EXECUTIVE SUMMARY

A. Introduction

The Bureau of Prisons was created by virtue of Reorganization Act No. 1407 of the Philippine Commission on October 26, 1905 to take charge of the safekeeping of all prisoners confined at insular and provisional prisons and of all penal settlements, or committed to the custody of the Bureau. Under this Act, the Old Bilibid Prison, the San Ramon Prison and Penal Farm and the Iwahig Penal Colony were integrated into one office. The Office was, however, renamed as the Bureau of Corrections (BuCor) under the Department of Justice by virtue of the Revised Administrative Code of 1987 issued on November 23, 1989 and Proclamation No. 4595 of the President of the Philippines.

The renaming was considered critical in changing public's perception on the BuCor's functions and in emphasizing the BuCor's expanded duties. In addition to the custodial function of national offenders who were sentenced to serve a term of imprisonment of more than three years, BuCor is now in charge of rehabilitating these offenders into productive and useful members of our society.

On 24 May 2013, the BuCor Modernization Act (Republic Act 10575) was approved. At present, the BuCor Modernization Team, with the full support of the BuCor Director General, are on the process of contemplating the necessary requirements for the implementation of this Act.

The BuCor's correctional jurisdiction was also expanded. From the original three offices integrated as one, it is now operating seven units located nationwide, namely:

- The New Bilibid Prison (NBP) in Muntinlupa City;
- The Correctional Institution for Women (CIW) in Mandaluyong City;
- Iwahig Prison and Penal Farm (IPPF) in Puerto Princesa City, Palawan;
- Sablayan Prison and Penal Farm (SPPF) in Occidental Mindoro;
- San Ramon Prison and Penal Farm (SRPPF) in Zamboanga City;
- Leyte Regional Prison (LRP) in Abuyog, Leyte; and
- Davao Prison and Penal Farm (DPPF) in Panabo City, Davao Del Norte.

A superintendent heads each colony. The staff officers head the following divisions:

- ➢ Office of the Director for Corrections

- Planning and Management
- Administration
- Finance
- Assessment, rehabilitation Program Development and Monitoring
- Rehabilitation Operations
- NBP Hospital

The BuCor is headed by a Director General, who has control and supervision over the prison and penal farm, and assisted by three Deputy Director Generals, namely, one for Administration, one for security and operations, and one for reformation, all of them are appointed by the President upon recommendation of the Secretary of DOJ. It has 1,896 custodial personnel, 303 reformation personnel and 290 civilian personnel or a total of 2,489 personnel.

B. Financial Highlights

The financial condition and the sources and application of funds of the Bureau of Corrections for calendar year 2017 are presented as follows:

	2017	2016
Financial Position		
Assets	1,165,187,055.71	1,073,038,511.14
Liabilities	10,133,401.83	91,599,131.50
Equity	103,852,453.88	981,439,379.64
Sources and Application of Funds		
Appropriations	2,456,657,773.00	2,108,292,174.00
Allotments		
Regular Appropriations	2,396,957,773.00	1,993,984,864.00
Automatic Appropriations	59,700,000.00	114,307,310.00
Total Allotments	2,456,657,773.00	2,108,292,174.00
Obligations Incurred	2,181,626,034.36	2,049,140,707.00
Unexpended Balance	275,031,738.64	181,424,984.00

C. Operational Highlights

For the year 2017, the BuCor had in its custody 41,762 Persons Deprived of Liberty (PDL) distributed in its seven Operating Prisons and Penal Farms (OPPFs) and other government facilities. National offenders' population growth continued to rise from 2011-2017 averaging 2.33 percent per annum.

The PDL Population Distribution to the seven OPPFs strategically located all over the country:

PRISON FACILITY		LOCATION	REGION	PDL POPULATION
New Bilibid Prison		Muntinlupa City	NCR	25,813
• Maximum	17,476			
• Medium	6,111			
• Minimum	459			
• Assessment, Rehabilitation Program Development and Monitoring Division (ARPDMD)	1,767			
• Philippine Military Academy	73	Baguio City	CAR	
• Camp Aguinaldo	9	Quezon City	NCR	
Correctional Institution for Women		Mandaluyong City	NCR	2,854
Iwahig Prison & Penal Farm		Puerto Princesa City, Palawan	MIMAROPA	2,277
Sablayan Prison & Penal Farm		Sablayan, Occidental Mindoro	MIMAROPA	1,951
Leyte Regional Prison		Abuyog, Leyte	Region VIII	1,783
San Ramon Prison & Penal Farm		Zamboanga City	Region IX	1,469
Davao Prison & Penal Farm • CIW Mindanao	328	Dujadi, Davao del Norte	Region XI	5,615
TOTAL				**41,762**

D. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of BuCor for CY 2017. Review and analysis were made on the balances of the assets, liabilities and equity accounts, while test of transactions were applied on income and expenditures as reflected in the financial statements as of December 31, 2017. The audit of the infrastructure projects was limited to legal and auditorial review and the technical aspect of the project will be referred to the Technical Services Office.

E. Auditor’s Report

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Bureau of Corrections as of December 31,2017 in view of the materiality of the accounting errors and deficiencies in some accounts as shown in the Matrix on the Analysis on the

Effects of the Misstatements on the Financial Statements marked as Annex A. These deficiencies are shown below.

1. The Annual Guaranteed Production Share collected by BuCor from TADECO totaling P35,327,174.11 under Joint Venture Agreement was erroneously recorded to Other Receivables account instead of Due from Joint Venture account resulting in the overstatement of the Other Receivable account and understatement of Due from Joint Venture account by the same amount. *(Observation No. 7)*

   We recommended that Management direct the Accounting Section to prepare the necessary adjustments in order to reflect the correct balances of the affected accounts.

2. The account balance of the account Due from NGAs (PS-DBM) amounting to ₱14,688,858.37 was unreliable due to (a) discrepancy of P3,935,555.45 compared with the balance of P10,753,302.90 confirmed by the PS-DBM caused by the non-recording of fund transfer to PS-DBM totaling P648,971.44 and non-recording of deliveries amounting to P793,665.60; and (b) absence of proper monitoring of deliveries resulting in the accumulation of undelivered items amounting to P10,128,265.89; and failure to conduct regular reconciliation with the PS-DBM. *(Observation No. 13)*

   We recommended that Management (a) direct the Chief Accountant and the Chief, Supply Section to regularly reconcile their records with the PS-DBM; (b) instruct the Chief Accountant to prepare Journal Entry Voucher to take up the unrecorded fund transfer and deliveries based on the delivery receipts; and (c) make representation with the PS-DBM for the immediate application of excess payments to future requests and/or refund the amount of ₱10,128,265.89**.**

3. The non-conduct of physical count of inventories; absence of subsidiary records and stock card; non-submission of RSMI; erroneous recording; and absence of effective security system for inventories rendered the existence and accuracy of the reported balances of Inventory accounts totaling ₱37,512,845.14 unreliable. *(Observation No. 17)*

   We recommended that Management (a) conduct a physical count of inventory including reconciliation and submission of the Report on the Physical Count of Inventories; (b) direct the Accountant and the Supply Officer to prepare and properly maintain the required inventory records and periodically reconcile the same; (c) require the Accounting Unit to prepare adjusting entry to correct the various errors noted and ensure that future transactions be analyzed and classified properly as to prescribed accounts in GAM for NGAs, Volume III; (d) require the

Accountant to properly record purchases of items as an inventory account upon delivery and acceptance by the Supply Officer of the inventory items and to record the consumption thereof as expense upon its issuance; (e) direct the Supply Officer and the Inventory Committee to prepare the inventory report duly certified correct by the Inventory Committee and approved by the Agency Head; and (f) require the Accounting Division to draw a journal entry voucher adjusting the overstatement/understatement of the accounts affected.

4. Inadequate controls and lapses in property management as well as erroneous and incomplete recording of transactions of IPPF and LRP rendered the balances of the PPE accounts totaling ₱715,022,079.89 unreliable/doubtful. *(Observation No. 18)*

We recommended that the IPPF Management (a) require the Supply Officer to coordinate with the Accounting Unit all transactions affecting PPEs for proper accounting treatment on recognition, derecognition and measurement of assets to ensure that these are properly valued and recorded; (b) require the Supply Officer to submit copies of the documents on assets received and transferred to enable the Accountant to record them in the books in accordance with Section 14 and 15, Chapter 10, GAM Volume 1 and determine persons responsible thereof to ascertain accountability and henceforth religiously furnish related documents received for proper recording; (c) require both the Supply and Accounting Units to install the necessary records and submit religiously all related reports duly reconciled to prove the integrity of property custodianship; (d) conduct a complete inventory of all the assets and reconcile the differences; and, (e) review and implement the recommendations contained in CY 2011 to 2017 to correct the deficiencies, thus arriving at the accurate valuation of the assets.

We also recommended that the LRP (a) prepare RPCPPE in accordance with the format prescribed in GAM, Volume II; (b) direct the Accounting and Property/Supply Section to maintain PPE ledger cards/property cards to ensure check and balance of PPE account of the agency; (c) direct the Property Officer to coordinate with BuCor or the donor entity to determine the value of transferred property; (d) take immediate steps to dispose the unserviceable properties to avoid possible loss and further deterioration of properties; (e) direct the Property Officer to report the unserviceable properties in the Inventory and Inspection Report of Unserviceable Properties (IIRUP) and furnish a copy thereof to the Accounting Section as their basis in the dropping from the books of the disposed unserviceable properties; and (f) secure the necessary documents and prepare adjusting entries for the cost of major repairs/rehabilitations and installation of facilities charged to expenses not accounted as an asset or capitalized as new or part of the carrying cost of the asset, including labor cost, upon completion of the project.

5. The *Other Gains* account representing revenue under Fund 284 was overstated by ₱3,594,508.42 due to inclusions of collections that should have been remitted to the National Treasury in accordance with Section 4, General Appropriations Act (GAA) for CY 2017 and pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292, s. 1987 and Section 65 of P.D. No. 1445. *(Observation No. 22)*

   We recommended that the Management direct the Accountant to (a) ascertain with accuracy the amounts due to the National Government and instruct the Cashier to deposit the same in the name of the Bureau of Treasury in compliance with the provisions of Section 4, General Appropriations Act (GAA) for CY 2017 pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292, s. 1987 and Section 65 of P.D. No. 1445; and, (b) direct the Cashier to deposit collections in proper depository account.

6. Payment for services rendered by the Consultants totaling ₱2,243,052.52 was charged under *Other Professional Servi*ces instead of *Consultancy Services* resulting in the understatement of the *Consultancy Services* and overstatement of *Other Professional Services* by the same amount. *(Observation No. 24)*

   We recommended that Management ensure the correctness of the funding as well as recording of payments to consultants under the appropriate accounts.

F. Other Observations and Recommendations

7. The annual guaranteed income, including the profit share as consideration for the use of the reserved land for the BuCor, is grossly disadvantageous to the government considering the prevailing rental rate of ₱50,000.00 per hectare in the locality, or a revenue loss for the government of ₱460,181,652.00. *(Observation No. 1)*

   We recommended that management make representation with TADECO for the increase in the guaranteed income and profit share in order not to cause more losses to the government.

8. The total volume of bananas exported to various countries by TADECO differ from the actual volume of bananas reported in the monthly production report submitted to BuCor, thus; resulted in the under-remittance of the profit share by TADECO totaling ₱5,826,567.01. *(Observation No. 2)*

We recommended that BuCor (a) closely monitor the production of bananas by TADECO in order to ensure accuracy on the reported volume of production; thus, remittance of profit share will likewise be accurate; and (b) for the apparent noted under remittances of profit share, we request that Management submit justification why the total amount of ₱5,826,567.01 should not be charged in audit.

9. The total jail population of 1,787 as of December 31, 2017 in BuCorr-Leyte Regional Prison (LRP) exceeded by 1,243.25 on the total ideal population of 543.75 into a habitable area of 2,555.64 sq.m. or a total average congestion occupancy rate of 228.64 percent, thus, the agency did not conform with the Revised IRR of RA No. 10575 and the United Nations Minimum Standard Rules for the Treatment of Persons Deprived of Liberty, resulting in unhealthy living conditions of the inmates caused by heavy congestion. *(Observation No. 3)*

We recommended that Management implement the urgent construction of more buildings/cells which are deemed necessary.

10. Commercial use of the Iwahig River was permitted for almost ten (10) years without a Contract or Memorandum of Agreement between the Iwahig Prison and Penal Farm (IPPF) and the operator. Moreover, the agency is deprived of revenues generated from such eco-zone that could have been utilized in funding the programs and requirements of inmates. *(Observation No. 4)*

We recommended that the Penal Superintendent (a) require the head of the appropriate division to explain how and why the Iwahig Community Eco-Tourism Multipurpose Cooperative (ICEMCO) was able to operate without any valid contract/agreement; (b) require the appropriate officer to prepare and submit a comprehensive plan for the use of the ecozone to the Bureau of Corrections for their approval and issuance of land use plans and policies; and, (c) require their own audit of the income from the ecozone to determine the total revenues generated from the time of inception up to the present so that the IPPF could be paid its pro-rate share.

11. The procurement practices being implemented failed to efficiently address the needs of the agency's operational requirements and its rehabilitation program contrary to the objectives of the Government Procurement Law. *(Observation No. 5)*

We recommended that the Penal Superintendent require modifications of existing procedures in order to ensure efficiency in its procurement, maximize the use of resources in the implementation of programs, projects and activities of the IPPF, and install necessary controls in the operation of the farm to serve the objectives for which funds are appropriated; thus, avoiding more losses of government funds in the future.

We also recommended that the Penal Superintendent (a) require the Bids and Awards Committee (BAC) to undertake measures to address risks and delays in procurement by observing the procurement timelines in consonance with project schedules, including a cut-off date for processing requisitions and issuance of purchase orders to ensure receipt of most critical items in time for the project implementation, provisions for exceptions only in case of emergencies; (b) consider the creation of several BAC for several types of procurement, if the limited consolidation will not result in lower volume of transactions and faster processing; and (c) ensure submission of timely and reliable procurement monitoring reports in which he is the signatory as Approving Officer

12. Quarry Concessions for sand and gravel including the use of the Right of Way (ROW) were granted to private individuals despite expressed prohibitions contained in the Prison Agro Industries Manual. Moreover revenues derived from the ROW fees could not be accurately ascertained due to incomplete documents. *(Observation No. 6)*

We recommended that the IPPF (a) cause the submission of all concessions for quarry, sand and gravel extractions, and the use of the right of way to the Bureau of Corrections for their concurrence; and (b) require quarrying operations and similar operations inside the Farm be immediately stopped/suspended pending the concurrence of the Bureau of Corrections.

13. The accountability of the Collecting Officer of the SPPF showed cash overage of ₱606,277.10 for Fund 284 and ₱43,458.52 for Fund 184 which should be forfeited in favor of the government pursuant to Section 35, Chapter 5 of the Government Accounting Manual (GAM), Volume I. *(Observation No. 8)*

We recommended that the Collecting Officer (a) issue Official Receipts for the over-deposit of ₱606,277.10 for Fund 284 and ₱43,458.52 for Fund 184; (b)observe due diligence in accounting for her collections and deposits in accordance with sound internal control; and (c) immediately issue Official Receipts for every payment received.

14. Several deficiencies were noted in the handling and reporting of the cash and accounts of the accountable officers of BuCor and two prison

and penal farms which is inconsistent with pertinent COA rules and regulations. (*Observation 9)*

We recommended that management require the AO to strengthen internal control over cash by (a) recording in the PCFR the previous balance for the month to reflect the correct balances; (b) stamping the word "Paid" on the face of the invoices/receipts and supporting documents to ensure that these are not re-submitted for another claim; (c) reconcile, foot and close the books at the end of each month; and (d) prepare the RPPCV and PCFR as prescribed under Section 37 of the GAM; (e) using the prescribed PCV for disbursements out of the PCF and RPPCV to replenish her PCF. (f) to strictly adhere with the ₱15,000.00 limit per transaction provided under Section 35.a of the GAM, Volume I and avoid splitting of payment.

15. Reconciling items were not properly and correctly taken up in the reconciliation of the Cash-MDS, Regular account contrary to the procedures provided for under Section 9 and 10, Chapter 21, Volume 1 of the Government Accounting Manual (GAM), resulting in unreliable Monthly Reconciliation Statements (MRS). *(Observation No. 10)*

We recommended and Management agreed that the Accounting Section submit (a) revised/corrected MRS by taking up reconciling items per books and per banks correctly. Any adjustments made thereon should be backed up with brief explanation/details and supporting documents, if needed; (b) draw a JEV for reconciling items effected in the balance per books; (c) furnish a copy of the MRS to the depository bank if there are reconciling items affecting the balance per bank; and (d) follow the prescribed form in the preparation of the monthly reconciliation statement.

We also recommended and Management agreed that the Acting Cashier follow-up from the depository bank the return of the negotiated checks and/or scanned copies thereof to the agency to facilitate the reconciliation process.

16. IPPF failed to adopt in full the Electronic Payments Scheme (EPS) in the disbursements of public funds in violation of Section 79 of the General Provision of the General Appropriations Act, Department of Budget and Management (DBM) Circular Letter 2013-16 and Section 8, Chapter 6, GAM, Volume 1 to address cash programming concerns of the agencies by providing specific schedule of payments. *(Observation No. 11)*

We recommended that the Superintendent instruct the Cashier and the Accountant to strictly comply with Section 79 of the General

Appropriations Act for CY 2017 and the yearly circular letters of the Department of Budget and Management reminding the agency to settle claims using the Direct Payment Scheme; thus, facilitating payments within 48-hours to clients/payees and further reducing the amount and the volume of checks used for cash advances for payrolls.

In addition, ensure that payments to creditors/suppliers whose account are maintained outside the agency's MDS-GSB are made by means of bank transfer and that the corresponding bank charges are borne by the creditors/suppliers concerned.

17. Bank balances amounting to P109,391,281.00 deposited with the Development Bank of the Philippines under Trust Fund 284 remained idle for one to three years contrary to the provisions of Section of 3.1 of COA-DBM Joint Circular 1-97 dated January 2, 1997, consequently depriving the government of the use thereof. *(Observation No. 12)*

We recommended and Management agreed to submit proposed program of expenditures to be funded from Fund 284 otherwise same shall be remitted to the Bureau of the Treasury in accordance with COA-DBM-DOF Joint Circular No. 1-97.

18. Management failed to exercise its option to disconnect the electric and water connections until such time that the accounts of officers and employees and private concessionnaires are fully paid resulting in uncollected utility bills of ₱13,594,211.37. *(Observation No. 14)*

We reiterated our previous recommendation that management effect the immediate disconnection of the electrical and water connections based on the "NO PAY NO CONNECTION" policy in order to avoid the further accumulation of uncollected electric bills so that the BuCor will not be burdened on the electric consumptions of the tenants.

We also recommended that Management deduct from the salaries of those officers and employees who failed to settle their past due accounts and assess the status of long outstanding accounts which may no longer be collectible.

19. Deficiencies in the grant and utilization of cash advances contrary to COA Circular No. 97-002 and other pertinent issuances resulted in the accumulation of cash advances in the hands of the accountable officers of the BuCor- Main and three prison farms to an amount exceeding the maximum accountability; thus, exposing the government funds to risks of misuse and loss. *(Observation No. 15)*

We recommended that the BuCor-Main demand from all officers and employees with outstanding balances to liquidate/settle immediately their cash advances and/or refund all unexpended balances pursuant to COA Circular Nos. 97-002 and 2012-004, otherwise cause the suspension of salaries of erring accountable officers; and henceforth, all concerned officers and employees strictly comply with Section 89 of PD 1445 and COA Circular No. 97-002.

We also recommended that the IPPF (a) require all accountable officers to observe the COA rules and regulations and other pertinent issuances to avoid recurring deficiencies that may result in disallowances in audit, and accumulation of cash advances in the hands of the accountable officers to an amount exceeding the maximum accountability which exposes government funds to risks of misuse and loss; (b) Accountant to immediately record the liquidation in the books of accounts upon receipt of documents relative thereto to close or reduce the amount of cash advance balances otherwise, refrain from releasing further advances in compliance with paragraph 4.1.2 of COA Circular 97-002 to ensure that government funds are properly accounted for and that the maximum accountability is not exceeded; (c) other officers be bonded as may be necessary in order to address the situation that advances are being transferred from one officer to another; and (d) AOs be provided with a vault, safe or cash receptacle to safeguard his cash advance against possible loss.

We likewise recommended that the SPPF refrain from granting additional cash advances to employees with outstanding cash advances and require the certification from the Accountant that previous cash advances have been liquidated and accounted for in the books.

20. The account Advances to Special Disbursing Officers is presented with total amount of P1,023,652.96 when there are no actual cash advances given to the Special Disbursing Officer, contrary to the procedures laid down by the Government Accounting Manual I and Philippine Public Sector Accounting Standards 1. *(Observation No. 16)*

We recommended that the Accountant strictly follow the procedures laid down by GAM in recording Advances to Special Disbursing Officer for Inmates Compensation in order to prevent misrepresentation of financial statements and prepare adjusting entries to close the account.

21. The prescribed internal control procedures over semi expendable properties totaling P899,480.02 which were procured during the year by the Iwahig Prison and Penal Farm (IPPF) were not adequately observed to prevent losses of government funds. *(Observation No. 19)*

We recommended that the agency install and implement adequate internal control measures and proper accounting treatment on semi-expendable properties as required under Sections11 and 18, Chapter 8 of GAM Volume 1 to avoid losses of government properties.

22. Various repair works undertaken by the BuCor aggregating ₱1,892,343.00 were not supported with Program of Work and Detailed Estimates, contrary to RA 9184 and COA Circular No. 2012-001 dated June 14, 2012. *(Observation No. 20)*

We recommended that Management prepare and have the Program of Work approved first before starting a project to allow proper evaluation and determination as to the reasonableness of cost and/or materials procured.

23. There was no proper turnover of accountabilities between the outgoing and incoming Collecting Officers (CO), contrary to Section 77 of Presidential Decree No. 1445; thus, all funds and forms of the outgoing CO may not have been accounted for. *(Observation No. 21)*

We recommended that turnover of accountabilities be formalized by accomplishing the required Invoice and Receipt of Property. Henceforth, ensure that proper turnover activities are performed for all outgoing and incoming accountable officers as required by law.

24. The Other Gains account representing revenue under Fund 284 was overstated by ₱3,594,508.42 due to inclusions of collections that should have been remitted to the National Treasury in accordance with Section 4, General Appropriations Act (GAA) for CY 2017 and pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292, s. 1987 and Section 65 of P.D. No. 1445. *(Observation No. 22)*

We recommended that the Management direct the Accountant to ascertain with accuracy the amounts due to the National Government and instruct the Cashier to deposit the same in the name of the Bureau of Treasury in compliance with the provisions of Section 4, General Appropriations Act (GAA) for CY 2017 pursuant to Section 44, Chapter 5, Book VI of E.O. No. 292, s. 1987 and Section 65 of P.D. No. 1445; and direct the Cashier to deposit collections in proper depository account.

25. The hiring of 10 contractual/consultants were contrary to the provisions of Republic Act (RA) 9184 otherwise known as the Government Procurement Reform Act. *(Observation No. 23)*

We recommended that the Management (a) ensure that all planned procurement for consulting services for each year are included in the APP; (b) ensure that a BAC Resolution is prepared for consulting services under negotiated procurement prior to contracting the same; (c) include in consulting services contracts the circumstances/grounds for termination of consultants' services by the BuCor; (d) include in the consulting services contracts a penalty provision, where appropriate, to clarify the penalties that will be imposed on consultants for violation of contract provisions thereby discouraging breach of terms of contract; (e) engage the services of consultants only for tasks which require technical and professional expertise that could not be performed by the regular personnel and ensure that the activities that should actually performed by the BuCor personnel are not undertaken by the consultants.

We also recommended that Management strictly adhere on the above-quoted provisions of the Omnibus Rules on Appointments and Other Personnel Actions

26. Cost of catering services and meals/snacks for the different activities of the agency and meals/snacks served to guests/visitors and the grant of Christmas package to LRP officers/employees amounting to ₱365,136.12 and ₱213,309.10 respectively or a total of ₱578,445.22 were charged against the appropriation for Food Supplies Expenses without the approval or authorization from the Head of the Agency or DBM; thus, depleting the budget for the cost of food supplies for the inmates and resulted in the overstatement of Food Supplies Expenses account by the same amount. Likewise, the amount of meals and snacks/catering services of ₱232,639.93 and cost of food supplies for inmates totaling ₱33,746,131.57 lacked adequate documents to substantiate the same, thereby, the validity, regularity and propriety of payments, could not be ascertained. *(Observation No. 25)*

We recommended and management agreed to (a) submit the required approval or authorization from the Head of the Agency or Secretary of Justice, and DBM to utilize the appropriation for Food Supplies Expenses for the payment of meals and snacks/catering services for seminars/trainings and other activities or those served to visitors/guests, and for the grant of Christmas package for the officers and employees of the agency; (b) stop the practice of charging the budget for the Food Supplies Expenses for those that are not served to patients/inmates without the required approval or authorization; and (c) submit to the Auditor the lacking documentary requirements for the procurement and payments of food supplies for the inmates and ensure that all disbursements for food supplies are properly documented pursuant to Item 8 of COA Circular No. 2012-001.

27. Due to poor planning, unimplemented procedures, and lack of monitoring of Agro-Industries Projects, the IPPF incurred a deficit in Fund 284 of ₱2,479,957.03 for the year 2017 contrary to National Budget Circular No. 330 and Commission on Audit Circular No. 80-136. *(Observation No. 26)*

We recommended that the Management (a) review the PPMPs submitted and ensure that plausible work proposals are also being submitted before the approval of the projects; (b) oversee the projects under the Agro-Industries program; and (c) ensure effectiveness of the disposal committee on finding markets for the agricultural produce.

We also recommended that the Management direct the Chief Officer of Agro-Industries to (a) effectively monitor every project of Agro-Industries; (b) ensure submission of the reports from the different OICs, consolidate them; and (c) ensure timely submission of the reports to the Accounting Department.

We likewise recommended that the Management direct the Officers-in-charge for each Agro-Industries project to (a) create more detailed and specific project proposal; (b) effectively implement and closely monitor the project assigned to him; and, (c) timely and religiously prepare the reports required such as production and expense reports.

28. No separate Trust Fund was set up solely for the inmates' compensation and such compensation have already been distributed to the inmates ahead of their release, contrary to Bureau of Corrections Operating Manual. (*Observation No.27)*

We recommended that Management direct the Accountant to seek immediate assistance from the office of the Director of the Bureau of Corrections in order to have specific procedures, rates and guidelines on the grant of compensation for the inmates; and create, maintain, monitor and utilize the Trust Fund for inmates compensation in accordance with the Bureau of Corrections Operating Manual for the benefit of the inmates.

29. Collections from joint ventures under the leasehold system for agro industrial fund of the SPPF in the total amount of P2.1 Million could hardly be ascertained due to the lack of necessary information provided in the contracts that caused ambiguity in the terms of payment resulting in unaccounted amount of P920,000.00 contrary to Section 1.2 of National Budget Circular No. 330 and COA Circular No. 80-136. *(Observation No. 28)*

We recommended that all payments made by both lessees be traced to determine unpaid balances, if any. Should there be amount to be collected, issue demand letters and effect immediate collection thereof.

We also recommended that the Management instruct the Accountant to record the receivable account by drawing a Journal Entry Voucher (JEV).

30. Forest and industrial products totalling ₱417,770.00 were excluded from the reimbursable claims chargeable against the regular allotment of Fund 101; hence, income realized out of the expenditures thereof was not reflective of the actual produce for agro-industries projects, contrary to Sections 2.2.2 and 3.2 of National Budget Circular No. 330 and COA Circular No. 80-136 dated January 1, 1980. *(Observation No. 29)*

We recommended that Management require the concerned official/personnel to account for the amount of discrepancy noted which represents produce in the nature of forest and industrial products as reflected in the Monthly Production Report generated for Fund 284 which was used as basis for payment/reimbursement from the regular allotment of the agency

31. Income derived from the prisons operation of agro-industries and sale of agro-industrial product were used to pay for expenses not in accordance with the purpose as provided by COA Circular No. 80-136 and National Budget Circular No. 330. (*Observation No. 30)*

We recommended that Management (a) stop charging transactions against the Agro- Industry Fund that are considered to be not in accordance with the particular usage of the fund, which should be properly charged to General Fund (Fund 101); and (b) install the necessary control in the handling of the said fund.

32. The industrial products and agricultural produce of the SRPPF are not recorded in the books of accounts due to the absence of a proper cost accounting system contrary to Section 32, Chapter 2, Volume I of the Government Accounting Manual (GAM) for NGAs and Section 4, Chapter 8, Volume I of the same Manual , thus affecting the reliability of the financial statements, the proper pricing of the agro-industrial products and may result in the non-detection of inventory losses. *(Observation No. 31)*

We recommended that Management direct the Agro-Industry Section and the Accounting Section to establish a system of cost accounting to be able to assign values to the agency's industrial products. It may adopt (a) job order costing - a cost accounting system that accumulates manufacturing costs separately for each job and is appropriate for entities which are engaged in the production of unique products or special orders; and, (b) process costing - a cost accounting system that accumulates manufacturing costs separately for each process and is appropriate when nearly identical units are mass produced.

We also recommended and the Management agreed that the Agro-Industry Section completely report all harvests to the Accounting and Supply Sections in a timely manner to facilitate recording; and Accounting Section to record all agricultural produce in the books of accounts of the agency at their fair value less costs to sell at the point of harvest.

33. The GAD Plan and Budget and Accomplishment Report for CY 2017 duly signed/reviewed by the Philippine Commission on Women (PCW) were not submitted to the audit team; hence, not in keeping with the pertinent provisions of PCW-NEDA-DBM Joint Circular No. 2012-01 and COA Circular No. 2014-001. While at IPPF and SPPF, expenditures amounting to P1,110,118.13 and P3,016,072.82, respectively, were below the required 5% of the agency's budget in the 2017 General Appropriations Act. *(Observation No. 32)*

We recommended that Management (a) direct the BuCor GAD, Executive Committee Chairperson to submit a copy of the BuCor GPB duly approved/endorsed by PCW; (b) IPPF GAD Focal Persons allocate an amount of at least five-percent of the agency budget for the implementation of GAD plans, pursuant to the general provisions of the General Appropriations Act; to submit a GAD Plan approved by Philippine Commission on Women; to continuously identify gender-related problems that need to be addressed; and to utilize the allocated budget appropriately and ensure that GAD programs identified are properly implemented; and (c) SPPF Management formulate and submit yearly GAD Plan and Budget, if possible, maximize the allocation of at least five percent of the agency's appropriation in the General Appropriations Act (GAA) in compliance with Section 30 of the General Provisions of the GAA of FY 2017 and adhere to the provisions of the GAA.

34. The BuCor had no report on the implementation of programs and projects to address the concerns of senior citizens and differently-abled persons, while at the IPPF, the Management failed to submit Programs and Projects related to Senior Citizens and Persons with Disability; thus, defeating its purpose of addressing the needs of the intended beneficiaries as required under Section 31, General Provisions of the GAA for FY 2017 or RA No. 10924.

We recommended that the BuCor-Main and IPPF comply with the provisions of Section 34, General Provisions, GAA, FY 2017 or RA No.

The foregoing findings and recommendations contained in the report were discussed with the concerned officials of the agency in an exit conference conducted on June 8, 2018. Management's view and reactions were considered in the report, where appropriate.

G. Status of Implementation of Prior Years' Audit Recommendations.

Out of the 86 prior years' audit recommendations contained in the CYs 2016 a Annual Audit Reports, 25 were fully implemented, while 43 were partially implemented and 18 were not implemented at all. Partially implemented audit recommendations with impact on the financial statements and operations of the agency are reiterated in Part II of the report.