



**PHILIPPINE CARABAO CENTER**  
ISO 9001:2008 | ISO 14001 | OHSAS 18001

Ref. No. 04-415-2017

July 28, 2017

**DIR. LYNN S.F. SICANGCO**  
Regional Director  
Commission on Audit Region III  
San Fernando, Pampanga

PHILIPPINE CARABAO CENTER  
Office of The AUDITOR  
**RECEIVED**  
JUL 28 2017

BY: 

**THRU: MS. VIRGINIA A. YACAT**  
Supervising Auditor

**MR. RICHARD C. YAMSUAN**  
State Auditor II  
OIC, Audit Team Leader

Dear Director Sicangco:

We are pleased to submit the summary of the agency action plan and status of implementation of the audit observations and recommendations for Calendar Year 2016 annual audit of PCC operation as attached.

The diligence of our Resident Auditor had helped the agency's operation becomes more responsive to its mandate and at the same time compliant to the auditing and accounting rules and regulations.

We express our sincere gratitude for helping us become better stewards of government resources.

Thank you.

Very truly yours,



**ARNEL N. DEL BARRIO**  
Executive Director

Encl.: a/s

Philippine CarabaoCenter  
Science City of Muñoz, Nueva Ecija

**AGENCY ACTION PLAN and  
STATUS of IMPLEMENTATION**  
Audit Observations and Recommendations  
For the Calendar Year 2016  
As of June 30, 2017

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept Responsible	Target Implementation Date				
					From	To			
AOM No. 2016-009	Several deficiencies were observed during the cash examination conducted on the cash and accounts of Mr. Victorino T. Capiral, Administrative Officer V/Collecting Officer on September 15, 2016 such as (a) improper/non-maintenance of Cash Receipts Records (CRR) and Cash Disbursements Records (CDR); (b) non-preparation of Report of Accountability for Accountable Forms (RAAF); (c) delayed deposit of collections; and (d)	We recommended and Management agreed to (a) instruct the Accountable Officers to (i) maintain cash records and reports in conformity with the prescribed forms in the GAM for NGAs; (ii) prepare monthly Report of Accountability for Accountable Forms to report on the movement and status of accountable forms in his possession and submit copy to the COA Audit Team; (iii) deposit all collections with	The concerned officials/staffs already maintained all the prescribed forms enumerated in the recommendations. The management designated another Cash Collecting Officer for the operation of Milka Krem/DPP and PCC Hostel. Likewise, the change fund of P5,000 was already	Accounting and Cash units	Jan. 2017 - onwards		Fully Implemented	All recommendations have been implemented.	

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	other internal control weaknesses in violation of various laws and regulations; thus, may result in misappropriation of funds if not given attention.	authorized depositories daily or not later than the next banking day; and (iv) issue Official Receipts dated at the point of actual sales; (b) designate collectors who are holding permanent plantilla positions with appropriate provision for fidelity bond coverage therefor; (c) review the duties and responsibilities assigned to the hostel manager and bookkeeper and make appropriate action/(s) to resolve the noted conflict; and (d) ascertain the source of change fund and effect the necessary adjusting entries, if any, otherwise issue an Official Receipt and make a journal entry to account for the overage.	recorded/accounted in the book. Lastly, all the recommendations were implemented to strengthen the existing internal control on the accounting of collections and deposits.						
AOM No. 2016-010	Various rules and regulations in the granting, utilization and replenishment/liquidation of cash advances for petty operating expenses and special time-bound undertakings were	We recommended and Management agreed to (a) instruct the Petty Cash Custodians in PCC Head Office to maintain Petty Cash Fund Records to monitor petty cash	The accounting unit will conduct re-orientation on rules and regulations in the granting, utilization and	Accounting unit and Petty Cash Custodians	Jan. 2017 - onwards	Partially implemented.  On-going			

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	not observed such as (a) non-maintenance of Petty Cash Fund Records and Cash Disbursements Records; (b) granting of Petty Cash Fund in excess of one month requirement for petty operating expenses of the agency; and (c) other internal control weaknesses thus, may expose the fund to loss or misuse.	transactions; (b) limit the amount of the fund to what is sufficient to cover the recurring petty operating expenses of the agency for one month; and (c) require AO in PCC at CMU to stop the practice of paying out from her PCF disbursements above ₱15,000.00, otherwise such will be disallowed in audit.	replenishment/liquidation of cash advances among concerned officials/employees. Also, maintenance of Petty Cash Fund Record and Cash Disbursements Record for Petty cash transactions will be implemented this 2017.						
AOM No.20 17-001 dtd. 2/08/17	Deficient inventory management processes resulted in the difficulty in sustaining the reliability of the reported balance of supplies and materials inventory reported at ₱802,035.30 as at December 31, 2016, which was not harmonized with Sections 9 and 17, Chapter 8, Volume I of Government Accounting Manual for National Government Agencies (GAM for NGAs) and Section 490, Volume I of Government Accounting and Auditing Manual (GAAM)	We recommended and Management agreed to instruct the (a) Inventory Team to (i) conduct the physical count of inventories at least every six months and prepare the RPCI for the inventory counted; and (ii) work with the Supply and Accounting Offices for the reconciliation of the RPCI with the latter's records; (b) Supply Officer to maintain the required records and reports for inventories; and (c) Accounting Office to (i)	The concerned personnel/inventory team have been instructed to (i) conduct physical count of inventories at least every six months; (ii) maintain the required records and reports for inventories; and make reconciliation of the accounts after the said inventory. Moreover, perpetual inventory method	Accounting and Property units	April 2017 - onwards		Partially implemented.  On-going	The inventory team will start the conduct of semi-annual inventory count this July, 2017.	

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		observe perpetual inventory and the weighted average cost in accounting for these assets; and (ii) coordinate with the Supply Office for the regular reconciliation of inventory balances.	was adopted starting April, 2017.						
AOM No.20 17-002 dtd. 2/08/17	Unserviceable Property, Plant and Equipment (PPE) amounting to ₱2,252,849.95 or 0.31% of the total PPE of ₱728,387,258.24 as of December 31, 2016 were not yet converted to their specific PPE accounts which overstated the balance of Other Assets account and collectively understated the affected PPE accounts by the said amount as of year-end, contrary to COA Circular Nos. 2014-003 and 2013-002 dated April 15, 2014 and January 30, 2013, respectively. Moreover, these were still not disposed of inconsistent with Section 79 of Presidential Decree No. 1445 hence, failed to maximize	We recommended and Management agreed that the Executive Director instruct the (a) Accountant to reclassify each unserviceable property to its specific PPE account; (b) Accounting and Property Offices to identify the composition of the unreconciled beginning balance amounting to ₱1,035,302.45; (c) Property Officer to prepare and submit IIRUP in the format prescribed by GAM for NGAs and with complete details such as appraised value and mode of disposal to the Audit Team for appropriate action thereon; and (d) Disposal Committee to undertake	The property officer submitted the Inventory and Inspection Report of Unserviceable Property (IIRUP) to the COA office for appropriate action.	Property and Supply Unit and Disposal Committee	April 2017	Dec. 2017	Partially implemented.  On-going	Partial disposal of the unserviceable items will be made this July, 2017. P671,066.52 or 30% of the unserviceable PPE will be disposed on July 5, 2017.  Disposal of remaining unserviceable items will be made after we received the submitted IIRUP.	

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	benefits that could have been derived from the sale of said unserviceable assets and from the alternative use of storage space currently occupied by said property.	appropriate disposal proceedings in accordance with regulations.							
AOM No.20 17-004 dtd. 2/1/17	The PCC Head Office recorded the income from the rental of hostel rooms and other facilities of PCC Head Office amounting to ₱6,185,324.50 in the Trust Liabilities account instead of Rent Income in violation of Government Accounting Manual for National Government Sector (GAM for NGAs). Moreover, expenditures incurred for the operations of the said facilities were also charged to Trust Liabilities instead to its proper accounts resulting to the understatement of income, expenses and accumulated surplus accounts in the amount of ₱6,185,324.50, ₱2,111,622.09 and ₱8,047,681.52, respectively.	We recommended and Management agreed that the Executive Director instruct the OIC, Chief of Administration and Finance Division to (a) stop the practice of using the account Trust Liabilities in recording the income, expenditures and assets of the hostel building and other facilities; (b) reclassify to proper accounts all erroneous journal entries made in the Trust Liabilities - Hostel Fund account; (c) maintain separate books of accounts, as revolving fund, for the operations of hostel building and other facilities; and (d) report the income and expenditures incurred thereon in the Financial	The recommendations will be implemented after the corresponding funding source code is given by DBM for the Hostel operations.	Accounting unit	June 2017	Dec. 2017	On-going		

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		Accountability Reports for submission to DBM and COA.							
AOM No.20 17-005 dtd. 2/1/17	The PCC Head Office failed to remit to National Treasury various income collections with no specific authority or legal basis and dormant trust fund which are no longer necessary in an aggregate amount of ₱32,823,064.39 in violation of Section 5 of General Provisions of FY 2016 General Appropriations Act, thus depriving the National Government additional resources to finance other priority projects.	We recommended and Management agreed to (a) cause the immediate remittance to the Bureau of Treasury the amount of ₱32,655,259.76 representing the proceeds from sales of AI supplies and liquid nitrogen; and (b) instruct OIC, Chief of Administration and Finance Division to: (i) stop the practice of using the account Trust Liabilities in recording sales; and (ii) draw journal entry to adjust the errors noted in the recording of revenue.	The remittance to Bureau of Treasury will be made after the reconciliation of accounts. The rest of the recommendations will be made this August, 2017.	Accounting unit	June 2017	Aug. 2017	On-going	Full remittance of the said proceeds will be done this August, 2017.	
AOM No.20 17-006 dtd. 2/17/17	The amount of ₱13,880,783.78 or 88.15% in the Due from NGAs account of PCC representing balances fund transferred to various Implementing Agencies (IAs) had remained unliquidated despite lapsed contract period in violation of the provisions of	We recommended and Management agreed that the Executive Director instruct the Finance Division to (a) require regular and prompt submission of the Report of Disbursements and related financial reports from the IAs in order to validate the use of	Immediate submission of the report of disbursements/refund of the IAs will be communicated to Implementing Agencies (IAs) to close the said Due	Accounting unit	May 2017	Dec. 2017	Partially implemented.	Of the noted balance, 43% or P6,021,682.28 have been liquidated by IAs as of April 30, 2017 (see Annex A).	

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	Memorandum of Agreement (MOA) between PCC and the IAs and COA Circular No. 94-013 dated December 13, 1994. Moreover, discrepancies of ₱467,115.65 were noted between PCC books and those of the IAs, thus rendering the account balance doubtful as of year-end.	the funds transferred in accordance with the provisions of COA Circular No. 94-013; and (b) make reconciliation with the three IAs that reported differences in the unliquidated balances and effect the necessary adjustments in the books of PCC, if any.	from NGAs account. Moreover, concerned personnel was instructed to make reconciliation and record the variance that will be identified with the three IAs of the noted discrepancies.						
AOM No.20 17-007 dtd. 2/21/17	The Agency was not able to adhere to some provisions in the implementation of Gender and Development program for CY 2016 such that: a) the composition of the GAD Focal Point System was not compliant with Philippine Commission on Women (PCW) Memorandum Circular No. 2011-01 dated October 21, 2011; (b) GAD Plan and Budget was not submitted for review and approval by the PCW; and (c) the actual costs/expenditures as reported in the GAD Accomplishment Report amounting to ₱24,200,000.00	We recommended and Management agreed that the Executive Director as GAD Focal Point System (GFPS) Chairperson to (a) modify or reconstitute the GFPS in accordance with PCW Memorandum Circular No. 2011-01; and (b) ensure that the GFPS (i) submit the GAD Plan and Budget and Accomplishment Report to PCW for its review and approval; and (ii) use the Harmonized Gender and Development Guidelines (HGDL) in the attribution of costs of regular	The management reconstituted the GAD Focal Point System (GFPS) under Special Order No. 84 dated May 31, 2017. The rest of the recommendations will be implemented in the ensuing years.	GAD Focal Person / GFPS committee	May 2017	Dec. 2017	Partially implemented.		



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	or 5.14% of its total appropriation of ₱470,672,000.00 were doubtful due to failure of the GFPS to administer the Harmonized Gender and Development Guidelines to determine the extent of the actual expenditures that can be attributed to the GAD Budget.	program/project to GAD.							
AOM No.20 17-008 dtd. 2/21/17	Misclassification of assets resulted to understatement of intangible assets in the PCC Head Office books amounting to ₱2,389,311.36 as of December 31, 2016 and overstatement of Information and Communication Technology Equipment account and Accumulated Surplus by ₱2,468,132.44 and ₱78,821.08 respectively, which was not harmonized with COA Circular No. 2014-003 dated April 15, 2014 and Chapter 12 of GAM for NGAs Volume I.	We recommended and Management agreed that the Finance Division in the Head Office reclassify software items from the Property, Plant and Equipment account to Intangible Assets account and comply with the provisions of GAM Volume I, Chapter 12.	Reclassification from PPE to Intangible Assets of the noted software items was recorded in the book last June 1, 2017.	Property and Acctg unit	June 2017	June 2017	Fully implemented.	Reclassification of noted software items was recorded in the book last June 1, 2017 as per JEV-2017-06-002916 & 2917.	

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AOM No.20 17-009 dtd. 3/07/17	The Finance Division in the PCC Head Office erroneously booked the milk produced of breeding stocks from CYs 2015 to 2016 to Trust Liabilities – PCC Genepool Fund account instead of income account Gain on Initial Recognition of Agricultural Produce amounting to ₱12,873,230.00 in violation of GAM for NGAs. Moreover, cost of milk fed to calves and spoilage were not also recognized resulting to understatement of income, expense and accumulated surplus by ₱9,984,230.00, ₱5,759,200.00 and ₱8,648,200.00, respectively as of December 31, 2016.	We recommended and Management agreed that the Executive Director instruct Finance Division to (a) adjust the erroneous entries made on the account Trust Liabilities – PCC Gene Pool; and (b) recognize the costs of milk (i) sold to Central Dairy Collection and Processing Facility for the months of August to December 2016; (ii) fed to calves and (iii) spoilage.	The concerned staff adjusted the account Trust Liabilities – PCC Gene Pool last Jan. 31, 2017. Also, the rest of the recommendations were recorded last February to June, 2017.	Acctg unit	Jan. 2017	June 2017	Fully Implemented	The concerned staff adjusted the account last Jan. 31, 2017 as per JEV-2017-01-000147.	
AOM No.20 17-010 dtd. 3/07/17	The Agency was able to withheld taxes during CY 2016 amounting to ₱31,873,843.68 and remitted to BIR the amount of ₱31,397,560.65, however some provisions of tax laws were not strictly observed such that (a) PCC Head Office failed to remit within the prescribed	We recommended that management (a) remit the taxes withheld within the prescribed timelines as required by BIR Revenue Regulations No. 1-2013; and (b) strictly adhere to Revenue Memorandum Order No. 23-2014 in withholding the	The concerned staff was reminded for the strict implementation of remittance of taxes withheld within the prescribed timelines as required by BIR. Moreover,	Acctg Unit	Jan. 2017 - onwards		Fully implemented.	Memo will be issued to all PC regional centers to strictly comply with the BIR regulations in withholding and remittance of taxes.	

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	period the balance of Due to BIR as of December 31, 2016 amounting to ₱335,075.33; and (b) non-withholding of taxes by PCC Regional Center at DMMMSU for the payment of honoraria amounting to ₱234,300.00.	required taxes from payment of administrative cost alike to honoraria before paying the personnel.	compliance to Revenue Memorandum Order No. 23-2014 will be strictly observed.						
AOM No.20 17-011 dtd. 3/07/17	The Agency was found compliant with Section 14 of the Revised Implementing Rules and Regulations (IRR) of the Republic Act No. 8291, otherwise known as the Government Service Insurance System (GSIS) Act of 1997, in the remittance to the GSIS of the withheld premiums/contributions for retirement and life insurance policies (RLIP) from compensation of agency's personnel together with the employer's share and loan amortizations.	In view of the foregoing, we recommended that the management continue complying with the GSIS regulations on the withholding and remittance of employees and government share to the GSIS to assure all its members of the social security benefits due them.	The concerned staff was reminded to continue complying with the GSIS regulations on the withholding and remittance of employees and government share to the GSIS.	Acctg Unit	Jan. 2017 - onwards	Fully implemented.		Memo will be issued to all PC regional centers to strictly comply with the GSIS regulations in withholding and remittance of employees and government shares.	

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AOM No.20 17-012 dtd. 3/14/17	The reliability of the carrying amount of Due to NGAs account of ₱56,182,253.39 in the PCC Head Office books could not be ascertained due to (a) unexpended balances of completed projects not remitted to the Source Agency (SA) or National Treasury - ₱4,436,827.94; (b) unutilized funds due to delayed or non-implementation of projects - ₱462,240.00; and (c) disbursements from project funds not harmonized with the Work and Financial Plan (WFP) - ₱502,069.92 contrary to COA Circular No. 94-013 and the related Memorandum of Agreement entered by and between the SAs and PCC.	We recommended that the Management instruct the (a) Finance Division to strictly comply with COA Circular No. 94-013 dated December 13, 1994 and to remit unexpended balances of completed projects to source agency or National Treasury; and (b) project leaders to observe and strictly follow the Work and Financial Plan (WFP) to ensure implementation of the project pursuant to MOA.	The Finance team will strictly comply with COA Circular No. 94-013. Liquidation reports of the completed projects will be submitted to COA for audit until December, 2017. Also, remittance of unexpended balance of completed projects will be made until Dec. 2017. Moreover, project leaders were reminded to observe and strictly follow the Work and Financial Plan (WFP) to ensure implementation of the project pursuant to MOA.	Finance team	June 2017	Dec. 2017	On-going.	There is on-going reconciliation and review of the completed projects.	
AOM No.20 17-013 dtd.	Audit disallowances of the Agency amounting to ₱443,313.00 remained unsettled as of February 28, 2017.	We recommended and the Executive Director agreed to instruct (a) the persons liable to settle the amount disallowed which were not	Audit disallowances amounting to ₱443,313.00 was already settled last June 30, 2017.	Finance team	June 2017		Fully implemented		

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3/14/17		covered by the existing appeal; and (b) Finance Division to ensure regularity of transactions to avoid audit suspensions and disallowances.							
AOM No.20 17-014 dtd. 3/21/17	The validity, accuracy and existence of the accounts Property, Plant and Equipment (PPE) of the agency totaling ₱1,092,900,197.41 as of December 31, 2016 is doubtful due to: (a) reporting difference between inventory report and the books of account - ₱8,774,642.28; (b) absence of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) - ₱17,407,339.73; (c) inclusions of semi-expendable properties in the PPE account - ₱344,548.22; and (d) unrecorded PPE - ₱21,100,000.00 which were not harmonized with pertinent Sections of Government Accounting Manual for National	We recommended and Management agreed that the (a) Accountants and Property Officers of the identified Regional Centers continue to reconcile their records on PPE to determine the causes of the variance for its proper disposition; (b) Inventory Committee in PCC at VSU to conduct annual physical count of PPE and submit inventory reports thereof; (c) Accountants in PCC at DMMMSU, CLSU and MLPC to reclassify semi-expendable properties from PPE accounts to their proper accounts; and (d) PCC Head Office Accountant and Property Officer to book the procured machineries and equipment.	The management created a team from Accounting and Property and Supply Unit in the Head Office to schedule the following: (a) conduct of on-site validation and reconciliation of property records of its Regional Centers, (b) review the Property and Supply Management System specifically in conducting physical inventory of supplies, inventories and PPE and (c) review and validate the Preparation and	Acctg and Property units	April 2017	Dec. 2017	Partially implemented.	Of the noted variance of ₱8,774,642.28, 73% have been reconciled (PCC at UPLB accounts) as of May 31, 2017.  Validation and reconciliation to PC regional centers will be scheduled starting July to Dec. 2017.	

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	Government Agencies (GAM for NGAs).		Submission of the Report on the Physical Count of Inventories and PPE. Moreover, recognition/booking of the 5 lots mini dairy processing facility was already done as per JEV-2017-03-001429 dated March 13, 2017. Likewise, Property Transfer Report (PTR) was already issued for the Regional Centers and derecognition was done last April 10, 2017.						
AOM No.20 17-015 dtd. 3/21/17	The reported balance of the biological assets account of the agency amounting to ₱813,133,583.16 as of December 31, 2016 is unreliable due to (a) inconsistent application in the revaluation of biological assets in PCC Head Office and Regional	We recommended and Management agreed that the (a) Accountants to apply consistently the revaluation of biological assets on the 12 Regional Centers; (b) for conservatism, Accountants recognize back those transferred buffaloes	The management created a team from Accounting and Property and Supply Unit in the Head Office to schedule the following: (a) conduct of on-site validation and	Acctg and Property units	April 2017	Dec. 2017	Partially implemented.	Of the noted variance of ₱206,179,108.04, 76% have been reconciled (PCC at UPLB accounts) as of May 31, 2017.	

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	Centers; (b) derecognition of biological assets despite retaining control on the animals - ₱39,641,320.91; (c) discrepancy between the GL and RPCPPE for biological assets - ₱206,179,108.04; (d) non-booking of 250 heads of calves born in CYs 2016 and 2015 - ₱4,308,250.00; (e) inclusions of the cost of 290 dead buffaloes - ₱35,258,927.40; and (f) non-preparation and non-submission of Biological Assets Property Card and Quarterly Report on Biological Assets.	meantime that there is no written agency policy on the proper accounting treatment of transferring breeding stocks to farmer-recipients; (c) Accountants and Property Officers of the identified Regional Centers to reconcile their records on biological assets in order to eliminate the variance of ₱206,179,108.04; (d) Accountants in PCC Head Office, CLSU and LCSF to book the unrecognized biological assets born during CYs 2016 and 2015 with total book value of ₱4,308,250.00 (e) Accountant at PCC at CLSU to observe the accounting policies on loss of property; and (f) Biological Assets officers in-charge to maintain Biological Assets Property Card and to prepare and submit to Accounting Units and Office of the Auditor the Quarterly Report on Biological Assets.	reconciliation of the records of biological assets in Regional Centers, (b) review the recognition and derecognition of biological assets in the books, (c) review and validate the Preparation and Submission of the Report on the Physical Count of PPE for Biological Assets and (d) assist in the preparation and submission of Biological Assets Property Card and Quarterly Report on Biological Assets.					Validation and reconciliation to PC regional centers will be scheduled starting July to Dec. 2017.	

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AOM No.20 17-016 dtd. 3/28/17	The PCC Head Office could have earned additional interests of around ₱4,663,180.21 on bank deposits which could have been used as additional capital on their Revolving Funds had the unutilized funds of ₱114,500,000.00 out of the ₱133,054,009.11 average monthly deposit balance maintained under Current Accounts had been converted to time deposit accounts which offered an interest rate higher than the Current Account.	We recommended and Management agreed to consider the transfer of idle/unused balances of bank accounts from the Current Accounts to Time Deposit accounts or HYSAs to maximize the earning potential of its deposits and thus, boost the financial capacity of the Agency.	The finance team is currently reviewing the Revolving Funds balances and work plan to identify the possible amount to be transfer to Time Deposit accounts or HYSAs to maximize the earning potential of its deposits.	Finance team	June 2017	Dec. 2017	On-going.		
AOM No.20 17-017 dtd. 3/28/17	For CY 2016, the Buffalo Loan Program or "Paiwi Program" of the PCC National Impact Zone (NIZ) was able to provide additional income of ₱39,015,233.87 to farmers in terms of milk produced and born buffaloes. However, some inefficiencies in the program implementation were still manifested this year as observed from prior year's audit thus the program was	We recommended and Management agreed to (a) instruct farmer-beneficiaries to ensure continued improvement of the existing housing facilities and forage areas of the buffaloes; (b) reassess the capability and qualifications of the farmer beneficiaries before issuing a new contract; (c) consider hiring veterinarian or assigning technical personnel	See attached <b>Annex B</b> for the management corrective measures for each observation on "Paiwi Program".	NIZ	May 2017 - onwards		Partially implemented.	Work plan for FY 2017-2018 has been appropriately adjusted to ensure implementation of appropriate measures to address the issues noted in the PAIWI program.	



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					From				To
	unable to maximize the benefits that could have provided to the rural farming communities.	as support staff in the operation of the "Paiwi Program" to facilitate delivery of technical services to the farmer-beneficiaries; and (d) continue to update Individual Animal Health Records.							
AOM No.20 17-019 dtd. 3/31/17	Lapses were noted in the implementation and accounting of the project re: procurement of one lot milking system and five lots mini dairy processing facility with total cost of ₱32,337,000.00 such as (a) transfer of unused balance of capital outlay from MDS account to current account on the last day of validity of allotment; (b) non-recognition and exclusions in the physical inventory of the procured machineries; (c) inadequate documents to establish its accountability; and (d) non-utilization of 2 lots mini dairy processing facilities with indications of deterioration	We recommended and Management agreed to (a) stop the practice of transferring funds from MDS account to other cash accounts to avoid automatic reversion of any unused cash balances; (b) recognize in the books and include inventory reports the procured machineries; (c) submit to the Office of the Auditor related documents supporting the property's existence and fixing accountability on the five lots mini dairy processing facility; and (d) utilize the two lots mini dairy facility which had remained idle for several years.	The concerned staffs recognized in the book the 5 lots mini dairy processing facility last March 13, 2017. Likewise, Property Transfer Report (PTR) was already issued to Regional Centers and derecognition was done last April 10, 2017. In addition, two units of Mini Dairy Processing facility will be transfer and utilize by PCC at UPLB and CSU.	Management, Property and Acctg units.	March 2017	Aug. 2017	Partially implemented.	Recognition/book ing of the 5 lots mini dairy processing facility was already recorded as per JEV-2017-03-001429 dated March 13, 2017.	

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept Responsible	Target Implementation Date				
					From	To			
	thus depriving its farmers cooperator/beneficiaries of increase productivity and income potential waste of government resources.								

By:

  
**ARNEL N. DEL BARRIO**  
 Executive Director


Date: June 30, 2017

**ANNEX A**

**STATUS OF DUE FROM NGAS  
As of April 30, 2017**

Agency	Date Granted	Amount Granted	Purpose of Transfer	Balance as of December 31, 2016	Recorded Liquidation	Balance as of April 30, 2017
National Academy of Science and Technology (NAST)	10/11/2011	1,500,000.00	Sponsorship for the conduct of three round table discussion and 33rd Annual Scientific Meeting	320,000.00		320,000.00
UP-Diliman	12/22/2014	4,200,000.00	For the project entitled: "Genetic Assessment of Trypanosoma Towards Vaccine Development"	4,392,399.41	4,040,275.18	352,124.23
	11/25/2015	1,200,000.00				
	9/14/2016	300,000.00				
	12/3/2014	4,200,000.00	Policy Analysis Supportive of Carabao-Based Enterprises Dev't	4,200,000.00		4,200,000.00
National Dairy Authority (NDA)	3/28/2012	32,337,000.00	For procurement of 1 lot Tandem Milking System with Herd Management, 5 lot Mini Dairy Processing Plant	1,710,214.58	1,725,752.00	1,984,462.58
	12/1/2015	2,000,000.00		2,000,000.00		
NRCP	8/1/2016	277,310.00	NRCP-LBC-MMSU Research Proposal Writing on Livestock Biotechnology	277,310.00	255,655.60	21,654.40
PCAARRD	4/14/2014	1,199,703.68	For the project entitled: "Ex-Ante Economic Analysis of the Philippine Carabao Center's Livestock Biotechnologies"	980,859.79		980,859.79
	8/10/2015	2,138,381.00				
	3/23/2016	781,222.00				
	6/9/2016	42,968.40				
<b>TOTAL</b>				<b>13,880,783.78</b>	<b>6,021,682.78</b>	<b>7,859,101.00</b>
<b>% of Liquidation</b>					<b>43%</b>	<b>57%</b>

**Certified by:**

  
**CHERRY PEARL C. RIVERA**  
Accountant II

**AOM No. 2017-017**

Summary of comments and/or responses to the recommendations cited

**Paiwi Program**

Regarding the Buffalo Loan Program or "Paiwi Program" of the PCC National Impact Zone (NIZ), we are pleased to provide your good office with the precise data to rectify and/or update some of the data presented in your report in page one (1) as well as the data presented in the third paragraph and graphics presentations in page three of the AOM;

- Based on the recorded data of NIZ, the total milk production for 2016 is **1,254,055.05 liters** instead of the 715,485.13 liters of buffalo milk stated in the AOM.
- Valued at P50.00 per liter, the Paiwi Program in NIZ was able to help generate additional total income of **P62,702,752.50** instead of the P39,015,233.87 to farmers in terms of milk production for CY 2016.
- The precise number of calves' production for 2016 is **572** heads instead of 288 heads as mentioned in page three (3) of your AOM.

Herewith also are our comments and/or responses regarding the findings raised during the validation of the value for money audit conducted by your Audit Team for 2016;

- a. **Additional opportunity to increase income and nutrition for some farmer-beneficiaries and rural farming communities were not sustained due to death of 130 more buffaloes with total cost of P21,707.988.53.**

**Comments/Responses:**

- We are amenable and we appreciate the statement in your report that the animal death in NIZ for CY 2016 is 105 and this is relatively low when compared with the previous years. The reduction of animal death has been the initial results of the efforts made by the NIZ Team and the Biosafety Unit in the implementation of strategies to reduce the mortality of buffaloes in NIZ. However, may we also convey our disagreement with your report that CY 2016 has the second highest rate of mortality when compared with the previous years. Based from the AOM, it was noted that the basis of computation of mortality rate for CY 2016 is the 1447 animals in the PCC book of records instead of the 3222 total population of buffaloes in Nueva Ecija. In view thereof, we consulted some of the PCC expert regarding this matter and they confirmed that the 1447 recorded animals is a portion of the 3222 total animal inventory as of December 2016. It was confirmed and recognized by your report in page ten (10) that the 3222 heads is the total population of buffaloes in Nueva Ecija. In view thereof, the computed mortality rate with the 3222 heads as the basis will be reduced to 3.25% instead of the 8.98% as presented in the AOM. The 3.25% mortality rate is still within the 5% acceptable limit for adult animals.
- It is also worth noting that the 105 cases of animal death were reduced by 20.9% compared with 127 cases of death in 2015 and there was no case of negligence and intentional cause of death during the year 2016. The cases of death were presented in page 5 of the AOM report.
- In terms of economic opportunity, the 572 calves production for CY 2016 is considered as substantial replacement that will be added into the inventory of animals in Nueva Ecija. As such, these will provide opportunity for the increase of income and nutrition of the dairy farmer-members of the cooperative. Moreover, the PCC policy regarding the revaluation on the value of imported animals was already implemented. In view thereof, the value of the dead animals is reduced and is no longer equivalent to their acquisition or landed cost.

**b. PCC's failure to fully perform its functions in the program implementation resulted in the inclusion of farmer-beneficiaries to the "Paiwi Program" who apparently failed to meet the qualifications and sustain the requirements.**

- Failure to provide at least 1,000 square meter of forage area for each animal. The said measurement was the required minimum land area for growing napier and other kinds of grasses and for sustainable feeding system intended for the animals as per dispersal protocol. Pasture and forage areas are essential in dairying. The absence of pasture areas will limit the development and productivity of the animals. Forage area is the land assigned to be planted with grasses like napier for cut-and-carry.
- Field validation and interview/survey showed that 35.41% of the animals held by the respondents were given insufficient or short of the required minimum forage area.
- The relatively significant number of buffaloes with insufficient forage areas raises the need of grazing buffaloes in the open fields. Interview survey revealed that 61.85% of the animals were being grazed showing improvement from last year's 91.25% or a 32.22% decline in animals being grazed.

**Comments/Responses**

- The agency through the NIZ has been very active in its role in encouraging the dairy farmers to develop and maintain a-year-round forage plantation as indicated in the Quality Plan of NIZ. However, it was observed lately that the scarcity and irregular supply of irrigation is preventing them in maintaining a year-round forage plantation. Although, it is required in the previous contract that they should maintain at least 1,000 square meter of forage area, the limited supply of water during summer resulted to drying and eventually death of forage plantation in many areas of Nueva Ecija. As an alternative, the farmers are collecting grasses from other places to supply the daily requirement of their buffaloes. In view thereof, may we request the Audit Team to also consider the issue of irrigation during the annual validation of forage plantation of farmers during summer season.
- In the new Paiwi Contract of 2016, the farmer is no longer bounded with the 1,000 sq. meter forage plantation. The farmers may opt to develop a wider forage plantation based on the number of their buffaloes.
- We are pleased to inform the Audit Team that a project proposal entitled "Enhancing Milk Production of Water buffaloes through Science and Technology Intervention" was approved by PCAARRD in CY 2016. The project is now on-going and will be implemented until 2019 and it has five sub-components project, four of which are directly supporting the dairy farmers in NIZ. One of the sub-components of the project that will help in addressing the issues raised by the Audit Team regarding feeding and reducing the grazing of animals is the "Development of Feeding Protocols and Practices to Support he Feeding Requirement of dairy Buffaloes". The project is composed of experienced personnel in the field of animal nutrition that are now working closely with the NIZ Team in Nueva Ecija. Another component is the "Development of Reproductive Management Program for Increase Efficiency of AI in Dairy Buffaloes", this component will be helpful in addressing the difficulty in impregnating the dairy buffaloes in Nueva Ecija. The third component that will help address the animal health related issues in the NIZ is the "Development of Health care Technologies and Practical farm Practices in Support of Increasing Buffalo Milk production. And for the quality assurance of milk produce in NIZ, the sub-component project that will help the NIZ is the "Milk Quality and Safety Assurance from Farm to Milk Processing Plant."



- c. **Number of mobile veterinarians and technicians assigned to monitor and supervise the health needs of buffaloes under the "Paiwi Program" still inadequate thus causing difficulty in rendering health and technical assistance to the animals immediately.**

**Comments/Responses**

All agencies under the Department of Agriculture are cautioned to reduce the hiring of additional personnel using the government appropriation fund. In addressing the issue raised by the Audit Team regarding the limited mobile veterinarians to monitor and supervise the health needs of buffaloes under the Paiwi Program, the management of PCC transferred one female extension veterinarian from Genepool to augment the need for technical staff of the NIZ. We are hopeful, that the current staff of NIZ will be sufficient to provide the needed animal health assistance of the dairy farmers in Nueva Ecija.

- d. **There was a significant increase in compliance with the provision for maintenance of individual animal health record (IAHR) under the PCC's "Paiwi Program" from 50.29% to 87.45%.**

**Comments/Responses**

The agency noted the remaining 12.55% discrepancy without IAHR, the NIZ Team will address this issue and will see to it that the IAHR of buffaloes will be updated.

- e. **Amendment of contracts under the "Paiwi Program" reportedly will ensure that all dispersal will be covered by contract of agreement.**

**Comments/Responses**

As narrated in the AOM, the processing of contracts are on-going. Rest assured that all animal will have new contracts under the newly revised "Paiwi Contract."

