in the issuance of checks and approval of DVs, to determine the appropriate amount of their fidelity bonds, in consonance with the requirements of Section 101 of PD 1445, and Sections 4.1 and 4.3 of the General Provisions of Treasury Circular No. 02-2009, on the bonding of officers and employees.</p>	<p>Not Implemented. Documents to prove that review and assessment of fund accountabilities of accountable officers was undertaken were not provided to the Audit Team.</p>
<p>21. The NFA-HO and ROs/POs officials and employees hired before July 1, 1989 were granted Group Hospitalization Insurance Program (GHIP), Group Accident Insurance Program (GAIP) and Executive Health Care Program (EHCP) in the total amount of P10.097 million, without authority from the Department of Budget and Management (DBM), Office of the President (OP) or legislative issuances. Moreover, the GAIP is considered a duplication of the insurance provided by the Government Service Insurance System (GSIS) under life insurance and other insurance coverage of government employees, which is prohibited in Commonwealth Act No. 186, as amended by Republic Act (RA) Nos. 4968 and 8291. Hence, the payments made for these allowances/benefits are considered</p>	

Observations and Recommendations	Actions Taken/Comments
irregular.	
We recommended that Management:	
a. Support the payments of GHIP, GAIP and ECHP granted to NFA officials and employees with authority from the DBM or OP or by any legislative issuances; otherwise, cause the refund of the amount of premiums paid; and	Not Implemented. A Notice of Suspension (NS) No. 17-001 dated November 24, 2017 was issued.
b. Henceforth, refrain from granting allowances or benefits without the required authority, appropriate funding and already included in the insurance provided by the GSIS.	Not Implemented. GHIP, GAIP and ECHP for CY 2017 have been granted to NFA Officers and Employees.
22. Travelling expenses of NFA Employees Association (NFAEA) officers/members amounting to P458,924 in CYs 2015 to 2016 were charged to NFA's funds contrary to Section 1(n), Rule III of the "Amended Rules and Regulations Governing the Exercise of the Right of Government Employees to Organize" of EO No. 180 dated September 28, 2004; thus, unnecessarily increased the Agency's expenses by the same amount.	
We recommended that Management require the refund of travelling expenses incurred by the NFAEA officers in CYs 2015 to 2016 which were charged to NFA funds; otherwise, the transactions will be disallowed in audit. Henceforth, strictly observe the provisions of the Amended Rules and Regulations of EO No. 180 on the charging of travelling expenses of NFAEA officers and members.	Partially Implemented. NFA issued SOP No. HR-PA13 dated July 10, 2017 re: Revised Guidelines on Economy Measures. A Notice of Disallowance (ND) No. 17-002 (15-16) dated November 29, 2017 was subsequently issued, disallowing the travelling expenses incurred in CYs 2015 to 2016 in the amount of P458,924 of NFAEA Officers.
23. The PE of CDO, NDO and SDO totalling P9.476 million were not covered by insurance with the GSIS during the year as required in RA No. 656, as amended by PD No. 245, thus, exposing the Agency to the risk of non-indemnification for the uninsured properties in case of damage or	

Observations and Recommendations	Actions Taken/Comments
<p>loss due to fire, earthquake, storm or other fortuitous event. In addition, the annual inventory report of physical assets, insurance and bonding of risks with the General Insurance Fund (GIF) as required under COA Circular No. 92-390 was not submitted to the COA Auditor for verification; thus, it could not be determined if all insurable properties/assets of CDO and NDO were adequately covered by insurance. Moreover, other properties of SDO costing P26.769 million were insured at amounts more than their costs that caused the NFA to incur unnecessary expense of P15.080 million.</p>	
<p>We recommended that Management:</p>	
<p>a. Insure all insurable PE/properties with the GSIS pursuant to Section 5 of RA No. 656, as amended by PD No. 245 dated July 13, 1973;</p>	<p>Partially Implemented.</p> <p>According to CDO, the Property Inventory System used by the Supply Officer could determine which PPE will be insured. The system selected PPE costing P10,000 and above to be included in the insurable PPE.</p>
<p>b. Discontinue the practice of using the Inventory Report of PE/properties as of July 31 of any given year as basis for insuring PE/properties the following year, instead utilize as basis the Inventory Report as of December 31 of any given year or the inventory nearest to the date/s of insurance/re-insurance of the PE/properties;</p>	<p>Partially Implemented.</p> <p>NCR Regional Supply Officer committed to require the NCR District/Provincial Offices to submit the inventory of insurable properties as of October 31.</p>
<p>c. Exert efforts to immediately transfer the registration of the motor vehicle in the name of CDO and insure the same with the GSIS; and</p>	<p>Not Implemented.</p> <p>CDO has difficulty transferring the registration of the motor vehicle (VBH-597) under its name as most of the requirements by the LTO could only be provided by the original owner who is already in Bicol and CDO has no means to contact him. Still CDO committed to exert efforts for the immediate transfer of the registration</p>

Observations and Recommendations	Actions Taken/Comments
<p>d. Submit to the Audit Team an inventory report of physical assets (with details), insurance and bonding of risks with the GIF of the GSIS not later than October 31 every year pursuant to COA Circular No. 92-390 dated November 17, 1992.</p>	<p>under NFA-CDO.</p> <p>Partially Implemented.</p> <p>CDO has already submitted to COA its inventory report as of December 31, 2016.</p>
<p>We further recommended that NDO and CDO submit a list of the uninsured PE amounting to P2.682 million which the Administrative Section claimed as PE with acquisition cost of less than P10,000 that were not included in the list of insurable PE, for verification of the Audit Team.</p>	<p>Partially Implemented.</p> <p>Only inventory report as of December 31, 2016 was furnished to the Audit Team of NCR-CDO.</p> <p>At NCR-NDO, only the inventory report as of July 31, 2017 was furnished to the Audit Team on September 13, 2017.</p>
<p>24. The completion of the e-IFOMIS Project amounting to P14.448 million contracted by NFA with COMFAC Corporation on April 16, 2009 was considerably delayed by 1,280 days as of December 31, 2016 from the latest time extension up to June 30, 2013, with computed liquidated damages of P1.445 million. Thus, the NFA was deprived of the benefits to be derived therefrom. In addition, the three requests for time extension were granted even if most of the reasons/justifications could not be considered as caused by force majeure or fortuitous event, thereby unnecessarily prolonging the Project implementation period; while contract for time extension after June 30, 2013 could not be provided by NFA despite verbal and written requests which casts doubt on the validity of the continuous implementation thereof.</p>	<p>Related discussion in Part II, Observation No. 15 of this Report.</p>
<p>We recommended that Management:</p>	<p>Not Implemented.</p> <p>The Agency was unable to forfeit the performance bond since it already expired, but NFA entered into a new</p>
<p>a. Deduct the amount of liquidated damages due from the subsequent payments to be made to COMFAC;</p>	

Observations and Recommendations	Actions Taken/Comments
	Memorandum of Agreement (MOA) with COMFAC for the continuation of the e-IFOMIS Project.
<p>b. Submit to the Audit Team certified copies of the contract for time extension after June 30, 2013, and the documents supporting/showing the percentage of Project accomplishment as of June 30, 2013 and the 96.21 per cent accomplishment as of December 31, 2016; and</p>	<p>Partially Implemented.</p> <p>There were no requests for time extension made after June 30, 2016. Management was able to submit the percentage of completion, but failed to properly substantiate the reported percentage as the documents were purely minutes of the e-IFOMIS meetings.</p>
<p>c. Henceforth, rigorously monitor the implementation of contracts entered into to ensure that contract stipulations are strictly performed/enforced to avoid wastage of public funds.</p>	<p>Partially Implemented.</p> <p>For monitoring and verification since the new MOA by the Agency with COMFAC was only entered in March 2018.</p>
<p>25. Accumulated cash shortage in the total amount of P2.061 million was established on the cash and accounts of the designated Collecting Officer of NFA Abra PO for undeposited collections; thus, resulting in the loss of government funds.</p> <p>We recommended that Management require the Provincial Manager of Abra PO to:</p>	
<p>a. File appropriate charges against the defaulting Accountable Officer (AO); and</p>	<p>Partially Implemented.</p> <p>A compromise agreement has been entered into between the Cashier III and NFA based on the Memorandum 2017 LAD-ID-K-006 dated November 3, 2017, which approved several modes of settlements, one of which is continuance of monthly deduction from salaries/benefits/emoluments of the AO.</p>
<p>b. Exercise closer supervision over accountable officers to prevent misuse or misapplication of funds.</p>	<p>Fully Implemented.</p> <p>The Sr. Accounting Specialist conducts monthly cash count and</p>

Observations and Recommendations	Actions Taken/Comments
<p>We further recommended that HO Management constantly follow up the filing of appropriate charges against the erring accountable officer.</p>	<p>regular monitoring of deposits.</p> <p>Partially Implemented.</p> <p>Management claimed that when Compromise Agreement had been executed, the administrative case is put on hold.</p>
<p>26. The absence of Certification issued by the Vessel Master attesting that the vessel is already in Philippine Waters as the basis of the actual date of arrival of carrying vessel at designated port of discharge precluded the determination of the correct amount of penalty based on the schedule of Grain and Feed Trade Association (GAFTA) 122, on delayed delivery/arrival of contracted imported rice imposed and deducted from the payments by NFA to the Department of Foreign Trade (DFT), Ministry of Commerce, Kingdom of Thailand.</p>	<p>Fully Implemented.</p> <p>The NFA Council approved the request by DFT Thailand for the extension of the arrival period of rice delivery from September 30, 2016 to October 14, 2016, hence the Certification from the Vessel Master was no longer required.</p>
<p>We recommended that Management furnish the Audit Team with copy of certification issued by the Vessel Master attesting to the arrival of the vessels of DFT, Thailand in Philippine Waters to be used as basis in the determination of the actual date of arrival of the carrying vessels at designated port of discharge, and check the computation of penalty deducted from the payments made to the suppliers. Henceforth, ensure that payments of imported rice are supported with such certification from the Vessel Master.</p>	
<p>27. The rice inventory levels in NFA-NCR and other ROs/POs from January to December 2016 were not consistently maintained resulting in way above or below the mandated buffer stock requirements of 15 days in each month and 30 days in June resulting in excess stocks ranging from 421 to 1,513,305 bags that could expose a larger quantity of undistributed stocks stored longer than</p>	<p>Related discussion in Part II, Observation No. 29 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
<p>necessary to risk of deterioration/decline in quality and value. On the other hand, the inventory level below the mandated buffer stock could compromise the NFA's capability to effectively and immediately respond in times of disaster and emergency situations. Moreover, the rice inventory level of NCR which was way above the required level of buffer stocks in almost all months of CY 2016 resulted in loss of P360.368 million due to price reduction in auction.</p>	
<p>In view of the above observations, we reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Devise a more realistic and relevant plan of rice procurement and allocation by revisiting the allocation of stocks based on classification and determined DCRs and/or conducting a detailed evaluation and analysis of rice demand and supply at each province, including significant environmental factors as basis for mapping a more realistic volume of rice importation and marketing plan for the NFA Provincial Offices; and</p>	<p>Partially Implemented.</p> <p>In NCR RO, the inventory levels on both regional and national scale are strategically planned through importation/procurement. Top Management had also anticipated for the ill effects of El Nino. However, the abundant supply of commercial rice, both local and imported, prevails in the market.</p>
<p>b. Allocate excess stocks to other Districts/Provincial Offices with lesser inventories/allocation so that a wider consumer base could be served while further losses due to extended storage could be lessened, if not totally avoided.</p>	<p>Partially Implemented.</p> <p>There were intra and inter regional stock dispersals made based on NCR Marketing Plan and GMOD authorization.</p>
<p>We also recommended to Management of NFA-NCR to: (a) cause the immediate sale or dispersal of the 549,292 bags of rice received in CY 2015 to avoid losses to NFA; (b) expedite the accreditation of more/new retailers pursuant to Fax Message No. AO-2K15-J-006 dated October 13, 2015 of the NFA Administrator to increase the existing number of NFA accredited rice retail outlets to at least 20 per cent; and (c) implement distribution strategies such as sale of rice at adjusted/reduced prices,</p>	<p>Partially Implemented.</p> <p>In NCR-CDO, as of May 17, 2017, the 160,515 bags of rice received in CY 2015 were all issued to retailers/grains businessmen.</p> <p>In NCR-SDO, of the 375,848 bags of aged stocks received in CY 2015, Management transferred 195,800 bags to other regions, 60,391 bags were distributed, and 60,000 bags are scheduled for transfer to NCR-CDO.</p>

Observations and Recommendations	Actions Taken/Comments
<p>following the Memoranda on the ages of stocks to be sold at adjusted/reduced prices.</p> <p>We further recommended that measures be adopted to address problems causing excessive stocks such as: (a) carry-over stocks from previous year importation, (b) unprogrammed receipt of other provinces/districts' allocations due to problems of warehouse space availability, (c) influx of commercial rice in the market and presence of low price good quality rice resulting in low demand for NFA rice, and (d) those causing stock deficit levels such as low procurement operations, minimal rice receipts from other provinces, non-arrival of complete allocation of imported rice and non-availability of warehouses to be leased, among others.</p>	<p>Partially Implemented.</p> <p>The NCR-SDO Management will distribute the remaining aged stocks the soonest time to avoid further deterioration and additional expenses arising from prolonged storage. It strategized to distribute the stocks through volume sales at a regular price of P25 per kilo to licensed grains businessmen.</p>
<p>28. The First-in, First-out (FIFO) policy on the issuance of stocks from the warehouses required in NFA SOP No. GM-WH07 dated January 10, 1995 was not strictly enforced resulting in aging, deterioration and higher carrying/maintenance costs of the stocks on hand.</p> <p>We recommended that Management ensure that the FIFO policy is strictly observed to avoid overstocking, stock deterioration, additional carrying/maintenance costs and opportunity loss to NFA, and require:</p>	<p>Related discussion in Part II, Observation No. 30 of this Report.</p>
<p>a. The POO to thoroughly review and evaluate the warehouses' Pile Layout, Grains Situationer Reports and other data as basis in the identification of specific pile for withdrawal of stocks prior to recommending approval to the Provincial Manager of the AI;</p>	<p>Partially Implemented.</p> <p>Management explained that the FIFO flow of stocks was applied in the warehouses. However, flexibility on FIFO policy can be allowed due to some constraints.</p>
<p>b. The Provincial Manager to closely monitor the age of stocks on hand based on data reports from the POO prior to approval of the AI; and</p>	<p>Fully Implemented.</p> <p>CPO is strictly monitoring on the age of the stocks following the 9-6-3 storage policy of NFA.</p>

Observations and Recommendations	Actions Taken/Comments
<p>c. The Provincial Managers/Officers-in-Charge of the Warehouses to submit written justification on non-adherence to the NFA FIFO policy, for evaluation and appropriate actions.</p>	<p>Fully Implemented.</p> <p>In CDO, FIFO policy is always adopted in maintaining inventory. If in case Management would deviate from this policy, it is only to improve sales in a very competitive situation and to improve and achieve a performance level acceptable both to the Agency and the consuming public.</p>
<p>We also recommended that Management formulate a scheme/strategy on disposal of imported rice so that stocks inventory will not stay longer than six months.</p>	<p>Fully Implemented.</p> <p>NCR is currently conducting an evaluation/assessment of the dispersal operations for proper recognition of losses.</p>
<p>29. The utilization of the warehouses of the NCR-Cavite PO and SDO were not maximized due to improper planning of stock inventory level and non-implementation of the FIFO policy on the issuance of stocks, resulting in contract extension at Cavite PO Omni warehouse for the 2nd semester of CY 2016 and additional expenses in Cavite PO and SDO on lease and security services of P9.434 million and other maintenance/operating expenses.</p>	
<p>We recommended that Management:</p>	
<p>a. Conduct regular in-depth review and assessment of the level of stocks of each warehouse to ensure maximum utilization of available warehouse spaces;</p>	<p>Fully Implemented.</p> <p>At SDO, its rice inventory is maintained in consonance with the approved Marketing Plan. FIFO is always adopted in Operational Strategies on Inventory Management.</p>
<p>b. Prioritize the issuance of stocks from leased warehouses with the lowest level of stock inventory so that the lease contracts could be terminated, as necessary, to save on lease expenses;</p>	<p>Fully Implemented.</p> <p>NCR-SDO's aged stocks from warehouses were either transferred to other regions or sold to avoid further deterioration and additional expenses arising from prolonged storage.</p>

Observations and Recommendations	Actions Taken/Comments
<p>c. Conduct regular cost analysis of leasing of warehouses vis-à-vis maintenance expenses considering the results of review and assessment conducted in Item (a), and thereafter, render report with corresponding recommendation to avoid the incurrence of unnecessary expenses in warehouse rental and security services; and</p>	<p>Fully Implemented.</p> <p>The Management of NCR-SDO terminated several leasing contracts on January 31, 2017 and May 31, 2017 and vacated another warehouse on July 15, 2017.</p>
<p>d. Henceforth, strictly observe the guidelines set forth in the NFA SOP No. GM-WH05, on leasing of private warehouses and NFA SOP No. GM-WH07, on FIFO policy.</p>	<p>Fully Implemented.</p> <p>NCR-SDO Management always adopted FIFO policy in its Operational Strategies on Inventory Management, while FIFO principle shall always be applied in issuance of stocks, flexibility on this rule can be allowed due to some constraints per NFA SOP No. GMS-WH07.A dated December 1, 2011.</p>
<p>30. Some provisions of the NFA's warehousing policies and procedures on warehouse custody, piling system, storage structure and specification, and good warehouse-keeping were not strictly observed at NFA warehouses which could result in environmental and health hazards and losses due to grain damage/deterioration in quality and value as well as theft/pilferage of stocks.</p> <p>We recommended that Management:</p>	<p>Related discussion in Part II, Observation No. 21 of this Report.</p>
<p>a. Address the deficiencies noted on warehouse custody, piling system, storage structure and specifications, and good warehouse-keeping and; henceforth, strictly comply with the provisions of NFA SOP No. GM-WH07;</p>	<p>Partially Implemented.</p> <p>In Camarines Sur PO, the piling system is in accordance with the standard height of 15 ft. or 5 meters.</p>
<p>b. Ensure that the Agency engineering team be regularly fielded to conduct inspection of all facilities for early detection of defects on their physical conditions so that necessary action can be immediately undertaken;</p>	<p>Partially Implemented.</p> <p>In Bukidnon PO, the Accountable Officer inspects roof holes, leakages or damages and immediately report in writing to the Provincial Office for the necessary repair.</p>

Observations and Recommendations	Actions Taken/Comments
<p>c. Facilitate the immediate repair of the warehouse defects to prevent further warehouse deterioration and damage to the stocks, which could result in losses to NFA;</p>	<p>Partially Implemented.</p> <p>In Camarines Sur PO, re-roofing for GID 1 and 2 was undertaken and repairs of roof leaks for Ong and Isarog warehouses were made by the lessors.</p> <p>The repair of the Batanes warehouse for damages brought about by super typhoon “Ferdie” in September 2016 was completed in March 2017.</p>
<p>d. Remove the machineries that are no longer functioning inside the warehouses to provide more spaces for storage stocks;</p>	<p>Partially Implemented.</p> <p>In Camarines Sur PO, disposition of junk materials were undertaken.</p>
<p>e. Ensure that the WS be assigned to one warehouse only to enable him to fully exercise his duties and responsibilities with the diligence of a good father of a family; and</p>	<p>Partially Implemented.</p> <p>In Pagadian City PO, assignment of acting SGOO will be evaluated and implemented in consonance with NFA SOP.</p>
<p>f. Consider the utilization of advance technologies such as CCTVs in all NFA warehouses to monitor activities inside the warehouse and discourage unscrupulous activities.</p>	<p>Partially Implemented.</p> <p>In Albay PO, installation of CCTV is now included in the PPMP for CY 2018.</p>
<p>31. The actual net kilograms (nkgs) of stocks sold with filler transactions and the balances of stocks at any given month cannot be accurately determined due to: a) the emptied bags from issued filler stocks that were not documented by a separate Authority to Issue (AI) and Warehouse Stock Issue (WSI) required in NFA SOP No. GM-DN10.A in NDO and five POs; b) the discrepancy between the total number of bags issued as fillers in the Stock Reports and its total equivalent to net kilograms (nkgs) based on the WSIs in NDO, CDO and four POs; c) the unaccounted receipt of excess kgs from withdrawals of stocks in NDO and Eastern Pangasinan PO; and d) WSIs with erasures/alterations and incomplete</p>	<p>Related discussion in Part II, Observation No. 22 of this Report.</p>

Observations and Recommendations	Actions Taken/Comments
information that resulted in erroneous stock reports.	
In view of the above observations, we recommended that Management:	
a. Require the WSSs to document the emptied containers from filler stocks with a separate AI and WSI as required under NFA SOP No. GM-DN10.A;	Fully Implemented. At NCR-NDO, proper documentation of emptied containers from filler stocks was implemented starting March 2017.
b. Evaluate existing control measures in warehouse operations and institute additional controls, including the review of the documentation of receipts of excess kgs from issuances of stocks weighing more than 50 kgs/bag;	Partially Implemented. A filler committee was created to conduct thorough analysis and verification of warehouse transactions and evaluate existing controls in the warehouse operations.
c. Instruct the WSSs to observe proper documentation as prescribed in the NFA SOP No. GM-WH11 in accomplishing the WSIs; and	Partially Implemented.
d. For NFA-NDO, direct the WSSs to thoroughly review computations indicated in the WSI before signing the "Certified Correct" portion of the WSI and hold liable the WSSs for the over issued fillers.	Partially Implemented. At NCR-NDO, payments were made by the WSSs for the over-issued fillers.
We also reiterated our recommendations in prior year's audit that Management:	
a. Require the strict monitoring and accounting of the filler transactions of warehouses starting from the recording of the fillers in the WSIs up to the recording of the transactions in the Stock Reports and in the accounting records/books;	Partially Implemented.
b. Conduct thorough analysis and verification of warehouse transactions to account for the correct stock balances of each warehouse;	Fully Implemented. At NCR-NDO, a Filler Committee was created to conduct thorough analysis and verification of warehouse transactions and evaluate existing controls in the warehouse operations.

Observations and Recommendations	Actions Taken/Comments
<p>c. Ascertain the accuracy of the reported number of filler bags issued and account for the difference per stock report and its equivalent kgs per issued WSIs; and</p>	<p>Partially Implemented.</p>
<p>d. Initiate investigation to determine personnel responsible for possible fraudulent activities, particularly in the issuances of fillers, so that appropriate measures and sanctions are enforced on those found guilty of fraudulent acts.</p>	<p>Partially Implemented.</p>
<p>32. The reliability of recorded filler stocks in Ilocos Norte and Ilocos Sur POs of 34,901.87 nkgs or equivalent to approximately 698.04 bags for all rice varieties could not be ascertained due to some admissions and allegations that filler stocks were not received or fully received by concerned retailers or buyers, thereby defeating the purpose and intent of the issuance of filler stocks.</p> <p>We recommended that Management:</p>	
<p>a. Instruct the WSs to: (i) furnish the buyers or retailers with a copy of the WSI, (ii) require the buyers to bring with them containers for fillers every time they purchase and witness the weighing of stocks, and (iii) issue the filler stocks to the buyer/retailer as indicated in the WSI with the corresponding signature opposite the name of the receiving party or the retailer/buyer acknowledging that they actually received the filler stocks;</p>	<p>Partially Implemented.</p>
<p>b. Instruct the Provincial Managers to disseminate to concerned retailers and buyers the NFA's policies and procedures on filler transactions;</p>	<p>Fully Implemented.</p> <p>Conducted meetings with retailers informing them of the NFA policies and procedures on filler transactions.</p>
<p>c. Adopt control measures that would deter any possible unscrupulous acts, such as installations of CCTVs, to monitor warehouse activities and operations;</p>	<p>Fully Implemented.</p> <p>Additional CCTVs have been installed on all warehouses at the entrance area and within the vicinity of the warehouses.</p>

Observations and Recommendations	Actions Taken/Comments
<p>d. Require the WSs to strictly observe pertinent provisions of NFA rules, regulations and procedures on warehousing operations, particularly on the proper documentation procedure and reporting system of filler transactions; and</p>	Partially Implemented.
<p>e. Issue table-top weighing scales to all WSs where fillers are to be weighed.</p>	Not Implemented.
<p>We further recommended that Management conduct an investigation on the issues raised on filler transactions and file appropriate charges against erring personnel, if warranted.</p>	Not Implemented.
<p>33. The computation of the handling costs paid in Ilocos Norte and Benguet POs amounting to P2.752 million was unreliable considering that not all stocks sold had passed through the platform scale or had been weighed and that the number of handling moves was not indicated in the WSRs and WSIs as required in NFA Memorandum No. AO-213-05-008 dated April 10, 2003.</p> <p>We recommended that Management:</p>	
<p>a. Require all WSs to: (i) strictly comply with NFA AO 2K3-05-008 issued on May 13, 2003, particularly on the weighing of stocks in order to determine the actual movements of stocks which serve as basis in the payment of handling cost to the labor contractor, and (ii) indicate or stamp the actual number of moves on all copies of the WSRs and WSIs to support the payment for handling claims; and</p>	<p>Fully Implemented.</p> <p>Validation showed that the number of moves was already indicated in the WSR and WSI.</p>
<p>b. Institute control measures that would strengthen monitoring of warehouse operations, such as installation of CCTVs to ensure documentation of warehouse activities and serve as a deterrent for any possible unscrupulous acts by warehouse personnel.</p>	<p>Fully Implemented.</p> <p>Additional CCTVs have been installed on all warehouses at the entrance area and within the vicinity of the warehouses.</p>

Observations and Recommendations	Actions Taken/Comments
<p>34. Warehouse Stock Issue (WSI) receipts issued by several WSs of Eastern and Western Pangasinan POs were tampered, thus, showing a larger amount of fillers than what was actually issued to customers.</p>	
<p>We recommended that Management:</p>	
<p>a. Restudy the NFA policies on TOLA to discourage the practice of the SAOs of maximizing the benefit thereof as TOLA is not intended for unauthorized transactions;</p>	Partially Implemented.
<p>b. Direct the Regional Manager of Region I to:</p>	
<p>b.1 Conduct investigation on the falsification of WSIs regarding the issuance of stock fillers, and immediately relieve erring personnel while investigation is on-going to avoid influencing the investigating team and manipulation of record;</p>	Not Implemented.
<p>b.2 Elevate to NFA higher authorities the evaluation of TOLA granted to SAOs for possible reduction to minimize the opportunity to unauthorized withdrawals of excessive fillers;</p>	Not Implemented.
<p>b.3 Ensure that there is a request for the issuance for filler stocks and that it be properly checked by the Accounting Section prior to approval and issuance of AI for filler stocks; and</p>	Fully Implemented.
<p>c. Require the Legal Affairs Department (LAD) to file appropriate administrative charges to erring WSs/SAOs and all other personnel involved in the commission of offense, if warranted. The above recommendations are without prejudice to the institution of proper complaint in a court having jurisdiction with the offense after a full investigation on the matter.</p>	Not Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>35. Marinduque PO shouldered all the losses on stock dispersal by sea amounting to P690,977 due to absence of provisions regarding tolerable limit on dispersal given to private-hauler contractors and truckers as provided in NFA SOP No. GM-DL03 dated January 1, 1991 and as amended by NFA SOP Amendment/Addendum No. GM-DL03.C dated May 31, 2000, hence, additional expenses on the part of NFA. On the other hand, in Batanes PU, there was over recognition of dispersal losses because the gain in weight of stocks during dispersal from NCR source warehouse to imaginary warehouse was not considered in recording the dispersal losses at Batanes destination warehouse as weight gain was not covered by specific accounting treatment in the NFA SOPs, resulting in the overstatement of operating expense by P72,633 and understatement of income by the same amount in CYs 2014-2016.</p>	<p>Partially Implemented.</p> <p>Dispersal losses for the year 2017 decreased by 16.61 per cent.</p>
<p>We recommended that Management of Marinduque PO improve and adopt more stringent control measures to further reduce the losses in sea dispersal, and make representation with the NFA HO to revisit the SOPs with regard to the dispersal of stocks through transfer by sea and request that a considerable tolerable allowance be set.</p>	
<p>We also reiterated our previous year's recommendations that Batanes PU Management revisit the NFA SOPs on Dispersal Operations specifically on stock dispersal, and coordinate with the NCR RO for proper accounting treatment over recognition of dispersal/weight losses, as well as dispersal/weight gain without specific accounting recognition in the NFA SOPs.</p>	<p>Partially Implemented.</p> <p>NFA-NCR is currently conducting an evaluation/assessment of the dispersal operations for proper recognition of dispersal losses.</p>
<p>36. The quantified losses of stocks due to theft on three instances at the NCR warehouses from CYs 2001 to 2013 were not deducted in the Stock Examination</p>	

Observations and Recommendations	Actions Taken/Comments
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Reports (SERs) of SAOs due to the absence of specific guidelines, resulting in erroneous SERs and computation of TOLA. Also, the TOLA system's computation of factors affecting grains storage might no longer address the current conditions in the warehouses that could result in inappropriate computation of TOLA.

We recommended that Management revisit the existing policy on New Computerized Stock Examination and TOLA Computation, in particular, the appropriate treatment of losses due to theft in the SER and computation on factors affecting grains storage embedded in the TOLA system and identify the needed amendments in the policy to ensure the accurate computation of TOLA.

Partially Implemented.

NFA-NCR has elevated this matter to the Internal Audit Services Department-Central Office through NCR-ORM-RF-G-02 dated July 4, 2017

37. The non-compliance with the guidelines of the Institutionalized Farmers as Distributors (IFAD) Program, which included: a) the issuance of rice allocation to two delisted/dissolved cooperatives; b) 29 unregistered cooperatives with the Cooperative Development Authority (CDA) as of December 31, 2015; c) 122 cooperatives without Certificate of Good Standing issued by CDA, and d) acceptance of Special Power of Attorney (SPA) at the Farmers Organization's/Farmers Association's chosen withdrawal point of IFAD rice allocation, could deprive the intended beneficiaries of the opportunity to participate and avail of the benefits of the Program.

We recommended that Management:

- a. Determine the appropriate measures to address the following issues and concerns in the implementation of IFAD Program:

Observations and Recommendations	Actions Taken/Comments
a.1 Inadequacy of verification of LOIs and supporting documents conducted at the source POs;	Partially Implemented.
a.2 Allowing the use of SPA despite the prohibition in the CY 2015 IFAD Program guidelines;	Partially Implemented.
a.3 Change in withdrawal point and the cost-benefit to farmer beneficiaries in withdrawing the allocation from NCR instead of at respective provinces <i>vis-a-vis</i> transportation costs and optimization of income;	Partially Implemented.
a.4 Indications of fraud, such as, submission of spurious documents by unregistered/ non-operating cooperatives to avail the benefits of the NFA IFAD Program; and	Partially Implemented.
a.5 The intended/legitimate FOr/FA-beneficiaries were being deprived of the benefits of the Program;	Partially Implemented.
b. Conduct evaluation of the IFAD Program <i>vis-a-vis</i> the following:	
b.1 Effectiveness of existing controls in the implementation of the Program; and	Partially Implemented.
b.2 Duplication of benefits derived on other NFA Programs intended for the farmers/organizations, as inputs for the HO's program development strategy in further improving the economic and social well-being of the farmers;	Partially Implemented.
c. Investigate the non-compliance with the CY 2015 IFAD Program guidelines as cooperatives from different regions/provinces were allowed to participate despite deficiencies in supporting documents of their LOIs and IFAD participant-farmers' organizations/cooperatives from different regions/provinces were allowed to withdraw stocks by presenting SPA; and	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>d. Refrain from issuing IFAD allocations to FORs/FAs not rated/classified as “Good Standing” by the CDA or not registered with the Authority or any regulatory agencies mentioned in NFA SOP No. GM-DN29 and; henceforth, ensure that FORs/FAs are duly registered/in good standing status before issuing IFAD allocations.</p>	Partially Implemented.
<p>38. In Catbalogan PO, the transfer of the same variety of IMR for the period January to July 2016 from GID Catbalogan and Guiuan, Eastern Samar Warehouses to GID Borongan Warehouses despite the adequate stocks on hand at the issuing and receiving warehouses resulted in wastage of government funds in terms of unnecessary handling and trucking fees of P1.677 million and P414,888, respectively.</p>	Fully Implemented.
<p>We recommended that Management direct the concerned NFA ROs/POs to determine first the stock balance of the receiving warehouse before the transfer of stocks within and outside the Province to avoid the incurrence of unnecessary handling and trucking fees.</p>	
<p>39. Storage fees in the total amount of P323,375 were not collected by CDO, Misamis Occidental and Quezon POs contrary to Item No. 6 of NFA SOP GM-DN09.A, as amended, thus depriving the NFA of additional income.</p>	
<p>We recommended that Management of:</p>	
<p>a. CDO hold liable/institute appropriate sanction on responsible personnel for non-collection of P120,546 storage fees for IFAD stocks withdrawn after the deadline, and henceforth, strictly implement the withdrawal of stocks within the deadline set and/or the collection of storage fees for stocks withdrawn after such deadline; and</p>	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>b. Misamis Occidental PO collect storage fees from the concerned buyers/retailers as required in Item 6 of NFA SOP No. GM-DN09.A, as amended.</p>	<p>Partially Implemented.</p>
<p>We further recommended that Management revisit the guidelines on setting the deadline for stock withdrawals and collection of storage fees and define the conditions where the collection of fees may be given consideration.</p>	<p>Not Implemented.</p>
<p>40. Only the amount of P58.138 million or 52.28 per cent of the P111.205 million funds received under the YRRP was obligated as of December 31, 2016; thus, adversely affecting the warehousing activities of the affected POs particularly the condition and quality of the stored stocks due to congestion. In addition, the repair/rehabilitation/ reconstruction projects amounting to P34.227 million were obligated after December 31, 2014 which is beyond the effectivity of the Special Allotment Release Order (SARO); thus the expenses incurred became irregular.</p>	
<p>We reiterated our prior year's audit recommendations that Management:</p>	
<p>a. Exert utmost effort to obtain/follow-up the authority from proper bodies to utilize the YRRP fund beyond December 31, 2014 in order to regularize the obligation/utilization of funds after CY 2014; and</p>	<p>Fully Implemented.</p> <p>NFA was able to obtain an authority from the Department of Budget and Management (DBM), through letter dated March 6, 2018 allowing the Agency to utilize the remaining YRRP funds.</p>
<p>b. Henceforth, ensure that funded projects are only implemented within the validity of SAROs.</p>	<p>Fully Implemented.</p>
<p>We also recommended that upon obtaining authority from proper authorities, Management prioritize the implementation of the remaining projects which were not started/completed as at year-end.</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
<p>41. The difference in CDF balance between NFA's books of accounts and bank statement had increased by P4.145 million or 450.54 per cent, from P0.920 million as of December 31, 2015 to P5.065 million as of December 31, 2016, thus casting doubt on the reliability of the year-end balance of the Other Payables-CDF account of P161.154 million.</p>	Partially Implemented.
<p>We reiterated our prior year's audit recommendation that Management instruct the ASD to exert extra effort to reconcile the CDF's book balance with the balance per bank to come up with the correct balance.</p>	
<p>42. No complete set of separate books of accounts were maintained for CDF contrary to the provisions of NFA SOP No. TS-ES22 dated February 14, 2008, thus, detailed transactions involving sources and uses of funds balance cannot be easily determined/monitored.</p>	Partially Implemented.
<p>We reiterated our prior years' audit recommendation that Management require the CDF Committee Secretariat to strictly adhere to the provisions of NFA SOP No. TS-ES22 on the maintenance of a complete set of books for CDF in order to regularly monitor the receipts and utilization of the fund and to facilitate determination of its balance as at any given period.</p>	
<p>43. Machineries with acquisition costs of P745,000 and P475,000 in NFA Marinduque and San Jose, Occidental Mindoro POs, respectively, were not utilized or disposed, thus, the NFA was not able to derive the expected benefits to recover the cost of the financial assistance granted to the farmer-members of the Farm Level Grains Center (FLGC).</p>	
<p>We recommended that Management require the:</p>	

Observations and Recommendations	Actions Taken/Comments
<p>a. Marinduque PO to transfer or dispose the machineries in accordance with Sections 76 and 79 of PD No. 1445 to avoid further deterioration and to maximize the use of said machineries; and</p>	Partially Implemented.
<p>b. San Jose PO to facilitate the immediate construction of a shed so as the biomass furnace retrofitted to dryer could be installed and utilized.</p>	Not Implemented.
<p>44. The NFA's GAD budget of P10.006 million for CY 2016 for the implementation of various programs/activities based on its GAD Plan and Budget (GPB) for the same year was equivalent to only 0.013 per cent of the total approved Corporate Operating Budget (COB) of P76.487 billion instead of the required minimum allocation of P3.824 billion or five per cent of the COB, contrary to the provisions of DBM/NEDA/PCW Joint Circular No. 2012-01. In addition, the GAD budget of P10.006 million was not fully utilized as only P7.506 million or 75.01 per cent was expended indicating that the planned programs/activities were not fully implemented, thus the benefits expected from such programs/activities were not served to the targeted beneficiaries.</p> <p>In view thereof, we reiterated our previous years' audit recommendations that Management:</p>	
<p>a. Allocate funds of at least five per cent of the annual total budget for GAD programs/activities, pursuant to DBM-NEDA-PCW Joint Circular No. 2012-01;</p>	Partially Implemented.
<p>b. Ensure the full implementation of programs/activities included in the GPB for the year;</p>	Partially Implemented.
<p>c. Closely coordinate with NFA Field Offices on the implementation of GAD programs/activities to ensure full implementation of the GPB; and</p>	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
d. Require the NFA GAD Focal Point to coordinate with the ASD on the preparation of the GAD AR to ensure that the actual amount of the expenses incurred will be correctly presented therein.	Partially Implemented.
We also recommended that Management require the NFA GAD Focal Point to ensure that accomplishments are clearly and fully presented in the GAD AR.	Partially Implemented.

CY 2015 AAR

45. Dividend due to the NG from the NFA's net earnings of P1.875 billion for CY 2014 has not been declared and remitted to the BTr, contrary to Section 3 of Republic Act (RA) No. 7656, resulting in the understatement of the liability and overstatement of Retained Earnings accounts and depriving the NG of funds for carrying out the programs, projects and other priority development goals of the government. Although the Agency could have been exempted from paying Dividends due to negative Retained Earnings pursuant to Section 5-f of the Revised Implementing Rules and Regulations (RIRR) of same RA, its request for exemption was submitted late to the DOF.

We recommended that Management Follow-up the status of its request for the downgrading of dividend rate from 50 per cent to zero, and if not granted, remit to the BTr the approved dividend adjustment.

Not Implemented.

Management did not remit the dividend to the BTr and provide the Audit Team with any document to prove that there were follow-ups made on the status of its request for the downgrading of dividend rate from 50 per cent to zero.

46. The payments for the Collective Negotiation Agreement (CNA) Incentive amounting to P31.643 million to officials and employees of HO, NCR and some ROs/POs and the NFA's share to the Provident Fund in the amount of P25.392

Observations and Recommendations	Actions Taken/Comments
<p>million in CY 2015, both charged to the savings in CY 2014, were not supported by existing valid CNA, contrary to Item 4.1 of DBM Budget Circular No. 2014-2. Thus, the propriety of the expenses could not be fully assessed.</p>	
<p>We recommended that Management:</p>	
<p>a. Cause the submission of CY 2014 existing and valid CNA to support the grant of CNA Incentive and remittance of NFA's share to the Provident Fund; and</p>	<p>Partially Implemented. CNA submitted was only signed on June 9, 2015.</p>
<p>b. Henceforth, strictly adhere to the existing rules and regulations on the grant of CNA Incentive.</p>	<p>Partially Implemented.</p>
<p>47. The NFA Council members and alternates were paid reimbursable expenses for meals and were granted rice allowance in CY 2015 amounting to P1.091 million and P69,030, respectively, contrary to Section 23 of RA No. 10149 and Section 7 of EO No. 24. Moreover, reimbursable expenses for meals in the total amount of P0.747 million and P344,104 charged to the budgets for the Chairman's Fund and Office of the Council Secretary, respectively, were granted without sufficient information on the purpose of meal expenses and/or the attendees of the meetings held, thus the validity/propriety of the expenses could not be fully established, while consultancy services is not among the expenses enumerated under Section 12 of EO No. 24 which are allowed to be paid directly by NFA.</p>	
<p>We reiterated our last year's audit recommendations that Management:</p>	
<p>a. Require the refund of rice allowance granted to the NFA Council members and alternates;</p>	<p>Partially Implemented. NS, ND and NFD were prepared for non-compliance with the audit recommendation. Majority of the Council Members already refunded</p>

Observations and Recommendations	Actions Taken/Comments
	the rice allowance granted them.
<p>b. Require the NFA Council members and alternates to submit documents showing that the meal expenses reimbursed were utilized during official business meetings, otherwise require the refund of the amounts paid to them, and henceforth, ensure that all expenses are properly supported with complete documentation pursuant to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001; and</p>	<p>Partially Implemented.</p> <p>Not all documents submitted satisfied the required document to prove the validity of the reimbursed meal expenses. NS and ND were issued for non-compliance with the audit recommendation.</p>
<p>c. Henceforth, exercise prudence in the utilization of NFA Council funds and adhere strictly to the provisions of RA No. 10149 and EO No. 24 on the limitations for the grant of compensation/allowances to NFA Council members and alternates.</p>	<p>Partially Implemented.</p>
<p>We also recommended that Management require the Council Secretariat and the ASD to examine thoroughly the documentation for claims for reimbursement of meal expenses of Council and alternate members to avoid doubts on the propriety/legality of reimbursements using receipts.</p>	<p>Fully Implemented.</p> <p>The Council Secretariat and the ASD are now examining thoroughly the documentation for claims for reimbursement of meal expenses of the Council members.</p>
<p>48. The non-recognition of corresponding tax subsidy to cover the amount of import duties for the March to October 2015 importations of rice amounting to P4.578 billion rendered the NFA's reported income unreliable.</p>	
<p>We reiterated our prior year's audit recommendation that Management require the ASD to take up in the books of accounts the tax subsidy received from the NG corresponding to the customs duties for the importation of rice.</p>	<p>Partially Implemented.</p>
<p>49. Delayed and non-submission of the financial reports and supporting schedules such as DVs, Reports of Disbursements (RODs), Reports of Collections and Deposits (RCDs), Purchase Orders,</p>	

Observations and Recommendations	Actions Taken/Comments
<p>perfected contracts, Report of Accountability for Accountable Forms (RAAFs) and Reports of Inspection on consumable and perishable items, as well as unserviceable and disposable government property and other assets and other relevant supporting documents were not submitted within the prescribed period, contrary to the provisions of COA Circular Nos. 2009-001, 2009-006, 95-006, Section 100 of PD No. 1445 and Section 22 of the MNGAS, Volume I, thus preventing the Auditors' timely audit, review and determination of the validity, propriety and legality of the Agency's transactions.</p>	
<p>We recommended that the Management of the concerned ROs/POs to:</p>	
<p>a. Require the concerned Accountants, Bids and Awards Committee (BAC) and property officers to strictly adhere to the provisions of COA Circular Nos. 2009-001, 2009-006, 95-006, Section 100 of PD No. 1445 and the MNGAS Volume I on the submission to COA of the required financial reports, copy of contracts and Purchase Orders and supporting documents; and</p>	<p>Partially Implemented. There are still delays in the submission to COA of copies of contracts, purchase orders and their supporting documents.</p>
<p>b. Oblige the Cashier/Accounting Section to submit immediately all unsubmitted reports including the DVs and supporting documents, and the RAAF.</p>	<p>Fully Implemented.</p>
<p>50. The actual quantity of imported rice delivered by the suppliers were way below the requirement provided in the supply agreement/contract which might cause an adverse effect on the projected demand of volume of rice to be imported as determined by the Inter-agency Food Security Committee (FSC)-Rice, thus affecting the maintenance of the required buffer stocks.</p>	

Observations and Recommendations	Actions Taken/Comments
We recommended that Management:	
a. Investigate the difference in quantity between Bill of Lading and actual delivery and institute appropriate action, as warranted; and	Fully Implemented.
b. In future rice importations, ensure that the minimum and maximum quantities to be delivered by the sellers be fully provided in the supply contracts to avoid delivery way below the contracted quantity which might adversely affect the maintenance of the required rice stock levels.	Partially Implemented. Only maximum quantity is provided in the contract.
51. The award of the contract to Vinafood II for the importation of 100,000 MT, 25 per cent broken, well-milled long grain white rice on CIF-DAP-FOW basis based on the re-submitted lowest bid offer of US\$416.85/MT which was above the reference price of US\$408.14/MT by US\$8.71/MT resulted in incurrence of additional cost in the total amount of US\$0.871 million.	
We recommended that Management ensure that the approved Reference Price for undertaking certain rice importation is used as the price ceiling in the evaluation of price offers by qualified participating foreign government agencies in order to arrive at a reasonable price of imported rice and to avoid incurrence of additional cost by the government.	Fully Implemented.
It is further recommended that Management revisit the provision of the TOR relative to the rejection and submission of revised price offers.	Fully Implemented.
52. The absence of policies to address the recurring short landing on rice importation in NCR disregarded accountability inherent to its operation and financial transactions, resulting in unaccounted stocks and loss of funds from government coffers and deprivation of availability of	

Observations and Recommendations	Actions Taken/Comments
<p>NFA rice to its intended consumers. In CY 2015, the customs duties of P92.352 million were subsidized by the government on the 1,586.714 MT short landing.</p>	
<p>We recommended that NCR Management, in coordination with the HO:</p>	
<p>a. Revisit the established policies in the rice importation operations and financial transactions to identify critical processes with or without effective embedded controls;</p>	Partially Implemented.
<p>b. Re-design controls specific to the critical processes with the end in view of established accountability on rice importation operations and financial transactions; and</p>	Partially Implemented.
<p>c. Consider the inclusion of specific terms and conditions on short landing in the supply contract with suppliers.</p>	Partially Implemented.
<p>53. Procured 14,498 bags or 712,145.71 nkgs of palay by Kalinga, Palawan and Misamis Oriental POs were stored for 8 to 33 months despite the 9-6-3 policy of NFA, thus the possibility of not attaining the 65 per cent milling recovery for regular milled rice and 63 per cent for well-milled rice that may eventually lead to losses.</p>	
<p>We recommended that Management:</p>	
<p>a. Strictly adhere to the 9-6-3 aging policy to maintain the good quality of stored stocks (Kalinga, Palawan and Misamis Oriental POs); and</p>	Fully Implemented.
<p>b. Ensure that the reported data between the Pile Report and PQAR are reconciled as to the correct age of the stocks stored in the NFA Warehouses as of a given period to enable Management to come up with appropriate decisions (Palawan PO).</p>	Fully Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>54. NCR-CDO and NDO did not conduct bag to bag count with 100 per cent weighing when the WSs replaced each other contrary to the provisions of NFA SOP No. GM-WH12. Thus, the accuracy of the balances of the stocks transferred could not be determined and any shortage/overage incurred by the former WS could be carried over to the incumbent WS. Likewise, the risk of mix-up of the receipts and issuances could result from housing their stocks at the same warehouses.</p> <p>We recommended that NCR-CDO and NDO Management:</p> <p>a. Refrain from having change of WS/accountable officer without the conduct of a bag to bag count and 100 per cent weighing to establish the actual balances of stock accountabilities at time of transfer; and</p> <p>b. Facilitate the immediate transfer of each accountable officer's stocks to his assigned warehouse or the transfer of stocks to the accountable officer occupying the warehouse where his stocks are still located to avoid mix-up of stock transactions.</p>	<p>Partially Implemented.</p> <p>NDO Management assured strict compliance on the required bag to bag count and 100 per cent weighing on transfer of accountabilities.</p> <p>Not Implemented.</p>
<p>55. In Cebu PO, the errors and/or misstatements in reporting the weight of imported rice received resulted in an unusual increase in the average weight per bag at the time of issue as against the reported average weight at the time of receipt at an estimated amount of at least P1.416 million.</p> <p>We recommended that Management:</p> <p>a. Require the ROs/POs to strictly observe the requirements of NFA SOP No. TS-MT05 that requires the use of truck scale in their warehouse operation to deter the issue on weight variances between stock receipts and issues;</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
<p>b. Instruct the Cebu PO to monitor and account the final overage in the accountability of the WS in Warehouse 113 considering the notable difference to ensure proper recognition of the overage in the financial records and proper liquidation of his accountability;</p>	Partially Implemented.
<p>c. Consider the use of digital weighing platform scale in all warehouses that would automatically produce receipts indicating the actual weight in order to eliminate human factor and discretion in the declaration of weight in all transactions in the warehouse; and</p>	Partially Implemented.
<p>d. Review procedures and composition of the committee on importation to ensure that stock weighing is properly undertaken and correctly reported.</p>	Partially Implemented.
<p>56. The palay procured by Nueva Ecija PO of about 32,695 bags to 49,507 bags and by Aurora PO of still undetermined quantity from October to December 2015 classified and paid as good quality were confirmed as storm damaged palay (SDP) based on the initial result of the quality analysis of palay samples conducted by the Regional Standard Quality Assurance Office (RSQAO) and joint effort of TRSD in HO and the Central Luzon Regional Office (CLRO) QAO. Thus, the possibility that the Agency had paid higher amount than the actual/true value of the palay procured cannot be discounted.</p>	
<p>We recommended that Management uphold an impartial investigation that will lead to the filing of administrative/ criminal charges against those erring Nueva Ecija PO's officials and employees identified to have participated and contributed in the commission of the anomaly in palay procurement, including those individuals or groups from the private sector who possibly connived in committing such crime.</p>	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>We also recommended that Management ensure the integrity and the credibility of its employees through proper screening and that their assignment matches with the qualification standards of the position.</p> <p>For Aurora PO, to remedy the situation and as preventive measures, we recommended that the Provincial Manager:</p>	<p>Partially Implemented.</p>
<p>a. Instruct the PSQAO to conduct a regular monitoring of the procurement activities for check and balance and to ensure that all palay that will be procured are within the NFA standards; and</p>	<p>Fully Implemented.</p>
<p>b. Conduct a deeper investigation and impose sanctions against those who shall be held liable for the misclassification, as warranted under the circumstances.</p>	<p>Fully Implemented.</p>
<p>57. The maximum weekly rice allocation to various retailers as determined in the NFA SOP No. GM-DN09 was not observed in NCR-CDO, thus, casting doubt on whether the intentions of the allocation system was served and could lead to diversion of stocks.</p>	
<p>We reiterated our prior year's audit recommendations that Management instruct the NCR-CDO to require the Ws and the personnel in charge in encoding to report/record in the WsIs and in the stock reports/accounting schedules, the full names of retailers (not just the initials of first names as different individuals have similar initials of first names), their categories whether BBSP, ITM, OTM, etc. and the markets where they belong to facilitate verification and audit on retailers.</p>	<p>Partially Implemented.</p> <p>A memorandum was issued to all CDO's Ws to legibly write in the warehouse documents the complete names of retailers and market names for easy verification and audit.</p>
<p>We further recommended that strict monitoring be made especially on retailers who are given excessive weekly rice allocations to prevent diversion or the selling of NFA rice whether as NFA rice or</p>	<p>Not Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
<p>commercial rice to either accredited or non-accredited retailers.</p>	
<p>58. Storage fees of P1.318 million for CY 2015 alone were not imposed on rice sold but unwithdrawn within the prescribed period in NCR-SDO, contrary to Item 6 of NFA SOP No. GM-DN09.A, as amended, thus understating the Service Income account for the same amount while at NCR-NDO, the accuracy and completeness of the income and penalties collected from the market stall rentals at the Valenzuela Gulayang Bayan Center (VGBC) in CY 2015 cannot be ascertained in the absence of perfected contracts of lease for 75 tenants. Moreover, the one-month contracts of lease which were renewed monthly have exceeded two years, contrary to Section 533 of the GAAM, Vol. I and COA Circular No. 88-282A dated April 18, 1988.</p>	<p>Partially Implemented.</p> <p>The SDO Management initially collected storage fees due from accredited retailers in CYs 2015 and 2016.</p>
<p>We recommended that Management require the NCR-SDO to instruct responsible officers and employees to collect and record the amount of P1.318 million storage fees due from accredited retailers in CY 2015. Henceforth, strictly comply with the provisions in Item 6 of NFA No. SOP GM-DN09.A, as amended.</p>	
<p>59. The objective of providing marketing and post-harvest facilities to farmer-members of Irrigators' Associations (IAs) in Regions VIII and X under the fourth component of IRPEP was not fully attained due to (a) failure to repair the two warehouses in Region X; (b) underutilization of Farmers' Kiosks (FKs) in the absence or slow internet connection in the location of FKs, lack of receptiveness of farmers toward the system and distant location of FKs to the farmers; and (c) only 69.51 per cent of the targeted 3,641 participants from Communal Irrigators' Associations (CIAs) were trained on Collective Marketing System (CMS), thus depriving the intended farmer-beneficiaries of the</p>	

Observations and Recommendations	Actions Taken/Comments
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benefits to be derived from the project.

We recommended that Management:

a. Submit Liquidation Report for Audit Team's validation and issuance of Credit Notice as required by the DA and return the remaining project fund balance of P2.258 million to the DA considering that the budget for IRPEP implementation pertained only to CYs 2011 to 2015; and

Partially Implemented.

Only the remaining amount of the fund was returned to DA.

b. Henceforth, for similar undertaking in the future, ensure that funds received for project implementation are utilized within the prescribed period and in accordance with the purpose for which the funds were released.

Partially Implemented.

60. Expenses amounting to P181,824 incurred for the trainings and seminars conducted in CY 2015 were not adequately supported contrary to Section 4(6) of PD No. 1445 and COA Circular No. 2012-001, thus the propriety/validity of the expenses could not be fully established. In addition, the non-monitoring of procured IT equipment and furniture and fixtures costing P1.018 million during the implementation of IRPEP is not in consonance with Section 1, Item No. 3 of COA Circular No. 94-013, which rendered the accountability and existence of these properties doubtful.

We recommended that Management:

a. Instruct the RO No. X to submit the lacking documents for travelling expenses in order to fully comply with Item 1.2.4 of COA Circular No. 2012-001;

Partially Implemented.

ND No. 18-002 (2012 to 2015) dated January 17, 2018 was issued for the remaining unsupported/unsettled transactions, while NSSDC No. 18-001 dated January 16, 2018 was issued relative to the supporting documents complied.

Observations and Recommendations	Actions Taken/Comments
<p>b. Cause the submission of RFQ of the winning bidder and the Abstract of Canvass for the meal expense incurred during the 4th Policy Dialogue; and</p>	Fully Implemented.
<p>c. Instruct the ASD, Regions VIII and X to account all the properties procured under IRPEP including the determination of their location and status to facilitate the eventual transfer of these properties to NFA.</p>	Partially Implemented.
<p>61. Honoraria in the total amount of P1.090 million were granted to CDF Secretariat/Committee members in CY 2015 despite the absence of documents showing the specific activities undertaken by them, in addition to their regular functions, contrary to the provisions of DBM Budget Circular No. 2007-2 dated October 1, 2007. Thus, the propriety of the claims for honoraria could not be fully established.</p>	
<p>We recommended that Management revisit the provisions of NFA SOP No. TS-ES22 on the grant of honoraria, particularly the rate and documentation of claims to prove entitlement in relation to the provisions of DBM Budget Circular No. 2007-2 and COA Circular No. 2012-001.</p>	<p>Partially Implemented.</p> <p>Management contended that the honoraria received by the CDF Secretariat Committee members conformed with the provisions of DBM Budget Circular No. 2007-2 and COA Circular No. 2012-001.</p>
<p>62. Lack of clear guidelines on the extension of grants to proponents in excess of P0.500 million may result in inconsistent application in their approval. In addition, the absence of provisions in the MOA executed with grantees particularly stating the procedures and rules on their liquidation may result in delayed liquidation/non-liquidation thereof.</p>	
<p>We recommended that Management:</p>	
<p>a. Revisit the provisions of NFA SOP No. TS-ES22 on the extension of grant with end in view of providing clear guidelines on the limitations as to amount, number of</p>	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>projects per proponent and the exceptions, if any; and</p>	
<p>b. Ensure that the procedures as well as the documentary requirements in the liquidation of inter-agency fund transfers/grants provided in COA Circular No. 2012-001 and other existing laws, rules and regulations are complied with by the grantees.</p>	Partially Implemented.
<u>CY 2014 AAR</u>	
<p>63. The receipt of 832,186 bags of imported rice was recorded by the Cavite PO in the Merchandise Inventory account at a fixed amount of US\$462.25/MT, translated in Philippine Peso, instead of the cost indicated on the vessel's commercial invoices, thereby overstating the account by P12.555 million. Also, the foreign exchange (ForEx) rates used were computed daily, which are prone to error and difficulty in locating transactions in cases when adjustments are required to correct previous accounting entries.</p> <p>We recommended that Management require the Accounting Specialist of Cavite PO to:</p>	
<p>a. Conduct an in-depth review and analysis of the cost of 2014 imported rice recognized in the books, with emphasis on cost per MT <i>vis-à-vis</i> cost per MT per vessel, and re-compute for the correct cost of 832,186 bags imported rice and compare with the adjustments advised by the HO;</p>	Partially Implemented.
<p>b. Coordinate with the HO on results of the review and analysis noted, if any, to determine the correct initial cost that should be recorded in the books and to make adjustments accordingly; and</p>	<p>Partially Implemented.</p> <p>An in-depth review and analysis for the determination and adjustments of the correct cost is still on-going.</p>
<p>c. Consider the applicability of using the average US\$ exchange rate for a week or a month provided under PAS 21, instead</p>	Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
of daily exchange rate.	
We further recommended that the matter be elevated to the ASD, NFA-HO for the purpose of revisiting the accounting policy.	Partially Implemented.
64. The validity and propriety of the importations of 1.800 million MT of rice amounting to US\$818.825 million made from November 2013 to September 2014 could not be fully assessed due to non-provision of a copy of Inter-Agency Committee (IAC) reports on the rice situation for 2013 and 2014 with recommendations on the volume of rice importation and the absence of documents on the approval by the President of the Philippines on the importations.	
We recommended that the Administrator, in coordination with the NFA Council, exert utmost efforts to secure a copy of the IAC reports and approval by the OP on the importations made in order to support the NFA Council resolutions and validate the importation undertaken from November 2013 to September 2014. Henceforth, ensure that all rice importations to be undertaken are properly supported.	Not Implemented. No longer doable as the IAC was abolished.
65. Losses from stock dispersal by sea amounting to P0.800 millions were all charged to expense of the Palawan PO due to the absence of provisions in the NFA-SOP No. GM-DL03 C for tolerable limit for losses on sea dispersal.	
We reiterated our prior year's audit recommendation that Management consider the amendment of NFA SOP No. GM-DL03.C dated May 31, 2000 or other relevant NFA issuances to include the provision regarding tolerable limit for sea dispersal and the charging of the losses thereon.	Fully Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>66. Variances of 84,782.450 nkgs amounting to P1.853 million were not immediately resolved due to lax monitoring and supervision of stocks unloading and deliveries during the intra-regional stock dispersal from NFA Cebu PO to NFA Leyte PO. Moreover, Merchandise Inventory was overstated by P70.737 million due to errors and absence of advice on Standard Transfer Cost (STC).</p> <p>We reiterated our prior year's audit recommendation that NFA Leyte PO Management require the Provincial Accountant to record the dispersal losses of P1.853 million and prepare adjusting entries to correct the overstatement of P70.737 million in the Merchandise Inventory and Due to Operating Units accounts.</p>	<p>Partially Implemented.</p> <p>Dispersal losses for the year were already recorded, while reconciliation to determine the adjustments of variance of prior years is still on-going.</p>
<p>67. A number of grains business entities were registered and/or issued licenses despite deficiencies in documentary requirements, contrary to existing NFA rules and regulations indicating doubtful legitimacy of the business entities, preventing the creation of a complete and reliable database of client accounts and the assessment of corresponding registration/license fees is not facilitated. Moreover, retailers were accredited without the two-year requirement as grains business entity, while the applications of some outlets were approved even without the appropriate signature.</p>	
<p>We recommended that Management:</p> <p>a. Require all concerned that all the documentary requirements and accreditation process as stipulated in the Rules and Regulations on Grains Businessmen of the NFA and in the SOP be strictly complied with before the approval of licenses and registration and the issuance of passbook;</p>	<p>Partially Implemented.</p> <p>In Negros PO, incomplete requirements are accepted to fast track processing.</p>

Observations and Recommendations	Actions Taken/Comments
<p>b. Ensure that the guidelines, rules and regulations and SOP are disseminated and understood by all process owners down the organization; and</p>	Partially Implemented.
<p>c. Establish, set-up and maintain a database of clientele accounts, guided by the prescribed processes in the abovementioned NFA rules and regulations.</p>	Fully Implemented
<p>68. The inability to exercise the mandated regulatory and monitoring functions paved the way for grains businessmen to continue to operate and/or receive rice allocations without securing or timely renewing their licenses and/or registration from NFA, in violation of PD No. 4, as amended by PD Nos. 699 and 1485, to the detriment of the Agency in terms of uncollected license/registration fees.</p>	
<p>We recommended that Management fully undertake its regulatory and monitoring functions by requiring all concerned personnel to pursue a more aggressive and strategic monitoring on compliance with NFA license/registration of grains businesses, to include, among others, the quarterly visit and revisit of the rice businesses, and tie up with LGUs and agencies like the Department of Trade and Industry (DTI) or Securities and Exchange Commission (SEC) and market administrators.</p>	Partially Implemented.
<p>69. The 2,038 license/registration metal plates sold to grain businessmen by NFA Quezon, Laguna and Infanta POs in Region IV amounting to P407,400 for the years 2007, and 2011 to 2014 were not delivered as at year-end, contrary to the provisions of NFA SOP No. BR-RL06; hence, the purpose of using them as one of the means to effectively monitor grains industry and strengthen enforcement activities of the NFA was not attained.</p>	

Observations and Recommendations	Actions Taken/Comments
<p>We recommended that Management cause the immediate delivery of the 2,038 paid metal plates to POs for prompt issuance to grains businessmen to facilitate NFA's enforcement activities.</p>	Fully Implemented.
<p>We also recommended that the Provincial Managers and Provincial Industry Services Officers (PISOs) ensure that metal plates are available before collection of payment is made.</p>	Fully Implemented.
<p>70. The accomplishments on palay procurement in NFA Negros Occidental, Masbate and Cavite POs for 2014 were significantly low at zero to 41.1 per cent, attributed to high ex-farm price above the NFA procurement price of P17.00 per kg exclusive of incentive fees. Thus, NFA's function of providing market to farmers' produce with fair return on their investment in production costs was not attained in those regions.</p>	
<p>We recommended that Management require the Negros Occidental PO to assess the low NFA buying price in order to determine the appropriate increase and additional incentives that can compete with local traders.</p>	Fully Implemented.
<p>71. In Palawan PO, the storage fee amounting to P0.872 million due from the Provincial Government of Palawan for stocks already withdrawn, remained uncollected as of December 31, 2014, depriving the PO of the amount which could have been used for its daily operation.</p>	
<p>We recommended that Management require the Palawan PO to instruct the WS to monitor the WSIs and withhold issuances of rice pending payment of storage fees.</p>	Fully Implemented.

Observations and Recommendations	Actions Taken/Comments
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CY 2013 AAR

72. The Cereal Procurement Fund (CPF) in 2013 of P7.890 billion was not fully maximized for the procurement of palay of which the unutilized amount of P1.019 billion or 12.9 per cent of the total available funds could have been used to procure 1.172 million bags of palay for the buffer stock of NFA. This condition resulted from the shortfall of 415,779 MT or 53.3 per cent of the targeted volume of procurement and the setting of very low procurement target compared to the palay production of more or less 368,788,120 bags or 18,439,406 MT.

We recommended that Management:

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| <p>a. Review the setting of procurement targets considering the established data on palay production to maximize the utilization of available funds to be able to maintain the mandated buffer stock of NFA;</p> | <p>Partially Implemented.</p> |
| <p>b. Assess the low NFA buying price in order to determine the appropriate increase and additional incentives that can level up or compete with local traders;</p> | <p>Partially Implemented.</p> |
| <p>c. Evaluate the procurement performance of the ROs/POs with low accomplishments to determine the necessary assistance and measures needed to improve the implementation of the procurement program; and</p> | <p>Partially Implemented.</p> |
| <p>d. Formulate strategies to increase the procurement of palay and encourage participation from farmers, among others:</p> | |
| <p>d.1 Intensify information dissemination on palay procurement before the start of main crop season to encourage farmers to sell their produce to NFA;</p> | <p>Partially Implemented.</p> |

Observations and Recommendations	Actions Taken/Comments
<p>d.2 Deploy more procurement teams in areas where harvesting season is ongoing. Put in place the early preparation of palay procurement logistics plan that include the pre-positioning of equipment and personnel both in stationary buying stations and mobile procurement teams in their respective service areas with early harvest schedule;</p>	Partially Implemented.
<p>d.3 Ensure that NFA's assistance are accessible to farmers like the post-harvest facilities that they can use to minimize post-harvest losses; and</p>	Partially Implemented.
<p>d.4 Regularly monitor extent of utilization of available funds based on the palay production during the period to meet or even exceed the targeted palay procurement.</p>	Partially Implemented
<p>73. The La Union, Ilocos Sur, Ilocos Norte, and Abra POs in Region I granted CDIF totaling P2.737 million to 69 FCs/FOs; however, 68 of them were unable to complete the documentary requirements, hence, their legal juridical personalities and operational standing were not assured which affected the propriety of their entitlement to the fund.</p>	
<p>We recommended that the POs concerned strictly enforce NFA SOP No. TS-ES24 or the Revised SOP on the granting of CDIF to ensure that only those FCs/FOs which have legal juridical personalities and are registered as active and/or operational are granted the CDIF.</p>	Fully Implemented.
<p>We further recommended that Management, as set forth in NFA SOP No. TS-ES24, require the FCs/FOs to immediately comply with the documentary requirements. Otherwise, this may constitute a ground for issuance of Notice of Suspension on the grant of CDIF.</p>	Fully Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>74. The causes of the total variance of 449,696.58 nkgs, with equivalent value of P11.170 million, between the stocks (rice) received by six POs of NFA RO VIII of 28,213,880.47 nkgs as reported in the stock records and accounting records of 28,663,577.05 nkgs remained not detected due to non-preparation of the Monthly Reconciliation Statement of the Stock Reports against the Stock Book and Physical Inventory Report, rendering the quantities reported unreliable.</p>	Partially Implemented.
<p>We recommended that Management:</p>	
<p>a. Require the Stock Examination Committee of the Provincial Office to immediately conduct the examination on the concerned Stocks and Grains Operation Officer (SGOOs)/WSs to establish accountability for the variances; and</p>	Partially Implemented.
<p>b. Include in the policies on dispersal, the regular reconciliation between records of the issuing and receiving offices and prepare a quarterly reconciliation report for submission to the Provincial Manager so that solutions to problems can be timely instituted to ensure that balances reported are accurate.</p>	
<p>75. Same individuals appeared to have withdrawn and received rice on behalf of several retailers of NCR- CDO and NCR-NDO, as evidenced by similar signatures in the Warehouse Stock Issues (WSIs). In NCR-Cavite PO and NDO, payments were made by various accredited NFA retailers using checks drawn from a common bank and branch with almost continuous series of personal and Manager's/Cashier's check number, thereby casting doubt on whether the intention of the allocation system on rice to be purchased on a per retailer basis was served.</p>	

Observations and Recommendations	Actions Taken/Comments
<p>We recommended that Management require the Enforcement and Investigation Section (EIS) to conduct investigation to determine whether the checks that were endorsed as payment for the withdrawals of rice were made by legitimate or authorized representatives. If they are not, devise procedures or impose sanctions to avoid occurrence of the same, to ensure that the objective of the allocation of stocks to retailers is not defeated; and</p>	<p>Partially Implemented.</p>
<p>76. Unusual depletion of stocks of rice retailers in NCR-NDO could result in diversion of NFA stocks which is prohibited under Regulation XV, Section 1 of the revised Rules and Regulations on Grains Business (RRGB), since this could affect the NFA's mandate of stabilizing supply and price of rice in the market. In NCR-Cavite PO, there were stocks loaded in the same truck delivered to various business locations of buying retailers that could also result in diversion of NFA stocks to commercial rice and or selling or lending government stocks to other grains businessmen.</p>	
<p>We recommended that the NCR-NDO and NCR-Cavite PO Management closely monitor the distribution activities to accredited retailers, and establish effective controls, such as: (a) account for the owners of frequently used delivery trucks, and determine if the driver is properly authorized to receive stocks in behalf of various retailers; and (b) validate/confirm if the stocks, under similar circumstances, were indeed bought by accredited retailers and delivered to their registered business locations and made available for sale as NFA rice to consumers.</p>	<p>Fully Implemented.</p>
<p>77. Control procedures or activities on complete documentation and proper authorization in the distribution of rice for the Typhoon Yolanda relief operations were not adequately implemented at NFA-</p>	

Observations and Recommendations	Actions Taken/Comments
<p>CDO and NFA-SDO which could result in possible losses to NFA.</p>	
<p>We recommended that the CDO and SDO Management see to it that the control procedures on complete documentation and proper authorization in the delivery of stocks for relief operations are properly implemented by enjoining the responsible officials and personnel to prepare the contracts on credit sales for DSWD's conforme on the actual issuances based on WSIs and DRs; and, thereafter, immediately bill and/or promptly reconcile with their records, as appropriate, to enable immediate collection.</p>	<p>Partially Implemented.</p>
<p>78. Despite the issuance of billing statements, a total of 37,765 bags of rice worth P50.983 million out of the 225,136 bags released by Region VIII to various government agencies and private institutions for relief operations to the victims of super Typhoon Yolanda remained unpaid as of year-end. Moreover, there were rice releases not supported with Memorandum of Agreement (MOA), Deed of Undertaking and Purchase Orders, while a total of 800 bags of rice purchased by two LGUs from Eastern Samar remained not withdrawn as of December 31, 2013.</p>	
<p>We recommended that Management request the concerned LGUs to coordinate with DSWD for the immediate settlement of their unpaid accounts, and enforce from the concerned national government agencies payment of their obligations to NFA.</p>	<p>Partially Implemented.</p>
<p>79. The lease of privately-owned property at the NFA-NCR for use of the district offices grains storage amounted to P275.075 million for the past three years, or an average of P91.692 million per year, which based on historical cost of a 90,000-bag capacity of NFA-owned warehouse in Cavite, can already be</p>	

Observations and Recommendations	Actions Taken/Comments
<p>considered more than sufficient to build own facility, thereby reducing storage expenses.</p>	
<p>We recommended that Management conduct cost-benefit analysis on the viability of constructing NFA-NCR warehouses <i>vis-a-vis</i> cost of leasing warehouses.</p>	<p>Partially Implemented.</p> <p>NCR conducted an evaluation in Cavite area and recommended the purchase of land and the construction of new warehouse with storage capacity of 200,000 bags for 15-days food security stocks to minimize rental expense.</p>
<p>80. As much as P4.00 million in storage/rental expenses could have been saved had storage capacity of the warehouses in Cebu been maximized from May to December 2013 instead of leasing privately-owned warehouses. Further, the safekeeping of NFA grains in these rented facilities is not assured since these were not pre-inspected as to the structural soundness, stability and suitability of the warehouses for storage purposes.</p>	
<p>We recommended that the observations in warehousing operations be also looked into in other regional and provincial offices for NFA-wide implementation of the measures for improvement.</p>	<p>Partially Implemented.</p>
<p>81. The provision of the Loan Agreement executed by the North Cotabato Free Farmers Cooperative, Inc. (NCFFCI) with NFA regarding the payment of first installment, which will reckon from the release of the full amount of loan, differed from what was provided for in SOP No. TS-ES22.19.1, which should reckon from the date of initial release of the loan proceeds, to the disadvantage of NFA.</p>	
<p>We recommended that NFA see to it that the provisions of the SOP particularly in connection with the payment period are complied with for consistent application among the debtors/beneficiaries.</p>	<p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken/Comments
<p>82. Provincial Support Groups (PSG) in 10 Provinces were not able to submit liquidation reports amounting to P88,000 for the monitoring phase of the Bio-N Projects within the prescribed period, while the supporting documents to expenses totaling P250,000 submitted by the other six Provinces were only photocopies of the original documents.</p> <p>We recommended that Reports of Liquidation be submitted together with the original supporting documents within the prescribed period. Certified photo-copies of said tape receipts should also be submitted together with the original tape receipts for reference in audit in case the original tape receipts are no longer readable.</p>	Partially Implemented.
<p>83. The procurement of Dust Collection System (DCS) in Infanta, Quezon for the improvement of mechanical dryers amounting to P120,000 was not done in accordance with the normal process from the approval of the method of procurement to the preparation of supporting documents and execution of the project, thus, give doubt as to the regularity of the transaction and reasonableness of the price.</p> <p>We recommended that the Infanta PO Management submit BAC Resolution authorizing the procurement of DCS through direct contracting, including all supporting documents required in Sections 9.2 and 9.2.2 of COA Circular No. 2012-001; conduct evaluation as to reasonableness of the contract amount; and, justify the execution of the project prior to the approval of the BAC Resolution recommending the mode of procurement for two dryers.</p>	Fully Implemented.

Observations and Recommendations	Actions Taken/Comments
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CY 2012 AAR

84. The balances of Assets, Liabilities, and Capital Deficiency in the balance sheet differed from the totals of the regional balances by P15.381 million, P250.550 million, and P265.931 million, respectively, which affected the accuracy and completeness of the balances presented in the financial statements; and affected the fair view of the financial condition of NFA as a whole.

We recommended that Management verify and account for the noted differences, and adjust accordingly to come up with reliable financial statements of NFA.

Partially Implemented.

We further recommended that Management:

a. Continuously verify and monitor the reversal of the temporary entries in the books of the regional offices; and

Partially Implemented

b. Perform backward analysis to determine the variances before the mechanization of financial reports, as well as the variances in Region VIII where records were destroyed by fire to determine the amounts that can be considered for possible write-off in accordance with COA Circular No. 97-001 dated February 5, 1997.

Fully Implemented.

85. Importation by 14 Private Importers exceeded the total import allocation under PSF program by the total volume of 5,796.75 MT, which was also granted Tax Subsidy, resulting in forgone revenues of P43.512 million for the government.

We recommended that a monitoring procedure be put in place to check the actual importation and the tax subsidy availed of by the private importers against the approved volume allocation granted by NFA to ensure that only the authorized

Partially Implemented.

Observations and Recommendations	Actions Taken/Comments
<p>allocated volume is given the equivalent tax subsidy in order to prevent unauthorized importation, and contribute in the collection of tax revenues. Moreover, for policy direction and input in the improvement of the implementation of PSF program thru TES, we also recommended that NFA look into the excess shipments of 5,796.75 MT of 14 private importers that were also granted tax subsidy.</p>	
<p>86. Food and Grocery Incentive (FGI) was granted to NFA employees at P20,000 each totaling P84.868 million, without the authorization from the Office of the President.</p>	
<p>To substantiate the probity of expenses, we recommended that NFA support the payment of FGI with an Administrative Order or any issuance from the Office of the President authorizing the grant of the incentive, otherwise the transaction will be disallowed in audit.</p>	<p>Not Implemented. FGI was disallowed in audit.</p>

National Food Authority
Details and Status of Unsettled Audit Suspensions, Disallowances and Charges
As of December 31, 2017

I. Notices of Suspension (NSs)

NS No./Date	Nature/Particulars	Persons Responsible	Amount	Status
Head Office				
16-001(14)/ 3/28/16	Reimbursement of expense of Council	of Proceso J. Alcala, et al. NFA	P 2,067,467	For issuance of Notice of Settlement of Suspensions, Disallowances and Charges (NSSDC).
16-003 (2012 to 2015)	Reimbursement of expenses -IRPEP	Tessie Osuan, et al.	405,074	For issuance of NSSDC.
			2,472,541	
Region V				
RO	No details provided.	No details provided	14,778,565	Submitted documents are under evaluation.
Region VII				
No details provided	No details provided	No details provided	675,000	No details provided.
Region VIII				
RO	No details provided	No details provided	121,740	No details provided.
Northern Leyte	No details provided	No details provided	1,161,271	No details provided.
Biliran	No details provided	No details provided	20,030	No details provided.
Southern Leyte	No details provided	No details provided	12,866	No details provided.
Eastern Samar	Repainting/revarnishing of office tables	Wilfredo V. Banez as payee	15,000	No details provided.
No details provided	Purchase of spare parts and materials	Various payees	53,877	No details provided
			1,384,784	
Region IX				
Ipil PO				
10-003-101-(10)/ 12/30/10	Traveling expenses	Provincial Manager (PM), Senior Accounting Specialist (SAS) and payee	6,649	Unsettled as of 12/31/17.
11-001-101-(10)/ 01/28/11	Traveling expenses	PM, SAS and payee	9,423	Unsettled as of 12/31/17.
11-011-101-(10)/ 02/9/11	No details provided	SAS and various payees	61,785	Unsettled as of 12/31/17.

NS No./Date	Nature/Particulars	Persons Responsible	Amount	Status
11-005-101 (11)/ 06/7/11	No details provided	PM, SAS and Provident Fund	55,570	Unsettled as of 12/31/17.
11-021-101 (11)/ 06/29/11	CNAI	Various NFA officials and employees	201,513	Unsettled as of 12/31/17.
12-006-101/ 06/20/11	No details provided	SAS and various	455	Unsettled as of 12/31/17.
12-009-101 (11)/ 06/22/12	No details provided	SAS and various NFA officials and employees	458	Unsettled as of 12/31/17.
12-012-101/ 06/25/12	No details provided	Various	11,568	Unsettled as of 12/31/17.
12-015-101/ 06/27/12	No details provided	Various	11,537	Unsettled as of 12/31/17.
12-016-101 (12)/ 10/17/12	No details provided	SAS, Employees Association, Provident Fund	20,399	Unsettled as of 12/31/17.
12-017-101 (12)/ 10/29/12	No details provided	SAS, PRLO and various	13,312	Unsettled as of 12/31/17.
12-020-101/ 11/7/12	No details provided	SAS and various	1,680	Unsettled as of 12/31/17.
12-021-101/ 11/7/12	No details provided	SAS and various	3,400	Unsettled as of 12/31/17.
12-024-101/ 11/7/12	No details provided	SAS and various	11,234	Unsettled as of 12/31/17.
12-027-101/ 11/13/12	No details provided	Various NFA officials and employees	333,298	Unsettled as of 12/31/17.
Zamboanga del Norte PO				
2011-001(10)/ 08/17/11	CNAI 2009	Various NFA officials and employees	345,000	Waiting for the submission of required documents.
01-001-101(12)/ 02/1/12	Rapid Seed Supply Financing Project (RaSSFIP)	Various NFA officials and employees	222,000	Waiting for the submission of required documents.
			1,309,281	
Region X				
Misamis Occidental PO				
No details provided	No details provided	No details provided	5,388	Unsettled as of 12/31/17.
			P 20,625,559	

II. Notices of Disallowance (NDs)

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
Head Office				
10-02-101-05/ 05/17/10	Payment of salaries and allowances	DA; Department Managers - LAD and HRMD; and the payees.	P 183,604	Under Appeal.
12-02-501 (11 & 12)/ 11/7/12	Payment of Honoraria CYs 2011-2012	Administrator and various NFA officials and employees as payees.	507,998	With CGS Decision No. 2015-017 dated Dec. 8, 2015, denying the Appeal.
12-01-501 (11 & 12)/ 10/19/12	Payment of Honoraria CYs 2011-2012.	Administrator, Assistant Administrator (AA), DA, Special Assistant; Department Manager, Assistant Director, Division Chief - ASD; and Payee Department Manager – GMOD	98,845	Under Appeal.
14-01-501 (2012)/ 02/3/14	Payment of Food and Grocery Incentives (FGI) CY 2012	Deputy Administrator (DA) and various NFA officials and employees as payees.	13,275,000	Under Appeal.
16-002 (2012 and 2013)/ 12/12/16	Reimbursement of meal expenses	Mary Ann R. Culala, et al.	10,000	With partial settlement of P10,000 in CY 2017.
17-001(2015) 3/29/2017	Rice Allowance	Celia P. Cardeno, et. al.	14,284	With partial settlement of P32,116 in CY 2017.
17-002(2015-2016) 11/29/2017	Travelling Expenses of NFA-EA	Roman M. Sanches, et. al.	489,199	Unsettled as of 12/31/17.
			14,578,930	
NCR				
RO				
14-01-501(12)/ 01/24/14	Payment of FGI CY 2012	Reg. Manager (RM), Reg. Accountant and various NFA officials & employees as payees	3,475,000	ND was affirmed under CGS-5 Decision No. 2015-018 dated Dec. 9, 2015.
2015-03-501(2010)/NCR/ CPO/ 01/27/15	Payment of FGI CY 2010	RM, Accountant, AO, and various NFA officials and employees as payees	3,340,000	-do-
2015-02-501(2011)/NCR/ CPO/ 01/27/15	Payment of FGI CY 2011	RM, Assistant RM, SAS and various NFA officials and employees	3,635,000	-do-

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
CDO				
17-001(2015) 3/29/17	Rice allowance	NFA Council Members	13,810	Unsettled as of 12/31/17.
14-01-788-03-(12)/ 05/6/14	Payment of FGI CY 2012	Provincial Manager (PM), Accountant and various NFA officials and employees as payees	2,020,000	With COA Decision No. 2015-431 dated 12/29/15 which affirmed the disallowance. With Notice of Finality of Decision (NFD) dated 12/5/16 and COA Order of Execution (COE) No. 2017-002 dated 1/3/17.
16-01-(2010)/ 2/26/16		Marciano A. Alvarez, et al.	2,280,000	With Petition for Review dated Dec. 27, 2016
16-02 (2008) 2/26/16		Marciano A. Alvarez, et.al	1,955,000	-do-
NDO				
2014-001 (2012)/ 02/20/14	Payment of FGI CY 2012	PM, Assistant PM, Senior Accounting Specialist (SAS), Administrative Officer (AO) and various NFA officials and employees as payees	3,340,000	Under Appeal.
2014-002 (2010)/ 12/18/14	Payment of FGI CY 2010	PM, Assistant PM, SAS, AO, and various NFA officials and employees as payees	3,500,000	With COA Decision No. CGS-5 2015-018 dated 12/9/15, denying the appeal and affirming the disallowances.
2014-003 (2011)/ 12/18/14	Payment of FGI CY 2011	PM, Assistant PM, SAS, AO and various NFA officials and employees as payees	3,450,000	-do-
2014-004 (2008)/ 12/18/14	Payment of FGI CY 2008	PM, Assistant PM, SAS, AO and various NFA officials and employees as payees	2,850,000	-do-
EDO				
14-01-001 (2012)/ 02/14/14	Payment of FGI CY 2012	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees	1,360,000	ND was affirmed under CGS-5 Decision No. 2015-003 dated Jan. 27, 2015.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
14-01-002 (2010)/ 12/18/14	Payment of FGI CY 2010	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees.	1,340,000	With Petition for Review per COA CP Case No. 2016-967 dated Oct. 18, 2016.
14-01-003 (2011)/ 12/18/14	Payment of FGI CY 2011	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees.	1,460,000	-do-
14-01-004 (2009)/ 12/18/14	Payment of FGI CY 2009	Acting PM, SAS, Assistant PM, AO, Cashier and various NFA officials and employees as payees.	1,380,000	-do-
<u>SDO</u>				
2014-001 (2012)/ 05/15/14	Payment of FGI CY 2012	PM, Assistant PM, SAS, and various NFA officials and employees as payees.	1,100,000	Petition for review submitted to CP on Feb. 12, 2015.
<u>Batanes PU</u>				
2015-01- 501(2010)/BPU/ 01/28/15	Payment of FGI	OIC, Acting Accountant and various NFA officials and employees as payees	200,000	With CGS-5 Decision No. 2016-004 dated April 28, 2016.
			36,698,810	
<u>CAR</u>				
<u>Benguet PO</u>				
BPO-14-01-(2013)/ 01/24/14	FGI Incentives CY 2012	PM, SAS, and various NFA officials and employees as payees.	414,000	With Petition for Review.
<u>Ifugao PO</u>				
2014-01-101/ 03/31/14	Payment of FGI	PM, SAS, and various NFA officials and employees as payees	300,000	ND was affirmed under CGS-5 Decision No. 2015-018 dated Dec. 9, 2015. With Petition for Review before the COA Commission Proper.
<u>Kalinga PO</u>				
2014-01-101/ 03/31/14	Payment of FGI	PM, SAS, and various NFA officials and employees as payees	545,000	ND was affirmed under CGS-5 Decision No. 2015-001 dated 1/8/15. With Petition for Review before the Commission Proper.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
Mt. Province PO				
2014-01-101	Payment of FGI	PM, SAS, and various NFA officials and employees as payees	240,000	ND was affirmed under CGS-5 Decision No. 2015-018 dated Dec. 09, 2015. With Petition for Review before the Commission Proper.
			1,499,000	

Region I

RO				
14-001-106(2012)/02/10/14	Payment of FGI CY 2012	RM, SAS and various NFA officials and employees as payees	610,000	With Petition for Review before the Commission Proper..
15-003-106(2014)/08/10/15	Result of technical evaluation	Various NFA officials/employees and supplier.	69,857	Under Appeal.
16-001-106(2015)/1/07/16	No details provided	The New India Assurance Company LTD as payee/payor	536,005	Under Appeal.
16-002-106(2015)/1/07/16	No details provided	Asianlife and General Assurance Corp. as payee/payor	8,960	Under Appeal.
16-003-106(2015)/5/27/16	No details provided	H.G. Lopez Construction as payee/payor	146,495	Unsettled as of 12/31/17
17-001-106(2016)/1/11/17	Understated Liquidated Damages	Tarlac Mac Enterprises/Supplier; Carlito G. Co, Virginia S. Mariano and Engr. Jonathan U. Corpuz	1,273	Unsettled as of 12/31/17
17-003-106(2016)/1/25/17	CY 2016 GHIP Premiums of Regular Members	Marietta J. Ablaza, Virginia S. Mariano and Leonora V. Cabanban	47,010	Under Appeal
17-004-106(2016)/5/25/17	Familiarization Allowance	Marietta J. Ablaza, Rolando S. Rufo and Virginia S. Mariano	12,000	Under Appeal
17-005-106(2016)/5/25/17	Familiarization Allowance	Shoreen Maglinong, Marietta J. Ablaza and Virginia S. Mariano	5,600	Under Appeal
17-006-106(2016)/5/25/17	Familiarization Allowance	Margie Frialde, Marietta J. Ablaza and Virginia S. Mariano	5,600	Under Appeal

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>La Union PO</u>				
14-001-106(2012)/ 02/10/14	Payment of FGI	PM, SAS and various NFA officials and employees as payees	620,000	With COA CP Decision No. 2016-461 dated Dec. 28, 2016. A Motion for Reconsideration was subsequently filed.
17-001-106(2016) 2/10/17	CY 2016 GHIP Premiums of Regular Members	Engr. Fortunato B. Bulao, Roycee Charisse P. Ranjo, Anabelle T. Coloma and Divinagracia O. Antolin	81,996	Unsettled as of 12/31/17
17-005-106(2017) 7/20/17	Familiarization Allowance	Miljoy D. Melendez, Engr. Fortunato B. Bulao and Royce Charisse P. Ranjo	5,700	Unsettled as of 12/31/17
17-006-106(2017) 11/7/17	TEV	George Roque C. Silvania, Royce Charisse P. Ranjo and Lolita O. Sanedrin	1,876	Unsettled as of 12/31/17
17-007-106(2017) 11/07/17	TEV	Engr. Fortunato B. Bulao	800	Unsettled as of 12/31/17
<u>Ilocos Norte PO</u>				
14-001-106 (2012)/ 02/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees	720,000	With Petition for Review.
17-001-GOE-(16) 4/17/17	Group Health Insurance Program (GHIP)	NFA Officials and Employees	59,147	Under Appeal
17-002-GOE 12/6/17	Group Health Insurance Program (GHIP)	NFA Officials and Employees	71,442	Under Appeal
<u>Ilocos Sur PO</u>				
14-001-106 (2012)/ 02/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees	580,000	Under Appeal to SC
17-01-GOE(2016) 3/25/17	Group Health Insurance Program (GHIP)	NFA-ISPO Employees	44,072	Under Appeal
17-02-GOE(2016) 3/13/17	Various Unnecessary Expenses incurred in the re-transfer of stocks	Beverlyn P. Peralta and Fortunato B. Bulao	12,734	Under Appeal
17-04-GOE-(17) 12/4/17	2017 Group Health Insurance Program (GHIP)	Beverlyn P. Peralta, et. al	55,794	Unsettled as of 12/31/17

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
17-03-GOE 7/3/2017	Familiarization Allowance	Elizabeth T. Kai	5,600	Unsettled as of 12/31/17
<u>Abra PO</u>				
14-001-106 (2012)/ 02/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees	260,000	Under Appeal to SC.
17-01-GOE(2016) 3/13/17	Group Health Insurance Program (GHIP)	NFA-APO Employees	11,182	Under Appeal.
17-02-GOE(2016) 5/18/17	Familiarization Allowance	Ligaya M. Apolinario	5,600	Under Appeal.
17-03-GOE (16) 7/31/17	Payment of Medicine Expenses	Ligaya M. Apolinario, et. al	10,800	Unsettled as of 12/31/17
17-04-GOE (17) 12/4/17	Group Health Insurance Program (GHIP)	Vera Lew D.G De Vera, et. al	21,316	Unsettled as of 12/31/17
<u>Western Pangasinan PO</u>				
2014-001(2012) 2/5/14	2012 FGI	Officers and Employees of Western Pangasinan Provincial Office	760,000	Under Appeal.
2017-001(2016) 3/25/2017	CY2016 GHIP Premiums of Regular Members	Officers and Employees of Western Pangasinan Provincial Office	83,458	Under Appeal.
<u>Eastern Pangasinan PO</u>				
2014-001(2012) 02/4/14	2012 FGI	Officers and Employees of Eastern Pangasinan Provincial Office	800,000	Under Appeal.
2017-001(2016) 3/25/17	CY 2016 GHIP Premiums of Regular Members	Officers and Employees of Eastern Pangasinan Provincial Office	68,518	Under Appeal
			5,722,835	
<u>Region II</u>				
<u>RO</u>				
2014-01-101(12)/ 04/10/14	Payment of FGI CY 2012	RM, Accountant, Budget Officer and various NFA officials and employees as payees.	643,000	With Petition for Review; With partial settlement of P2,000 in CY 2016.
<u>Isabela PO</u>				
2014-01-101(12)/ 04/10/14	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees.	1,583,500	With Petition for Review; With partial settlement of P76,500 in CY 2016.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Nueva Vizcaya PO</u>				
2014-01-101(12)/04/10/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	560,000	Under Appeal.
<u>Quirino PO</u>				
2014-01-101(12)/04/10/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	490,000	Under Appeal.
<u>Cagayan PO</u>				
2010-001(04)/01/18/10	No details provided	No details provided	88,977	With partial settlement of P19,814 in CY 2017.
2014-01-101(12)/04/1/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	985,000	Under Appeal.
<u>Allacapan PO</u>				
2014-01-101(12)/04/1/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	803,000	Under Appeal.
			5,153,477	
<u>Region III RO</u>				
2014-001(2012)/06/30/14	Payment of FGI CY 2012	RM, Accountant, AO, Cashier and various NFA officials and employees as payees	780,153	Under Appeal.
<u>Nueva Ecija PO</u>				
2014-001(2012)/06/30/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees	2,180,000	With Petition for Review before the COA Commission Proper
16-001-CPF-(15)7/11/16	Payment for procurement of palay	Various NFA officials and employees	85,151	Under Appeal
16-002-CPF-(15)7/11/16	Payment for procurement of palay	Various NFA officials and employees	121,686	Under Appeal
16-003-CPF-(15)7/11/16	Payment for procurement of palay	Various NFA officials and employees	155,228	Under Appeal
<u>Aurora PO</u>				
2014-001(2012)/06/30/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	660,000	With Decision No. 2015-018 dated December 9, 2015.
<u>Bataan PO</u>				
ND 2014-001(2012)/05/16/14	Payment of FGI CY 2012	Various NFA officials and employees	540,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Zambales PO</u>				
2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	Various NFA officials and employees	640,000	Under Appeal.
<u>Tarlac PO</u>				
2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	1,040,000	With Decision No. CGS- 5-2015-018 denying the appeal. With Petition for Review before the COA CP.
2014-002(2012)/ 07/7/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	1,040,000	-do-
<u>Pampanga PO</u>				
2014-001(2012)/ 05/16/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	820,000	With Decision No. CGS- 5-2015-018, denying the appeal. With Petition for Review before the COA CP.
<u>Bulacan PO</u>				
2014-001(2-12)/ 06/27/14	Payment of FGI CY 2012	PM, SAS, AO and various NFA officials and employees as payees.	1,615,000	Under Appeal.
			9,677,218	
Region IV-A				
<u>RO</u>				
2010-01-(2008)/ 01/7/2010	Payment of FGI CY 2008	RM, Regional Accountant and various NFA officials and employees as payees.	835,000	With NFD and COE but with Supreme Court Decision dated May 31, 2016.
2010-02-(2009)/ 04/6/10	Payment of FGI CY 2009	RM, Regional Accountant and various NFA officials and employees as payees.	700,000	-do-
2011-01-(2010)/ 10/12/11	Payment of FGI CY 2010	RM, Regional Accountant and various NFA officials and employees as payees.	440,500	With partial settlement of P212,000 in CY 2017.
2012-01-(2011)/ 05/7/12	Payment of FGI CY 2011	RM, Regional Accountant and various NFA officials and employees as payees.	760,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2013-01-(2012)/ 04/12/13	Payment of FGI CY 2012	RM, Regional Accountant and various NFA officials and employees as payees.	705,000	With COA Decision No. 2016-437 dated December 12, 2016 which affirmed ND No. 2013-001 (2012). Petition for Review filed by Mr. Tomas R. Escarez was denied per Commission Proper en banc resolution dated October 26, 2017.
<u>Batangas PO</u>				
2010-01-(2008)/ 01/7/10	Payment of FGI CY 2008	PM, Assistant PM and various NFA officials and employees, as payees.	667,409	With NFD and COE but with Supreme Court Decision dated May 31, 2016 that NFA employees need not refund the FGI for the year 2009. With partial settlement of P382,591 in CY 2017.
2010-03-(2009)/ 12/3/10	Payment of FGI CY 2009	PM, SAS and various NFA officials and employees, as payees.	1,020,000	With NFD and COE but with Supreme Court Decision dated May 31, 2016 that NFA employees need not refund the FGI for the year 2009.
2013-02-(2012)/ 04/12/13	Payment of FGI CY 2012	PM, SAS and various NFA officials and employees as payees.	1,080,000	With Petition for Review before the COA Commission Proper.
2015-001(2010)/ 08/25/15	Payment of FGI CY 2010	Various NFA officials and employees.	1,160,000	-do-
2015-002(2011)/ 08/25/15	Payment of FGI CY 2011	Various NFA officials and employees.	1,160,000	-do-
<u>Laguna PO</u>				
2011-001-101 (2009)/ 07/24/11	Payment of FGI CY 2009	PM, Assistant PM and various NFA officials and employees as payees.	680,000	With Petition for Review before the COA Commission Proper.
2011-005-101 (2010)/ 07/24/11	Payment of FGI CY 2010	PM, Assistant PM and various NFA officials and employees as payees.	700,000	-do-

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2012-001-101 (2011)/ 07/24/11	Payment of FGI CY 2011	PM, Assistant PM and various NFA officials and employees as payees.	740,000	Under Appeal.
2013-003-101 (2012)/ 08/23/13	Payment of FGI CY 2012	Various NFA officials and employees	760,000	ND affirmed by the COA Commission Proper with pending request for reconsideration.
<u>Quezon PO</u>				
11-001(10)/ 08/2/11	Payment of FGI CY 2010	Various NFA officials and employees	620,000	Appeal submitted to COA Region IV-A.
12-001(08)/ 07/17/12	Payment of FGI CY 2008	Various NFA officials and employees	615,000	Petition for Review submitted to the COA CP.
12-002(09)/ 07/18/12	Payment of FGI CY 2009	Various NFA officials and employees	580,000	-do-
12-003(11)/ 07/19/12	Payment of FGI CY 2011	Various NFA officials and employees	640,000	-do-
2013-004(2012)/ 08/29/13	Payment of FGI CY 2012	Various NFA officials and employees	640,000	Appeal filed before the CGS Cluster 5 Director.
<u>Infanta PO</u>				
2013-005(12)/ 08/29/13	Payment of FGI CY 2012	Various NFA officials and employees	360,000	Under Appeal.
14-001-101(09)/ 09/10/14	Payment of FGI CY 2009	Various NFA officials and employees	400,000	Under Appeal.
14-002-101(10)/ 09/10/14	Payment of FGI CY 2010	Various NFA officials and employees	420,000	Under Appeal.
2005-001 (2008)/ 12/14/15	Payment of FGI CY 2008	Various NFA officials and employees	425,000	Unsettled as of 12/31/17
2005-002 (2011)/ 12/15/15	Payment of FGI CY 2011	Various NFA officials and employees	380,000	Unsettled as of 12/31/17
			16,487,909	
Region IV-B				
<u>Calapan Oriental Mindoro PO</u>				
2010-01 (2008)/ 01/7/10	Payment of FGI CY 2008	Various NFA officials and employees	820,000	Under Appeal.
13-001-GOF(12)/ 10/25/13	Payment of FGI CY 2012	Various NFA officials and employees	237,780	With partial settlement of P622,220 in CY 2017.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
15-001- GOF (09)/ 10/22/15	Payment of FGI CY 2009	Various NFA officials and employees	695,000	Under Appeal.
15-002- GOF (10)/ 10/22/15	Payment of FGI CY 2010	Various NFA officials and employees	840,000	Under Appeal.
15-001- GOF (11)/ 10/22/15	Payment of FGI CY 2011	Various NFA officials and employees	840,000	Under Appeal.
<u>Marinduque PO</u>				
10-001-101-(08)/ 03/2/10	Payment of FGI CY 2008	Various NFA officials and employees	330,000	Under Appeal.
10-002-101-(09)/ 03/2/10	Payment of FGI CY 2009	Various NFA officials and employees	290,000	Under Appeal.
11-001-101-(10)/ 05/25/11	Payment of FGI CY 2010	Various NFA officials and employees	280,000	Under Petition for Review.
13-001-(11)/ 01/9/13	Payment of FGI CY 2011	Various NFA officials and employees	280,000	Under Appeal.
14-001-(12)/ 02/25/14	Payment of FGI CY 2012	Various NFA officials and employees	315,000	Under Appeal.
<u>Occidental Mindoro PO</u>				
2010-01-(2008)/ 01/7/10	Payment of FGI CY 2008	Various NFA officials and employees	754,892	With Partial settlement of P185,384 in CY 2017.
11-001-GOF(10)/ 09/12/11	Payment of FGI CY 2010	Various NFA officials and employees	723,864	With Partial settlement of 217,400 in CY 2017.
12-001-GOF(11)/ 05/29/12	Payment of FGI CY 2011	Various NFA officials and employees	1,175,000	Unsettled as of 12/31/17
13-001-GOF(12)/ 03/22/13	Payment of FGI CY 2012	Various NFA officials and employees	1,210,000	Under Appeal.
15-001-GOF (09)/ 10/19/15	Payment of FGI CY 2009	Various NFA officials and employees	1,160,000	Unsettled as of 12/31/17
<u>Mamburao Provincial Office</u>				
2009-002-101/ 01/7/10	Payment of FGI CY 2009	Various NFA officials and employees	740,000	Unsettled as of 12/31/17
11-001-GOF-(10)/ 10/5/11	Payment of FGI CY 2010	Various NFA officials and employees	800,000	Under Appeal.
13-001-GOF-(12)/ 01/10/13	Payment of FGI CY 2012	Various NFA officials and employees	745,000	Under Appeal.
15-001-GOF (08)/ 09/15/15	Payment of FGI CY 2008	Various NFA officials and employees	775,000	Unsettled as of 12/31/17

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
15-002-GOF (11)/ 10/19/15	Payment of FGI CY 2011	Various NFA officials and employees	780,000	Unsettled as of 12/31/17
<u>Palawan PO</u>				
09-001-101 (09)/ 12/28/09	Payment of FGI CY 2008	RM, PM, SAS and various NFA officials and employees as payees	253,570	With COE dated 3/19/12. Partially settled.
2011-001 (2009)/ 09/6/11	Payment of FGI CY 2009	PM, SAS and various NFA officials and employees as payees	178,688	With Motion to set aside COE implementation; Answer to Appeal submitted per Director's Order; With partial settlement of P139,277 in CY 2016
2011-002 (2010)/ 10/26/11	Payment of FGI CY 2010	PM, SAS and various NFA officials and employees as payees	259,279	With COE. With partial settlement of P337,317 in CY 2017.
2012-001 (2011)/ 01/18/13	Payment of FGI CY 2011	PM, SAS and various NFA officials and employees as payees	680,000	With Appeal dated 5/2/12. Partially settled.
<u>Romblon PO</u>				
09-02-101/ 10/23/09	Payment of FGI	Various NFA officials and employees	375,000	Under Appeal.
12-001 to 016-101- (09)/ 05/11/09	Payment of FGI	Various NFA officials and employees	320,000	Under Appeal.
12-017-101-(10)/ 05/11/12	Payment of FGI	PM, Accountant and various NFA officials and employees as payees	420,000	Under Appeal.
13-001-GOF(12)/ 07/16/13	Payment of FGI	Various NFA officials and employees	420,000	Under Appeal.
			16,698,073	
<u>Region V</u>				
<u>RO</u>				
No details provided	No details provided	No details provided	605,000	Unsettled as of 12/31/17
No details provided	No details provided	No details provided	1,180,000	Unsettled as of 12/31/17
<u>Albay PO</u>				
12-001-GOF-(11)/ 11/26/12	Payment of FGI	PM and various NFA officials and employees as payees	900,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
12-002-GOF-(10)/ 11/26/12	Payment of FGI	PM and various NFA officials and employees as payees	880,000	Under Appeal.
14-001-GOF-(12) 9/05/14	Payment of FGI	PM and various NFA officials and employees as payees	930,000	Unsettled as of 12/31/17
<u>Catanduanes PO</u>				
14-001-101-(12)/ 05/23/14	Payment of FGI	PM and various NFA officials and employees as payees	440,000	With COA RO 5 Decision No. 2014-C-001 dated. 1/4/2014.
<u>Sorsogon PO</u>				
2014-09-001/ 09/11/14	Payment of FGI	PM, SAS, Cashier and various NFA officials and employees as payees	630,000	Under Appeal.
No details provided	No details provided	Various employees	11,086	Payees are no longer connected with NFA.
<u>Camarines Sur PO</u>				
14-001-101-(12)/ 05/23/14	Payment of FGI	PM, Assistant PM, SAS, AO and various NFA officials and employees	946,545	Under Appeal
<u>Camarines Norte PO</u>				
14-001-101-(12)/ 05/23/14	Payment of FGI	PM and various NFA officials and employees	410,000	Unsettled as of 12/31/17
<u>Masbate PO</u>				
2012-05-001(11)/ 05/21/12	Payment of FGI	PM, SAS, AO and various NFA officials and employees as payees.	440,000	Under Appeal.
ND No.14-001-101- (12)/ 05/23/14	Payment of FGI	PM, SAS, AO and various NFA officials and employees as payees	480,000	Under Appeal.
			7,852,631	
<u>Region VI RO</u>				
13-001-GOF (12)/ 01/4/13	Housing allowance	No details provided.	2,000	With COA Region VI Decision No. 2017-077 dated 12/13/2017. Under automatic review with the Commission Proper
13-002-GOF (11)/ 01/4/13	Payment of FGI CY 2011	No details provided.	685,000	Adjusted from P700,000; With COA RO VI Decision No. 2016-053 dated August 17, 2016 and received by Appellants on August 26, 2016.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
13-003-GOF (10)/ 01/4/13	Payment of FGI CY 2010	No details provided.	690,000	With COA RO VI Decision No. 2016-053 dated August 17, 2016 and received by Appellants on August 26, 2016.
12-004-GOF (12)/ 11/22/12	Housing allowance	No details provided.	2,500	With COA Region VI Decision No. 2017-077 dated 12/13/2017. Under automatic review with the Commission Proper
14-001-GOF (2012)/ 09/9/14	Payment of FGI CY 2012	No details provided.	625,000	With CGS-5 Decision No. 2015-018 dated Dec. 9, 2015. Decision received by the Appellants on 1/28/16.
<u>Iloilo PO</u>				
14-001-GOF- (2011)/ 09/9/14	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees.	1,460,000	With CGS-5 Decision No. 2015-018 dated Dec. 9, 2015. Decision received by the Appellants on 1/21/16. Motion for Reconsideration filed before the Commission Proper on 2/3/2016
14-002-GOF- (2012)/ 09/09/14	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	1,440,000	-do-
<u>Capiz PO</u>				
14-001-GOF-(2010)/ 09/9/14	Payment of FGI CY 2010	PM, SAS, and various NFA officials and employees as payees	880,000	With CGS 5 Decision No. 2015-018 dated Dec. 9, 2015. Decision received by the Appellants on 1/29/16.
14-002-GOF-(2011)/ 09/9/14	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	920,000	-do-
14-003-GOF-(2012)/ 09/9/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	880,000	-do-
<u>Aklan PO</u>				
2012-001-GOF(10)/ 06/26/12	Payment of FGI CY 2010	PM, SAS, and various NFA officials and employees as payees	505,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2012-002-GOF(11)/ 06/26/12	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	520,000	Under Appeal.
2014-001-GOF-(12)/ 09/16/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	520,000	Under Appeal.
Antique PO				
ND No. 11-001-101- (09)/ 06/30/11	Payment of FGI CY 2009	PM, SAS, and various NFA officials and employees as payees	580,000	Under Appeal.
ND No. 11-002-101- (10)/ 06/30/11	Payment of FGI CY 2010	PM, SAS, and various NFA officials and employees as payees	670,000	Under Appeal.
ND No. 2012-001- 101-(11)/ 12/13/12	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees	700,000	Under Appeal.
ND No. 2012-002- 101-(12)/ 01/7/13	Payment of FGI CY 2011	PM, SAS, and various NFA officials and employees as payees.	20,000	Under Appeal.
ND No. 2014-001- GOF-(12)/ 09/16/14	Payment of FGI CY 2012	PM, SAS, and various NFA officials and employees as payees	720,000	Under Appeal.
Negros Occidental PO				
ND No. 2014-001 (2010)/ 06/30/14	Payment of FGI CY 2010	Assistant PM, SAS, and various NFA officials and employees as payees	910,000	With CGS 5 Decision No. 2015-018 dated Dec. 9, 2015. Decision received by the Appellants on 3/17/16.
ND No. 2014-001 (2011)/ 06/30/14	Payment of FGI CY 2011	Assistant PM, SAS, and various NFA officials and employees as payees	940,000	-do-
ND No. 2014-001 (2012)/ 06/30/14	Payment of FGI CY 2012	Assistant PM, SAS, and various NFA officials and employees as payees	920,000	-do-
			14,589,500	
Region VII RO				
2014-001(12)/ 06/25/14	Payment of FGI	RM, Accountant, AO and various NFA officials and employees as payees.	660,000	Under Appeal.
Cebu PO				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, AO and various officials and employees as payees.	1,530,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Siquijor PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, and various officials and employees as payees.	320,000	Under Appeal.
<u>Negros Oriental PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, and various officials and employees as payees.	540,000	Under Appeal.
<u>Bohol PO</u>				
2014-001(12)/ 06/25/14	Payment of FGI	PM, SAS, and various officials and employees as payees	680,000	Under Appeal.
			3,730,000	
<u>Region VIII RO</u>				
2012-001-GOF(12)/ 11/14/12	No details provided	No details provided	240	Unsettled as of 12/31/17
2012-002-GOF(12)/ 11/14/12	No details provided	No details provided	240	Unsettled as of 12/31/17
2012-002-GOF(11)/ 06/5/12	Payment of FGI	RM and various NFA officials and employees.	665,000	Under Appeal.
2012-001-GOF(10)/ 05/8/12	Payment of FGI	RM and various NFA officials and employees.	610,000	Under Appeal.
2013-001- GOF(2012)/ 08/29/13	Payment of FGI	RM and various NFA officials and employees	680,000	Under Appeal.
2015-10-01(15)/ 10/13/15	No details provided	No details provided	418	Unsettled as of 12/31/17
2015-010-02(15)/ 10/19/15	No details provided	No details provided	800	Unsettled as of 12/31/17
2016-08-007/ 8/31/2016	Payment for construction project	Richmark Construction as payee	253,401	Unsettled as of 12/31/17
	Overpayment of travelling allowance	No details provided	2,240	Unsettled as of 12/31/17
<u>Eastern Samar PO</u>				
2012-001(11)/ 03/5/12	Payment of FGI	PM and various NFA officials and employees as payees	470,501	Under Appeal.
2013-001- GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	530,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Northern Leyte PO</u>				
2012-001-GOF(10)/ 05/9/12	Payment of FGI	PM and various NFA officials and employees as payees	920,000	Under Appeal.
2012-002-GOF(11)/ 05/11/12	Payment of FGI	PM and various NFA officials and employees as payees	960,000	Under Appeal.
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	995,000	Under Appeal.
2015-02-GOF(15)/ 10/21/15	No details provided.	No details provided.	100	Unsettled as of 12/31/17
2015-01-GOF(15)/ 10/21/15	No details provided.	No details provided.	518	Unsettled as of 12/31/17
2016-09-03/ 9/26/2016	No details provided	Jobet Atienza as payee	480	Unsettled as of 12/31/17
No details provided	No details provided	No details provided	2,160	Unsettled as of 12/31/17
<u>Southern Leyte PO</u>				
2012-005 to 0032 (11)/ 8/17/12	Payment of FGI	PM and various NFA officials and employees as payees	535,000	Under Appeal.
2013-001-GOF(2012)/ 8/28/13	Payment of FGI	PM and various NFA officials and employees as payees	560,000	Under Appeal.
2016-09-001(2016)/ 9/05/16	No details provided	No details provided	1,680	Unsettled as of 12/31/17.
2016-09-002(2016)/ 9/05/16	No details provided	No details provided	3,520	Unsettled as of 12/31/17
2016-09-003(2016)/ 9/05/16	No details provided	No details provided	2,560	Unsettled as of 12/31/17
2016-09-004(2016)/ 9/05/2016	No details provided	No details provided	3,640	Unsettled as of 12/31/17
2016-09-005/ 9/07/16	No details provided	Schubert Basco, as payee	720	Unsettled as of 12/31/17
2016-09-006(2016)/ 9/07/16	No details provided	Rolito Plaza, as payee	3,640	Unsettled as of 12/31/17
2016-09-007(2016)/ 9/08/16	No details provided	Lorna S. Ordiz, as payee	800	Unsettled as of 12/31/17

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2016-09-008(2016)/ 9/08/16	No details provided	Mariestela Sedan, as payee	320	Unsettled as of 12/31/17
2016-09-009/ 9/30/16	No details provided	Mark Hatayna, as payee	160	Unsettled as of 12/31/17
2016-09-010/ 9/30/16	No details provided	Charon Paloma, as payee	160	Unsettled as of 12/31/17
2016-10-011/ 10/04/16	No details provided	Lorna S. Ordiz, as payee	400	Unsettled as of 12/31/17
2016-10-012/ 10/04/16	No details provided	Lorna S. Ordiz, as payee	640	Unsettled as of 12/31/17
2016-10-013/ 10/18/16	No details provided	Cresente Maganda, as payee	960	Unsettled as of 12/31/17
2016-10-014/ 10/19/16	No details provided	Charon Paloma, as payee	480	Unsettled as of 12/31/17
2016-10-015/ 10/19/16	No details provided	Asuncion Gaviola, as payee	800	Unsettled as of 12/31/17
2016-10-016/ 10/25/16	No details provided	Lorna S. Ortiz, as payee	480	Unsettled as of 12/31/17
No details provided	No details provided	No details provided	9,280	Unsettled as of 12/31/17
<u>Northern Samar PO</u>				
2012-001-101(10)/ 02/01/12	Payment of FGI	PM and various NFA officials and employees as payees	600,000	Under Appeal.
2012-002-101(11)/ 2/6/12	Payment of FGI	PM and various NFA officials and employees as payees	675,000	Under Appeal
2013-001- GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	680,000	Under Appeal.
ND No.14-001- GOF(2012)/ 12/1/14	No details	No details	8,547	Under Appeal
ND No.14-002-GOF- (2012)/ 12/1/14	No details	No details	6,200	Under Appeal
2015-11-01(2015)/ 11/16/15	Claims of travelling expenses	No details	3,180	Under Appeal
	Overpayment of trucking services	No details	6,069	Unsettled as of 12/31/17
	Claims of travelling allowance	No details	6,000	Unsettled as of 12/31/17

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Biliran PO</u>				
2012-001-COB(12)/ 05/31/12	Payment of FGI	PM and various NFA officials and employees as payees	405,000	Under Appeal.
2012-002-COB(11)/ 05/31/12	Payment of FGI	PM and various NFA officials and employees as payees	455,000	Under Appeal.
2013-001-GOF(2012)/ 08/29/13	Payment of FGI	PM and various NFA officials and employees as payees	440,000	Under Appeal.
	Excessive claims of travelling allowance	Various NFA employees	7,740	Unsettled as of 12/31/17
<u>Western Samar PO</u>				
2012-001(11)/ 04/26/12	Payment of FGI	PM and various NFA officials and employees as payees	349,580	With partial settlement of 290,420.00 in CY 2017.
2013-001-GOF(2012)/ 08/28/13	Payment of FGI	PM and various NFA officials and employees as payees	620,000	Under Appeal.
			11,478,654	

Region IX

<u>RO</u>				
NFA-RO-11-002-GOF(11)/ 09/11/11	Payment of Group Hospitalization Insurance for CY 2011	Asialife & Gen. Assurance Corp. as payee	510,007	Petition for Review was filed with the Commission Proper. With partial settlement of P17,952 in CY 2017.
NFA-RO-11-003-GOF (10)/ 09/13/11	Payment of FGI	Assistant RM, SAS and various NFA officials and employees as payees.	495,264	With Petition for Certiorari. With partial settlement of P60,000 in CY 2017.
NFA-RO-12-001(11)/ 05/11/12	Payment of FGI	RM, Accountant and various NFA officials and employees as payees.	194,521	With Petition for Certiorari. With partial settlement of P92,783 in CY 2017.
NFA-RO-14-001(12)-RO/ 12/2/14	Payment of FGI	RM, Accountant and various NFA officials and employees as payees	444,020	With NFD and COE; With Petition for Certiorari; and With partial settlement of P40,000 in CY 2017.
NFA-RO-2017-001-13	Payment of Group Hospitalization Insurance Program for CY 2013	No details	536,745	Under Appeal

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
NFA-RO-2017-002-14	Payment of Group Hospitalization Insurance Program for CY 2014	No details	447,176	Under Appeal
NFA-RO-2017-003-15	Payment of Group Hospitalization Insurance Program for CY 2015	No details	322,369	Under Appeal
NFA-RO-2017-004-15	Payment of Group Hospitalization Insurance Program for CY 2016	No details	245,076	Under Appeal
<u>Zamboanga City PO</u>				
NFA-ZCPO-11-001-GOF(10)/10/3/11	Payment of FGI	PM, Assistant PM, SAS and various NFA officials and employees as payees.	112,916	NFD and COE; With Petition for Certiorari; With partial settlement of P222,284 in CY 2017.
NFA-ZCPO-12-001(11)/04/30/12	Payment of FGI	PM, Assistant PM, SAS and various NFA officials and employees as payees.	521,216	With Partial Settlement of P20,000 in CY 2017.
NFA-ZCPO-14-001(12)-PO/12/2/14	Payment of FGI	PM, Assistant PM, SAS and various NFA officials and employees as payees.	460,606	With Partial Settlement of P119,394 in CY 2017.
No details provided	No details provided	No details provided	3,195,178	With Partial Settlement of P1,021,665 in CY 2017.
<u>Ipil PO</u>				
11-004-101(10)/04/19/11	Traveling allowance	SAS and PRLO	160	PRLO retired. With NFD dated 3/20/15.
11-001-101(10)/02/4/11	Payment of FGI	PM, SAS, Cashier, and various NFA officials and employees.	480,000	With NFD dated 3/20/15.
11-002-101(10)/02/11/11	CNAI	Various NFA officials and employees.	284,586	With NFD dated 3/20/15. Salary deduction started March 2015.
15-001-101(13)/07/7/15	Payment of FGI	Various NFA officials and employees.	540,000	Unsettled as of 12/31/17
15-002-101(13)/07/7/15	Payment of FGI	Various NFA officials and employees.	520,000	Unsettled as of 12/31/17

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
Zamboanga del Norte PO				
12-003-GOE 0912(09)/ 12/29/11	Payment of FGI	Various NFA officials and employees	625,000	With COA RO IX Decision No. 2012-34 dated 07/9/2012 denying the appeal of the Provincial Manager with dispositive portion stating, "This decision is not final and is subject to automatic review by Commission Proper pursuant to Section 7, Rule V of 2009 RRPC of the Commission on Audit."
12-001-GOE 1012(10)/ 12/21/11	Payment of FGI	Various NFA officials and employees	580,000	-do-
12-002-GOE 1112(11)/ 12/21/11	Payment of FGI	Various NFA officials and employees	640,000	With COA RO IX Decision No. 2012-34 dated 07/9/2012 denying the appeal of the Provincial Manager with dispositive portion stating "This decision is not final and is subject to automatic review by Commission Proper pursuant to Section 7, Rule V of 2009 RRPC of the Commission on Audit."
12-005 GOE 1005(12)/ 05/15/12	CNAI	Various NFA officials and employees	13,000	NFDs were already issued and received by the persons liable on Jan. 6, 2015.
12-004 GOE 1005(10)/ 05/28/12	CNAI	Various NFA officials and employees	15,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.
12-004 GOE 1012(10)/ 09/22/12	Cash advance for travel	Various NFA officials and employees	13,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
13-001 GOE 1212(12)/ 01/4/13	Payment of FGI	Various NFA officials and employees	60,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.
13-002 GOE 1212(12)/ 01/11/13	Payment of FGI	No details	570,000	Issued NFDs which was received by persons liable either by personal service or through registered mail.
<u>Zamboanga del Sur PO</u>				
2012-01-(2010- 2011)/ 12/3/12	Payment of FGI	PM, SAS and various NFA officials and employees as payees.	1,720,000	With Notice of Finality of Decision dated Sept. 29, 2015.
15-001-101(12)/ 09/29/15	Payment of FGI	Various NFA officials and employees as payees.	620,000	With appeal or motion for reconsideration.
15-002-101(12)/ 09/29/15	Payment of FGI	Various NFA officials and employees as payees.	240,000	Unsettled as of 12/31/17
			14,405,840	
<u>Region X</u>				
<u>RO</u>				
No details provided	No details provided.	Various payees.	2,143,831	Unsettled as of 12/31/17
<u>Misamis Oriental PO</u>				
No details provided	No details provided.	Various payees.	1,620,000	Unsettled as of 12/31/17
<u>Camiguin PO</u>				
No details provided	No details provided.	Various payees.	549,900	Unsettled as of 12/31/17
<u>Bukidnon PO</u>				
No details provided	No details provided.	Various payees.	1,235,000	Unsettled as of 12/31/17
<u>Lanao del Norte PO</u>				
No details provided	No details provided.	Various payees.	840,552	Unsettled as of 12/31/17
<u>Misamis Occidental</u>				
No details provided	No details provided.	Various payees.	1,168,094	Unsettled as of 12/31/17
No details provided	No details provided	No details provided	21,716	Unsettled as of 12/31/17
			7,579,093	
<u>Region XI</u>				
<u>RO</u>				
ND No. 2014-001 (2012)/ 09/10/14	Payment of FGI	RM, Accountant, Budget Officer and various NFA officials & employees as payees	580,000	Under Appeal.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>Davao City PO</u>				
Davao 2014-001(2012)/09/11/14	Payment of FGI	PM, Accountant and various NFA officials & employees as payees.	780,000	Under Appeal.
<u>Davao del Sur PO</u>				
DDS 2014-001(2012)/09/11/14	Payment of FGI	PM, Accountant, AO and various NFA officials & employees as payees.	700,000	Under Appeal.
<u>Davao del Norte PO</u>				
ND No. 2014-001 (2012)/10/13/14	Payment of FGI	Various NFA officials and employees	680,000	Under Appeal.
<u>COMVAL PO</u>				
ND No. 2014-001 (2012)/10/13/14	Payment of FGI	Various NFA officials and employees	340,000	Under Appeal.
<u>Davao Oriental PO</u>				
2014-001(2012)/09/10/14	No details	Various NFA officials and employees	580,000	Under Appeal.
<u>General Santos PO</u>				
ND 2014-001 (2012)/09/11/14	Payment of FGI	Assistant RM, SAS and various NFA officials & employees	860,000	Unsettled as of 12/31/17
			4,520,000	
<u>Region XII RO</u>				
2014-001-501(2012)/04/2/14	Payment of FGI	Assistant RM, Accountant and various NFA officials & employees as payees	660,000	Under Appeal.
<u>Marbel PO</u>				
2014-004-501(2012)/04/2/14	Payment of FGI	Assistant RM, PM and various NFA officials & employees as payees	840,000	Under Appeal.
<u>Sultan Kudarat PO</u>				
2014-002-501(2012)/4/3/14	Payment of FGI	Assistant RM, PM and various NFA officials & employees as payees	1,440,000	Unsettled as of 12/31/17
<u>North Cotabato PO</u>				
2014-003-501(2012)/4/4/14	Payment of FGI	Assistant RM, PM and various NFA officials & employees as payees	960,000	Unsettled as of 12/31/17
			3,900,000	

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
<u>CARAGA</u>				
<u>RO</u>				
08-0013-CAR/ 10/1/14	No details	No details	7,000	With COE dated Sept. 21, 2014. With Partial Settlement of P126,141 in CY 2017.
2014-01(12)/ 10/1/14	Payment of FGI	RM, Acting Assistant RM, Accountant, and various NFA officials and employees	493,000	Under Appeal.
<u>Agusan del Norte</u>				
2014-01 (12)/ 02/6/14	Payment of FGI	PM, SAS and various NFA officials and employees as payees	480,000	Under Appeal.
<u>Agusan del Sur</u>				
2012-001/ 04/16/12	Payment of FGI	PM, SAS and various NFA officials and employees as payees.	740,000	Under Appeal.
2014-01(12)/ 02/6/14	Payment of FGI	PM, SAS and various NFA officials and employees as payees	720,000	Under Appeal.
<u>Surigao del Norte</u>				
10-01-101-(10)/ 09/9/10	No details	No details	600,000	Motion for Reconsideration on CP Decision No. 2014-219 denied on June 11, 2015.
11-001-GOF(10)/ 06/13/11	No details	No details	640,000	Under Appeal.
12-001-GOF-(11)/ 06/27/12	No details	No details	640,000	Under Appeal.
2014-01(12)/ 02/6/14	Payment of FGI	PM, SAS and various officials and employees.	560,000	Under Appeal.
<u>Surigao del Sur</u>				
11-001-111 02GOF (09)(10)/ 03/30/11	Payment of FGI	Various NFA officials and employees	831,000	With NFD from the Commission Proper Adjudication Secretariat Support Services Sector. With partial settlement of P219,000 in CY 2017.
12-001-111 02GOF(11)/ 04/10/12	Payment of FGI	PM, Acting SAS, AO and various officials and employees as payees.	500,000	With partial settlement of P32,500 in CY 2017.

ND No./Date	Nature/Particulars	Persons Liable	Amount	Status
2014-01(12)/ 02/6/14	Payment of FGI	PM, Acting SAS, AO and various officials and employees as payees.	400,000	With partial settlement of P60,000 in CY 2017.
			6,611,000	
ARMM				
2014-01(2012)/ 12/2/14	No details provided	Various NFA employees	690,800	Unsettled as of 12/31/17
2014-01-(2012)/ 12/2/14	No details provided	Various NFA employees	984,650	Unsettled as of 12/31/17
16-001-101 9/30/16	No details provided	Abdul Hakim B. Balindong, et al.	1,200	Unsettled as of 12/31/17
			1,676,650	
			P 182,859,620	

III. Notices of Charge (NCs)

NC No./Date	Nature/Particulars	Persons Liable	Amount	Status
Region I				
<u>La Union PO</u>				
15-009-MSC (2014)/ 02/12/15	Undercollection of application/license fee	Various officials/employees and payer Retailer	3,740	Unsettled as of 12/31/17.
15-011-MSC (2014)/ 02/12/15	Undercollection of application/license Fee	Various officials/employees and payer Retailer	880	Unsettled as of 12/31/17.
15-012-MSC (2014)/ 02/12/15	Undercollection of application/license Fee	Various officials/employees and payer Retailer	880	Unsettled as of 12/31/17.
15-013-MSC (2014)/ 02/12/15	Undercollection of application/license Fee	Various officials/employees and payer Retailer	880	Unsettled as of 12/31/17.
15-022-MSC (2014)/ 02/12/15	Undercollection of application/license Fee	Various officials/employees and payer Retailer	990	Unsettled as of 12/31/17.
15-031-MSC (2014)/ 03/9/15	Undercollection of application/license Fee	Various officials/employees and payer Retailer	110	Unsettled as of 12/31/17.
15-032-MSC (2014)/ 10/26/15	Undercollection of application/license Fee	Various officials/employees and payer Retailer	440	Unsettled as of 12/31/17.
15-033-RCA (2015)/ 12/4/15	Undercollection of rice sales	Various officials/employees and payer Retailer	147,100	Unsettled as of 12/31/17.

NC No./Date	Nature/Particulars	Persons Liabe	Amount	Status
15-034-RCA (2015)/ 12/4/15	Undercollection of rice sales	Various officials/employees and payer Retailer	NFA	191,200 Unsettled as of 12/31/17.
15-035-RCA (2015)/ 12/4/15	Undercollection of rice sales	Various officials/employees and payer Retailer	NFA	80,300 Unsettled as of 12/31/17.
15-036-RCA (2015)/ 12/4/15	Undercollection of rice sales	Various officials/employees and payer Retailer	NFA	29,800 Unsettled as of 12/31/17.
15-037-RCA (2015)/ 12/4/15	Undercollection of rice sales	Various officials/employees and payer Retailer	NFA	33,800 Unsettled as of 12/31/17.
15-038-RCA (2015)/ 12/4/15	Undercollection of rice sales	Various officials/employees and payer Retailer	NFA	100,500 Unsettled as of 12/31/17.
<u>Ilocos Norte PO</u>				
2015-01 (2014)/ 2/9/15	FAIR Program	Beverly P. Peralta, et al.		9,100 Under Appeal
2015-02 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.		8,900 -do-
2015-03 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.		2,400 -do-
2015-04 (2014)/ 2/9/15	-do-	Imelda R. Valdez, et al.		41,100 -do-
2015-05 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.		7,800 -do-
2015-06 (2014)/ 2/9/15	FAIR Program	Beverly P. Peralta, et al.		12,300 -do-
2015-07 (2014)/ 2/9/15	-do-	Henry H. Tristeza, et al.		56,900 -do-
2015-08 (2014)/ 2/9/15	-do-	Veralew DG. De Vera, et al		2,500 -do-
2015-09 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.		20,800 -do-
2015-10 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.		18,600 -do-
2015-11 (2014)/ 2/9/15	-do-	Imelda R. Valdez, et al.		8,900 -do-
2015-12 (2014)/ 2/9/15	-do-	Roshel G. Ilicas, et al.		5,000 -do-
2015-13 (2014)/ 2/9/15	-do-	Henry H. Tristeza, et al.		400 -do-

NC No./Date	Nature/Particulars	Persons Liable	Amount	Status
2015-14 (2014)/ 2/9/15	-do-	Veralew DG. De Vera, et al	8,000	-do-
2015-15 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	20,000	-do-
2015-16 (2014) 2/9/15	-do	Beverly P. Peralta, et al.	28,000	-do
2015-17 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	1,200	-do-
2015-18 (2014)/ 2/9/15	-do	Veralew DG. De Vera, et al	200	-do
2015-19 (2014)/ 2/9/15	-do-	Veralew DG. De Vera, et al	20,000	-do-
2015-20 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	21,200	-do-
2015-21 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	8,600	-do-
2015-22 (2014)/ 2/9/15	-do-	Veralew DG. De Vera, et al	900	-do-
2015-23 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	4,400	-do-
2015-24 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	14,400	-do-
2015-25 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	3,400	-do-
2015-26 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	4,000	-do-
2015-27 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	6,300	-do-
2015-28 (2014)/ 2/9/15	-do-	Beverly P. Peralta, et al.	14,300	-do-
2015-29 (2014)/ 2/9/15	-do-	Veralew DG. De Vera, et al	8,000	-do-
			948,220	

Region III
Bulacan PO

09-12-02/ 12/14/09	Unremitted collections on registration and license fees.	Former Registration and Licensing Officer	877,804	With Admin Case No. 10-02-002.
09-12-02(A)/ 12/22/09	Unremitted collections on registration and license fees.	Former Registration and Licensing Officer	864,843	With Admin Case No. 10-02-002.
			1,742,647	

NC No./Date	Nature/Particulars	Persons Liable	Amount	Status
Region IV-A				
<u>Batangas PO</u>				
No details	Uncollected storage charges	Tower Feeds Corporation	27,055	Partially settled. Demand letters were sent to the other person/s liable.
			P 2,717,922	