

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 of Corrections, 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 whom shall be appointed by the President upon recommendation of the Secretary of DOJ. It has 1,202 custodial personnel, 316 civilian employees and 71 medical personnel.

B. Financial Highlights

The financial condition and the sources and application of funds of the Bureau of Corrections for calendar year 2015 are presented as follows:

	2016	2015
Financial Position		
Assets	1,073,038,511.14	₱ 940,664,726.76
Liabilities	91,599,131.50	98,715,065.60
Equity	981,439,379.64	841,949,661.16
Sources and Application of Funds		
Appropriations	2,108,292,174.00	₱2,095,805,484.09
Allotments		
Regular Appropriations	1,993,984,864.00	2,039,911,004.09
Automatic Appropriations	114,307,310.00	55,894,480.00
Total Allotments	2,108,292,174.00	2,095,805,484.09
Obligations Incurred	2,049,140,707.00	2,016,833,024.96
Unexpended Balance	181,424,984.00	₱ 78,972,459.13

C. Operational Highlights

At present, the Bureau of Corrections is operating seven prisons and penal farms with a total of 41,314 inmates. Details are shown below:

New Bilibid Prison (NBP)	23,996
Correctional Institution for Women (CIW)	2,621
CIW Mindanao	322
Iwahig Prison & Penal Farm (IPPF)	2,510
Davao Prison & Penal Farm (DPPF)	5,962

San Ramon Prison & Penal Farm (SRPPF)	1,469
Sablayan Prison & Penal Farm (SPPF)	2,402
Leyte Regional Prison (LRP)	2,069
PMA	61
NBI	2
ISAF	12
Total	41,426

The BuCor shall maintain the custodial personnel-to-inmate ratio of 1:7 for three shifts, and reformation personnel-to-inmate ratio of 1:24 for one shift.

D. Scope of Audit

A financial and compliance audit was conducted on the accounts and operations of BuCor for CY 2014. 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, 2015. 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 considering the deficiencies/errors together with the recommendations summarized below.

1. The reported account balance of the account *Due from NGAs* (PS-DBM) in the books of BuCor-Main amounting to ₱19,911,751.47 was unreliable due to (a) discrepancy of ₱1,076,478.21 compared with the balance of ₱1,766,771.26 confirmed by the PS-DBM; (b) non-recording of deliveries amounting to ₱4,111,165.74; and (c) absence of proper monitoring of deliveries resulting in the accumulation of undelivered items amounting to ₱935,402.46. (*Observation No. 13*)

We recommended that Management (a) direct the Chief Accountant and the Chief, Supply Section to regularly reconcile their records with PS-DBM; (b) instruct the Chief Accountant to prepare Journal Entry Voucher to take up the unrecorded 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 request refund of ₱ 935,402.46.

2. The accounts *Due from Officers and Employees* and *Other Receivables* in the books of the BuCor-Main amounting to ₱1,379,611.06 and ₱12,214,600.31, respectively, could not be relied upon because these accounts were presented in

the financial statements net of abnormal subsidiary ledger balances in the respective amounts of ₱688,873.02 and ₱1,180,012.33. The balances of the said accounts was further made unreliable due to erroneous accounting entries resulting in the overstatement of ₱35,327,174.00. (*Observation No. 15*)

We recommended that management instruct the Chief, Accounting Section to determine the causes of the abnormal balances and prepare the necessary adjusting/reclassifying entries to eliminate these abnormal balances of the affected accounts.

3. The year-end balances of the *Inventory* accounts in the books of the BuCor-Main and four prison and penal farms (OPPF) in the aggregate amount of ₱22,556,617.15 were unreliable because of the (a) non-submission of the Report on the Physical Count of Inventories (RPCI) for three inventory accounts totaling ₱3,980,992.48; (b) non-provision of unit cost in the submitted four RPCIs and these RPCIs were not prepared in accordance with the prescribed forms under the Government Accounting Manual, Volume II; (c) erroneous accounting entries; (d) unrecorded issuances; and (e) procurement directly charged to expenses totaling ₱21,276,801.84 contrary to Section 9 of Government Accounting Manual (GAM) Volume 1. (*Observation No. 16*)

We reiterated our previous recommendation that the Management direct the General Services Section to submit the RPCI to validate the existence and accuracy of the inventory account balances.

We recommended that Management (a) direct the Supply Officer and the Inventory Committee to prepare the inventory report in the prescribed format pursuant to the GAM, Volume II duly certified correct by the Inventory Committee and approved by the Agency Head; (b) require the Accounting Section to effect the adjustment on the overstatement/understatement of the accounts affected; and (c) instruct the Chief, Accounting Section to prepare JEVs based on the RSMI and submit the same to the audit team together with the RSMI to facilitate the audit thereof.

4. The balances of the *Property, Plant and Equipment* accounts aggregating ₱1,012,592,113.07 were doubtful because the a) Property, Plant and Equipment Ledger Cards (PELC) were not properly accomplished; (b) conduct of physical inventory of PPE was not witness by the Auditor or her representative, thus, the existence of the PPEs subject thereof as well as the RPCPPE is doubtful and questionable; (c) non-submission of Report on the Physical Count of Property, Plant and Equipment (RPCPPE) of the SPPF and non-completion of the physical inventory taking at the IPPF; (d) unrecorded assets in the books of the three prison and penal farm (PPF); and (e) Building gutted by fire valued at ₱225,000.00 was not dropped from the books of the IPPF. (*Observation No.21*)

We recommended that Management (a) direct the Acting Chief, Accounting Section to prepare PPELCs in accordance with Section 42 of the GAM, Volume I which will serve as basis in the preparation of schedules supporting the PPE accounts balances and reconciliation of the inventory report and the Property Cards maintained by the Supply Section; (b) notify COA of the planned activity in accordance with Section 490, GAAM, Volume I; (c) require the SPPF and IPPF submit RPCPPE as of December 31 of each year based on the annual inventory taking of PPE as required in Section 38, Chapter 10 of GAM, Volume I; (d) direct the Inventory Committee to complete the actual physical count reconcile differences and prepare/submit reports; (e) direct the Accounting Section to draw the necessary Journal Entry Vouchers (JEVs) to take up unrecorded assets; and (f) to make a proper accounting for the building gutted by fire, otherwise dropped them from the books based on pertinent documents.

F. Other Observations and Recommendations

5. The Committee on the Disposition of Confiscated Contraband Items (CDCCI) created under BuCor Memorandum Order No. 18 s.2015 dated December 7, 2015 has not come up with a written guideline relative to the confiscation of contrabands. (*Observation No. 1*)

We recommended that Management direct the CDCCI to come up with written guidelines that would enhance the coordination of offices concerned for an efficient and effective system of safekeeping, disposal, recording and reporting of actual inventory of confiscated items/contrabands; and create an Appraisal Committee who will determine the appraised value of confiscated equipment which will serve as the basis in recording in the books of accounts.

6. The confiscated moneys totaling ₱3,658,479.10 was short by ₱502,180.00. Likewise, not all confiscated jewelries with an undetermined amount were turned-over to the BuCor Cashier for safekeeping. (*Observation No. 2*)

We recommended that the Management (a) conduct an investigation on the missing confiscated moneys amounting to ₱502,180.00 and five jewelries of an undetermined amount; (b) hold the person accountable for the missing money and jewelry liable therefor; and (c) direct the Cashier to remit immediately the confiscated moneys to the National Treasury.

7. The development of Inmate Management Information System in the BuCor- Main amounting to ₱13,849,999.95 implemented by DOJ has never been effectively and efficiently used due to bugs and errors which remained not fix by the developer despite of the various extension of time given to them. (*Observation No. 3*)

We recommended that Management coordinate with the Department of Justice (a) for the complete delivery of the IMIS software to the BuCor in order to facilitate

the smooth operationalization of the information system; and (b) for the institution of legal action against the same contractor for its failure to comply with the terms and conditions stipulated in the contract.

8. The Agro Industrial Fund was not programmed in accordance with the provisions of Republic Act 9184 and not utilized economically and efficiently in the operation of the agro industries of the Iwahig Prison and Penal Farm (IPPF) which resulted in the loss of opportunity to generate income. This is necessary to finance the rehabilitation and treatment programs to help the inmates lead a responsible, law-abiding and productive life. (*Observation No.4*)

We recommended that the Management require the (a) Chair, BAC to submit duly approved revised PMPs and APP for Fund 284 to prove the validity of the questioned disbursements, otherwise, expenses incurred outside the APP shall be disallowed; (b) Accountant and the Budget Officer to submit justifications for the use of Agro Industrial Fund for purposes other than those expressly authorized under the law; (c) Officer in Charge of all sub colonist of the IPPF through the Project Coordinator submit an accounting for all palay harvests on eight (8) Agronomy projects (palay and corn) all other harvests and report on the actual disposition of inventories to enable the Accountant to record them in the books of accounts; (d) Animal Husbandry and Livestock in-charge to submit result of operation of four Animal Husbandry and Livestock projects to justify the incurrence of high operational costs; and (e) henceforth, all concerned officers and staff to adhere strictly to the provisions of RA 9184, install the necessary control to avoid wastage of resources and the Accountant to be responsible in reporting the true and accurate results of operation.

9. Management failed to enforce and collect liquidated damages from the contractor for the delay in the completion of the project “*Repair/Renovation of Building 14 (14-A, 14-B, 14-C), Proposed Building 14-E and Proposed Control Gate*” costing ₱13,464,346.69 resulting in the loss of government funds of at least ₱2,117,264.32. (*Observation No. 5*)

We recommended that Management institute appropriate sanction such as filing of cases in court or blacklisting the contractor from participating in any government contract; and deduct the liquidated damages amounting to ₱2,117,264.32 from any amount due them to indemnify the government for any loss suffered from non-compliance with the provisions of the contracts.

10. Two projects of the BuCor totaling ₱7,199,234.16 were not implemented despite the payment of the 15% mobilization fee, depriving the intended users to the benefits and comforts that can be derived therefrom. (*Observation No. 6*)

We recommended that Management institute appropriate sanction such as filing of cases in court or the blacklisting the contractor from participating in any

government contract, and demand from the contractor the return of mobilization fee collected.

11. Post-qualification of contractor and evaluation of bids was not efficiently and effectively conducted BAC/TWG, thereby, exposing the government to various risks such as delay in project accomplishment and/or substandard quality of work. (*Observation No. 7*)

We recommended that management direct the BAC and TWG to scrutinize the adequacy of the contractor's manpower and equipment on all the projects to be awarded especially in cases of several projects with the same or overlapping implementation period and awarded only to a single contractor. This is in order to require the contractor to augment its manpower and/or equipment to be utilized in the projects awarded or to disqualify it from obtaining several award or contracts in consonance with the provisions of Section 23.7 of the Revised IRR of RA 9184.

12. Two units Baggage Scanner and One unit Walkthrough Metal Detector costing ₱9,980,000.00 remained idle/unutilized since its delivery in September 2015 and stocked at the Supply Office and exposed to natural elements that may hasten their deterioration because the building where it will be installed has yet to be repaired. (*Observation No. 8*)

We recommended that Management seek from the DOJ the immediate approval of the contract for the repair of the IVSU building so that the equipment can be properly installed and be used as intended.

13. The December 26, 1969 agreement and May 21, 2003 Joint Venture Agreement (JVA) between the BuCor and TADECO were executed, in violation of the 1935 and 1987 Constitutions, respectively. (*Observation No. 9*)

We recommended that Management take appropriate action for the cancellation of the May 21, 2003 JVA or make representation with TADECO for the amendment thereof to conform to provision of Section 3, Article XII of the 1987 Constitutions.

We also recommended that Management initiate the filing of criminal action before the Office of the Ombudsman for the patent violation of laws and the Constitutions.

14. Unreleased checks totaling ₱17,408,468.73 were not restored to the *Cash-MDS, Regular* account of the BuCor-Main contrary to GAFMIS Circular Letter No. 2002-001, thus, understating the Cash accounts and corresponding payable/liability accounts by the same amount. (*Observation No.11*)

We recommended that the Management require the Cashier to submit to the Accounting Division the Schedule of Unreleased Checks at the end of the year to reflect the accurate value of cash and corresponding liabilities in the books.

15. 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 concessionaires 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 further accumulation of uncollected electric bills.

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

16. Properties of three prison and penal farms totaling ₱51,527,685.01 were not insured under the Property Insurance Fund administered by the Government Service Insurance System (GSIS) pursuant to COA Circular No. 92-230, dated November 17, 1992 exposing the properties to unnecessary risks. (*Observation No. 23*)

We recommended that Management of the three prison and penal farms (a) ensure all insurable assets under the Property Insurance Fund administered by the GSIS so as not to expose them to possible losses on account of not being indemnified for losses caused by fortuitous events or man-made calamities; and (b) include in the proposed budget, fund to cover the premiums/payment for the insurance of its properties during each fiscal period and to integrate in the Annual Procurement Plan an amount for the procurement of insurance from the GSIS.

17. Management allowed the tenants, employees and private concessionaires to continue occupancy despite expiration of lease contract and unpaid rent arrearages. Uncollected income at year-end amounted to ₱3,175,801.66. (*Observation No. 26*)

We recommend to Management the following (a) in as much as there was no renewal of the Lease Agreements, demand from the delinquent stall holders to vacate the lease premises and award the same to more responsible tenants; and (b) create a committee on the matter tasked to formulate a policy on billing, collection of utility bills from stallholders/tenants and for the renewal of the lease agreements, with the end view of updating payments of rentals as well as ensuring that all areas/spaces for lease are properly covered with legally enforceable documents.

18. Raw food was rationed to inmates confined at the Minimum Security Compound inconsistent with the provisions of the contract agreement with the caterer specifically Section 2.1 of the contract Agreement. (*Observation No. 30*)

We recommended that Management enter into contract indicating therein the true intent of the parties; and submit distribution list and Inspection Report on the raw food rationed to the inmates confined at the MinSC for evaluation on the propriety of the cost thereof.

19. Payments for catering services amounting to ₱52,515,550.08 covering the period January 1-December 31, 2016 were not covered with approved contract, contrary to Department of Justice (DOJ) Department Circular Number 049 dated July 22, 2013 affecting the validity and regularity of disbursements. (*Observation No. 31*)

We recommended that the Management of IPPF and LRP and all officers who are signatories to the payments submit justification/s for allowing and authorizing disbursements for catering services not duly supported with approved contracts and necessary documents required under COA Circular No. 2012-001 dated June 14, 2012 for CY 2015-2016; and strictly adhere to the provisions of Section 4.0 of the Annex A of GBBP Resolution No. 23-007 on the General Conditions for Extension of Contracts; and including the Bids and Awards Committee and the Bureau of Corrections Approving Officials explain the circumstances for extension of contract and why no new Contract was approved for the entire CY 2016 period.

We also recommended that SRPPF management direct the Bids and Awards Committee to strictly abide with the existing policies and guidelines prescribed by GPPB to ensure that procedural requirements are properly observed and supporting documents are complete; and adopt preemptive measures that would improve the scheduling of procurement activities in accordance with RIRR to counteract or avoid imminent circumstances.

G. Status of Implementation of Prior Year's Audit Recommendations.

Out of the 68 prior years' audit recommendations contained in the CYs 2011 and 2014 Annual Audit Reports, 28 were fully implemented, while 24 were partially implemented and 16 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.