

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2018
As of July 31, 2019

Ref. No.	Observation	Recommendation	AGENCY ACTION PLAN				Status of Implementation	Reason for Partial/Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan/Remarks	Person/Dept. Responsible	Target Implementation Date				
					From	To			
1	The financial statements of the PNCC remained materially misstated due to the continued recording of the unconverted debts as equity in the total amount of P5.552 billion.	Recognize as liability, instead of equity, in the books of accounts of the PNCC the unconverted debts of P5.552 billion, together with the interests and other charges thereon of P62.328 billion as of December 31, 2018. Further, follow-up the status of the pending appeal at the OP.	Management maintains its long-time position that the account/amount shall be treated as equity and not as liability (inclusive of interests and penalty charges). PNCC started to carry this account in 1987, the second year of COA's examination of PNCC's financial transactions. PAS 32. <i>Financial Instruments</i> : Presentation defines (1) financial liability as any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to	Office of the President of the Republic of the Philippines, Legal, and Controllership	-	-	Not Implemented	Management maintains its position that the account shall be treated as equity. Pending decision of the Office of the President of the Republic of the Philippines	PNCC will continue to treat the account as equity in the books as the Company awaits the decision of the Office of the President of the Republic of the Philippines.

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			<p>the entity and (2) equity instrument as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.</p> <p>By virtue of LOI 1295, PNCC is of the position that the account/amount meets the definition of an equity instrument and not a financial liability.</p> <p>In addition, Management reiterates its responses to COA AOM No. 17-004 (2016) dated March 13, 2017 and COA AOM No. 16-01 (2015) dated January 20, 2016, which presents exhaustively all the points raised by PNCC supporting its position that the unconverted debts should be treated as equity.</p> <p>Hence, to this date, even as the case (OP-Case No. 15-G-186) awaits the decision of the Office of the President of the</p>						

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			Republic of the Philippines, which if adverse will be elevated to the Supreme Court, PNCC will continue to treat the account as equity in its books.						
2	The faithful representation of the balance of Accounts Receivable amounting to P464.174 million as at December 31, 2018 could not be established due to the variance of P105.488 million between the balance per books and the confirmed amount.	a) Identify the cause/s of the discrepancies on the subject receivables; b) Coordinate with the Legal Department of Philphos in reconciling its accounts with PNCC in accordance with the court-supervised rehabilitation plan; and c) Intensify efforts to reconcile the variances between the balance per books and debtor's records and effect the necessary adjusting journal entries in the books, if warranted.	On the Manila International Airport Administration (MIAA) account variance of P599.34, the balance per PNCC books of P100,058,346 was based on the figures indicated in the COA AOM No. 18-012 (2017) dated February 23, 2018. On the SOMCO account, the balance per PNCC books totalling P17,034,263.67 was composed of Unbilled and Billed Contracts Receivable amounting to P7,196,201.52 and P9,838,062.15 respectively. The confirmed amount by SOMCO totalling P8,986,018.84 pertains to Billed Contracts Receivable only. Thus, the difference between	Controllership/ Legal			On-going		To comply

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			<p>PNCC books and SOMCO confirmed amount mostly pertains to Unbilled Contract Receivable.</p> <p>On the receivables from Joint Venture (JV) companies arising from percentage share on toll revenue, the process of reconciliation is on-going pending the gathering of reference documents to facilitate/support the accounting of the variance.</p> <p>On the receivable with legal cases, close coordination is being made with the Legal Department to account the variance.</p> <p>Necessary adjusting journal entries, if warranted, will be effected in the books.</p>						
3	Balances of toll revenue (SLEX operation under Toll Operation Certificate) account per PNCC and Toll Regulatory Board	Communicate with TRB and BTr and furnish them with the documents covering the partial payment of P566.300 million	TRB send thru e-mail as 7-25-19 a revised summary of AR form PNCC wherein the Php566.30M was deducted from the 1.5B			9-30-2019	Complied with TRB. As to BTr partially complied but confirmation was only verbally.		Sent a letter on 8-13-19 requesting for written confirmation

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	(TRB's) books showed a variance of P586.300 million.	pertaining to the unremitted toll revenues so that the recorded amount of PNCC and TRB will be reconciled.	share of gov't on SLEX. While the BTr response was that on their books the Php586.30M was taken up as other income.						
4	The variance of P1.780 million between the utility vehicle account in the books and balance per Physical Inventory Report of General Services Department (GSD) cast doubt on the reliability of the account.	a) Locate the Deeds of Donation/Conveyance that will serve as basis for the derecognition of the transferred/lost vehicles that were still recorded in the books; if necessary, request copy of the documents from the receiving agencies; b) Identify the unlocated vehicle/s amounting to P220,000; c) Exclude the vehicles transferred to DCBGSI in the inventory list of vehicles of GSD; d) Require the GSD to record the vehicles at acquisition cost, net of input VAT, in the inventory report.	To create a committee for the purpose and making the necessary inventory.	GSD, MMD & Controliership.			On-going		To be complied.

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		and e) Reconcile regularly the balance of properties and equipment per accounting record with the report on physical count.							
5	The Management did not conduct physical inventory count of some properties and equipment with a carrying amount of P0.570 million, as required under COA Circular No. 80-124 dated January 18, 1980.	a) Submit reconciliation report on computer instruments; b) Properly plan the conduct of physical inventory count of all property and equipment and conduct annual physical inventory count of all PNCC property in accordance with COA Circular No. 80-124 dated January 18, 1980 and submit the RPCPPE in the prescribed format not later than January 31 of the following year, and c) Identify the causes of the negative net	An inventory Team will be created in close coordination with the Accounting Department to properly plan the conduct of inventory taking. The conduct of the annual physical inventory count shall be spearheaded by the concerned Department responsible for the Property and Equipment to be witnessed by an Accounting representative. The concerned Department shall be advised to fast-track the purchase/delivery of the necessary inventory tags in order to	GSD, MMO, MISD & Controllership			On-going		To be complied.

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		book values of some property and equipment items and adjust accordingly.	commence the undertaking. In regard to the Service Vehicles assigned to TRB and DILG, gathering of pertinent document is on-going to support dropping in the books of accounting. Necessary adjusting journal entries, if warranted, will be effected in the books.						
B	Supplies Inventory Report did not conform to the prescribed format of Report of Physical Count of Inventories (RPCI) as required under Section 62 of the New Government Accounting System (NGAS), Volume 2. Moreover, said report was not submitted on July 31, 2018 and January 31, 2019 as required under Section 480 of GAAM, Volume I.	Submit the inventory reports on July 31 and January 31 of the following year using the prescribed format of the RPCI, as required under NGAS for GOCCs.	Prescribed format will be adopted accordingly in the CY 2019.	GSD, MMD & Controllership		January 31, 2019	Not implemented.	Not familiar to the newly introduced prescribed report format.	To comply

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		Fuel Consumption of Government Motor Vehicles, EO No. 24, series of 2011, GCG Memorandum Circular No. 2016-01 dated May 10, 2016, and GCG letter-reply dated January 26, 2018; and d) Accomplish trip tickets completely and properly by providing all the required necessary information.							
10	The cost of fuel aggregating to P43,818 issued to the Corporation's service vehicles used by the members of the BOD were not included in the computation of their monthly reimbursements, contrary to the GCG letter-reply dated January 26, 2018.	Henceforth, include in the computation of monthly reimbursements of the members of the BOD, the cost of fuel issued to their service vehicles.	Being Implemented				Implemented		
11	Deficiencies noted in the conduct of								

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	granted to the Accountable Officer despite having outstanding unliquidated cash advances contrary to Section 89 of PD1445.								
	c) There were instances when the collections were not deposited on the next banking day contrary to the provision of Section 69 of the Presidential Decree (PD) No. 1445.	For the Cashier to deposit the collections not later than the next banking day as required in Section 89 of PD 1445. Since PNCC has no office work during Fridays, we encourage the Cashier to deposit the collections during Thursdays before the banking time ends in order to eliminate the risk of loss or theft during the long weekend.	Immediate Implementation	Treasury Department			Fully Implemented		For timing reference, we will indicate in the OR including the clients copy the date & time of receipt of collections beyond cut-off during Thursday
	d) The Report of Collections and Deposits (RCD) was not prepared by the Accountable Officer which is not in accordance with Section 57 of the	For the Accountable Officer to prepare the RCD pursuant to Section 57 of the MNGAS, Volume II.	Immediate implementation	Treasury Department			Fully Implemented		

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7	The grant of salary adjustment at the rate of P3,700 to 42 PNCC employees lacked approval or authority from the President of the Philippines, as required under Section 9 of Executive Order (EO) No. 7, series of 2010, and Item 9 of Joint Resolution (J.R.) No. 4, series of 2009.	a) Stop the implementation of the salary increase/adjustment; b) Cause the refund of all the amounts paid to 42 employees for the salary adjustment; and c) Secure approval from the Office of the President for any salary increase pursuant to the provisions of Section 9 of EO No. 7, s. 2010 and Item 9 of J.R. No. 4, s. 2009.					Partially Implemented Not implemented Implemented	Awaiting the approval/repies of OP in the letter dated June 04, 2019 received OP PH June 07, 2019 A letter request for approval of the salary increase/adjustment was sent to the OP last June 04, 2019	
8	a) Professional fees paid to four (4) Executive Assistants (EAs) for the Office of the Chairman and for the Office of the three Directors, at a monthly rate of P50,000 and P35,000.	a) Review and amend the Service Contracts of the EAs taking into consideration the following: i. the rates prescribed under Section 21 of the GAA and	EA's assigned to the OC is now holding a plantilla position. Supplemental Service Agreement to be executed with the 3 EA's assigned to the Directors lowering the		May 01, 2019 Sept, 01, 2019		Implemented Implemented		

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	respectively, exceeded the prescribed rate provided under Section 210 of the Government Accounting and Auditing Manual (GAAM), Volume 1. b) The non-submission of documentary requirements and lack of provision in the Service Contract for submission of the same to support payments for the services rendered were not in accordance with Section 4 (6) of PD 1445.	ii. Inclusion of submission of the necessary documents to support the claims for services rendered. b) Henceforth, ensure compliance with the documentary requirements provided under Section 4.1.3 of COA Circular No. 2012-001 dated June 14, 2012, in processing claims for compensation of contract of service personnel; and c) Cause the refund of the excess amounts paid to concerned service contract personnel, otherwise, a Notice of Disallowance will be issued.	salary to Php22,462.00 						

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	examination of cash and accounts accountable officers: a) The Accountable Officers (AOs) are not bonded as cash custodian contrary to Section 101 of Presidential Decree (PD) 1445 and implemented under item 7.1 of COA Circular 97-002 dated February 10, 1997 and Section 7.2 of the Treasury Circular No. 02-009 dated August 08, 2009. b) Several unused cash advances aggregating P100,360 for payments of per diems of the Board of Directors (BOD) who did not attend the board/committee meetings were not returned immediately to the Treasury. Moreover, additional cash advances were	For the AOs to be properly and adequately bonded in accordance with Section 101 of PD 1445, item 7.1 of COA Circular 97-002 dated February 10, 1997, as amended, and Section 7.2 of the Treasury Circular No. 02-009 dated August 08, 2009. The AO, being also the cashier of PNCC, return immediately the unused cash advances and deposit the same not later than the next banking day. If this will not be complied, we recommended that payments for per diems to the members of the BOD be made by checks to strengthen internal control on disbursement.	To comply <						

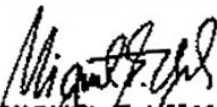
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	Manual on the New Government Accounting System (MNGAS) Volume II.								
	e) Liquidations of cash advances for meals and snacks served during Board and Committee meetings lacked supporting documents contrary to Section 1.2.1 of COA Circular No. 2012-001 dated June 14, 2012 and included expenses that are unnecessary and excessive.	a) Consider the time of the meeting in serving food such that breakfasts should be served only when meeting starts at 7am or 8am. b) Impose a reasonable budget for meals per person based on the actual number of participants and time of the meeting; and c) Attach the attendance sheet and minutes of the meetings in every liquidation report showing the date of the meeting and full names of attendees with signature.	Immediate Implementation	Treasury Department			Fully Implemented		
	f) Cashbook was not maintained by the Accountable Officer	For the AO to maintain cashbook pursuant to Section 6 of COA	Immediate implementation				Fully Implemented		

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	handling Board Revolving Fund which is not in accordance with Section 8 of COA Circular No. 97-002 dated February 10, 1997. g) Reimbursement of communication and representation expenses charged to the Board Revolving Fund was not in accordance with Board Resolution (BR) No. BD-49-2017 approved on April 17, 2017 and Section 3 of the Mechanics for the Operation of Board Revolving Fund.	Circular No. 97-002 dated February 10, 1997. a) Limit the disbursements from the revolving fund to expenses provided under BR No. BD-49-2017 and Section 3 of the Mechanics of Operation of Board Revolving fund; and b) Reimburse taxi fares based on the amount indicated in the official receipt	Immediate implementation <						

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	the Invitation to Submit Proposal.	<p>after the bid opening; and</p> <p>b) Strictly adhere to the procedures provided in the Invitation to Submit Proposal relative to the following:-</p> <p>i. Simultaneous submission of the eligibility, technical and financial proposals;</p> <p>ii. Receiving of bids within the specified date, time, and place; and</p> <p>iii. Proper sealing and marking of bid envelopes.</p>	<p>complained by bidders, PNCC for purposes of expediency accepts Bonds from other insurer's accredited by the Insurance Commission or Manager's Check or Cash equivalent of the percentage Bond and deposit. In case of cash, this is to be deposited to the PNCC cashier who in turn issue an acknowledgement receipt for the purpose. (All this, prior to bid opening) This has always been the policy and practice of PNCC. The Bidder is supposed to place the acknowledgement receipt to a sealed envelope and mark as Technical Envelope.</p> <p>b. Please be informed that we did not in any way violate the</p>						
							Being implemented; well noted		

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			directives: The Financial proposal shall be enclosed in a separate envelope in duplicate copies and to be submitted simultaneously with the eligibility and technical proposal						

Agency sign-off:


Atty. MIGUEL E. UMALI
President and CEO

8/20/19
Date

RECEIVED
COA - PNCC

DATE: 20 AUG 2019
TIME: 00:02
RECEIVED BY: _____

Note: Status of implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not implemented, (d) Partially implemented, or (e) Delayed.