

OBSERVATIONS AND RECOMMENDATIONS

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1. **Non-monitoring of collections received via bank deposits/credits resulted in delayed and non-issuance of Official Receipts (ORs) amounting to P46.111 million and P4.305 million, respectively, indicating an unsound internal control on the collection system, contrary to Sections 68(1) and 124 of Presidential Decree (PD) No. 1445, thereby exposing PDGCC to the risk of undetected errors and irregularities in the preparation of financial statements.**

- 1.1 Sections 123 and 124, Chapter 4 of PD No. 1445, also known as the "Government Auditing Code of the Philippines", state that:

Chapter 4 Internal Control Systems

Section 123. Definition of Internal Control. The plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

Section 124. Installation. It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.

- 1.2 Further, Item 1, Section 68, Chapter 3 of the same PD on the issuance of Official Receipt provides that:

Chapter 3 Receipt and Disposition of Funds and Property

Section 68. Issuance of Official Receipt

1. ***No payment of any nature shall be received by a collecting officer without immediately issuing an official receipt in acknowledgment thereof. The receipt may be in the form of postage, internal revenue or documentary stamps and the like, or officially numbered receipts, subject to proper custody, accountability, and audit. (Emphasis ours)***

- 1.3 In CY 2021, the total credits to PDGCC's bank account amounted to P67.619 million, exclusive of bank interest, broken down as follows:

Particulars	Amount	No. of transactions
Collections immediately issued with OR	16,003,301	162
Collections with delayed issuance of OR	46,111,327	113
Collections not issued with OR but recorded in the books	4,305,266	30
CY 2020 collections issued with OR on December 2020	1,121,629	7
Unrecorded collections as at December 31, 2021	77,687	2
Total	67,619,210	314

- 1.4 Analysis of the Cash in bank account disclosed that collections totaling to P46.111 million or 113 bank deposits/credits were not immediately issued with corresponding ORs. Delay in the issuance thereof ranges from one to 125 days, as follows:

Delay (in days)	Amount
1 to 30 days	21,995,756
31 to 60 days	17,205,202
61 to 90 days	5,977,226
91 to 125 days	933,143
Total	46,111,327

- 1.5 Inquiry with the Management disclosed that the delay was mainly caused by the late submission of credit advice from unit owners and tenants as proof of their payments made through the bank. Moreover, in CY 2021, the bank statements were not regularly secured by the concerned accounting personnel until they were given access to online banking in the last quarter of the year, resulting in the failure to monitor some collections and identify reconciling items in a timely manner.
- 1.6 It is worth mentioning that bank deposits/credits do not bear the depositor's name thus, identification thereof requires reconciliation with the billing statements. Management's practice is to record the identified bank deposits/credits in the General Journal (GJ) and book the remaining unidentified amounts as reconciling items in the Bank Reconciliation Statement (BRS). Only after the unit owner/tenants have informed PDGCC of their payments will the ORs be issued, and reversal entries be made in the GJ.
- 1.7 As at year end, collections amounting to P4.305 million, including bank deposits/credits made as early as January 8, 2021 remained in the GJ which indicates that corresponding ORs have not been issued for the said collections.
- 1.8 Further inquiry showed that Management regularly requests the unit owners/tenants to timely provide the PDGCC with credit advice for their payments without corresponding ORs, however, not all heed to the request. Despite and without invalidating the Management's effort, we observed that a significant portion or 74.46 per cent of the bank deposits/transfers were either belatedly or not issued with ORs as at December 31, 2021 given the few number and usual payors PDGCC deals with.
- 1.9 In addition, we noticed the inconsistent and incoherent way of recording identified bank deposits/credits in the GJ. For instance, some amounts were lumped together without providing a detailed breakdown of the deposits/credits it pertained to. Thus, when a portion of the amount was subsequently reversed, it creates confusion due to the unsupported entry previously made. Moreover, some amounts were recorded in the GJ belatedly without indicating the date it was reflected in previous months' bank statements. The same holds true for bank reconciling items which are also undated in the BRS.

1.10 Consequently, the above practice exposes PDGCC to the risk of undetected errors that could result to misstatements in the financial statements. On the other hand, the delayed and non-issuance of ORs for collections amounting to P46.111 million and P4.305 million, respectively, indicates an operational inefficiency and unsound internal control on the collection system of PDGCC, contrary to Sections 68 (1) and 124 of PD No. 1445.

1.11 We recommended and Management agreed to:

a. Strengthen PDGCC's internal control on collection system by:

- i. Closely monitoring the collections received via bank deposits/credits;
- ii. Regularly reminding the unit owners/tenants to immediately provide PDGCC with a copy of credit advice for payments made; and
- iii. Immediately issuing OR for every receipt of payment of any nature pursuant to Section 68 (1) of PD No. 1445; and

b. Provide adequate supporting documents and detailed breakdown of all transactions recorded in the GJ.

2. Deficiencies noted on various procurements

A. *Negotiated procurement (emergency cases)*

The procurement of high voltage switchgear and replacement of busted electrical distribution panel board through negotiated procurement (emergency cases) amounting to P6.152 million and P0.516 million, respectively, were not made strictly in accordance with the provisions of Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

High voltage switchgear

2.1 The high voltage switchgear was procured through negotiated procurement (emergency cases) upon the approval of the Board through Board Resolution (BR) No. 11 dated October 27, 2020 based on the recommendation of the PDGCC Administrative Committee for the replacement of high voltage switchgear to prevent damage to life or loss of life or property, and/or restore vital public services.

2.2 The PDGCC Board also directed the PDGCC Bids and Awards Committee (BAC) to immediately conduct procurement activities as provided under Paragraph 2(b), Item V(D) of Annex "H" of the RIRR of RA No. 9184 wherein the Head of the Procurement Entity (HoPE) may delegate to the BAC the

conduct of emergency procurement and ascertain the capabilities of the supplier to address the emergency.

- 2.3 Furthermore, BAC Resolution No. 03-2020 dated December 11, 2020 recommending the award of the Contract for the procurement of high voltage switchgear to the supplier states that in compliance with the requirements as well as the intention of RA No. 9184 and to provide a level of playing field to all potential suppliers, a list of suppliers/contractors of good standing were drawn up and invited to submit bids. Also, the said BR provided matrix of submitted quotations.
- 2.4 A contract between PDGCC, represented by the President of PDGCC, and the supplier, represented by their proprietor, amounting to P6.152 million was entered into by both parties on January 18, 2021.
- 2.5 Review of the bidding documents revealed the absence of: (i) Invitation to submit bid/(Request for Quotation) RFQ (ii) Mayor's Permit; (iii) Income/Business Tax Return; (iv) Omnibus Sworn Statement; (v) Supplier/Contractor submitted quotations; and (vi) Performance Security as required under Item II, Appendix A of Annex "H" of the RIRR of RA No. 9184. Also, the copy of the submitted quotations from the invited suppliers were not provided to the Audit Team. Thus, the accuracy of the details stated in the BR as well as whether the BAC was able to properly ascertain the legal, technical, and financial capabilities of the supplier cannot be verified by the Audit Team.
- 2.6 In the Notice of Award (NOA) dated January 15, 2021 issued by the PDGCC President and confirmed by the supplier of high voltage switchgear on January 26, 2021, the supplier is required to provide within 10 calendar days from receipt of the NOA a performance security in the form and amount provided under RA No. 9184. Failure to provide the performance security shall constitute sufficient ground for cancellation of the award and forfeiture of bid security.
- 2.7 Our review of the documents showed that a contract between the PDGCC and the supplier proceeded despite non-posting of performance security by the supplier. Contrary to the requirement of the NOA and Paragraph M, Item IV, Annex "H" of the RIRR of RA No. 9184 wherein the procuring entity requires the supplier to provide for a performance security in accordance with the schedule as provided under Section 39.2 of the same Act.
- 2.8 Also, review of contract agreement between PDGCC and supplier provides that the Terms of Reference (TOR) shall deem to form part of the agreement. The said TOR provides that the project must be completed within 60 calendar days from the issuance of Notice to Proceed (NTP). Also, the contract agreement does not contain a provision on liquidated damages which shall be payable by the supplier in case of breach thereof. as required under Section 68 of the RIRR of RA No. 9184.
- 2.9 Review of the bidding documents disclosed that the NTP was issued by PDGCC on January 18, 2021 and acknowledged by the supplier on February 1, 2021. However, the project was completed on April 24, 2021. Even if the date of the NTP as received by the supplier was considered instead of the

issuance date, the completion of the contract still took 82 days to complete which is 22 days beyond the intended project completion.

Electrical distribution panel board

- 2.10 Likewise, on August 21, 2021, the main high voltage circuit breaker inside the panel board at the Palacio Del Gobernador (PDG) power substation automatically tripped due to invasion of rodents, leading to an explosion which automatically caused a power shutdown in certain parts of the building. It was later learned that the explosion caused the shutdown of all servers at a lessee's data center where the subject panel board is connected.
- 2.11 To immediately restore the operation of the said lessee, the Board upon recommendation of the Administrative Committee issued BR No. 8 dated August 24, 2021, directing the PDGCC BAC to immediately conduct the procurement for the replacement of electrical distribution panel board through negotiated procurement (emergency cases).
- 2.12 On August 25, 2021, the PDGCC President approved, subject to compliance with RA No. 9184, the PDGCC BAC recommendation to award the contract to the same supplier, the supply of labor and materials for the replacement of the busted electrical distribution panel board in the amount of P516,110.
- 2.13 Our review of the bidding documents for the purchase of electrical distribution panel board revealed the absence of: (i) Contract; (ii) Notice of Award; and (iii) Notice to Proceed. The Management failed to provide a copy of the said documents to the Audit Team.
- 2.14 In view of the foregoing, the absence of the noted documents and other deficiencies in the procurement made by the Management through negotiated procurement (emergency cases), which is contrary to pertinent sections of RIRR of RA No. 9184, may adversely affect the validity of the resulting contract for the procurement made.

B. Negotiated procurement (small value)

The procurement of various goods and services through small value procurement were not made strictly in accordance with the provisions of RA No. 9184 and its RIRR.

- 2.15 For CY 2021, the PDGCC purchased various supplies, goods and services from suppliers/contractors for the repairs and maintenance of its building through small value procurement.
- 2.16 Review of the documents submitted in relation to the procurement of the following goods and services disclosed that some have no attached PhilGEPS Registration and/or Certificate of Platinum Membership, Mayor's Permit or BIR Certificate of Registration and Omnibus Sworn Statement (OSS), which are required to be submitted in different stages of the procurement process in compliance with Section 54.6.f and Item II of Appendix A of Annex "H" of the RIRR of RA No. 9184:

Particulars	ABC	PhilGEPS Registration Number and/or Certificate of Platinum Membership	Mayor's Permit or BIR Certificate of Registration	OSS for ABCs above 50k
Cleaning of crystal chandeliers	25,000	X	X	N/A
Installation of 4 TB hard disc drive	12,900	X	X	N/A
Re-wiring of defective CCTV system wires	114,450			X
Replacement of water closet bowl/urinals	406,000	X	X	X
Replacement of broken tiles	100,000			N/A
General cleaning/declugging of drainages	287,000			X
General cleaning of underground water tank	13,500			N/A
Realignment of water supply	28,000			N/A
Waterproofing and replacement of tiles at roof deck fire exit	289,000	X	✓	X
Preventive maintenance - X-ray Machine	54,240	X	X	N/A
Automatic alcohol dispenser and thermal scanner	15,000	X	X	N/A
Various disinfectants, hand sanitizers and bleach	32,250	X	X	N/A
LED light bulb warm white/cool day light	56,044	X	X	N/A
Replacement of broken tiles of male and female lobby comfort rooms	51,000	X	X	X
Repainting of interior of elevator	150,000			
Installation of membrane waterproofing and piping works	277,760			
Inventory	30,880	X	X	N/A
Circular fluorescent lamp 22 watts daylight	4,720			
Various plumbing materials inventory	12,803			
Various supplies for cleaning outdoor lamp shade	5,883			
Pest control	132,000	X	X	X
Disinfection and sanitation of the whole PDG Offices	149,000			
Replacement of 1 set transfer pump controller duplex type	463,000	X	X	X
Replacement of two sets submersible sewage cutter type centrifugal pump	432,000			
Replacement of busted capacitors	157,501			
Replacement of corroded fire hydrant at the roof deck	116,000			
Replacement of deep sea controller of 500 KVA genset	86,200			
Preventive maintenance MEFPS	990,000			
Replacement of AB intelligent circuit and change over switch including testing and commissioning	70,700			
Water treatment and cleaning	180,000			
Supply and installation of new aisle carpet with edging at lobby and entrance	120,000	X	X	X
Electrical supplies	13,395	X	X	N/A
Various supplies for cleaning of outdoor lamp shade	8,734			
LED downlight/pinlight and day light silver aluminum with ballast	8,970			
Replacement of granite floor tiles of elevator Nos. 3 and 4	120,000	X	X	X
Light bulbs, daylight	18,360	X	X	N/A

- 2.17 Further, verification of the submitted documents disclosed that Management, in preparing the RFQ, did not indicate the submission of the above stated documents as provided under the RIRR. Also, Management failed to require the same supplier mentioned in Paragraphs 2.5 and 2.13 hereof, to submit their Income/Business Tax Return. In connection to their bid for preventive