



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

Ref. No. 04-255-2014

August 14, 2016

DIR. MA. CORAZON S. GOMEZ
 Regional Director
 Commission on Audit Region III
 San Fernando, Pampanga

PHILIPPINE CARABAO CENTER
 Office of The AUDITOR
RECEIVED
 AUG 24 2016
 BY:

THRU: MS. VIRGINIA A. YACAT
 Supervising Auditor

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

Dear Director Gomez:

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 2015 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 Carabao Center
Science City of Muñoz, Nueva Ecija

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2015
As of June 30, 2016

| 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 | | | |
| AAR 2015 AO No. 1 | The accuracy of the balances of Property, Plant and Equipment (PPE) accounts as of year-end amounting to ₱1,493,345,991.62 was not established due to variance of ₱39,346,904.77 between the balances per General Ledgers (GLs) and Report of the Physical Count of Property, Plant and Equipment (RPCPPE) thus, was not reflective of proper record keeping and sound property management which was not in line with Chapter 2, Section 111 of PD No. 1445. | We recommended that the Accountants and Property Officers of the identified regional centers reconcile their records on PPE to determine causes thereof for subsequent proper disposition. | The PCC Accounting Unit coordinated to PC Regional Center's Bookkeepers to conduct thorough analysis of discrepancy of records between Acctg and Property and effect appropriate adjustments. | PC Regional Center's Bookkeepers and Property Officers | June 2016 | Dec. 2016 | There is on-going reconciliation of the affected PPE accounts. | | |

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| AO No. 2 | The costs of dead and transferred buffaloes in an aggregate amount of ₱131,371,331.68 were still recorded under Biological Assets account at PCC Head Office books as of year-end due to (a) the failure of the accountable officers to submit requests for relief from property accountability for animals costing ₱97,825,711.04 or to complete the required documentations thereof in violation of Section 73 of PD No. 1445; and (b) non-recording of the costs of transferred stocks to the PCC regional centers of ₱33,545,620.64 resulting in the overstatement of the accounts Biological Assets by ₱131,371,331.68 and Accumulated Surplus/(Deficits) by ₱97,825,711.04 as of year-end. | We recommended that the Executive Director instruct the (a) concerned Accountable Officer/s to file the requisite request for relief from property accountability on the 233 dead buffaloes; (b) Accountant (i) disclosed in the notes to Financial Statements the death of the buffaloes, the cost of which were not yet dropped from the books; (ii) record the costs of the animals transferred to PCC regional centers. | Fast-track the processing and recording of transferred stocks to the PCC regional centers. On-going documentation for filing of requisite request for relief from property accountability on the dead buffaloes is now being processed. | Accounting unit/Property and Supply Unit | June 2016 | Dec. 2016 | On-going documentation for filing of requisite request for relief from property accountability on the dead buffaloes is now being processed. | | |

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| AO No. 3 | Failure to reconcile the balances of General Ledger (GL) and the Report of the Physical Count of Property, Plant and Equipment (RPCPPE) for Biological Assets amounting to ₱13,139,607.87 and ₱8,314,756.60, respectively or a variance of ₱4,824,851.27 as of December 31, 2015 rendered doubtful the accuracy of the asset as of year-end at the La Carlota Stock Farm. | We recommended that the Center Director of La Carlota Stock Farm (LCSF) direct the (a) Inventory Committee to conduct complete physical inventory of the Center's biological assets totaling ₱13,139,607.87; (b) Accountant and Property Officer undertake the required reconciliation of their records; and (c) Accountant, based on the results of the reconciliation, draw the necessary accounting entries. | Reconciliation and adjusting entries has been made by concerned staffs of PCC at LCSF (see attached Annex A). | PCC at LCSF Bookkeeper and Property Officer | June 2016 | Dec. 2016 | Partially implemented. | | |
| AO No. 4 | Unserviceable Property, Plant and Equipment (PPE) amounting to ₱2,252,849.95 were not yet converted to their specific PPE accounts which was not harmonized with COA Circular Nos. 2014-003 and 2013-002 dated April 15, 2014 | We recommended that the Executive Director instruct the (a) Accountant (i) reclassify each item to its specific PPE account; and (ii) henceforth, record transactions in | Unserviceable PPE has been properly reclassified to Other Assets account under RCA code 19999090. | Accounting unit | June 2016 | Dec. 2016 | Unserviceable PPE has been properly reclassified to Other Assets account under RCA code | | |

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| | and January 30, 2013, respectively, which overstated the balance of Other Assets account and understated those of affected PPE accounts by the said amount as of year-end. Moreover, these were still not disposed of inconsistent with Section 79 of PD No. 1445 hence, failed to maximize the 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. | accordance with the Revised Chart of Accounts; (b) Property Officer prepare and submit the Inventory and Inspection Report of Unserviceable Property; and (c) Disposal Committee undertake appropriate disposal proceedings in accordance with regulations. | Fast-track the preparation and submission of Inventory and Inspection Report of Unserviceable Property. The disposal committee and property unit has been instructed to facilitate the preparation and submission of needed documents to undertake appropriate disposal proceedings in accordance with regulations. | Property and Supply Unit and Disposal Committee | June 2016 | Dec. 2016 | 19999090. There is ongoing completion and verification of the details to be included in the Inventory and Inspection Report of Unserviceable Property. | | |
| AO No. 5 | Full honoraria of P189,000.00 was paid to the members of Bids and Awards Committee (BAC), Technical Working Group (TWG) and BAC Secretariat despite incomplete attendance to the major bidding | We recommended that the Executive Director (a) cause the refund of excess honoraria granted to the members of the BAC; (b) provide legal basis for the | Management will request for reconsideration that BAC honorarium should not be equated to the attendance to the | PCC - Office of the Executive Director | | | | | |

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| | activities conducted in CY 2015, while the honoraria of P308,250.00 paid to the PCC Advisory Board was in excess of the amount authorized by National Budget Circular (NBC) No. 2007-510 dated May 8, 2007 hence, considered irregular expenses pursuant to COA Circular No. 2012-003 dated October 29, 2012. | assailed payment of honoraria to the members of the PCC advisory board; and (c) henceforth, observe proper and equitable payment of honoraria in future similar transactions. | three main activities of the bidding process such as the pre-procurement, pre-bidding conference and opening of bids but to the completed projects. Management agreed to implement NBC no. 2007-510 in the ensuing years. | | | | COA recommendation will be implemented in the ensuing years. | | |
| AO No. 6 | With the inadequacy of disclosures on the notes to consolidated financial statements, the significant changes in the balances of receivables, biological assets, other current and non-current assets, financial liabilities, inter-agency payables, trust liabilities, and other payables accounts were not explained or fully substantiated. | We recommended that the Accountant comply with the required disclosures and provide sufficient and relevant information on each account on the financial statements, as warranted, and pursuant to the standards on disclosures. | The compliance of PCC to Philippine Public Sector Accounting Standards (PPSAS), as per Resolution no. 2014-003 dated January 24, 2014, is still in the transition period. Also, standards on disclosures specifically on accounts, such as the breeding stocks, that are still not in accord | Accounting unit | | | Compliance to the required disclosures and other relevant information will be implemented in the ensuing years. | | |

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| | | | to the PPSAS standards contribute to the limitations in providing relevant information and notes to the financial statements, e.g. establishing the carrying amount of biological assets. | | | | | | |
| AO No. 7 | The outsourcing of the consultancy services of Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA) as International Level Consultancy Service Provider for Local and International Graduate Scholarship Program resulted in the incurrance of unnecessary cost to PCC amounting to P3,125,625.00. Moreover, the payment scheme included irregular advance payments totaling P19,155,060.00 in violation of Annex "F" of Republic Act No. 9184 and its Implementing Rules and Regulations. | We recommended that the Executive Director provide satisfactory explanation on the outsourcing of the implementation of the scholarship program and the agreed payment scheme to the consultant. | PCC management analyses and present circumstantial condition that leads to the outsourcing of consultant for the management of PCC scholarship fund under the PL480 project. | HRD and PIMD | | | Mode of payment scheme for all consultancy contract awarded thru public bidding has been appropriately revised in accordance with RA 9184 | | |

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| AO No. 8 | The Buffalo Loan Program or "Paiwi Program" was able to provide additional income of ₱130,426,239.36 to farmers from CYs 2013 to 2015 thus, achieving the purpose of the program. However, inefficiencies in the program implementation undermined the benefits derived therefrom resulting in the death of 483 buffaloes costing ₱64,266,649.49 and in the loss of additional income opportunities of rural farming communities. | We recommended that the Executive Director (a) determine accountability and culpability on the death of 483 buffaloes and the loss of ₱64,266,649.49 and take appropriate actions, as warranted; (b) improve the existing housing facilities and forage areas of the buffaloes; (c) through the NIZ Team and Operations Division, review the capability and qualifications of the farmer beneficiaries of the program and cancel the MOA, if warranted then transfer the buffaloes to other qualified farmer-beneficiary; (d) consider hiring more veterinarians, technicians, and livestock specialist as support staff to assist in the operation of the "Paiwi Program";(e) | See attached Annex B for the management corrective measures for each observation on "Paiwi Program". | NIZ | | | Work plan for FY 2016 has been appropriately adjusted to ensure implementation of appropriate measures to address the issues noted in the PAIWI program. | | |

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| | | assign area of coverage and number of buffaloes to each staff should be within a manageable level to maximize efficiency and effectiveness of technical services rendered; and (f) through the NIZ Team, (i) properly maintain Individual Animal Record; (ii) remind farmers to refrain from transferring buffaloes to another without the consent of PCC; and (iii) closely monitor and enforce compliance by all stakeholders of their respective responsibilities and obligations. | | | | | | | |

By:




ARNEL N. DEL BARRIO
Executive Director

Date: July 29, 2016

PHILIPPINE CARABAO CENTER
 Reconciliation of Property Plant and Equipment
 Breeding Stocks (282) - 10701010
 As of December 31, 2015

| | Schedule | Per Accounting Book | Per Property Record | Remarks |
|--|----------|-----------------------|----------------------|---|
| UNADJUSTED BALANCE | | 13,139,607.87 | 8,314,756.60 | |
| Reconciling Items | | | | |
| Paiwi - in Codcod, San Carlos City | 1 | | 105,000.00 | |
| Paiwi - in Mansalayao, La Castellana | 2 | | 161,200.00 | |
| Paiwi - in Remedios, La Carlota | 3 | | 144,500.00 | |
| Paiwi - in BACILA, Pontevedra | 4 | | 61,000.00 | |
| Paiwi - in Bago | 5 | | 125,000.00 | |
| Paiwi - Family Module for Retirees (RTT) | 6 - A | | 1,263,214.64 | |
| Paiwi - Family Module for Retirees (JJC) | 6 - B | | 1,263,214.63 | |
| Bull Loan Program | 7 | | 130,000.00 | |
| For Booking | 8 | 428,000.00 | | |
| For Adjustment - Erroneous recording / not updated | 9 - A | (74,000.00) | | Adjusted as of March 31 & June 30, 2016 |
| For Adjustment - Erroneous recording | 9 - B | 50,000.00 | | Adjusted as of March 31, 2016 |
| For dropping - dead, with submitted request for relief | 10 - A | (351,222.20) | | P55,000 dropped as of March 31, 2016 |
| For dropping - dead, pending or lacking documents | 10 - B | (792,385.80) | | |
| For dropping - awarded, pending documentations | 10 - C | (832,111.00) | | P787,111.00 dropped as of June 30, 2016 |
| Total Reconciling Items | | (1,571,722.00) | 3,253,129.27 | |
| ADJUSTED BALANCES, December 31, 2015 | | 11,567,885.87 | 11,567,885.87 | |

RECONCILED BY:


 RUBY MILAGRUSA P. PIOQUINTO

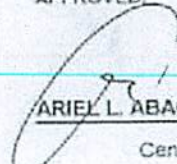
Bookkeeper

CERTIFIED CORRECT:


 JEAN B. SENCOTAPA / ROLLY C. ARDEÑO

Accountant / Property & Supply Officer

APPROVED:


 ARIEL L. ABAQUITA

Center Director

Management corrective measures for each observation on “Paiwi” program:

- a. On high mortality rate of buffaloes, strategies such establishment of animal health hospital, creation of Task Force Fasciola and increased monitoring and evaluation of dairy animals by the NIZ mobile veterinarians/technicians were undertaken to decrease mortality rate.
- b. On management’s failure to fully perform its functions, they said that they followed and implemented the established quality plan for dairy herd improvement-enterprise development and dispersal protocol. However, when the animals were already in their respective areas, the farmers cannot fully comply with their obligations. In response to the observation, the NIZ Team will follow through the observation by encouraging the farmers for complete confinement of animals, increase the plantation area for napier/forage grasses/legumes and improve the housing facility for the animals.
- c. To address the observation on health and technical assistance that were not immediately rendered due to inadequate workforce, the management approved budget for the training of 100 dairy farmers as animal health providers (veterinary aides) that will assist the NIZ veterinarians/technicians.
- d. On the finding that animals without and/or without updated individual animal record, NIZ Team mentioned that the accomplished veterinary/technician report form will be attached to update the individual animal record.
- e. Lastly, on the issue of animals held without contract, management revealed that formal complaints to the court were filed against farmer-trustee who transferred his loaned animal/s to another person or caretaker without permission from PCC. Management assured that immediate processing of “Paiwi” contract will be done in case of animals without contract yet.