Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE AMUSEMENT AND GAMING CORPORATION

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

A. Introduction

The Philippine Amusement and Gaming Corporation (PAGCOR) is a wholly-owned government corporation created on January 1, 1977 by virtue of Presidential Decree (PD) No. 1067-A, which was later amended by PD Nos. 1067-B, 1067-C, 1399 and 1632. These were subsequently consolidated into one statute on July 11, 1983 under PD No.1869, also known as the PAGCOR's Charter. Its Office is located at6F New World Manila Bay Hotel1588 MH Del Pilar corner Pedro Gil Streets Malate, Manila, Philippines 1004.

The 25-year franchise of PAGCOR expired on July 11, 2008. However, this was renewed by Congress for another 25 years, or until July 11, 2033, under Republic Act (RA) No. 9487. The three-pronged mandates of PAGCOR are: to regulate all games of chance, particularly casino gaming in the country;to raise funds for the government's socio-civic and national developmental efforts; and to help boost the country's tourism industry.

PAGCOR generated a total income of P60.15 billion, higher by 9.06 percent than the agency's P55.16 billion income in 2016. PAGCOR realized a net income of P4.95 billion, which amount is higher than the previous year's net income of P4.51 billion by 9.61 percent.

B. Audit Scope, Objectives and Methodology

The audit covered the examination, on a test basis, of the accounts, transactions and operations of PAGCOR for Calendar Year (CY) 2017 in accordance with Philippine Financial Reporting Standards (PFRSs). It was also aimed at expressing an opinion on the fairness of presentation of PAGCOR's financial position, results of operations and cash flows in accordance with Philippine Public Sector Standards on Auditing (PPSSAs) and at determining its compliance with laws, rules and regulations.

C. Financial Highlights

a. Comparative total assets, liabilities, equity, income and expenses

	CY 2017	CY 2016 (As restated)	Increase (Decrease)
Assets	P38,671,179,361	P34,289,045,893	P4,382,133,468
Liabilities	P22,844,310,210	P20,815,280,442	P2,029,029,768
Equity	15,826,869,151	13,473,765,451	2,353,103,700

	CY 2017	CY 2016 (As restated)	Increase (Decrease)
Total Income	P60,153,144,694	P55,155,913,875	P4,997,230,819
Expenses			
Personal Services	P7,732,224,515	P7,588,986,866	P 143,237,649
MOOE	9,031,631,246	9,233,548,319	(201,917,073)
Financial Expenses	32,555,425	71,395,174	(38,839,749)
Operating Expenses	P16,796,411,186	P16,893,930,359	P(97,519,173)
Contributions to Government	38,410,230,856	33,749,529,816	4,660,701,040
Total Expenses	P55,206,642,042	P50,643,460,175	P4,563,181,867
Net Profit	P4,946,502,652	P4,512,453,700	P434,048,952

b. Comparative actual and budgeted expenditures

	2017		
	Actual	Budget	Over/(Under) Budget
Personal Services	P7,732,224,515	P8,534,079,000	P 801,854,485
MOOE	9,031,631,246	5,914,922,000	(3,116,709,246)
Financial Expenses	32,555,425	57,766,845	25,211,420
Total Operating Expenses	P16,796,411,186	P14,506,767,845	P(2,289,643,341)

	2016 (As Restated)		
	Actual	Budget	Over/(Under) Budget
Personal Services	P7,588,986,866	P8,069,004,625	P480,017,759
MOOE	9,233,548,319	7,356,991,974	(1,876,556,345)
Financial Expenses	71,395,174	105,172,941	33,777,767
Total Operating Expenses	P16,893,930,359	P15,531,169,540	P(1,362,760,819)

D. Operational Highlights

Among the most significant accomplishments of PAGCOR for Calendar Year 2017 are as follows:

1. PAGCOR’s revenues translated into P41.36 billion in contributions for the government’s nation-building efforts (funding for state coffers and other recipients of PAGCOR fund pursuant to the PAGCOR Charter and other pertinent laws).

2. PAGCOR likewise met its 2017 targets for the other strategic measures as agreed with the Governance Commission for GOCCs or GCG and achieve its major programs and projects in accordance with the five Key Result Areas (KRAS) under Executive Order No. 43. PAGCOR was successful in its bid to achieve ISO 9001:2015 Certification in 2017. SGS Philippines, Inc., the certifying body of PAGCOR, awarded the said certification for its Quality Management System (QSM) last December 5, 2017. In August 9, 2017, it opened CF-Manila Bay (100% state-run gaming facility).

3. PAGCOR granted financial assistance to various agencies, organizations and beneficiaries amounting to P170.14 million and released cash incentives in the total amount of P5.9 million to national athletes for winning in various competitions, in compliance with Section 12 of R.A. No. 10699.

E. Independent Auditor's Report on the Financial Statements

A qualified opinion was rendered on the fairness of the presentation of the financial statements ofthe PAGCOR for Calendar Year (CY)2017 in view of the following.

1. The continued differing interpretation of the clause "aggregate gross earnings" from its Franchise is not in accordance with the provision of Section 12, Presidential Decree (PD) No. 1869 and Section 26 of Republic Act (RA) No. 6847, otherwise known as "The Philippine Sports Commission (PSC) Act", thereby casting doubt on the accuracy and reliability of the year-end reported balance of the liability account amounting to P22.844 billion.

2. Accuracy, reliability and existence of the year-end balance of Property, Plant and Equipment (PPE) totaling P1.997 billion was doubtful due to: a) discrepancies amounting to P23.926 million between the balance per books and the Annual Physical Inventory Report; and b) inclusion of unserviceable items and those beyond economic repair amounting to P20.945 million which was not in consonance with the provisions of Philippine Accounting Standard (PAS) No. 16.

3. Property, Plant and Equipment (PPE) was overstated due to: a) inclusion of assets totaling P127.307 million representing the cost of the condominium units acquired for the purpose of reselling the same to qualified officers and employees so as to provide them with decent and affordable housing facilities. The recognition thereof as PPE was not in accordance with the provisions of the International Accounting Standards (IAS) 16 on PPE and International Financial Reporting Standard (IFRS) 5 - Non-current Assets Held for Sale and Discontinued Operations; and b) inclusion of semi-expendable items with acquisition cost below P15,000 at the CF-Angeles, and CF-Olongapo amounting to P27.681 million and P7.067 million, respectively, contrary to Section 5.4 of COA Circular No. 2016-006.

For the said observations, which caused the issuance of a qualified opinion, we recommended to Management the following:

1. We recommended that Management cause the recording in the books of the liability amount of P21.186 billion representing under remittance of the 50 per cent NG share for CYs 2011 to 2017, mandated under PD No. 1869, net of the over remittance of the 50 per cent cash dividend pursuant to Section 3 of RA No. 7656 totaling P6.907 billion; and the recording in the books of the liability to PSC in the amount of P1.631 billion, representing under remittance for CY 2017, once the Supreme Court has disposed of the case against PAGCOR with finality.

2. Require theAccounting Department and the Physical Inventory Team to reconcile the result of the physical count of PPE and the balances per PPE Ledger Cards and effect the necessary adjustments; and the Accounting Department to reclassify the unserviceable PPE Items to Other Asset from the books of accounts pending their disposal.

3. Reclassify properties that are intended for sale from the PPE accounts to the Non-current Asset Held for Sale pursuant to the paragraph 6 & 7 of IFRS 5; andrequire the Accountants of the concerned Casinos to reclassify the semi-expendable property to the appropriate inventory/expense/ retained earning accounts.

F. Significant Audit Observations and Recommendations

The other significant observations and recommendations for CY 2017 are as follows:

1. The reliability and accuracy of year-end balance of P3.557 billion Accounts Receivable - Others account was doubtful due to the presence of abnormal/negative balancesaccounts totaling P9.121 million.

   We recommended that Management require the Accounting Department to immediately reconcile/validate pertinent records relative to receivables with negative balances and effect necessary adjusting entries in order to present fairly the balance of the account in the financial statements.

2. The accuracy and reliability of the inventory accounts with a year-end balance of P482.83 million were doubtful due to: a) inclusion in Other Supplies Inventory-Chips and Tokens account of obsolete casino tokens (coins) of P64.214 million; b) unreconciled balances totaling P3.490 million between the recorded amounts and the actual physical inventory at the CF-Malate Branch; and c) discrepancy of P0.901 million in the inventory of backpacks.

   We recommended and Management agreed to require the Accounting Department to make necessary adjustments in the books of accounts, after proper disposal is undertaken.

3. The accuracy, validity and existence of the balances as of December 31, 2017 of Cash in Bank - Local and Foreign Currencies in the amounts of P1.219 billion

and P399.903 million, respectively, could not be ascertained due to non-preparation/ prompt submission of monthly Bank Reconciliation Statement (BRS) as required under Sections 74 and 122 of PD No. 1445. Likewise, Cash in Bank (CIB) - Savings Account - Bingo of CF-Bacolod amounting to P3.055 million cannot be ascertained due to non-preparation and non-submission of BRS.

We recommended and Management agreed to promptly prepare and submit monthly Bank Reconciliation Statements to facilitate verification of Cash in Bank balances.

4. Contracts of lease were executed with lessors despite the latter not being the absolute owner of the leased property, which is not in accordance with Section 6 of Executive Order (EO) No. 301, dated 26 July 1987.

   We recommended that Management revise the lease requirement, specifically Item No. 4 of Annex H of the contract by emphasizing that prospective lessors must be the absolute owners of the lease property to strictly comply with the EO No. 301 and DPWH Guidelines. However, if not practical due to peculiarity of the procurement and PAGCOR operations, consider seeking exemption and/or non-policy opinion from the provisions from the EO or DPWH Guidelines from the GPBB or DPWH or other appropriate authorized agency.

G. Summary of Suspensions, Disallowances and Charges

As of December 31, 2017, the total unsettled disallowances and charges amounted to P445.420 million and P42.117 million, respectively. The details are presented in Part II of this Report.

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

Out of the 73 audit recommendations embodied in the prior year's Annual Audit Report, 33 were fully implemented, 19were partially implemented and 21 were not implemented. The details were presented in Part III of this Report.

TABLE OF CONTENTS

	Page
PART I - AUDITED FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Statement of Management's Responsibility for Financial Statements	4
Audited Financial Statements	
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to Financial Statements	9
PART II- AUDIT OBSERVATIONS AND RECOMMENDATIONS	30
PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS	112
PART IV - ANNEXES	132

Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 6- Social, Cultural, Trading, Promotional and Other Services
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine Amusement and Gaming Corporation
PAGCOR Corporate Office
New World Manila Bay Hotel
M.H. Del Pilar cor. Pedro Gil Streets
Malate, Manila

Qualified Opinion

We have audited the financial statements of the **Philippine Amusement and Gaming Corporation (PAGCOR)** which comprise the statement of financial position as of December 31, 2017 and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended and notes to financial statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of PAGCOR as of December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

1. The continued differing interpretation of the clause "aggregate gross earnings" from its Franchiseis not in accordance with the provision of Section 12, Presidential Decree (PD) No. 1869 and Section 26 of Republic Act (RA) No. 6847, otherwise known as "The Philippine Sports Commission (PSC) Act", thereby casting doubt on the accuracy and reliability of the year-end reported balance of the liability account amounting to P22.844 billion.

2. Accuracy, reliability and existence of the year-end account balance of Property, Plant and Equipment (PPE) totaling P1.997 billion was doubtful due to: a) discrepancies amounting to P23.926 million between the balance per books and the Annual Physical Inventory Report; and b) inclusion of unserviceable items and those beyond economic repair amounting to P20.945 million which was not in consonance with the provisions of Philippine Accounting Standard (PAS) No. 16.

3. PPE account was overstated due to: a) inclusion of assets totaling P127.307 million representing the cost of the condominium units acquired for the purpose of reselling the same to qualified officers and employees so as to provide them with decent and affordable housing facilities. The recognition thereof as PPE was not in accordance

with the provisions of the International Accounting Standard (IAS) 16 on PPE and International Financial Reporting Standard (IFRS) 5 - Non-current Assets Held for Sale and Discontinued Operations; and b) inclusion of semi-expendable items with acquisition cost below P15,000 at the CF-Angeles, and CF-Olongapo amounting to P27.681 million and P7.067 million, respectively, contrary to Section 5.4 of COA Circular No. 2016-006.

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing (PPSSAs). Our responsibilities under those standards are further described in*Auditor's Responsibilities for the Audit of the Financial Statements*section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the PFRSs and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.In preparing the financial statements, Management is responsible for assessing the **PAGCOR's**ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the **PAGCOR** or to cease operations, or has no realistic alternative but to do so.

These charged with governance are responsible for overseeing the **PAGCOR's**financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PPSAs will always detect a material mistatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

Report on Supplementary Information Required Under BIR Revenue Regulation 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and license fees paid or accrued during the taxable year described in Note 28on the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementaryinformation is the responsibility of Management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

CYNTHIA S. VERGARA
Supervising Auditor
Audit Group B

June 8, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Philippine Amusement and Gaming Corporation (PAGCOR) is responsible for the preparation of the financial statements as of December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein, in accordance with the Philippine Financial Reporting Standards (PFRS). The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Philippine Amusement and Gaming Corporation in accordance with the Philippine Public Sector Standards on Auditing (PPSSA) and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

ANDREA D. DOMINGO
Chairman and Chief Executive Officer
April 18, 2018

ALFREDO C. LIM
President and Chief Operating Officer
April 18, 2018

RECTO L. BALTAZAR, JR.
Vice President
Finance Group
April 18, 2018

SHARON SJ. QUINTANIILA
Assistant Vice President
Accounting Department
April 18, 2018

PHILIPPINE AMUSEMENT AND GAMING CORPORATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	NOTES	2017	2016 (Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	14,867,680,101	10,913,434,423
Receivables	5	3,750,784,103	2,714,135,447
Inventories	6	482,830,561	534,687,488
Other Current Assets	7	320,828,813	298,356,362
Total Current Assets		**19,422,123,578**	**14,460,613,720**
Non-Current Assets			
Financial Assets	8	100,000,000	100,000,000
Other Investments	9	43,166,380	43,170,380
Receivables	10	52,075,609	52,215,880
Investment Property	11	15,685,903,947	15,620,121,027
Property, Plant and Equipment, net	12	1,997,322,925	2,687,094,111
Intangible Assets	13	224,471,379	263,382,864
Other Non-Current Assets	14	1,146,115,543	1,062,447,911
Total Non-Current Assets		**19,249,055,783**	**19,828,432,173**
Total Assets		**38,671,179,361**	**34,289,045,893**
LIABILITIES			
Current Liabilities			
Financial Liabilities	15	2,445,369,934	1,751,040,399
Inter-Agency Payables	16	8,920,365,123	6,944,463,432
Trust Liabilities	17	419,907,516	260,020,722
Provisions	18	100,000,000	100,000,000
Other Payables	19	3,057,229,042	1,837,190,801
Total Current Liabilities		**14,942,871,615**	**10,892,715,354**
Non-Current Liabilities			
Trust Liabilities	20	1,845,125,798	1,414,951,268
Deferred Credits/Unearned Income	21	347,697,961	344,809,087
Other Payables	22	5,708,614,836	8,162,804,733
Total Non-Current Liabilities		**7,901,438,595**	**9,922,565,088**
Total Liabilities		**22,844,310,210**	**20,815,280,442**
EQUITY			
Retained Earnings/(Deficit)		15,755,438,399	13,402,334,699
Stockholders' Equity		71,430,752	71,430,752
Total Equity		**15,826,869,151**	**13,473,765,451**
Total Liabilities and Equity		**38,671,179,361**	**34,289,045,893**

The notes on pages 9 to 29 form part of these financial statements.

PHILIPPINE AMUSEMENT AND GAMING CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	Notes	2017	2016 (As Restated)
Income			
Service and Business Income	24	59,892,849,075	55,065,781,918
Gains	25	250,303,138	88,245,325
Other Non-Operating Income	26	9,992,481	1,886,632
Total Income		**60,153,144,694**	**55,155,913,875**
Expenses	27		
Personnel Services		7,732,224,515	7,588,986,866
Maintenance and Other Operating Expenses		7,661,094,483	7,823,066,310
Financial Expenses		32,555,425	71,395,174
Non-Cash Expenses		1,287,296,755	1,379,900,381
Total Expenses		**16,713,171,178**	**16,863,348,731**
Profit Before Tax		**43,439,973,516**	**38,292,565,144**
Income Tax Expense	30	**83,240,008**	**30,581,628**
Profit After Tax		**43,356,733,508**	**38,261,983,516**
Financial Assistance/Subsidy/Contribution	31	**38,410,230,856**	**33,749,529,816**
Net Income/(Loss)		**4,946,502,652**	**4,512,453,700**

The notes on pages 9 to 29 form part of these financial statements.

PHILIPPINE AMUSEMENT AND GAMING CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	Notes	Retained Earnings/ (Deficit)	Share Capital	TOTAL
Balance at January 1, 2016		**10,155,929,507**	**71,430,752**	**10,227,360,259**
Adjustements:				
Add/(Deduct):				
Prior Period Errors		(83,428,663)	0	(83,428,663)
Restated Balance at January 1, 2016	23	**10,072,500,844**	**71,430,752**	**10,143,931,596**
Changes in Equity for 2016				
Add/(Deduct):				
Comprehensive Income for the year		4,512,453,700	0	4,512,453,700
Dividends		(1,182,619,845)	0	(1,182,619,845)
Balance at December 31, 2016		**13,402,334,699**	**71,430,752**	**13,473,765,451**
Changes in Equity for 2017				
Add/(Deduct):				
Comprehensive Income for the year		4,946,502,652	0	4,946,502,652
Dividends		(2,593,398,952)	0	(2,593,398,952)
Balance at December 31, 2017		**15,755,438,399**	**71,430,752**	**15,826,869,151**

The notes on pages 9 to 29 form part of these financial statements.

PHILIPPINE AMUSEMENT AND GAMING CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(With corresponding figures for 2016)
(In Philippine Peso)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Cash received from Casino Customers	22,449,393,259	22,068,833,323
Collection of Income/Revenue	36,325,129,560	31,771,001,927
Collection of Receivables	229,380,882	132,609,923
Other Receipts	260,404,302	809,522,395
Total Cash Inflows	**59,264,308,003**	**54,781,967,568**
Adjustments	431,618,894	174,531,325
Adjusted Cash Inflows	**59,695,926,897**	**54,956,498,893**
Cash Outflows		
Payment of Expenses	(5,100,759,410)	(7,529,966,494)
Purchase of Inventories	(39,032,112)	(47,972,974)
Grant of Cash Advances	(730,172)	(556,006)
Prepayments	(74,336,486)	(73,426,903)
Refund of Deposits	(14,933,419)	(1,623,180)
Payments of Accounts Payable	(925,796,915)	(1,193,167,313)
Remittance of Personnel Benefit Contributions and Mandatory Deductions	(8,143,828,798)	(4,441,991,113)
Grant of Financial Assistance/Subsidy/Contribution	(35,685,437,529)	(34,602,432,679)
Release of Inter-Agency Fund Transfers	(172,536,000)	(13,307,413)
Other Disbursements	(84,427,432)	(101,681,310)
Total Cash Outflows	**(50,241,818,273)**	**(48,006,125,385)**
Adjustments	(178,859,646)	(83,370,280)
Adjusted Cash Outflows	**(50,420,677,919)**	**(48,089,495,665)**
Net Cash Provided by Operating Activities	**9,275,248,978**	**6,867,003,228**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Receipt of Interest Earned	116,913,748	78,643,586
Total Cash Inflows	**116,913,748**	**78,643,586**
Adjustments	0	0
Adjusted Cash Inflows	**116,913,748**	**78,643,586**
Cash Outflows		
Purchase/Construction of Investment Property	(65,782,920)	0
Purchase/Construction of Property, Plant and Equipment	(3,266,533,158)	(1,381,681,177)
Purchase of Intangible Assets	(43,314,802)	(15,279,347)
Total Cash Outflows	**(3,375,630,880)**	**(1,396,960,524)**
Adjustments	0	0
Adjusted Cash Outflows	**(3,375,630,880)**	**(1,396,960,524)**
Net Cash Used In Investing Activities	**(3,258,717,132)**	**(1,318,316,938)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	(879,666,323)	(1,325,191,080)
Payment of Cash Dividends	(1,182,619,845)	(1,898,319,018)
Total Cash Outflows	**(2,062,286,168)**	**(3,223,510,098)**

Adjustments	0	0
Adjusted Cash Outflows	**(2,062,286,168)**	**(3,223,510,098)**
Net Cash Used In Financing Activities	**(2,062,286,168)**	**(3,223,510,098)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,954,245,678**	**2,325,176,192**
Effects of Exchange Rate Changes on Cash and Cash Equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS, JANUARY 1, 2017	**10,913,434,423**	**8,588,258,231**
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2017	**14,867,680,101**	**10,913,434,423**

The notes on pages 9 to 29 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Peso unless otherwise indicated)

1. General Information

The combined financial statement of the Philippine Amusement and Gaming Corporation (PAGCOR) was approved by the PAGCOR Board of Directors (BOD) in its meeting on February 21, 2018.

The PAGCOR, with business address at New World Manila Bay Hotel, M. H. Del Pilar cor. Pedro Gil Streets, Malate, Manila, is a one hundred per cent government-owned and controlled corporation (GOCC)domiciled in the Republic of the Philippines. It was created on January 1, 1977 by virtue of Presidential Decree (PD) No. 1067-A. This was amended under PD Nos. 1067-B, 1067-C, 1399 and 1632whichwere subsequently consolidated into one statute, PD No. 1869 (PAGCOR's Charter), on July 11, 1983. PAGCOR was created with a three-pronged mandate: to regulate all games of chance, particularly casino gaming in the country; to raise funds for the government's socio-civic and national developmental efforts; and to help boost the country's tourism industry. PAGCOR's 25-year franchise, which expired on July 11, 2008, has been renewedby Congress for another 25 years or until July 11, 2033 under Republic Act (RA) No. 9487.

PAGCOR operates 10 casino branches in major cities in the country, aside from mini-casinos, slot machine arcades and PAGCOR clubs. These casinos are Casino Filipino(CF)-Malate,CF-Pavilion and CF-Manila Bay in Manila, CF-Angeles,CF-Bacolod, CF-Cebu, CF-Davao, CF-Ilocos Norte, CF-Olongapo, and CF-Tagaytay. CF-Manila Bay started operations on August 9, 2017 while CF-Iloilo temporarily ceased its operations on October 19, 2017.

2. Statement of Compliance and Basis of Preparation of Financial Statements

PAGCOR's combined financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) prescribed by the Commission on Audit (COA) through COA Circular No. 2015-003 dated April 16, 2015.

The combined financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The combined financial statements of PAGCOR reflect the financial position and results of operations of the Home Office and its branches. Inter-branch accounts have been eliminated in the consolidation.

Amounts are rounded off to the nearest peso, unless otherwise stated.

3. Summary of Significant Accounting Policies

The significant accounting policies have been consistently applied throughout the years presented, unless otherwise stated.

3.1 Basis of Accounting

From July 15 to December 31, 1986, PAGCOR followed the accrual basis of accounting. However, in 1987 the Corporation shifted to the modified cash basis of accounting on account of its commitment to directly transfer its net cash income to the Social Fund under the Office of the President. Under this method of accounting, the corporation recognized winnings, rental and other income when collected, regardless of when they were earned. Likewise, operating and other expenses were generally recognized when paid regardless of when they were incurred. Capital expenditures were also charged outright to expenses so that depreciation was no longer provided.

Subsequently, in compliance with (a) COA Circular No. 2004-002 dated April 29, 2004 - Prescribing the Chart of Accounts Under the New Government Accounting System (NGAS) for GOCCs and (b) COA Circular Letter No. 2004-001 dated May 7, 2004 - Accounting Guidelines and Procedures on the Adoption of the Chart of Accounts under the NGAS by GOCCs, PAGCOR adopted the NGAS and shifted from the modified cash to accrual basis of accounting effective January 1, 2005.

3.2 Revenue Recognition

Revenue is recognized when the amount of revenue can be measured reliably and the inflow of economic benefits associated with the transaction is probable. Income is generally recognized when realized or earned, except for revenues where the accrual method is impractical, such as table games and slot machine winnings, since these cannot be measured reliably until cash is actually received.

3.3 Inventory Procedure and Valuation Method

Supplies and materials purchased for stock, whether they are consumed or not within the accounting period, are recorded using the Perpetual Inventory System. The cost of inventory issued and its ending balance is computed using the Moving Average Method.

3.4 Change in Accounting Policy for Chips and Tokens

Under the modified cash basis of accounting adopted by PAGCOR prior to Current Year (CY) 2005, purchases of chips and tokens were immediately charged to expense upon payment. Subsequently, when PAGCOR shifted to the accrual basis of accounting under NGAS on January 1, 2005, purchases of chips and tokens were capitalized under the account Other Property, Plant and Equipment: Chips and Tokens.

The policy was amended in CY 2007when all chips and tokens actually on hand at the Corporate Vaults and Tokens Storeroom as of September 30, 2007 were taken up in PAGCOR's books of accounts as Other Supplies Inventory: Chips and Tokens. The book value of said inventory was determined based on the following:

a. Physical count per Finance and Treasury Department's (FTD's) Location Summary Report generated from its Vault Inventory System for Chips and Tokens as of September 30, 2007.

b. Insurable value per unit of chips and tokens based on FTD's memo to Accounting Department (AD) dated September 5, 2007 on the subject Supplies Inventory – Vault Inventory System Interface (SIS-VIS), submitting to AD the summary of estimated purchase cost of chips and tokens used by FTD in computing insurable value as of May 23, 2007.

   Insurable value per unit was adopted by PAGCOR as basis since no complete records of the acquisition costs of chips and tokens are available. Insurable value is either the actual acquisition cost, if available, or an estimated cost based on the latest purchase price for similar items.

After the booking as inventory of chips and tokens on hand at Corporate as of September 30, 2007, all issuances starting October 1, 2007 are now being charged to the receiving branches using weighted average cost and taken up as Other Supplies Expenses: Chips and Tokens. Any returns from the branches to Corporate are added back at zero cost to the quantity on hand at FTD.

Additional amendments were made to preclude further reduction of Chips and Tokens' unit cost, based on existing guidelines, and to record actual inventory balance of Chips and Tokens at Corporate Office and Casino Branches. The following accounting treatment and procedures were adopted in November 2015:

a. All Chips and Tokens at the Corporate Office and Casino Branches as of October 31, 2015 were accounted;

b. To arrive at the unit cost of Chips and Tokens, divide the Chips and Tokens Inventory account balance at the Corporate Office by the total quantity of accounted Chips and Tokens at the Corporate Office and Casino Branches;

c. Using the quantity of accounted Chips and Tokens, charge/transfer to branches their Chips and Tokens Inventory account balance; and

d. All other guidelines in handling of chips and tokens shall remain in full force and effect.

3.5 Property, Plant and Equipment (PPE)

Acquisitions of PPE, except for the initial set-up of existing PPE following the shift from modified cash to accrual basis of accounting on January 1, 2005, are recorded at historical cost. The cost of an item of PPE shall consist of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation Method - As required under NGAS, particularly COA Circular No. 2003-007 dated December 11, 2003, the straight-line method of computing depreciation for PPE is followed by PAGCOR.

Considering that nothing is gained from the disposal of gaming equipment since usable parts and materials are scavenged for the maintenance and reconditioning of other units, leaving only scraps for donation, the Residual Value shall be pegged at P1.00 for monitoring purposes only since some gaming equipment outlive their estimated useful life and may continue to be used even after being fully depreciated. This will also preclude cases where that last branch using the equipment bears the full burden of the loss from the write-off of a higher Residual Value. The adjustment and the corresponding depreciation expenses shall only be effected for those gaming equipment with remaining useful life of at least six months and over as of December 31, 2014.

Estimated Useful Lives - PAGCOR has generally complied with COA Circular No. 2003-007 on the Revised Estimated Useful Life in Computing Depreciation for Government PPE. However, in view of the nature of the corporation's business and specialized equipment used (such as CCTV, slot machines and gaming tables), different estimated useful lives for certain assets have been adopted. The schedule of estimated useful lives of PPE is shown below:

Particulars	Estimated Useful Life(in years)
Buildings	30 *
Leased Assets Improvements	30, or term of lease, or expiry of PAGCOR's franchise on July 11, 2033, whichever is shorter
Office Equipment	5 to 10
Furniture and Fixtures	5 to 10
Communication Equipment	5 to 10
Disaster Response and Rescue Equipment	10
Medical Equipment	10
Military, Police and Security Equipment	10
Sports Equipment	10
Gaming Equipment	5
Other Machinery and Equipment	5 to 10
Transportation Equipment	7
Other Property, Plant and Equipment - Others	5 to10

* For subsequent acquisitions after PAGCOR's shift to the NGAS/Accrual Basis of Accounting effective January 1, 2005, estimated useful life is 30 years. Existing buildings and structures as of December 31, 2004 were set up in our books of accounts in January 2005 using appraised values and estimated remaining useful lives, per Appraisal Reports of Land Bank of the Philippines (LBP) dated August 6 and 7, 2004, which ranged from 25 to 35 years for buildings and from 20 to 32 years for other structures.

3.6 Foreign Exchange Transactions

PAGCOR's combined financial statements are presented/reported in Philippine peso, its functional currency, or the currency of the primary economic environment in which the corporation operates.

Foreign currency transactions, such as dollar table winnings, are recorded on initial recognition in PAGCOR's functional currency (Philippine peso) by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction, which is defined as the date on which the transaction first qualifies for recognition in accordance with PFRS. In the case of dollar table winnings, this is the actual date on which the winnings are generated from the tables.

At each subsequent statement of financial position date, henceforth, foreign currency monetary items, such as Cash in Bank – Foreign Currency andother dollar-denominated receivable and payable accounts are revaluedat month-end, with the difference recognized in our books as Foreign Exchange Gain or Foreign Exchange Loss.

4. Cash and Cash Equivalents

This account is composed of the following:

PARTICULARS	2017	2016
Cash on Hand	1,268,373,744	1,211,591,773
Cash in Bank	1,876,889,857	1,442,359,150
Cash Equivalents	11,722,416,500	8,259,483,500
Total Cash and Cash Equivalents	**14,867,680,101**	**10,913,434,423**

a. Cash on Hand – This consists of collections and deposits made by Collecting Officers. It also includes Petty Cash Funds and various revolving funds maintained in the Home Office and branches,as well as Treasury Fund Capital which pertains to cash capital for gaming operations kept in the vault of the branches' Treasury.

b. Cash in Bank - This account represents the bank accounts maintained by the Home Office and casino branches.

c. Cash Equivalents - This account represents placements in time deposit which has a maturity term not exceeding 90 days and can be pre-terminated when necessary.

5. Current Receivables, Net

This pertains to the current portion of amounts owed to PAGCOR, as follows:

PARTICULARS	2017	2016 (As Restated)
Loans and Receivable Accounts		
Accounts Receivable	3,769,651,000	2,759,006,733
Allowance for Impairment-Accounts Receivable	(362,714,813)	(358,147,008)
Net Accounts Receivable	3,406,936,187	2,400,859,725
Interest Receivable	4,301,116	4,783,931
Total Loans and Receivable Accounts	**3,411,237,303**	**2,405,643,656**
Inter-Agency Receivables		
Due from Government Corporations	1,961,622	1,908,486
Total Inter-Agency Receivables	**1,961,622**	**1,908,486**
Other Receivables		
Due from Officers and Employees	272,768,048	241,688,396
Others	64,817,130	64,894,909
Total Other Receivables	**337,585,178**	**306,583,305**
Total Current Receivables, Net	**3,750,784,103**	**2,714,135,447**

In conformity with PAS No. 8, the current receivables accounts are restated as follows:

Unrestated Amount as of December 31, 2016	
Accounts Receivables-Officers and Employees	2,537,097
Accounts Receivables-Others	2,763,451,153
Adjustment of receivables from junket, poker, pogo and licensed casino operators	(6,981,517)
Restatedas of December 31, 2016 –Accounts Receivable	**2,759,006,733**
Unrestated Amount as of December 31, 2016	(359,068,113)
Adjustment pertaining to prior years'collectibles	921,105
Restated as of December 31, 2016 – Allowance for Impairment-A/R-Others	**(358,147,008)**
Unrestated Amount as of December 31, 2016	241,684,501
Disallowed travel expenses/personal account	3,895
Restated as of December 31, 2016 – Due from Officers and Employees	**241,688,396**
Unrestated Amount as of December 31, 2016	64,793,962
Adjustment of non-trade collectibles	100,947
Restated as of December 31, 2016 – Other Receivables - Others	**64,894,909**

a. Accounts Receivable (A/R)

i. Officers and Employees – This account represents amounts due from officers and employees for the sale of bingo tickets.

ii. Others – This refers to trade receivables from other companies, individuals and organizations, such as amounts due from bingo operators, junket, poker and licensed casino operators.

- ✓ Allowance for Impairment was provided for estimated uncollectible AR-Others (trade receivables) using the Percentage of Receivables Method based on the aging of accounts receivable approach, as follows:

Age of Account	Percentage of Amount of Accounts Receivable
1 to 60 days	1.00%
61 to 180 days	2.00%
181 to 360 days	3.00%
More than 360 days	5.00%

- ✓ For specific AR-Others accounts that are identifiable as credit risks or highly uncollectible, the following were used as basis for the provision of Allowance for Impairment:

Status of Account	Provisions to be Established
Referred to Legal Service Group (LSG) for legal action	50 per cent of outstanding balance or other appropriate percentage as may be determined depending on the specific circumstances of the case
With pending court case	80 per cent of outstanding balance

b. Interests Receivable – This represents accrued interest income from Peso and Dollar time deposits as of December 31, 2017.

c. Due from Government Corporations – this account pertains to the amount advanced by PAGCOR for the maternity and sickness benefits of officers and employees from the Social Security System (SSS).

d. Due from Officers and Employees – This includes the personal accounts of officers and employees such as car plan account of officers and meal charges.

e. Other Receivables-Others – This account consists of amounts due from the following:

PARTICULARS	2017	2016 (As Restated)
Adriatico Consortium, Inc.	7,667,520	7,667,520
Evercrest Golf Club	720,000	720,000
Treeside Corporation	478,776	287,841
Malabon Property Landholding Incorporated	442,345	296,454
Bykes@Lancaster, Inc.	258,639	258,639
Others	55,249,850	55,664,455
Total Other Receivables	**64,817,130**	**64,894,909**

6. Inventories

This account consists of the following inventories:

PARTICULARS	2017	2016
Inventory Held for Sale		
Merchandise	6,102,603	14,806,072
Inventory Held for Distribution		
Other Supplies and Materials for Distribution	8,191,754	10,540,277
Inventory Held for Manufacturing/Fabrication		
Raw Materials	2,011,369	5,897,015
Finished Goods	3,098,690	4,787,962
Inventory Held for Consumption		
Other Supplies and Materials*	346,452,917	372,800,840
Office Supplies Inventory	42,534,654	53,285,469
Construction Materials	41,303,974	37,869,173
Food Supplies Inventory	30,026,916	31,883,662
Drugs and Medicines	1,448,218	741,119
Medical, Dental and Laboratory Supplies	1,106,195	1,245,274
Accountable Forms	553,271	830,625
Total Inventories	**482,830,561**	**534,687,488**

** Includes school supplies, medicines and giveaway items for distribution*

The following issuances from inventory during CY 2017were recognized as expense and charged to various accounts:

PARTICULARS	AMOUNT
Inventory Held for Sale	
Merchandise	14,931,947
Inventory Held for Distribution	
Other Supplies and Materials for Distribution	2,348,523
Inventory Held for Manufacturing/Fabrication	
Raw Materials	54,337,133
Finished Goods	3,188,207
Inventory Held for Consumption	
Other Supplies and Materials*	155,424,031
Office Supplies Inventory	45,919,173
Construction Materials	42,513,437
Food Supplies Inventory	17,414,529
Drugs and Medicines	1,447,652
Medical, Dental and Laboratory Supplies	1,264,971
Accountable Forms	1,176,369
Total Inventories	**339,965,972**

** Includes school supplies, medicines and giveaway items for distribution*

7. Other Current Assets

This account includes the following:

PARTICULARS	2017	2016 (As Restated)
Advances for Payroll	109,277	0
Advances to Officers and Employees	620,895	556,006
Total Advances	**730,172**	**556,006**
Withholding Tax at Source	53,175,249	37,960,481
Rent	15,394,365	161,383,283
Insurance	10,485,902	12,973,291
Registration	900,171	1,016,619
Other Prepayments	240,142,954	84,466,682
Total Prepayments	**320,098,641**	**297,800,356**
Total Other Currents Assets	**320,828,813**	**298,356,362**

a. Advances for Payroll – This pertains to amount of cash advances to disbursing officers for payment of salaries and wages and other benefits of officers and employees.

b. Advances to Officers and Employees – This pertains to cash advances granted for official travel and other special purpose/time-bound undertakings to establish the accountability of the recipient.

c. The prepayments include the Withholding Tax at Source account that pertains to the amount of creditable withholding tax deducted by an entity that is duly is designated by the Bureau of Internal Revenue (BIR) asauthorized withholding agent.

8. Financial Assets

This pertains to the Investment in Bonds- Local, Retail Treasury Bonds Tranche 17 (RTB17) issued by LBP.

9. Other Investments

This pertains to the following:

PARTICULARS	2017	2016
Other Investments		
Investment in Stocks		
Wack-Wack Golf and Country Club	20,500,000	20,500,000
Rockwell Land Corporation	4,222,000	4,222,000
Cebu Golf and Country Club	2,500,000	2,500,000
Alabang Country Club	2,167,500	2,167,500
Tagaytay Highland International Golf Club	1,475,000	1,475,000
The Orchard Golf and Country Club	1,350,000	1,350,000

PARTICULARS	2017	2016
Alta Vista Golf and Country Club/Vista Mar Beach Resort	1,070,000	1,070,000
Baguio Country Club/ Golfers Club Shares, Inc.	1,067,000	1,067,000
Tagaytay Midlands Golf Club	950,000	950,000
Riviera Golf and Country Club	910,000	910,000
Manila Southwoods Golf and Country Club	900,000	900,000
Banyan Tree Nasugbu Evercrest	800,000	800,000
Subic Leisureworld, Inc. (Subic Bay Golf and Country Club)	800,000	800,000
Fairways & Bluewater Resort and Country Club	704,000	704,000
Eagle Ridge Golf and Country Club	640,000	640,000
Mimosa Golf and Country Club	622,500	622,500
Apo Golf and Country Club	400,000	400,000
Tagaytay Royale Estate	148,500	148,500
Greenland Sports Resort	70,000	70,000
Romeo G. Guanzon Recreation Center	50,000	50,000
Philippine Columbian Association	32,000	32,000
Total Investment in Stocks	**41,378,500**	**41,378,500**
Other Investment – Others		
Philippine Long Distance Telephone Co.	1,774,500	1,778,500
Pilipino Telephone Corporation	13,380	13,380
Total Other Investment - Others	**1,787,880**	**1,791,880**
Total Other Investments	**43,166,380**	**43,170,380**

10. Non-Current Receivables

This account consists of the following:

PARTICULARS	2017	2016
Grand Boulevard Hotel – rental deposits	42,247,047	42,247,047
Romeo Bauzon – rental deposits and payment of real estate tax	9,141,272	9,141,272
Pryce Plaza	687,290	687,290
Others	0	140,271
Total Non-Current Receivables	**52,075,609**	**52,215,880**

11. Investment Property

This account pertains to Investment Property-Land:

PARTICULARS	2017	2016 (As Restated)
Bay City-Central Business Park	12,941,167,802	12,875,384,882
Nayong Pilipino Theme Park	2,108,347,021	2,108,347,021
Asiaworld East, Parañaque City	366,651,840	366,651,840
Sta. Rosa Commercial Complex, Sta. Rosa, Laguna	263,696,959	263,696,959
Dasmariñas, Cavite	6,040,325	6,040,325
Total Investment Property	**15,685,903,947**	**15,620,121,027**

In compliance with PAS No. 40, the cost of Land that qualifies as Investment Property was reclassified from PPE account.

12. Property, Plant and Equipment

PPE includes the following:

Particulars	Land and Improvements	Building and Other Structures	Leased Assets Improvements	Construction in Progress	Furniture and Equipment	Total
Cost						
Jan. 1, 2017	40,587,586	261,853,475	437,540,814	0	9,941,889,912	10,681,871,787
Additions	0	0	315,951	0	270,961,693	271,277,644
Disposals/Retirements	0	0	(3,960,926)	0	(37,557,518)	(41,518,444)
Reclassifications	0	(39,744,198)	0	0	(2,810,018)	(42,554,216)
Dec. 31, 2017	40,587,586	222,109,277	433,895,839	0	10,172,484,069	10,869,076,771
Accumulated Depreciation						
January 1, 2017	2,922,394	32,977,614	371,140,397	0	7,587,737,271	7,994,777,676
Additions	502,575	3,371,700	14,813,347	0	888,187,922	906,875,544
Disposals/Retirements	0	0	(3960,926)	0	(25,357,798)	(29,318,724)
Reclassifications	0	0	0	0	(580,650)	(580,650)
December 31, 2017	3,424,969	36,349,314	381,992,818	0	8,449,986,745	8,871,753,846
Net Book Value						
Dec. 31, 2017	37,162,617	185,759,963	51,903,021	0	1,722,497,324	1,997,322,925
Net Book Value						
Dec. 31, 2016 (as restated)	**37,665,192**	**228,875,861**	**66,400,417**	0	**2,354,152,641**	**2,687,094,111**

In conformity with PAS No. 8, Furniture and Equipment account is restated as follows:

Particulars	Land and Improvements	Building and Other Structures	Leased Assets Improvements	Construction in Progress	Furniture and Equipment	Total
Unrestated Cost Dec. 31, 2016	15,660,708,613	261,853,475	437,540,814	0	9,941,728,842	26,301,831,744
Various Adjustments	(15,620,121,027)	0	0	0	161,070	(15,619,959,957)
Dec. 31, 2017	40,587,586	261,853,475	437,540,814	0	9,941,889,912	10,681,871,787
Unrestated Accumulated Depreciation, Dec. 31, 2016	2,922,394	32,977,614	371,140,397	0	7,587,737,271	7,994,777,676
Various Adjustments						
Restated Accumulated	2,922,394	32,977,614	371,140,397	0	7,587,737,271	7,994,777,676
Restated Net Book Value, December 31, 2016	37,665,192	228,875,861	66,400,417	0	2,354,152,641	2,687,094,111

13. Intangible Assets

This account pertains toComputer Software:

PARTICULARS	2017	2016
Computer Software	616,703,532	573,388,729
Accumulated Amortization-Computer Software	(392,232,153)	(310,005,865)
Total Intangible Assets	**224,471,379**	**263,382,864**

14. Other Non-Current Assets

This account consists of the following:

PARTICULARS	2017	2016
Prepayments		
Rent	147,066,180	147,066,180
Registration	831,362	905,075
Others	149,550,137	149,408,616
Total Prepayments, Non-current	**297,447,679**	**297,379,871**
Other Deposits	458,998,562	469,060,045
Total Other Deposits	**458,998,562**	**469,060,045**
Other Assets-Real Estate for Employees' Housing	292,653,944	292,150,744
Deferred Tax Asset	95,126,919	0
Other Assets-Fixed Assets for Disposition	1,888,439	3,857,251
Total Other Assets	**389,669,302**	**296,007,995**
Total Other Non-Currents Assets	**1,146,115,543**	**1,062,447,911**

15. Financial Liabilities, Current

This consists of the following:

PARTICULARS	2017	2016 (As Restated)
Accounts Payable		
Contractors/Suppliers	488,247,915	544,403,289
Proponents	393,120,223	333,612,032
Others	579,169,573	313,593,397
Due to Officers and Employees		
Bonuses/Other Employees' Benefits	775,801,200	392,448,148
Unclaimed Salaries and Wages	13,072,513	13,263,095
Salaries and Other Employees' Benefits	109,277	0
Interest Payable	581,260	8,858,214
Operating Lease Payable	195,267,973	144,862,224
Total Financial Liabilities, Current	**2,445,369,934**	**1,751,040,399**

In conformity with PAS No. 8, payable accounts are restated as follows:

Unrestated Amount as of December 31, 2016	545,804,883
Payable to suppliers, contracted obligations and voided APVs	(1,401,594)
Restated as of December 31, 2016 – A/P – Contractors/Suppliers	**544,403,289**

Unrestated Amount as of December 31, 2016	313,750,397
Payable Adjustments, voided APVs	(157,000)
Restated as of December 31, 2016 – A/P – Others	**313,593,397**

Unrestated Amount as of December 31, 2016	439,858,148
Closing of funding allocation for productivity incentive allowance	(47,410,000)
Restated as of December 31, 2016 – Due to O and E: Bonus and Other Benefits	**392,448,148**

Unrestated Amount as of December 31, 2016	159,850,978
Adjustment in rentals	(14,988,754)
Restated as of December 31, 2016 – Operating Leases Payable	**144,862,224**

16. Inter-Agency Payables

This account pertains to the following:

PARTICULARS	2017	2016 (As Restated)
Due to NGAs	3,852,763,212	1,576,878,423
Due to Treasurer of the Philippines	2,607,790,035	2,161,636,110
Due to BIR*	2,376,234,085	3,155,173,640
Income Tax Payable	42,855,967	12,654,818
Due to SSS	23,840,492	24,175,455
Due to Government Coporation – CDC	7,273,698	4,519,086
Due to Pag-ibig	6,749,515	6,515,180
Due to Philhealth	2,858,119	2,910,720
Total Inter-Agency Payables	**8,920,365,123**	**6,944,463,432**

**Excluding Income Tax Payable*

In conformity with PAS No. 8,the inter-agency payablesare restated as follows:

Unrestated Amount as of December 31, 2016	1,577,044,311
Adjustments on various income accounts	(165,888)
Restated as of December 31, 2016 – Due to Other NGAs	**1,576,878,423**

Unrestated Amount as of December 31, 2016	2,164,953,862
Adjustments on various income accounts	(3,317,752)
Restated as of December 31, 2016 – Due to Treasurer of the Philippines	**2,161,636,110**

Unrestated Amount as of December 31, 2016	3,020,843,046
Tax (withholding, franchise, amicable tax settlement) adjustments	134,330,594
Restated as of December 31, 2016 – Due to BIR	**3,155,173,640**

Aging of the Due to BIR account as of December 31, 2017 is presented below:

Nature	Balance	Date Filed	Reference Code	Remittance/Filing
Franchise Tax	2,311,830,126	18-Jan-18 various dates	321800023366753 Manual payments	2,313,016,215
Compensation	(1,892,234)	26-Jan-18	011800023520371	(1,119,148)
Expanded	50,595,338	10-Jan-18	021800023217624/ 201800023217954	51,323,353
GMP VAT	440,415 4,186	09-Jan-18	171800023143185	457,504
Fringe Benefits	15,256,254	12-Jan-18	041800023269088	15,256,254
Total	**2,376,234,085**			**2,378,934,178**

17. Trust Liabilities, Current

This pertains to the Guaranty/Security Deposits Payable to record the liability arising from the receipt of cash to guaranty the performance of a specific action/contract provision.

18. Provisions

This pertains to payables for retirement gratuity benefits for monthly remittance to the Retirement Fund with the following details:

a. Approval of PAGCOR's Modified Retirement/Separation Benefit Plan

PAGCOR's Modified Retirement/Separation Benefit Plan (MRSBP) was approved by the BOD on February 27, 2002. It is a Defined Benefit Plan, under which amounts to be paid as retirement benefits are determined actuarially by reference to a formula usually based on employees' remuneration and/or years of service.

On April 27, 2006, the BIR confirmed the PAGCOR's Retirement Plan to be a "reasonable retirement benefit plan" within the contemplation of Section 32 (B) (6) (a) of the Tax Code of 1997 and, accordingly, the retirement benefits to be received by the employee-member shall be exempt from all taxes; the income of the Trust Fund from its investments are exempt from income tax; and the contributions of the company to the retirement fund are deductible from its gross income.

b. Funding Requirement Based on Actuarial Valuation

To ensure adequate funding for future availments under the MRSBP, PAGCOR contracted E.M. Zalamea Actuarial Services, Inc. to determine the amount to be set aside. Based on its actuarial valuation report dated February 29, 2012 for the valuation date December 31, 2011, PAGCOR should set aside the following amounts for the Retirement Fund:

i) Past Service Liability (PSL) - P10,234,164,258; and

ii) Annual Normal Cost (ANC) - P562,311,522 for CY 2012 and from CY 2013 onwards, the actuarial funding rate of 38.50 per centbased on covered payroll shall be used until the next actuarial valuation.

c. Setting up of Retirement Fund

PAGCOR's Board approved on May 11, 2005 the setting up of a Retirement Fund with an initial funding/seed money of P60 million to be handled by Provident Fund Management Unit as Fund Manager. This Fund is intended to cover funding requirements for employees availing themselves of the MRSBP.

d. Status of Retirement Fund

As of December 31, 2017, the total amount of P2,084,786,348 including the initial funding of P60 million has already been set up, that is recognized as expense and liability. Of this amount, P11,984,786,348 has been remitted to the Retirement Fund managed by the Provident Fund Management Unit, leaving a balance of P100 million for remittance.

19. Other Payables

Thisincludes the following:

PARTICULARS	2017	2016 (As Restated)
Dividends Payable*	2,593,398,952	1,182,619,845
Other Payables	463,830,090	654,570,956
Total Other Payables	**3,057,229,042**	**1,837,190,801**

**Cash dividends for CY 2017 was remitted to the BTr on May 15,2018*

In conformity with PAS No. 8, the other payables accountis restated as follows:

Unrestated Amount as of December 31, 2016	696,207,880
Adjustment in returned funds for feeding programs, etc.	(41,636,924)
Restated as of December 31, 2016 – Other Payables	**654,570,956**

RA No. 7656 requires GOCCs to declare dividends under certain conditions to the National Government, and for other purposes. All GOCCs shall declare and remit at least 50per cent of their annual net earnings as cash, stock and/or property dividends to the national government.

Considering PAGCOR's net earnings for dividend year 2017, declared cash dividends amounted to P2,593,398,952 that was remitted to the National Treasury on May 15, 2018. Said cash dividends were computed following the Revised Implementing Rules and Regulations (RIRR) to RA No. 7656 (2016) for Financial Year 2016 earnings, that is for 2017 remittance onwards.

20. Trust Liabilities, Non-Current

This pertains to the deposits made by bingo operators and others as required by PAGCOR, to ensure the delivery of supplies or services and is refundable upon fulfillment of the contract. Also included are cash deposits from proponents of certain gaming operations.

21. Deferred Credits/Unearned Income

This account pertains to the amount collected/receivedin advance for other income/revenue not yet earned, such as set-up of training accountability, unaccounted assets for restitution, permit/fee.

22. Other Payables, Non-Current

This refers to the following outstanding obligations of PAGCOR:

1. Philippine Reclamation Authority for the purchase of real estate property at the Central Business Park I, Bay City, Paranaque:

   i) 40hectare parcel of land located at Islands B and Cper Deed of Conditional Sale dated November 29, 2007(P331,499,892).

   ii) 15-hectare parcel of land located at Nayong Pilipino Theme Park, MIA Road, Pasay City (P943,411,765).

2. Travellers International Hotel Group, Inc./Westgate City Resorts World, Inc. (P4,088,235,294).

3. Philippine Airlines, Inc. (P4,000,000).

4. Procurement of Slot Machines Under Two-Year Payment Arrangement

   PAGCOR entered into a contract with suppliers of stand-alone slot machines for the procurement of slot machines. Payment of the contract price shall be the amount equivalent to 15 per cent of PAGCOR's net income/win from the operations of the delivered machines based on the schedule stated in the contract. The first monthly payment shall be due 45 days after installation. At the end of the 24 months, if the accumulated payment has not reached the total contract price/sale amount, PAGCOR shall pay in full the remaining balance, if and when no patent and latent defects are noted.

   As of December 31, 2017, the total outstanding balance of the contract price for these slot machines amounted to P341,467,885at the following sites:

Branch	Amount
SOG4	83,634,709
Cebu	72,263,117
Pavilion	48,182,960
Olongapo	38,655,312
Angeles	38,014,692
SOG1	33,774,142
Davao	12,348,089
Corporate	6,124,146
Iloilo	4,755,984
Tagaytay	2,531,877
Bacolod	1,182,857
Total	**341,467,885**

23. Retained Earnings

In compliance with PAS No. 8, the Retained Earnings as of January 1, 2016 has been restated as follows:

PARTICULARS	AMOUNT
Unrestated Balance, January 1, 2016	10,155,929,507
2008 to 2015 Productivity Incentive Allowance	23,600,000
2014 and 2015 Financial Assistance/Subsidy/Contributions-Others	14,233,052
2011 to 2015 Rent/Lease Expenses	12,490,629
2014 and 2015 Advertising, Promotional and Marketing Expenses	267,688
2008 and 2015 Income from Gaming Operations	208,050
2012 to 2015 Cable, Satellite, Telegraph and Radio Expenses	150,000
2014 and 2015 Bank Charges	68,944
2013 Repairs and Maintenance: Machinery and Equipment	103,648
2014 Other Personnel Benefits	19,935
2015 Representation Expenses	2,119
2008 and 2015 Financial Assistance to NGAs	(103,765)
1999, 2013 and 2015 Other Maintenance and Operating Expenses	(13,425,249)
1999, 2000, 2008 and 2015 Taxes, Insurance Premiums and Other Fees	(121,043,714)
Retained Earnings, January 1, 2016 (As Restated)	**10,072,500,844**

24. Service and Business Income

This includes the following:

PARTICULARS	2017	2016 (As Restated)
Service Income		
Processing Fees	949,477,665	621,830,771
Fines and Penalties	4,217,447	2,650,124
Other Service Income*	332,244,908	368,858,850
Total Service Income	1,285,940,020	993,339,745
Business Income		
Income from Gaming Operations	57,335,919,209	53,301,104,356
Rent/Lease Income	1,090,094,442	637,695,016
Interest Income	116,430,934	81,334,329
Fines and Penalties	11,320,854	13,673,418
Sales Revenue	9,964,774	5,434,872
Seminar/Training Fees	2,139,904	2,785,683
Other Business Income	41,038,938	30,414,499
Total Business Income	58,606,909,055	54,072,442,173
Total Service and Business Income	**59,892,849,075**	**55,065,781,918**

**Includes reimbursement of manpower cost, tournament fees, non-gaming related income*

Income from Gaming Operations account under business income is composed of the following:

PARTICULARS	2017	2016 (As Restated)
Electronic Gaming Machines	22,365,357,848	22,210,307,353
Licensed Casinos	19,243,474,853	18,809,468,013
Table Games	11,501,669,300	11,076,704,715
Offshore Gaming	3,127,295,781	66,251,290
In-House Bingo	1,098,121,427	1,138,372,985
Total Income from Gaming Operations	**57,335,919,209**	**53,301,104,356**

25. Gains

This account pertains to the gain in the revaluation of foreign denominated assets and liabilities at balance sheet date per PAS No. 21.

26. Other Non-Operating Income

This pertains to the following non-operating income accounts:

PARTICULARS	2017	2016 (As Restated)
Miscellaneous Income	9,992,481	1,886,632
Total Other Non-Operating Income	**9,992,481**	**1,886,632**

27. Operating Expenses

This account consists of the following:

PARTICULARS	NOTES	2017	2016 (As Restated)
Personnel Services			
Salaries and Wages		1,426,582,765	1,457,112,443
Other Compensation		2,044,574,529	1,989,034,135
Personnel Benefits Contributions		2,399,790,463	2,367,568,054
Other Personnel Benefits		1,861,276,758	1,775,272,234
Other Personal Services		**7,732,224,515**	**7,588,986,866**
Maintenance and Other Operating Expenses			
Taxes	28	2,964,230,378	2,761,703,314
Rent/Lease Expenses	29	1,799,733,700	1,779,361,896
Advertising, Promotional and Marketing Exp.		1,512,480,123	1,780,974,781
Utility Expenses		446,645,038	426,423,654
General Services		349,712,694	346,208,535
Repairs and Maintenance		225,238,710	339,962,760
Supplies and Materials Expenses		137,524,855	138,837,701
Professional Services		72,979,667	75,264,410

PARTICULARS	NOTES	2017	2016 (As Restated)
Travelling Expenses		49,040,589	42,162,430
Communication Expenses		39,120,174	41,825,399
Directors and Committee Members' Fees		18,634,347	15,164,987
Training and Scholarship Expenses		12,854,764	13,227,942
Representation Expenses		7,990,584	9,242,986
Transportation and Delivery Expenses		3,296,801	3,136,984
Membership Dues and Contributions to Org.		2,299,760	2,402,778
Subscription Expenses		907,161	1,063,175
Printing and Publications Expenses		765,000	347,600
Documentary Stamp Expenses		145	96,066
Other Maintenance and Operating Expenses		17,639,993	45,658,912
Total Maintenance and Other Operating Expenses		**7661,094,483**	**7,823,066,310**
Financial Expenses			
Interest Expenses		32,375,970	71,209,334
Bank Charges		179,455	185,840
Total Financial Expenses		**32,555,425**	**71,395,174**
Non-Cash Expenses			
Depreciation		904,466,602	1,192,665,138
Amortization		82,226,287	71,906,093
Impairment Loss		4,567,806	12,204,698
Losses		296,036,060	103,124,452
Total Non-Cash Expenses		**1,287,296,755**	**1,379,900,381**
Total Operating Expenses		**16,713,171,178**	**16,863,348,731**

Effective January 1, 2009, in compliance with COA recommendations and as provided under PAS No. 1, related expenses are no longer offset against the income account but recorded separately under the corresponding proper accounts.Moreover, effective January 1, 2010, the recognition of income from PAGCOR's own expenses was discontinued.

28. Taxes, Insurance Premiums and Other Fees

This includes the following:

PARTICULARS	2017	2016 (As Restated)
Taxes, Duties and Licenses		
Franchise Tax	2,866,795,961	2,665,055,218
Tax on Interest Income	20,834,909	15,967,982
Fringe Benefits Tax	50,258,966	51,484,903
Others	2,398,410	4,056,936
Total Taxes, Duties and Licenses	2,940,288,246	2,736,565,039
Fidelity Bond Premiums	1,375,197	1,451,585
Insurance Premiums	22,566,935	23,686,690
Total Taxes, Insurance Premiums and Other Fees	**2,964,230,378**	**2,761,703,314**

As provided under Section 12 of PD No. 1869 or the “PAGCOR’s Charter”, as amended by RA No. 9487, a franchise tax of five per cent was computed on income from gaming operations.

29. Rent/Lease Expenses

Lease payments under PAGCOR’s operating leases are recognized as expense on a straight-line basis over the lease term in line with PAS No. 17 (Leases).

30. Income Tax Expense

Remittance of corporate income tax pertaining to CY 2017 is up-to-date in compliance to the National Internal Revenue Code (NIRC) and BIR Revenue Memorandum Circular (RMC) No. 8-2012 that was issued on February 29, 2012.

31. Financial Assistance/Subsidy/Contribution

This account consists of the following:

PARTICULARS	2017	2016 (As Restated)
Financial Assistance to NGAs	37,822,480,099	33,229,706,953
Financial Assistance to LGUs	451,920,054	453,781,351
Financial Assistance to NGOs/POs	15,873,000	1,000,000
Financial Assistance/Subsidy/Contribution-Others	119,957,703	65,041,512
TotalFinancial Assistance/Subsidy/Contribution	**38,410,230,856**	**33,749,529,816**

Financial Assistance/Subsidy/Contribution to National Government Agencies (NGAs) includes the following:

i. The share of the National Government from PAGCORs income is computed at 50per centof income from gaming operations, after deducting the five per cent franchise tax, and is remitted directly to the Bureau of the Treasury.

ii. From the 50 per cent Government Share, P5 million a month or P60 Million annually were taken for remittance directly to the Dangerous Drugs Board per RA No. 9165 or the “Comprehensive Dangerous Drugs Act of 2002”. The fund is for the establishment of adequate drug rehabilitation centers in the country and its maintenance and operations.

iii. Contributions to the Socio-Civic Projects Fund of the Office of the President as supported by Section 7(a) of the PD No. 1869, or the PAGCOR Charter.

iv. Contributions to other NGAsas mandated by specific law include the following:

- The Philippine Sports Commission’s (PSC’s)share from PAGCOR income, as mandated by RA No. 6847, is computed at five per centof income from gaming operations, after the five per cent franchise tax and the 50per cent Government share.

- Under RA No. 10410 - An Act Recognizing the Age from Zero to Eight as the First Crucial Stage of Educational Development and Strengthening the Early Childhood Care and Development System, Appropriating Funds Therefor and for Other Purposes, PAGCOR shall contribute to the Early Childhood Care and Development Council (ECCD) an amount of P500million per year for five years from its gross income to fund the establishment of National Child Development Centers and the conversion of existing Day Care Centers into Child Development Centers in various LGUs.

- As mandated by RA No. 10066 – An Act Providing for the Protection and Conservation of the National Cultural Heritage, Strengthening the National Commission for Culture and the Arts and its Affiliated Cultural Agencies, and for Other Purposes, otherwise known as the "National Cultural Heritage Act of 2009", PAGCOR contributes at the minimum rate of P100million per year for five years for the establishment of a National Endowment for Culture and the Arts.

- RA No. 10699 – An Act Expanding the Coverage of Incentives Granted to National Athletes and Coaches, Appropriating Funds Therefore, Repealing for the Purpose RANo. 9064, also Known as the "National Athletes, Coaches and Trainers Benefits and Incentives Act of 2001" requires that the amount necessary for the cash incentives and retirement benefits be taken from PAGCORs the net cash income to be remitted directly to the National Sports Development Fund (NSDF) of the PSC. This is in addition to the regular income share of the PSC pursuant to RA No. 6847.

  Any additional funding requirement necessary to implement the increase of cash incentives and retirement benefits shall be sourced from the 50per cent national government share in the gaming revenue of PAGCOR under PD No. 1869, as amended.

- The Board of Claims' Share from PAGCOR income is computed at one per cent of adjusted net income as mandated under RA No. 7309.

a. Financial Assistance/Subsidy/Contribution to LGUs includes the following:

   i. Grant of donations/financial assistance to cities and provinces hosting the casinos in amounts approved by the BOD and the Office of the President.

   ii. Financial and other forms of assistance granted to LGUs for the purpose of pursuing government programs or projects of public interest, such as street lighting project, medical and dental missions and relief operation projects.

b. Financial Assistance/Subsidy/Contribution – Others pertaining to assistance granted to individuals/groups for the purpose of furthering programs and policies adjudged to be in the interest of the government and PAGCOR, such as financial/medical assistance given to indigents and scholarship programs.

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The continued differing interpretation of the clause "aggregate gross earnings" from its Franchise is not in accordance with the provision of Section 12, Presidential Decree (PD) No. 1869[1] and Section 26 of Republic Act (RA) No. 6847, otherwise known as "The Philippine Sports Commission (PSC) Act", thereby casting doubt on the accuracy and reliability of the year-end reported balance of the liability account amounting to P22.844 billion.

1.1 Following the opinion of the Office of the General Counsel (OGC), Legal Services Sector (LSS), COA,"gross income/earning"pertain to the entire earnings/revenues earned by a person or corporation from its business or operations. This interpretation finds support in the accounting definition of "gross income" as referring to then aggregation of all income before taxes or adjustment.

1.2 Despite the COA legal opinion, PAGCOR Management continued to compute the shares of the NG and PSC based on income from gaming operations only which interpretation was deemed not in accord with the provisions of Section 12, PD No. 1869 (for the National Government (NG) share and Section 26, Par. 2, RA No. 6847 (for the share of the PSC) resulting in the possible understatement of the liabilities account arising from the unremitted and unrecognized share of:

a) The 50 per cent share of the NG remittance was based on PAGCOR's income from gaming operations only which interpretation was deemed not in accord with the provisions of Section 12, PD No. 1869. This treatment may possibly result to the net underremittance to the Bureau of the Treasury (BTr)in an accumulated amount of P21.186 billion for the period 2011 to 2017.

b) The five percent share of the PSCas a result of the differingcomputation in the share of PSC which was likewise based onincome from gaming operations only, remittances to PSC by PAGCOR for CY 2017 alone may result to a deficiencyofP1.631 billion.

1.3 As of the current date, pending before the Supreme Court of the Philippines in the case of Joseller M. Guiao v. PAGCOR, G.R. No. 223845is the issue on the alleged under remittance by PAGCOR to the PSC.

1.4 ***We recommended that Management cause the recording in the books of the liability amount of P21.186 billion representing under remittance of the 50 per cent NG share for CYs 2011 to 2017, mandated under PD No. 1869, net of the over remittance of the 50 per cent cash dividend pursuant to***

[1] P.D. No. 1869-Consolidating and Amending Presidential Decree Nos. 1607-A, 1067-B, 1067-C and 1632, relative to the Franchise and Powers of the Philippine Amusement and Gaming Corporation (PAGCOR)

Section 3 of RA No. 7656 totaling P6.907 billion; and the recording in the books of the liability to PSC in the amount of P1.631 billion, representing under remittance for CY 2017, once the Supreme Court has disposed of the case against PAGCOR with finality.

1.5 The Management commented that the issue on alleged under remittance to PSC is *sub judice*by virtue of the pending case before the SupremeCourt;hence, the Audit Observation Memorandum (AOM) should be withdrawn in deference to the authority of the Supreme Court and its disposition of the matter. Also, Management submitted a Memorandum dated February 20, 1995 stating that the Office of the President approved PAGCOR's request for rationalization of the distribution and approval process of the earnings of PAGCOR.

1.6 **Auditor's rejoinder:**We took note of Management's Comments as the issue was already brought to the jurisdiction of the Supreme Court as the proper authority to interpret the law as regards to what constitutes the appropriate computation of the share of PSC. However, we disagree that the subject AOM should be withdrawn as it falls under the *sub judice* rule. We would like to clarify that the audit observation issued is neither a comment nor a disclosure of the judicial proceedings in the abovementioned case. Its purpose is not to prejudge the issue, influence the court, or obstruct the administration of justice. It is also worth mentioning that part of our audit function and jurisdiction is the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities[2].

2. Accuracy, reliability and existence of the year-end balance of Property, Plant and Equipment (PPE) totaling P1.997 billion was doubtful due to: a) discrepancies amounting to P23.926 million between the balance per books and the Annual Physical Inventory Report; and b) inclusion of unserviceable items and those beyond economic repair amounting to P20.945 millionwhich was not in consonance with theprovisionsof Philippine Accounting Standard (PAS)No. 16[3].

2.1 PAS No. 16 provides that PPE are tangible items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and (b) are expected to be used during more than one period.

2.2 However, results of the annual physical inventory taking showed the following discrepancies between the balance per books of the PPE account of the PAGCOR Corporate and some Casino Filipino (CF) branches and the Annual Physical Inventory Report totaling P23.925 million as shown in the table below:

Particulars	Per Books	Per Count	Discrepancy
PAGCOR – Corporate	P932,962,195	P931,826,600	P1,135,595
CF – Manila Bay	150,138,426	143,109,044	7,029,383
CF – Tagaytay	497,008,818	487,125,741	9,883,077
Particulars	**Per Books**	**Per Count**	**Discrepancy**

[2]Section 26, PD 1445. Chapter 2. JURISDICTION, POWERS AND FUNCTIONS OF THE COMMISSION
[3]PAS No. 16 – Property, Plant and Equipment

CF – Olongapo	66,302,742	60,425,198	5,877,544
Total	**P1,646,412,181**	**P1,622,486,583**	**P23,925,599**

2.3 The verified net book value balance of the PPE account per GL of the Corporate Office and Satellite Operations Group (SOG) 1-4 is broken down as follows:

Fixed Assets	P248,174,503
Furniture, Fixtures & Equipment (FFE)	684,787,692
Total PPE	**P932,962,195**

2.4 Theresults of the physical count of FFE, comprised of 452 items with the carrying value of P1.135 million were unaccounted. These were categorized by Management as “Listed But Not Found” (LBNF) as most of these LBNF items arose from the undocumented inter-office/branch transfer of various FFEs arising from the closure of various leased casino venues such as the CFs Silahis, Heritage, Parañaque and Pavilion as well as the transfer from one SOG to another SOG. Review of Management’s effort in identifying the LBNF items showed a declining quantity and value as follows:

	LBNF FFE Outstanding Items	
Calendar Year	Quantity	Net Book Value
December 31, 2017	452	P1,135,595
December 31, 2016	1,444	6,417,549
December 31, 2015	3,675	58,715,630

Although a significant improvement was noted in closing the gap in the unreconciled LBNF items during the three-year period, the reliability and accuracy of the year-end balance of the PPE was still not supported with a reconciled and verified Inventory Report.

2.5 Unserviceable PPE items totaling P20.945 million were not reclassified to Other Assets account thus, overstating the said account; the distribution was as follows:

	Amount
SOG	P 1,331,937
Casino Filipino – Manila Bay	10,760,086
Casino Filipino – Tagaytay	8,852,732
Total	**P 20,944,755**

2.6 ***We recommended and Managementagreed to require the:***

a. Accounting Department (AD) and the Physical Inventory Team to reconcile the result of the physical count of PPE and the balances per PPE Ledger Cards and effect the necessary adjustments; and

b. AD toreclassify the unserviceable PPE Items to Other Asset from the books of accounts pending their disposal.

3. PPE was overstated due to: a) inclusion of assets totaling P127.307 million representing the cost of the condominium units acquired for the purpose of reselling the same to qualified officers and employees so as to provide them with decent and affordable housing facilities. The recognition thereof as PPE was not in accordance with the provisions of the International Accounting Standards (IAS) No. 16 on PPE and International Financial Reporting Standard (IFRS) No. 5 -Non-current Assets Held for Sale and Discontinued Operations; and b) inclusion of semi-expendable items with acquisition cost below P15,000 at the CF-Angeles, and CF-Olongapo amounting to P27.681 million and P7.067 million, respectively, contrary to Section 5.4 of COA Circular No. 2016-006.

3.1 IAS No. 16: Property, Plant and Equipment requires that under the Cost model -

> "*Par*7 - The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the entity;"

3.2 Paragraph 3 of IAS No. 16 specifically excludes these condominium units from the application of the Standard, as it provides that:

> *"This Standard does not apply to: (a) property, plant and equipment classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; xxx"*

3.3 On the other hand, IFRS No. 5 -Non-current Assets Held for Sale and Discontinued Operationsprovides that it shall apply to all recognized non-current assets and to all disposal groups of an entity." Paragraphs 6 and 7 of the standard further requires:

> *"6 An entity shall classify a non-current asset as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use.*
>
> *7 For this to be the case the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets and its sale must be highly probable."*

3.4 On August 5, 2008, the PAGCOR Board of Directors approved the purchase of 66 condominium units for the purpose of providing decent and affordable housing facilities to its qualified officers and employees. The acquisition was recorded under the PPE as Other Structures.

3.5 As of the end of the year, the schedules of PPE showed that 36 units were already sold and awarded to qualified recipients while the other 30 units remained unoccupied/unsold. Review of the schedule for depreciation revealed that these properties were never depreciated from the time these were purchased and recorded in the books which was not in accord with the requirements of IAS No. 16 on PPE.

3.6 Also, we noted that semi-expendable items with acquisition cost below P15,000 at the CF-Angeles, and CF-Olongapo amounting to P27.681 million and P7.067 million, respectively, were included under PPE account contrary to Section 5.4 of COA Circular No. 2016-006.

3.7 Section 5.4 of COA Circular No. 2016-006 dated December 29, 2016 (Conversion from the Philippine Government Chart of Accounts under the New Government Accounting System x x x to the Revised Chart of Accounts for Government Corporations) provides that, *"tangible items below the capitalization threshold of P15,000 shall be accounted as semi-expendable property. The following policies shall be applied:*

> *Semi-expendable property which were recognized as PPE shall be reclassified to the appropriate semi-expendable inventory accounts (if not yet issued to end-user), expense accounts (if issued to end-users within the year), or accumulated surplus/(deficit)/retained earnings accounts (if issued in prior years).*
>
> *These tangible items shall be recognized as inventory items upon acquisition and accounted for under the perpetual inventory system".*

3.8 Interview with the ADdisclosed that they were still awaiting for PAGCOR Corporate Office directives to reclassify the semi-expendable items to the appropriate inventory/expense accounts.

3.9 This was a prior year's audit findings, hence we reiterate that non-compliance with the accounting regulation resulted in the overstatement of the affected PPE accounts and understatement of the corresponding inventory/expense accounts.

3.10 We recommended and Management agreed to:

a. reclassify properties that are intended for sale from the PPE accounts to the Non-current Asset Held for Sale pursuant to the standards in IFRS No. 5; and

b. require the Accountants of the concerned Casinos to reclassify the semi-expendable property to the appropriate inventory/expense/retained earning accounts.

4. The reliability and accuracy of year-end balance of P3.557 billion Accounts Receivable - Others account was doubtful due to the presence of abnormal/negative balances totaling P9.121 million.

4.1 Review of the Accounts Receivable - Others account disclosed several accounts with negative balances totaling P9.121 million thus, the receivable account was not fairly presented in the financial statements as it was reduced by the said abnormal balances. The aging schedule of said receivables disclosed inclusion of several abnormal balances as follows:

Particulars	1-60 Days	61-80 Days	181-360 Days	Over 360 Days	TOTAL
Electronic Bingo	(P5,751,655)	(P578,209)	(P516,688)	(P895,754)	**(P7,742,306)**
Traditional Bingo	(108,554)	(289,277)	(4,290)	(256)	**(402,377)**
Others	0	0	0	(40,352)	**(40,352)**
Licensed Casino	0	0	0	(187,862)	**(187,862)**
Poker	0	0	0	(361)	**(361)**
Offshore Gaming	0	(2,588)	0	0	**(2,588)**
Internet Gaming	(745,393)	0	0	0	**(745,393)**
TOTAL	**(P6,605,602)**	**(P870,074)**	**(P520,978)**	**(P1,124,585)**	**(P9,121,239)**

4.2 Verification of the accounts revealed that the negative balances were brought about by the overpayment/over remittance made by the gaming operators and from the erroneous recording of accruals, thus casting doubt on the correctness and accuracy of the recorded balances. Presence of the negative balances only shows that the AD did not closely monitor the receivable accounts by reconciling, validating and effecting the necessary adjustments.

4.3 We recommended that Management require the AD to immediately reconcile/validate pertinent records relative to receivables with negative balances and effect necessary adjusting entries in order to present fairly the balance of the account in the financial statements.

4.4 Management commented that reconciliation and validation of the abnormal balances have been started and necessary adjustments were already being effected by the Compliance Monitoring and Enforcement Department (CMED) after the review and validation of pertinent records.

5. The accuracy and reliability of the inventory accounts with a year-end balance of P482.83 million were doubtful due to: a)inclusion in Other Supplies Inventory-Chips and Tokensaccount of obsolete casino tokens (coins) of P64.214 million; b) unreconciled balances totaling P3.490 million between the recorded amounts and the actual physical inventory at the CF-Malate Branch; and c) discrepancy of P0.901 million in the inventory of backpacks.

5.1 In the verification of the Other Supplies Inventory - Chips and Tokens account, it was noted that the Casino tokens (coins) totaling P64.214 million previously used in slot machines that have been rendered obsolete due to change in gaming technology were still included in the account. This resulted in the overstatement of the Other Supplies Inventory - Chips and Tokens account with the same amount.

5.2 Variances were also noted in the supplies inventory accounts totaling P3.490 million between the balance per books and the balance per inventory report submitted by the CF-Malate Branch, broken down as follows:

Inventory Account	Per Book (GL)	Per Physical Count	Over/(Short)
Office Supplies	P1,660,867.17	P359,877.75	(P1,300,989.42)
Food Supplies	2,684,549.66	1,584,391.69	(1,100,157.97)
Drugs and Medicines	321,917.79	338,192.88	16,275.09

Inventory Account	Per Book (GL)	Per Physical Count	Over/(Short)
Medical, Dental and Laboratory Supplies	198,527.97	202,369.70	3,841.73
Other Supplies: Bingo	29,422.38	8,042.72	(21,379.66)
Other Supplies: Others	3,564,879.16	2,477,207.22	(1,087,671.94)
Total	**P8,460,164.13**	**P4,970,081.96**	**(P3,490,082.17)**

5.3 Interview with the concerned personnel from the ADrevealed that the shortages were due to undocumented issuances/consumption of supplies. Accordingly, the responsible Stock Keeping Departments (SKDs) were unable to provide Issuance Slips for some of the issued supplies under their custody. We were, however, informed that there is an on-going reconciliation between the ADand the SKDs.

5.4 It was also noted that compared to last year's variance of P5.560 million, there is a 37 per cent reduction in the difference between the book balances and balances per physical count of the inventory accounts. However, despite such decrease in the amount of variances, still the accuracy and reliability of the supply inventory accounts presented in the financial statements could not be ascertained.

5.5 Late submission of Accomplishment Reports and Deed of Donations (DODs) by Community Relations & Services Department(CRSD)to the AD resulted in a discrepancy amounting to P0.911 million in the recorded inventory of backpacks between AD and CRSD. Consequently, Other Supplies Inventory - Others account was overstated by P0.911 million and the Donation account was understated, by the same amount as of December 31, 2017.

5.6 Verification of the inventory reports submitted by AD and CRSD disclosed that there was a discrepancy of 1,781 sets of backpacks amounting to P0.911 million, computed as follows:

Particulars	Amount
Per AD records	7,091 packs
Per CRSD records	5,310 packs
Difference (Quantity)	1,781 packs
Cost per pack	P506.27
Difference (Amount)	**P901,666.87**

5.7 We recommendedand Management agreed to require the AD to make necessary adjustments in the books of accounts, after proper disposal is undertaken.

6. Bank accounts maintained at the Land Bank of the Philippines (LBP) totaling P1.039 million as of December 31, 2017 by CF-Malate and CF-Manila Bay were not reflected in the books making the accuracy and reliability of the Cash in Bank (CIB) account doubtful.

6.1 Confirmation of bank accounts at LBP United Nations (UN) Branch revealed that there were two accounts under the name of CF – Malate with account names "CF-Malate Interaction Fund" and "CF Malate Tellers Overage Shortage Account (TOSA)" amounting to P0.890 million and P148,476, respectively, as of December 31, 2017 were not recorded in the books.

6.2 The balance of the "Interaction Fund" and "TOSA" accounts as of December 31, 2017 of the CF-Manila Bay could not be ascertained by the Audit Team due to the failure of the Management to allow confirmation of all the accounts they currently maintain with their depository banks.

6.3 The Branch Finance Manual defined Interaction Fund as a fund maintained by the Finance Section and is utilized by the branch to augment fund allocations for employees' social and interaction activities such as parties, summer outings and other activities that will benefit majority of the branch personnel while the Branch Treasury Manual described TOSA as a savings account maintained with LBP to which teller's monthly contribution and overages in teller's capital are deposited and from which a teller's shortage may be covered to the extent of his/her contributions.

6.4 Interview with the concerned personnel revealed that the Interaction Fund account is not recorded in the books since it is considered as part of employee's benefits and incentives and is recorded as an outright expense by the Branch. The amount of allocation is based on the actual number of employees at P50 per month. Reports were prepared and records thereon were maintained by the Finance Section. Reports on TOSA Fund account, on the other hand, were prepared and records maintained by the Treasury Officer. The amount of teller's contribution, through payroll deduction was P100 per month.

6.5 Audit of disbursements revealed that for CY 2017, transactions amounting to P1.076 million and P54,800 were disbursed from the CF-Malate's OPEX fund and deposited in the CF-Malate Interaction Fund and CF-Malate - TOSA accounts, respectively.

6.6 The deposits were not reflected in the books as a Trust Fund with the corresponding Trust Liability account as required under Section 3 (4) of PD No. 1445 whichprovides:

> *"Definitions of terms.*
> *xxx..*
> 4. *"Trust funds" refer to funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfilment of some obligation."*

6.7 The non-recognition in the books of the subject funds resulted in the understatement of both CIB and Trust Liability accounts. Noted also were the non-submission of pertinent documents for the grant of benefit/incentive to its employees in the form of Interaction Fund for the timely verification of the same.

6.8 We recommended that Management:

a) Require the AD to record in the books the "Interaction Fund" and "TOSA" accounts as a Trust Fund with the corresponding Trust Liability account;

b) Seek approval from the appropriate government agency authorizing the grant of the "Interaction Fund" as an employee benefit; and

c) Cause the submission of pertinent supporting documents for the grant of benefit/incentive to its employees.

6.9 Management commented that they will consider the recommendation to record "Interaction Fund" and "TOSA" accounts in the books as a Trust Fund with the corresponding Trust Liability. Also, they acknowledged the recommendation to seek the proper approval as to the propriety of granting "Interaction Fund" as an employee benefit.

7. The accuracy, validity and existence of the balancesas of December 31, 2017 of CIB– Local and Foreign Currencies in the amounts of P1.219 billion and P399.903 million, respectively, could not be ascertained due to non-preparation/prompt submission of monthly Bank Reconciliation Statement (BRS) as required under Sections 74 and 122 of PD No. 1445. Likewise, CIB – Savings Account – Bingo of CF-Bacolod amounting to P3.055 million cannot be ascertained due to non-preparation and non-submission of BRS.

7.1 Verification disclosed that the preparation/submission of the BRS was not up to date. The last BRS received as of June 7, 2018 are summarized as follows:

CIB	Balance as of Dec. 31, 2017	Last BRS Submitted	Date Received
Local Currency:			
BINGO	1,970,610	July 2017	June 7, 2018
PEGS IP Fund (LBP)	34,653,533	December 2017	June 6, 2018
BINGO (LBP) (000-111-13)	4,278,915	December 2017	June 7, 2018
LBP-Opex	867,187,007	September 2017	June 6, 2018
Bingo	203,087,855	December 2017	June 7, 2018
Casino Filipino International	1,370,087	December 2017	May 28, 2018
BINGO (LBP) (BIN-112-18)	7,275,425	December 2017	June 7, 2018
Healthcare Revolving Fund	100,066,602	None	c/o Auxilliary Services Dept.
Total	**P1,219,890,034**		
Foreign Currency:			
POGO (LBP)	399,903,369	September 2017	June 6, 2018
Total	**P 399,903,369**		

7.2 In addition, CF-Bacolod year-end trial balance as of December 31, 2017 showed a balance of the CIB – savings account in the amount of P3.055 million.

7.3 Non-preparation and non-submission of BRS for the account referred above affects the reliability and accuracy of the CIB account amounting to P3.055 million in the financial statements.

7.4 ***We recommended and Management agreed to promptly prepare and submit monthly Bank Reconciliation Statements to facilitate verification of CIB balances.***

8. Non-submission of vouchers, contracts, Purchase Orders (POs), and their supporting documents for the transactions and accounts of PAGCOR-Corporate, CF-Cebu and CF-Tagaytay.

8.1 Further limiting the scope of audit conducted on the accounts of PAGCOR was the inability of PAGCOR-Corporate, CF-Cebu and CF-Tagaytay to comply with the requirements of various laws and regulations on the submission of vouchers contracts and the supporting documents. This is a reiteration of previous years'audit observation due to non-implementation of the recommendations of the Audit Team.

8.2 Section 6.05 of COA Circular No. 95-006 dated May 18, 1995 on the duties and responsibilities of agency officials in relation to the conduct of audit of financial transactions provides that:

> *"The official involved in the daily recording of transactions in the books of accounts shall turn over the receipts and the disbursement records with all paid vouchers and documents evidencing the transaction to the Auditor within ten (10) days from date of receipt of said documents."*

8.3 Section 39 paragraphs 1 and 3 of PD No. 1445[4] otherwise known as the "Government Auditing Code of the Philippines" and as reiterated in Section 23 paragraphs 1 and 3 of the Administrative Code of 1987 on the submission of papers relative to government obligations, provides that:

> *"1. The Commission shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document under which any collection of, or payment from, government funds may be made, together with any certificate, receipt, or other evidence in connection therewith. x x x."*
>
> *"3. It shall be the duty of the officials or employees concerned including those in non-government entities under audit, or affected in the audit of government x x x, to comply promptly with these requirements. Failure or refusal to do so without justifiable cause shall constitute a ground for administrative disciplinary action as well as for disallowing permanently a claim under examination, x x x."*

8.4 Verification of records disclosed that for CY 2017, despite several verbal and written requests, there were 1,605 check vouchers and their supporting documents for the payment of various expenditures in the total amount of

[4] Ordaining and Instituting a Government Auditing Code of the Philippines took effect on November 7, 1978.

P367.103 million that were submitted to the Office of the Auditor to date. The details are presented and summarized below:

Month	No. of Check Vouchers	Amount
October	1,209	P 56,835,921
November	300	182,969,923
December	96	127,297,468
Total	**1,605**	**P367,103,312**

8.5 In CF-Cebu, the Finance Section has been submitting disbursement vouchers regularly. We noted however that payments for employees' personnel services, benefits and leave monetization were not included. The accompanying transmittal letters always indicated that said documents were with the Finance Section or Internal Audit Department.

8.6 In CF-Tagaytay, copies of contracts and POs involving a total amount of P28.062 million were submitted beyond five working days after their perfection and/or approval, contrary to the provisions of COA Circular No. 2009-001 dated February 12, 2009. Likewise, the Notice of Delivery as well as Acceptance and Inspection Reports were not submitted within 24 hours from receipt/acceptance of goods/items, as required under COA Circular No. 95-006 dated May 18, 1995, thus, preventing the Office of the Auditor to promptly review, inspect and evaluate the covering transactions and communicate deficiencies noted, if any, at the most appropriate time and manner.

8.7 Analysis of the submitted contracts and POsshowed that there were delays, ranging from 6 to 182 days, in the submission of these contracts and purchase orders.Inquiry with the Branch Bids and Awards Committee (BBAC) revealed that these contracts and POs were submitted only when Notices to Proceed (NTPs) had been signed by the concerned approving officials and when claims for payment to suppliers and contractors were being processed.

8.8 We also noted that the Logistic Management Section (LMS), responsible for the acceptance and inspection of deliveries, did not submit to the Audit Team the 2nd copy of the Acceptance and Inspection Report (AIR) to conform to the instructions indicated at the back of the AIR form as prescribed or its equivalent.Interview with the BBAC and the LMS revealed that they were not aware of the requirements on the submission of contracts and POs and of the acceptance and inspection report of consumable and perishable items within five days after perfection, and within 24 hours upon delivery, respectively.

8.9 The delayed submission of the contracts/POs and failure to notify the audit team of the deliveries of goods and supplies hindered the prompt review, evaluation and determination not only of the reasonableness of the price transactions, but also the quality, accuracy and completeness of goods delivered since the only time the audit team learned of the deliveries was during the conduct of post-audit of the disbursement vouchers.

8.10 ***We recommended and Management agreed to cause the timely submission of required reports, records, vouchers and their supporting***

documents. The presentation of timely audit results is necessary to reduce the Agency's exposure to possible losses in the event that deficiencies and/or defects are noted in the contracts and delivered goods. Discovery of such flaws at the most appropriate time would allow immediate undertaking of corrective measures.

9. PAGCOR did not adopt the required Revised Chart of Accounts (RCA) for Government Corporations (GCs) as prescribed under COA Circular No. 2015-010 dated December 1, 2015, thus some of the accounts presented in the financial statements were not in accordance thereto.

9.1 On April 16, 2015, COA listed Philippine Amusement and Gaming Corporation as a Government Owned and Controlled Corporation (GOCC) identified as Government Business Enterprise (GBE). Furthermore, the Circular provides that:

> *"All GBEs and Non-GBEs in their first time adoption of PFRS and PPSAS, respectively, shall cause the conversion of their financial statements in accordance with the applicable financial reporting framework herein prescribed.xxx"*

9.2 COA recognizes the need to revise the existing chart of accounts of GOCCs to provide new accounts for the adoption of Philippine Financial Reporting Standards (PFRS) to enhance the accountability and transparency of the financial reports, and ensure comparability of financial information. On December 1, 2015, COA prescribes the RCA for GCs to be adopted by all GCs in consonance with the rule making function of COA as provided by 1987 Constitution.

9.3 On December 29, 2016 COA provided guidelines and procedures on the conversion to the RCA through COA Circular No. 2016-006 which provides the following:

> *"3.2 To facilitate recognition of 2016 transactions in the books of accounts using the RCA and additional accounts herein prescribed, account balances covering the transactions from January 1, 2016 up to the date of the latest FS under PGCA (Philippine Government Chart of Accounts) shall also be converted."*
>
> *"3.8 GCs with existing computerized accounting system other than eNGAS shall convert/map their account codes to the codes of the equivalent accounts in the RCA for GCs and additional and revised accounts herein prescribed."*
>
> *"5.7 GCs with computerized accounting system other than eNGAS shall be given one (1) year from the effectivity of this Circular to enhance/revise their existing systems to conform to this Circular. In case enhancement of their existing computerized accounting systems is not yet completed as at December 31, 2016, the 2016 FS to be submitted to the COA Auditor concerned and the GAS, COA, shall be*

converted to the RCA and additional/modified accounts herein prescribed."

9.4 However, in the review of the accounting records, we noted that PAGCOR did not comply with the above-mentioned circulars prescribing conversion to RCA.

9.5 We recommended that Management:

a. Submit a written request for inclusion of appropriate account titles relative to PAGCOR's gaming operations to the Government Accountancy Sector (GAS) of the Commission on Audit (COA); and

***b. Coordinate with the Information Technology Audit Office (ITAO) for the evaluation of the existing computerized accounting system to conform with the required financial reporting framework*.**

9.6 Management commented that at present they are evaluating possible providers of computerized accounting system.Pending the acquisition of a new computerized accounting system, the account codes in the existing financial statements will be mapped/converted to the codes of the equivalent accounts in the RCA.

B. COMPLIANCE AUDIT

10. The computation of the 50 per cent National Government (NG) share and cash dividend due the NG was not based on the "aggregate gross earning" from its Franchise contrary to Section 12 of PD No. 1869 andSection 3 of RA No. 7656[5], respectively, resulting in the net under remittance to the Bureau of the Treasury (BTr) of P21.186 billion.

10.1 In CY 2016, it was recommended that Management comply with Section 12 of PD No. 1869 and consider not only income from gaming operations but the entire income in computing the 50 per cent government share and that Management seek clarification with higher authorities such as, but not limited to the Office of the President through the Department of Finance,or framers of the law, , to settle the issue on the interpretation of the phrase "aggregate gross income from Franchise" as a basis of computing the 50 per cent NG share.

10.2 However, Management did not agree with the recommendations and maintained its position that it correctly remitted the 50 per cent government share pursuant to Section 12 of PD No. 1869, as amended. Thus, in CY 2017, it was noted that PAGCOR continuously computed the 50 per cent government share based on its income from gaming operations only.

[5] RA No. 7656-An Act Requiring Government-Owned or Controlled Corporations To Declare Dividends Under Certain Conditions to the National Government and for other Purposes

10.3 The COA Audit Team also continues to hold its stance that the 50 per cent government share should be computed based on the entire income of PAGCOR and not only on income from gaming operations.

10.4 ***We reiterated the previous year's recommendation that Management:***

a. Compute the 50 per cent NG share from PAGCOR earnings based on the aggregate gross income of PAGCOR from gaming operations, other related services and other income to pursuant to Section 12 of PD No. 1869 and remit to the BTr the net under remittance of P21.186 billion; or

b. If it is impractical due to huge amount involved as settlement would result to the abrupt depletion of PAGCOR earnings, we further recommended that Management request for the revision or repeal of the law through legislative process specifically on the basis of the 50 per cent government share to conform to the changing times and complement with the level of PAGCOR earnings.

11. The computation of the five per cent share of Philippine Sports Commission (PSC) from PAGCOR earnings for CY 2017 was not based on the gross income of PAGCOR contrary to Section 26, par. 2 of RA No. 6847, otherwise known as "The Philippine Sports Commission Act" which resulted in the under remittance to PSC in the total amount of P1.631 billion.

11.1 Part of PAGCOR's earnings are required to be remitted to PSC to finance the country's integrated sports development programs as provided in Section 26, paragraph 2 of RA No. 6847 which reads as follows:

> *"To finance the country's integrated sports development program, including the holding of the national games and all other sports competitions at all levels throughout the country as well as the country's participation at international sports competitions, such as, x x x, thirty percent (30%) representing the charity fund and proceeds of six (6) sweepstakes of lottery draws per annum, taxes on horse races during special holidays,* ***five percent (5%) of the gross income of the Philippine Amusement and Gaming Corporation****, the proceeds from the sale of stamps as hereinafter provided, and three percent (3%) of all taxes collected on imported athletic equipment shall be automatically remitted directly to the Commission and x x x constituted as the National Sports Development Fund."* (Emphasis supplied)

11.2 The cited provision clearly specified that five per cent of the gross income of PAGCOR should be allocated and remitted to PSC. Validation of available records revealed that PSC's share from PAGCOR earnings was computed at five per cent of gaming operations, after deducting the five per cent franchise tax and the 50 per cent NG's share which is apparently inconsistent with Section 26 of RA No. 6847.

11.3 As a result of the erroneous computation and interpretation of the legal requirements relative to the share of PSC from PAGCOR's earnings, for CY 2017 alone remittances to the PSC were deficient by P1.631 billion, details of the computation are presented in Annex A.

11.4 ***We recommended that Management:***

a. ***Compute the five per cent share of PSCfrom PAGCOR earnings based on the aggregate gross income of PAGCOR from gaming operations, other related services and other income pursuant to*** **Section 26, par. 2 of RA No. 6847*****and remit to the PSC the under remittance of P1.631 billion; or,***

b. If it is impractical due to the huge amount involved as settlement, make representation for possible revision or repeal of the law as well as the possible condonation of the liabilities to PSC considering that the huge amount involved for its settlement could result to the abrupt depletion of PAGCOR's earnings.

12. Security deposit amounting to P18.051 million representingsix months' rent for a commercial space intended for its slot machine arcade and gaming operations requirements in a PAGCOR Satellite located in Mandaluyong City, which already ceased operation on May 12, 2014 remained uncollected.

12.1 On August 3, 2011, PAGCOR (Sub-Lessee) and Sub-Lessor entered into a Contract of Sub-Lease of a commercial space for its slot machine arcade and gaming operations requirements in Mandaluyong City, with a total floor area of 1,377.75 sq.m at P2,183.70 per sq.m for a monthly rental of P3.008 million.

12.2 The subject PAGCOR satellite was a 100 per cent PAGCOR-owned casino under Satellite Operations Group (SOG) 4 when it ceased operations on May 12, 2014.

12.3 Under Section IV, paragraph 1 of the said contract, PAGCOR shall deposit a Security Deposit equivalent to six months' rent in the total amount of P18.051 million. In addition, it also states that should the contract be pre-terminated, the sub-lessor shall return the Security Deposit, less all allowable deductions to PAGCOR within 15 days from the effective date of termination.

12.4 However, analysis of Miscellaneous Deposit account of SOG 4 revealed that security deposit amounting to P18.051 million remained uncollected despite the fact that the PAGCOR Satellite ceased its operations three years ago.

12.5 We recommended that Management:

a. ***Submit a written justification/status report pertaining to the uncollected security deposit; and***

b. ***Make proper representation to enforce the immediate collection of the said security deposit as stipulated in the contract.***

12.6 Management commented that the last rental payment billed and paid by PAGCOR was for the period of September 29 to October 28, 2014, and following the original intent of the February 24, 2014 approval (for the closure of a PAGCOR Satellite) to apply the Security Deposit to the clearing-out operation and other payables to the sub-lessor, the Security Deposit equivalent to six months rental has already been consumed.

12.7 **Auditor's rejoinder**: Management's averments that the subject security deposit has already been consumed. However, based on the documents submitted to the Office of the Auditor, there was nothing to prove the consumption of the subject security deposit. Thus, we cannot give credence to those allegations without proof to support the same.

13. Accounts receivable from Offshore Gaming Operators showed that out of its outstanding balance of P759.114 million as of December 31, 2017, the amount of P481.928 million or 63.48 per cent remained uncollected/unremitted from one to 10 months but the licensees were permitted to operate, contrary to Section 28 of the Rules and Regulations for Philippine Offshore Gaming Operations (POGO).

13.1 Section 28 of Rules and Regulations for POGO provides that:*"Suspension and Cancellation of License – during the pendency of its investigation, the Board may suspend a license upon receipt of a complaint or of an information from the monitoring task force based on the following grounds: (a) licensee is not, or is no longer, in the opinion of the Board, a suitable person to hold the license; xxx and (f) licensee fails to discharge his financial commitments."*

13.2 As of December 31, 2017, the outstanding receivables from the operatorsare as follow:

Licensee	1-60 days (Nov-Dec)	61-180 days (July-Oct)	181-360 days (Mar-June)	TOTAL
Licensee A	P 15,043,200	P0	P 0	P 15,043,200
Licensee B	7,488,450	0	0	7,488,450
Licensee C	4,011,520	4,626,470	0	8,637,990
Licensee D	15,043,200	30,686,550	7,598,329	53,328,079
Licensee E	15,043,200	30,686,550	12,615,832	58,345,582
Licensee F	7,554,750	30,686,550	0	38,241,300
Licensee G	0	0	7,565,550	7,565,550
Licensee H	15,043,200	7,769,850	0	22,813,050
Licensee I	15,043,200	23,104,650	0	38,147,850
Licensee J	4,011,520	1,709,367	0	5,720,887
Licensee K	15,043,200	7,469,727	0	22,512,927
Licensee L	4,011,520	2,071,960	0	6,083,480
Licensee M	38,109,440	0	0	38,109,440
Licensee N	4,011,520	2,071,960	0	6,083,480
Licensee O	15,043,200	0	0	15,043,200
Licensee P	15,043,200	23,181,260	0	38,224,460
Licensee Q	15,043,200	8,130	0	15,051,330
Licensee R	7,488,450	0	0	7,488,450
Licensee S	15,043,200	77,699	0	15,120,899

Licensee	1-60 days (Nov-Dec)	61-180 days (July-Oct)	181-360 days (Mar-June)	TOTAL
Licensee T	4,011,520	6,161,240	0	10,172,760
Licensee U	15,043,200	30,686,550	6,976,352	52,706,102
TOTAL	P246,173,890	P200,998,512	P34,756,062	P481,928,464

13.3 Analysis of accounts revealed that offshore licensees were permitted to operate despite the repeated late payment and/or non-remittance of the offshore gaming income and their licenses were not suspended or cancelled, which is contrary to Section 28 of the Rules and Regulations for POGO. As a result, 21 of the 52 licensees were not able to pay their offshore gaming income from one to 10 months.

13.4 Subsequent verification also showed that P300.708 million or 39.61 per cent of the total receivables from offshore gaming operators remained outstanding as of March 2018.

13.5 In addition, 13 licensees accumulated their obligation to PAGCOR, which amounts exceeded to more than the required posting of performance cash bond of $250,000 or P12.480 million.

13.6 Furthermore, one of the POGO operators did not post the required performance cash bond of $250,000 as of December 31, 2017.

13.7 ***We recommended that Management intensify collection of receivable and strictly comply with Section 28 of the Rules and Regulations for (POGO).***

13.8 Management commented that in some long outstanding accounts, the Legal Group already filed the appropriate legal actions and demand letters have also been issued.

14. PAGCOR extension of the period of lease contracts for office space for the official use of its corporate officials and personnel and all the 14 VIP clubs after expiration on March 31, 2015 and June 30, 2016, respectively, exceeded the allowable one year period contrary to the provisions of Annex "A" of Government Procurement Policy Board (GPPB) Resolution No. 23-2007 dated September 28, 2007.

14.1 Managementwas not able to carry out the scheduled procurement activities prior to the expiration date of the Contract of Lease nor substantially undertook the procurement activities within the one-year extension period, thus, bringing the extension of the Contract of Lease to more than the allowable one year extension period through the application of Implied Lease of the following contracts stated on the next page:

a. On April 2, 2012, PAGCOR entered into a Contract of Lease with a lessor for the lease of office space for the official use of its corporate officials and personnel for contract duration of three years, commencing on April 1, 2012 until March 31, 2015. After the expiration of the lease contract on March 31, 2015, the lease period was extended by both parties applying the principle of Implied New Lease. However, it was noted in our audit that the extension was made beyond the allowable one year period which is not in accordance to GPBB Resolution No. 23-2007. The lease is continuously extended on a month-to-month basis incurring a total rental expenses of P67,575,348 as of June 30, 2017, broken down as follows:

Within the allowable extension period (April 1, 2015 to March 31, 2016)	P11,262,558
Exceeded the allowable one-year extension period (April 1, 2016 to June 30, 2017)	56,312,790
Total	**P67,575,348**

b. The original contract terms for the lease of space and equipment for all the 14 VIP clubs by PAGCOR ended on June 30, 2016. With the impending expiration of the contracts, the terms had been extended on a month to month agreement ending on July 31, 2016 and later extended for five months from August 1, 2016 to December 31, 2016. Subsequent contract extension had been made executed for another six months from January 1, 2017 to June 30, 2017.

In the course of our audit, we noted that the opening of the sealed quotations for the conduct of negotiated procurement on the subject leases were made on June 14 to 16, 2017 or barely two weeks prior to the expiration of the one year period allowed. The two-week period is not reasonable or too short to complete the whole negotiation cycle. Reference is made to the attended opening of sealed quotations as shown in Annex B. Due to the non-compliance of the prospective lessors of some of the technical requirements in the Requests for Quotation, the results of opening of quotation of the lease of space and equipment for all the 14 VIP Clubs were rated “failed” by the Bids and Awards Committee (BAC) No. 1. As a consequence, there were no completed contracts yet in June 2017 thus, further extension of lease terms beyond June 30, 2017 is considered violation of the GPPB guidelines.

14.2 The lapses can therefore be attributed to deficient procurement planning. Had the procurement meticulously and judiciously planned as required by the Procurement Law (RA No. 9184), Management could have anticipated circumstances like failure in the negotiation that can prolong the procurement cycle.

14.3 We recommended that Management:

a. Submit written explanation why procurement activities were not conducted and finished within the period of extension;

b. Submit copy of the Extension of Contract of Lease with lease period of April 1, 2015 to September 30, 2015 and April 1, 2016 to present together with the relevant supporting documents;

c. ***Consider speeding up the construction of PAGCOR's own office building that will provide a long-term benefit not only to the PAGCOR but also to the safety of its employees; and***

d. ***Submit copies of extension of contracts of lease for all the 14 VIP Clubs with lease period of July 1, 2017 to present, if any, together with their relevant supporting documents;***

14.4 Management commented that the Procurement Department (PD), acting as the BAC Secretariat, and the BAC cannot commence with the procurement process without receipt of the relevant documents from the end-user regarding their procurement requirements particularly the Procurement Processing Request (PPR). The end-userwas not able to submit the necessary documents for the processing of the procurement process.

15. Contracts of lease were executed with lessors despite the latter not being the absolute owner of the leased property, which is not in accordance with Section 6 of Executive Order (EO) No. 301, dated 26 July 1987[6]:

15.1 The existing and prospective lessors for the lease of space and equipment for all the 14 VIP Clubs are mere sub-lessees who are not the absolute owners of the leased property contrary to the Uniform Standards/Guidelines to Determine the Reasonableness of the Terms and Rental Rates of Lease Contracts for Private or Government Buildings/Spaces issued by the Department of Public Works and Highways (DPWH) pursuant to Section 6 of EO No. 301, dated July 26, 1987.

15.2 The term "Lessor" as categorically defined under Section 6 of EO No. 301 dated July 26, 1987 and adopted in the above-stated Guidelines of the DPWH, is the absolute owner of the building/space to be leased. Thus, a lessor, who is a mere sub-lessee and has the right but has no absolute ownership over the property, does not satisfy the definition of a lessor.

15.3 Verification of the Audit Team revealed that the existing and the prospective lessors are not the absolute owners but mere sub-lessees of the lease property contrary to the EO and DPWH Guidelines. Since the opening of the quotations for the 14 VIP Clubs are on-going, the sub-lessees should not be allowed to participate in the procurement.

15.4 The Audit Team have already called the attention of the Management under Memorandum dated July 6, 2017 on the inclusion of a requirement, *"title or rights over the property must be under the name of the Prospective Lessor for the entire duration of the contract",* in the Request for Quotation (RFQ).

15.5 Prepaid rental and deposit of CF-Manila Bay amounting to P156 million was paid to a sub-lessee despite not being the absolute owner of the leased property in violation of Sec. 6 of EO No. 301 dated July 26, 1987.

[6] Uniform Standards/Guidelines to Determine the Reasonableness of the Terms and Rental Rates of Lease Contracts for Private or Government Buildings/Spaces

15.6 On July 31, 2015, PAGCOR CF – Manila Bay entered into a 15-year contract between a sub-lessee for the lease of a 6,500 square meter - area within the Museo ng Maynila Complex located at Roxas Boulevard, Manila, owned by the City of Manila, in the total amount of P3.213 billion.

15.7 ***We recommended thatManagement revise the lease requirement, specifically Item No. 4 of Annex H of the contract by emphasizing that prospective lessors must be the absolute owners of the lease property to strictly comply with the EO No. 301 and DPWH Guidelines. However, if not practical due to peculiarity of the procurement and PAGCOR operations, consider seeking exemption and/or non-policy opinion from the provisions from the EO or DPWH Guidelines from the GPBB or DPWH or other appropriate authorized agency.***

15.8 Management commented that the lessor need not be the absolute owner of the property leased since what is being transferred is not the ownership but only the enjoyment or use of the property pursuant to Article No. 1643 of the Civil Code of the Philippines. In addition, the legal opinion stated that the Civil Code of the Philippines or RA No. 368 is a law enacted by the Congress. The Guidelines is a mere GPPB Resolution. As such, the latter cannot take precedence over a law.

15.9 On its letter dated May 21, 2018, CF – Manila Bay's management has transmitted a copy of the Memorandum of Agreement between the original lessee and the sub-lessee which grants the latter absolute right to enter into contract with respect to the premises for any legal purpose. A Letter of Notice to the City Government of Manila on October 30, 2014, has also been provided communicating the action of the original lessee of subleasing portions of the Museo ng Maynila Complex, to the sub-lessee.

15.10 As regards the issue on absolute ownership, PAGCOR submitted Legal Opinion of the Office the Solicitor General (OSG) dated February 8, 2018 re: Request for Legal Opinion/Clarification on the definition of a "lessor" under Sec. 6 of EO No. 301, dated July 26, 1987, where the OSG opined that the lessor need not be the absolute owner of the property being leased.

15.11 Currently, the Audit Team is in the process of requesting for legal opinion from the Office of the General Counsel, Legal Services Sector of COA regarding the matter.

16. Certificates to Operate (CTO) or Gaming License (GL) of five Poker Operators were not renewed during the year but continue operating without a license in violation of Section 2, Regulation 6 of PAGCOR Gaming and Regulatory Manual.

16.1 Section 2, Regulation 6 of PAGCOR Gaming Regulatory Manual (Poker Games) Version 1.0 dated May 2016, provides that "The operation of a gaming site without a License is strictly prohibited..xxx"

16.2 Verification of the submitted copies of CTO or GL as of March 23, 2018 disclosed that five Poker Operators are continuously operating without a license, as the license validity were already expired.

16.3 Currently, the five Poker Clubs continued the conduct of poker operations and remittances to PAGCOR although their licenses have already expired which contradicts the provision of the same Manual that the non-renewal of license upon expiration of the current license, the operations of the concerned gaming site shall be suspended.

16.4 ***We recommended that Management:***

a. Require the renewal of the CTO or GL of the Poker Operators, otherwise suspend the operations of the poker club operators pending the renewal of their licenses; and

b. Revisit the provisions of the Gaming Regulatory Manual for Poker Games particularly on the processes in the renewal of licenses.

16.5 Management commented that Gaming Licensing and Development Department (GLDD) submitted a recommendation to PAGCOR Board of Directors (BOD) to revoke the GL of a poker operator and upon approval, the gaming site will be permanently closed.

16.6 Management further opined thru its' Legal Group that it is highly counter-productive if operators were to cease business operation and incur losses pending their compliance with the renewal process when in fact, they are willing and able to operate and consequently generate income.

17. Loyalty cash awards amounting to P12.495 million plus 18 Karat Gold Memento rings for the 20-year loyalty awardees amounting to P13.020 million were grantedto PAGCOR employees for CY 2017 in excess of the amount provided in COA Circular No. 2013-003A[7] dated September 18, 2013. Likewise, CF-Manila Bay and CF-Malate granted loyalty award to its employees in the amount of P0.593 million and P0.745 million, respectively.

17.1 As part of its compensation and benefits package, PAGCOR grants loyalty cash awards to its regular employees who have completed 5, 10, 15 and 20 years of service. In addition, each 20-year loyalty awardee shall receive an 18 Karat Gold Memento ring.

17.2 Section 1.40 of the Compensation and Benefits Package under the PAGCOR's Employee Handbook[8] provides that:

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[7]Amendment to COA Circular No. 2013-003 dated January 30, 2013 re: Reiteration of Audit Disallowance of Payments without Legal Basis of Allowances, Incentives , and Other Benefits of Government Officials and Employees in the NGAs, LGUs, and GOCCs and their Subsidiaries

[8] PAGCOR's Employee Handbook as of August 15, 2016

*“Regular employees who have completed **five (5) years service in the Company are entitled to the P5,000.00 Loyalty Award**, **another P10,000.00 upon completion of ten (10) yearsservice, and for every five (5) years thereafter, they will receive P10,000.00 Loyalty Award**.*

*Employees who have completed **twenty (20) yearsservice are entitled to additional cash award of P10,000.00 plus one month basic pay and 18 karat, 10-gram gold memento ring awarded during the loyalty awarding ceremony.”** (Emphasis supplied)*

17.3 On the other hand, COA Circular No. 2013-003A dated September 18, 2013 provides that:

“To align Paragraph III on the rates of Loyalty Cash Award (LCA) stated in COA Circular No. 2013-003, with Item 6, Revised Policy on Grant of Loyalty Award of the Civil Service Commission (CSC) Memorandum Circular No. 6, s. 2002, the LCA rates prescribed in COA Circular No. 2013-003 dated January 30, 2013 are hereby amended as follows:

10th Year- from P5,000.00 to P10,000.00
15th Year- from P2,500.00 to P5,000.00
20th Year- from P2,500.00 to P5,000.00
25th Year- from P2,500.00 to P5,000.00
30th Year- from P2,500.00 to P5,000.00
35th Year- from P2,500.00 to P5,000.00
40th Year- from P2,500.00 to P5,000.00”

17.4 Review of the monthly payroll registers for CY 2017 showed that cash awards were granted to regular employees in the total amount of P12.495 million. In additionto the cash awards, the 20-year Loyalty Awardees received an 18 Karat Gold Memento rings. In CY 2017, payments were made to a supplierfor the purchase of the 18 Karat Gold Memento rings amounting to P13.020 million.

17.5 However, it was noted that the amounts granted were in excess of the amount allowed in COA Circular No. 2013-003A dated September 18, 2013.

17.6 Comparison between the amount granted by PAGCOR and the amount provided in COA Circular No. 2013-003A showed the following discrepancies:

Years in Service	**Per PAGCOR’s Employee Handbook**	**Per COA Circular No. 2013-003A**	**Discrepancy/ies**
5th year	P5,000.00	-	P 5,000.00
10th year	P10,000.00	P5,000.00 to P 10,000.00	-
15th year	P10,000.00	P 2,500.00 to P5,000.00	P 5,000.00
20th year	P10,000.00 plus 1 month basic pay plus 18 Karat Gold ring*	P 2,500.00 to P 5,000.00	P 5,000 plus 1 month basic pay plus 18 Karat Gold Ring

Years in Service	Per PAGCOR's Employee Handbook	Per COA Circular No. 2013-003A	Discrepancy/ies
25th year	-	P 2,500.00 to P 5,000.00	
30th year	-	P 2,500.00 to P 5,000.00	
35th year	-	P 2,500.00 to P 5,000.00	
40th year	-	P 2,500.00 to P 5,000.00	

**The cost of each 18 Karat Gold ring is P16,080 and P20,589 for CY 2014 and CY 2015 awardees, respectively per review of the approved purchase order.*

17.7 On December 14, 2017, the CF-Manila Bay Senior Branch Administrative Manager together with the Branch Manager, CF-Manila Bay wrote a letter to the Branch Head, Cash Department of the Land Bank of the Philippines, Ermita, Manila requesting for the issuance of 27 pieces of Manager's Check in the total amount of P0.593 million in favor of the 2017 Loyalty Awardees of the Casino. The bank acceded to the request and thus, a debit memo was made on the account of CF-Manila Bay.

17.8 The amount consisted of one month salary of the awardee plus an additional P10,000 for each awardee. The grant was pursuant to the PAGCOREmployee Handbook as of August 15, 2016.

17.9 It was noted that the subject expenditure was not covered by the prescribed disbursement voucher but instead, it was debited to their CF-Pavilion Account No. 3402-1045-88 by a mere letter to the CF–Manila Bay's depository bank in exchange of 27 Manager's Check.

17.10 Also, audit of disbursements of CF-Malate disclosed that on December 13, 2017, cash advance amounting to P1.140 million was granted to the Senior Branch Admin Manager designated as the Special Disbursing Officer for the payment of 20-Year Loyalty awardees, Model Employees and Model Supervisor nominees and winners, as shown below:

Particulars	Basic Salary	Additional Cash Award	Total
20-Years Loyalty Awardee's Cash Incentives for 43 employees	P530,400	P430,000	P960,400
2017 Model Employee/Model Supervisor cash award for 16 nominees inclusive of tax		80,000	80,000
2017 Model Employee/Model Supervisor cash award for 4 winners inclusive of tax		100,000	100,000
Total	**P530,400**	**P610,000**	**P1,140,400**

17.11 The 43 loyalty awardees received a loyalty ring, cash awards corresponding to P10,000 plus one month basic pay totaling to P0.960 million and a plaque/certificate during the 20-Year Loyalty Award Ceremony. The details of the 20-year Loyalty Award given to 43 awardees, as shown in the next page.

Particulars	Amount
Actual cash amount granted	P960,400
Allowable cash amount per Audit (P5,000per employee)	215,000

Difference	**P745,400**

17.12 The amount of loyalty award totaling P0.960 million was again granted pursuant to PAGCOR Employee Handbook as of August 15, 2016,however, the said loyalty award amounting to P0.960 million was in excess of what is provided under COA Circular No. 2013-003A dated September 18, 2013.

17.13 Moreover, the Audit Team also noted that the Special Disbursing Officer is bonded until February 19, 2018 with a total amount of bond of P0.350 million, however, the cash advance for the payments of loyalty and model employee award amounting to P1.140 million exceeded maximum cash accountability of P0.750 million as provided under Treasury Circular No. 02-2009 dated August 6, 2009.

17.14 We recommended and Management agreed to seek clarification/approval from the Office of the President on the grant of benefits particularly the loyalty awards to its PAGCOR employees.

18. The Representation and Transportation Allowance (RATA)PAGCOR granted to its officers in the total amount of P58.334 million for CY 2017 were in excess of what was allowed under Section 54 of the General Appropriations Act (GAA) of 2017 and/or without sufficient legal basis. Likewise, TA amounting to P29.167 million was granted to the same officers who availed the Car Plan of PAGCOR.

18.1On July 1, 1989, Republic Act (RA) No. 6758[9] took effect. Under the law, GOCCs like PAGCOR are included in the Compensation and Classification System because Section 16 thereof repeals all laws, decrees, executive orders, corporate charters and other issuances or parts thereof, that exempt agencies from the coverage of the System, or that authorize and fix position classification, salaries, pay rates or allowances of specified positions, or groups of officials and employees or of agencies, which are inconsistent with the System, including the provision under Section 2 and Section 16 of P.D. No. 985[10].

18.2 While RATA does not form part of the standardized salary, it does not signify that Congress did not intend to establish a uniform RATA for particular positions covered by the law. Even prior to RA No. 6758, the General Appropriations Acts provided for a standard RATA for a specified rank.

18.3 Thus, the Supreme Court held that the RATA of officials who are not incumbents as of July 1, 1989 shall be paid in accordance with the provisions of the Annual General Appropriations Acts, if their positions are among those mentioned therein. (Underscoring supplied)

[9] An Act Prescribing a Revised Compensation and Position Classification System in the Government and for Other Purposes
[10]A Decree revising the Position Classification and Compensation Systems in the National Government, and integrating the same

18.4 Verification of records showed that for CY 2017, PAGCOR paid RATA in the total amount of P58.334 millionusing its own prescribed rates which are over and above the rates provided in the General Appropriations Act (GAA) of 2017.

18.5 Specifically, Section 54 of the GAA of 2017 provides the RATA rates of government officials and their equivalent as follows:

POSITION	RA	TA	TOTAL
Department Secretaries	14,000	14,000	28,000
Department Undersecretary	11,000	11,000	22,000
Department Assistant Undersecretary	10,000	10,000	20,000
Bureau Director	9,000	9,000	18,000
Asst. Bureau Director	8,500	8,500	17,000
Bureau Regional Director	8,500	8,500	17,000
Assistant Bureau Regional Director	7,500	7,500	15,000
Division Chief	5,000	5,000	10,000

18.6 On the other hand, PAGCOR currently grants monthly RATA to its officers in the following rates:

Position	Amount
Chairman and CEO	110,000
President and COO	90,000
General Manager	75,000
Branch Manager	70,000
Senior Vice President/ Chief of Staff	48,500
Vice President	27,500
Assistant Vice President	13,500

18.7 Likewise, TA amounting to P29.167 million was granted to the same officers who availed the Car Plan of PAGCOR.

18.8 Section 54 of the General Appropriations Act of CY 2017 provides limitations on the grant of representation and transportation allowances to include the following:

> *"Transportation allowance, whether in full or partial amounts, <u>shall not be granted to officials who are assigned or actually using government motor transportation.</u> xxx.." (Underscoring supplied)*

18.9 In the course of audit, we noted that PAGCOR grants RATA to its officers who are under Pay Class (PC) 9 and above. The amounts of RA and TA are consolidated into one as presented in the monthly payroll registers for CY 2017. We arrived at total amount of P29.167 million of TA by simply dividing the RATA of P58.334 million into half.

18.10 Concurrently, PAGCOR also grants car plan benefits to permanent and full-time officers with PC 9 and up. Under the Car Plan Program, PAGCOR shall subsidize 60 per cent of the cost of the car and shall the advance the remaining 40 per cent to the grantee to be paid by the latter without interest within five years through semi-monthly salary deductions. For CY 2017, it was noted that the same officers who claimed TA also availed car plan benefits as evidenced by their existing car loan balance.

18.11 ***We recommended and Management agreed to****:*

a. Seek post facto approval from the Office of the President; and

b. Ensure that officers who have availed of the Car Plan will no longer claim Transportation Allowance to avoid possible audit suspension and/or disallowance.

19 The PAGCOR's List of Circle of Extra-Ordinaire (CEO) Awards as basis of grant of cash awards and incentives to officers and employees was not submitted to the Civil Service Commission (CSC) for review and approval, as required under Section 14 of CSC Memorandum Circular No. 01, s. 2001.

19.1 Section 14 of the CSC Memorandum Circular (MC) No. 01, s. 2001, adopting the revised policies on Program on Awards and Incentives for Service Excellence (PRAISE), provides that:

> ***"All government agencies shall submit their Program on Awards and Incentives for Service Excellence (PRAISE) and its subsequent amendments to the Civil Service Regional Office.*** *The Civil Service Regional or Field Office concerned shall provide technical assistance, if deemed necessary, to ensure proper implementation." (Emphasis ours)*

19.2 The PAGCOR's List of CEO Awards, as part of its Rewards and Recognition Program and its version of PRAISE, contains the mechanics, criteria and incentives of every award and title granted to qualified officers and employees for their exceptional work performance and positive behavior.

19.3 In CY 2017, the Audit Team noted that PAGCOR granted cash awards to its deserving officers and employees through cash advances amounting to P0.643 million.

19.4 Verification of the liquidation reports of the aforementioned cash advances disclosed that the List of CEO Awards as basis of the grant of cash awards was not submitted to the CSC for review and approval as required under Section 14 of CSC Memorandum Circular No. 01, s. 2001. It was confirmed during our interview with HRDD personnel that since the adoption by PAGCOR of the List of CEO Awards, it was never submitted to CSC, as required.

19.5 The Audit Team also noted that the CSC memorandum was issued on January 26, 2001 which provides for the revised policies on PRAISE and it covers all departments, State Colleges and Universities including GOCCs with Original Charter. Agency PRAISE shall only become effective after final evaluation by the CSC.

19.6 On the other hand, PAGCOR, in its letter dated September 6, 2017, is of view that the submission to the CSC is not necessary. Accordingly, the CEO Awards was never intended to be a version of CSC's PRAISE.

To support its contention, PAGCOR argued and cited Title VI, Section 16 of Presidential Decree (PD) No. 1869 as amended; OGCC Opinion No. 116 dated June 11, 2008; and Office of The President letter through the Executive Secretary dated July 2, 2008 concurred with the OGCC Opinion No. 116 and that PAGCOR has legal authority to determine its own management policies pursuant to Section 16 of PD No. 1869, such that the approval of the Office of the President is neither necessary nor required for its implementation.

19.7 However, the Audit Team noted that in the case of CSC vs. Salas[11] cited in the OGCC Opinion, the Supreme Court ruled that Section 16 of PD No. 1869 insofar as it exempts PAGCOR positions from the provisions of Civil Service Law and Rules has been amended, modified or deemed repealed by the 1987 Constitution and Executive Order (EO) No. 292 otherwise known as the Administrative Code of 1987.

19.8 In view of the ruling in CSC vs. Salas, PAGCOR is therefore covered by the CSC Law, rules and regulations pursuant to Article IX-B, Section 2 (1) of the 1987 Constitution which provides that all government agencies and instrumentalities, including GOCC with original charters shall be embraced by the Civil Service.

19.9 Moreover, the Audit Team is of the opinion that PAGCOR is not totally exempt from CSC in reliance on Section 16 of PD No. 1869 as it merely exempts PAGCOR from personnel management policies and not on the other aspects of Civil Service.

19.10 In our verbal inquiry with CSC personnel, it was emphasized that the evaluation of the CSC is necessary to determine whether the awards granted by the agencies are compliant with the CSC Memorandum Circular No. 01, s. 2001.

19.11 ***We recommended that PAGCOR's CEO (Circle of Extra-Ordinaire) Awards as basis of the grant of cash awards be submitted to the Civil Service Commission (CSC) in compliance with Section 14 of CSC Memorandum Circular No. 01, s. 2001.***

19.12 On its letter dated June 5, 2018, Management commented that they cannot submit the CEO Awards for the CSC's consideration, since such would signify an express abandonment of the authority of PAGCOR Board of Directors to set personnel management policies granted by PD No. 1869, as amended.

20. Car Plan and Housing Benefits in the total amount of P125.954 million and P121.289 million for CYs 2016 and 2017, respectively were paid to PAGCOR officers without clear and express Presidential approval but were based only on the approved Resolution of the Board of Directors (BOD).

[11] GR No. 123708 June 19, 1997

20.1 On 17 March 1984, the BOD of PAGCOR approved the grant of Car Plan Program (Car Plan) to permanent and full-time officers who are receiving Pay Classification (PC) 8 and up.

20.2 Any eligible officer may avail of the Car Plan once every five years. Initially, PAGCOR shall subsidize 45 per cent of the cost of the car and the remaining 55 per cent will be shouldered by the officer. The amount shouldered by the officer will be advanced by PAGCOR and payable four to five years, interest-free. The payment shall be done on a semi-monthly basis by salary deductions. The maximum amounts available shall be as follows: PC 8 and 9 – P200,000; PC 10 and up – P250,000. If the purchase price is in excess of these amounts, the same shall be for the account of the officer. To secure the payment, the car acquired shall be mortgaged to PAGCOR.

20.3 Currently, the eligible officers allowed to avail the Car Plan are permanent and full-time officers classified as PC 9 and above who have served at least for six months after the date of regularization as officers. Moreover, PAGCOR share increased to 60 per cent and corresponding decrease in the share of the employee to 40 per cent. The new scheme in theavailment of Car Plan is provided as follows:

Salary Scale	Total Entitlement*	Term Payable	Availment
PC 9	P 950,000	5 years	Once every 5 years
PC 10	950,000	5 years	Once every 5 years
PC 11	1,250,000	5 years	Once every 5 years
PC 12 (Non-ExeCom member)	1,250,000	5 years	Once every 5 years
PC 12 (ExeCom & joint GMs/BMs Meeting members)	1,400,000	4 years	Once every 4 years
PC 13 (Non-ExeCom member)	1,250,000	5 years	Once every 5 years
PC 13 (ExeCom & joint GMs/BMs Meeting members)	1,600,000	4 years	Once every 4 years
PC 14	2,800,000	4 years	Once every 4 years
PC 15	3,000,000	3 years	Once every 3 years
PC 16	3,500,000	3 years	Once every 3 years

20.4 On May 16, 2006, the BOD approved the grant of housing benefits for officers in lieu of availment of car plan. For an officer to be eligible to avail the Housing Benefit he must be able to comply the following:

1. Officers must have been an officer for at least five years.
2. Officers shall availed it only once.
3. Officers must have availed of at least one car plan prior to his/her housing benefit application.
4. Benefit allocation per Pay Class: PC 9-10 – P0.800 million and PC 11-13 – P1.100 million.

20.5 PAGCOR shall subsidize the 60 per cent of the allocation provided. The 40 per cent officer's share shall be paid without interest within five years through salary deduction.

20.6 On July 14, 2006, the BOD approved the amendments and additional implementing guidelines of Housing benefits. One of the amendments is the increase of loanable amount and the introduction of double allocation wherein the loanable amount will be doubled. Also, the officer's share of 40 per cent of the allocation shall be paid without interest within six to 10 years through salary deductions. The same with Car Plan, the PAGCOR and officer concerned shall enter into a mortgage contract to serve as security in case of non-payment.

20.7 The following are the loanable amounts as of April 30, 2015:

	Single Allocation		Double Allocation	
Salary Scale	**Total Entitlement**	**Term Payable**	**Total Entitlement**	**Term Payable**
PC 9 and 10	950,000	5 years	1,900,000	10 years
PC 11	1,250,000	5 years	2,500,000	10 years
PC 12 and 13 (Non-ExeCom member)	1,250,000	5 years	2,500,000	10 years
PC 12(BMs, ExeCom member)	1,400,000	4 years	2,800,000	8 years
PC 13 (GMs, ExeCom)	1,600,000	4 years	3,200,000	8 years
PC 14 (SVP)	2,800,000	3 years	5,600,000	6 years
Chairman and CEO	3,500,000	3 years	7,000,000	6 years
Members, BOD	3,000,000	3 years	6,000,000	6 years

20.8 On November 21, 2017, the PAGCOR Housing Committee approved the revision of Housing Benefit. The committee approved that an officer may be allowed to choose between the Car Plan and Housing Benefit for his first availment subject to following conditions:

a. Must show proof that he/she already owns a vehicle;
b. Limited to one allocation based on the current amounts of Car Plan benefits;
c. Availment of the housing first instead of Car Plan forfeits his entitlement to have double allocation; and
d. He is no longer entitled to re-apply for another housing in the future.

20.9 Moreover, additional allowances which are not specifically provided in RA No. 6758 should not be given, and should have complied with Section 12 of the RA.

20.10 Since Car Plan was given to employees prior to the passage of RA No. 6758 and to avoid salary diminution, the law allowed the incumbents to continue receiving the said benefits.

20.11 On the other hand, the Housing Benefit was granted after the issuance of RA No. 6758 which should have not been given to employees since it is not included in the express enumeration made in Section 12 of the said RA, hence, they are deemed part of the basic salary.

20.12 It is to be emphasized that pending approval of the Compensation and Position Classification System (CPCS) of PAGCOR, the allowances and benefits in general and the other benefits including the Car Plan and Housing Benefits which do not have clear and express Presidential approval are questionable due to lack of legal basis.

20.13 It is worth mentioning that on July 03, 2017, the Office of the Supervising Auditor (OSA) already wrote the Chairman of the Governance Commission on GOCCs (GCG), requesting for clarification on the issues regarding the existing Car Plan Program of PAGCOR. The GCG then called a meeting last October 25, 2017, attended by the Supervising Auditor and the Audit Team Leader assigned to conduct the audit of the Car Plan and Housing Benefits, to discuss pertinent issues relative to the Car Plan Program of PAGCOR. In the said meeting, the GCG representatives commented that the GCG reply letter shall be released to the Audit Team at most on December 2017. No formal communication/reply from the GCG was received leading the team to write a follow-up letter on May 17, 2018.

20.14 ***We recommended and Management agreed to seek post facto approval from the Office of the President to avoid possible audit suspensions and/or disallowance.***

21. The PAGCOR CF-Davao officers and employees were granted Cost of Living Allowance (COLA) totaling P3.113 million during CY 2017 contrary to Section 12 of RA No. 6758 in addition to the P9.977 million Personnel Economic Relief Allowance (PERA) resulting in double compensation.

21.1 Section 2, Rule XVIII of the Omnibus Rules Implementing Book V of E.O. No. 292 provides that no elective or appointive public officer or employee shall receive additional, double, or indirect compensation, unless specifically authorized by law.

21.2 The Vice President for the Human Resource and Development Department of PAGCOR Head Office explained in a letter dated December 20, 2017 that COLA had been part of the compensation package of the PAGCOR employees as confirmed by then Deputy Executive Secretary on a letter dated June 9, 1993.

21.3 However, after almost four years, the General Appropriations Act for Financial Year (FY) 1997 granted PERA to all government officials and employees as a replacement of the COLA(*Philippine Charity Sweepstakes Office (PCSO) vs. Chairperson Ma. Gracia M. Pulido-Tan, Commissioner, et al.; G.R. No. 216776* dated April 16, 2016).

21.4 While Section 12 of RA No. 6758 explicitly provides that "*all allowances, except for XXX and such other additional compensation not otherwise specified herein XXX <u>shall be deemed included in the standardized salary rates</u> herein* *prescribed. XXX* (underscoring supplied), COLA is not among those expressly excluded from integration, hence, it should be considered as deemed integrated in the standardized salaries under the general rule of integration (*Philippine Charity Sweepstakes Office (PCSO) vs. Chairperson Ma. Gracia M. Pulido-Tan, Commissioner, et al.; G.R. No. 216776* dated April 16, 2016).

21.5 At present, RA No. 10149 *(GOCC Governance Act of 2011)* is the latest pertinent law although the Compensation and Position Classification System (CPCS) for the GOCC Sector that was developed by the GCG under EO No. 203 was suspended by EO No. 36 dated July 28, 2017 prescribing all Salary Standardization Law (SSL)-exempt GOCCs like PAGCOR to have the option to either maintain their current compensation framework, or subject to the approval of the GCG, adopt the Modified Salary Schedule under EO No. 201.

21.6 ***We recommended that Management stop the practice of claiming COLA, it being replaced with the grant of PERA to all government officials and employees, hence duplication of compensation occurred which is disallowable in audit.***

21.7 The Vice President for HRDD explained that on June 9, 1993 confirmation letter of Deputy Secretary, the PAGCOR compensation package being referred to include both COLA and PERA. Further, on November 11, 2011, PAGCOR has secured a post facto approval from GCG on their total compensation package.

21.8 **Auditor's rejoinder**: On the letter from the Chairman of the GCG dated November 8, 2011, it was mentioned that the proposal to realign the COLA to the basic pay of the personnel is dependent to the recommendations of the DBM to the President. Hence, the Audit Team maintained that the grant of COLA on top of the PERA is tantamount to double compensation.

22. Excess fund balance of the PAGCOR Feeding Program (PFP) relating to School Years 2014-2015, 2015-2016, and 2016-2017, amounting to P2.619 million has not been transferred to the unappropriated general fund even if the purpose of its creation had already been accomplished, contrary to Sections 3(4) and 4(3) of Presidential Decree No. 1445.

22.1 Analysis of the composition of the account Other Payables – Others disclosed that it included the remaining fund balance of PAGCOR Feeding Program amounting to P2.619 million pertaining to previous school years as shown hereunder:

JEV No.	Particulars	Amount
51941	PFP Budget for SY 2014-2015	P1,059,180
57146	Excess Fund PFP, SY 2014-2015	16,800
57586	Excess Fund PFP, SY 2014-2015	165,360
58172	Excess Fund PFP, SY 2014-2015	54,240
59009	Excess Fund PFP, SY 2015-2016	15,150

JEV No.	Particulars	Amount
59403	Excess Fund PFP, SY 2015-2016	36,150
62918	PFP Budget for SY 2016-2017	1,151,560
64120	Excess Fund PFP, SY 2015-2016	5,000
64496	Excess Fund PFP, SY 2015-2016	29,800
64760	Excess Fund PFP, SY 2015-2016	28,000
65226	Excess Fund PFP, SY 2016-2017	23,000
65227	Excess Fund PFP, SY 2016-2017	5,800
65302	Excess Fund PFP, SY 2016-2017	2,800
65303	Excess Fund PFP, SY 2016-2017	22,000
65453	Excess Fund PFP, SY 2016-2017	4,000
Total		**P2,618,840**

22.2 This fund meets the characteristics of a trust fund which has the following definition under Section 3(4) of PD No.1445:

> *"Trust funds refer to funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of some obligation."*

22.3 Each school year is allocated specific budget for a required number of beneficiaries. This means that when excess fund from previous school year exists, the same is not allowed to be used for current and future periods being contrary to the purpose for which it was created. This explains the trust fund doctrine as stated under Section 4(3) of PD No. 1445.

22.4 Under the foregoing circumstance, Management may transfer the remaining fund balance of PAGCOR Feeding Program amounting to P2.619 million to the unappropriated general fund as provided under Section 99 of PD No. 1445.

22.5 ***We recommended that Management revert back to the general fund the remaining fund balance of PAGCOR Feeding Program relating to previous school years amounting to P2.619 million since the purpose of its creation had already been accomplished.***

23. Unserviceable properties had not been disposed of contrary to Section 79 of PD No. 1445, resulting in further deterioration and damage of the subject properties in the amount of P300,136 in CF-Angeles, P3.526 million in CF-Olongapo, and P8.853 million in CF-Tagaytay.

23.1 Section 79 of PD No. 1445 is partially quoted as follows: *When property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the accountable officer therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the* *highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission.*

23.2 Based on the submitted 2017 Report of Inventory of PPE, there were unserviceable properties which remained undisposed as of year-end. These PPE were recorded in the Other Assets account. Breakdown of the undisposed unserviceable properties were shown below:

CF-Angeles

PPE	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Mitsubishi Pajero	P1,210,454	P1,089,409	P121,045
Toyota HiAce Grandia 3.0	895,455	805,909	89,545
Toyota Grandia (SFW 891)	895,455	805,909	89,545
Total	**P3,001,363**	**P2,701,227**	**P300,136**

CF-Olongapo

Account	**Property, Plant and Equipment at Net Book Value**	**Other Assets at Net Book Value**
Communication equipment	P2,867	
Office furniture & fixtures	620,964	
Gaming furniture & fixtures	210,366	
Gaming equipment	100,572	
Medical, dental & laboratory equipment	3,000	
Office equipment	1,552,813	
Other machineries & equipment	822,629	
Other property, plant and equipment	104,905	
Fixed Assets for Disposition		P108,128
Total	**P3,418,117**	**P108,128**

23.3 ***We recommended that Management exert extra effort in following up the approval of the Board in order to avoid further damage and deterioration of the vehicles.***

23.4 CF-Angeles is securing all necessary documents as per memorandum dated February 26, 2018 from Corporate Disposal Committee requesting to submit additional documents for the said disposal.

23.5 CF-Olongapo stated that the request of the Branch for the disposal of unserviceable properties amounting P3.418 million was taken up and approved by the Board of Directors in its meeting held last March 13, 2018. The Branch will immediately effect the disposal upon receipt of the copy of the Memorandum.

23.6 P103,732 out of P108,128 of the unserviceable properties under Other Assets account were already donated to Olongapo City in January 2016. The Logistics Management Section have already coordinated with the Accounting Section and provided the required documents to effect the adjustments in the books. Reconciliation on the remaining balance of P4,396 is still ongoing between Accounting and Logistics.

23.7 CF-Tagaytay assured the Audit Team that the Logistic Management Section (LMS) and the Branch Disposal Committee will strictly comply with the audit recommendation and had informed that last January 20, 2018, the LMS already started the inventory of all the properties mentioned in the AOM and upon determination of the final list of properties and equipment due for disposal, the same, shall refer to the Branch Disposal Committee for appropriate action.

24. Casino Filipino-Laoag incurred unnecessary expenses amounting to P3.104 million relative to the continued lease contract with a lessor, along with utilities, janitorial and security services on the closed casino premises, resulting in Branch's further net loss.

24.1 Casino Filipino – Ilocos Norte reported a negative result of operation at the end of the year with Net Loss of P10.556 million. Its performance has significantly declined by 122 per cent from its last year's Net Income of P47.055 million due to the closure of casino operations at the leased premises effective December 4, 2016. Notwithstanding financial and operational constraints, Management sustained the lease contract with the lessor along with janitorial and security services on the premises of the closed casino even if these are no longer needed in the operations of the branch pending resolution of the Board on termination of existing contracts. As a result, unnecessary expenses totaling P3.104 million was incurred as presented herein:

Period	Rent	Security	Janitorial	Utilities	Total
Jan. 1-31, 2017	P175,850	P51,420	P61,295	P7,455	P296,020
Feb. 1-28, 2017	175,850	57,086	44,026	5,595	282,558
Mar. 1-31, 2017	175,850	54,406	38,711	7,578	276,545
Apr. 1-30, 2017	175,850	53,730	45,032	6,073	280,685
May 1-31, 2017	175,850	48,421	48,336	6,683	279,290
June 1-30, 2017	175,850	40,108	44,469	6,453	266,880
July 1-31, 2017	175,850	34,630	44,469	5,914	260,863
Aug. 1-31, 2017	175,850	32,134	44,469	5,729	258,181
Sept. 1-30, 2017	175,850	32,672	44,469	7,146	260,137
Oct. 1-31, 2017	175,850	32,665	23,860	5,201	237,577
Nov. 1-30, 2017	175,850	32,672	0	5,417	213,939
Dec. 1-31, 2017	175,850	10,980	0	4,145	190,975
Total	**P2,110,200**	**P480,925**	**P439,135**	**P73,390**	**P3,103,650**

24.2 These expenses had burdened the cost of branch's operations causing further net loss. Had Management opted to terminate the lease contract with the lessor on December 2016 along with security and janitorial services on the closed casino, a total amount of P3.104 million could have been saved thus lowering net loss to P7.453 million, analysis is shown below:

Income from Gaming Operations		P197,938,595
Add:	Income from Other Related Services	284,765
	Other Income	145,069
Total Income		198,368,429
Less:	Operating Expenses	100,306,021
	Gaming Taxes and Mandated Contributions	108,618,804
	Net Loss (Inclusive of Fort Ilocandia Expenses)	10,556,396
Less:	Fort Ilocandia Expenses	3,103,650
	Net Loss (Excluding Fort Ilocandia Expenses)	P7,452,746

24.3 The foregoing observation demonstrates unwise utilization of government funds. It defies the mandate of law under Section 2 of PD No. 1445 which provides that government funds shall be managed or expended efficiently, effectively and economically to prevent wastage thereof.

24.4 Management explained that PAGCOR Corporate Office made an instruction to defer the termination of lease contract in view of ongoing negotiations for possible resumption of the operations. But since no resolution has yet been reached on the issue, the Branch Manager wrote a memorandum on May 22, 2017 requesting approval of the Board on the implementation of termination of existing contracts pertaining to the operations of the closed casino.

24.5 While they acknowledged that there was an instruction from Corporate Office deferring termination of lease contract with the lessor, Management could have responded them the need for financial subsidy to sustain the expenses of the closed casino since income of the branch is not stable at the moment and it is not prudent to incur losses.

24.6 ***We recommended that Management cause the immediate termination of lease contract with the lessor, along with security and janitorial services on the premises of the closed casino, to prevent wastage of government funds otherwise continued incurrence of the same shall be dealt with audit disallowance.***

24.7 Management commented that as of the current date, the subject lease contracts were already terminated.

25. PAGCOR did not closely monitor the Host City/Provincial Shares totaling P440.320 million releasedfor CY 2017 to Local Government Units (LGUs) where the casinos are located, thus there was no assurance whether the funds were utilized for projects in accordance with the guidelines on the handling and disposition of funds to ensure the attainment of the purpose for which they were granted.

25.1 Cities and provinces where casinos are located are given monthly share, termed as "Host City Share", in the income of the said casinos, the amount of which is determined and approved by the Board of Directors (BOD).

25.2 Under the PAGCOR Guidelines on the Handling and Disposition of Host City Shares, the projects that may be supported include self-sustainable economic livelihood projects preferably on the grassroots level, infrastructure projects which are essential to the community, projects connected with the delivery of basic health services and other projects designed to prevent widespread disease or epidemics, projects related to the improvement of peace and order in the locality, projects involving the giving of emergency assistance to victims of natural disasters and calamities and such other projects that will socially ameliorate the poor.

25.3 Also, under the guidelines, the Office of the City/Municipality Mayor/Provincial Governor shall submit to PAGCOR COA certified Utilization Report on a quarterly basis and other reports which PAGCOR may require from time to time.

25.4 Verification disclosed that for CY 2017, PAGCOR released to the following LGUs their Host City Shares in the total amount of P440.320 million, details are shown below:

Host City/ Province	Monthly Subsidy	Total Host City Share for the Year
Angeles City[12]	P 3,750,000	P 33,000,000
Bacolod City	1,250,000	15,000,000
Cavite Province	1,500,000	18,000,000
Cebu City	4,000,000	48,000,000
Cebu Province	500,000	6,000,000
Lapu-Lapu City	1,500,000	18,000,000
Mandaue City	500,000	6,000,000
Davao City	2,000,000	24,000,000
Ilocos Norte Province	300,000	3,600,000
Iloilo City[13]	500,000	5,000,000
City of Manila	12,460,000	149,520,000
Negros Occidental Province	500,000	6,000,000
Olongapo City	2,083,333	25,000,000
Pasay City	5,100,000	61,200,000
Tagaytay City[14]	2,000,000	22,000,000
Total	**P 37,943,333**	**P440,320,000**

[12] Angeles City's monthly income share increased from P2.75 million to 3.75 million effective December 2017 as approved by the BOD on April 5, 2017.
[13] The 500 thousand monthly income share given to Iloilo was discontinued effective November 2017 as approved by the BOD on January 10, 2018, in view of the temporary cessation of operations of CF-Iloilo.
[14] Tagaytay City's monthly income share increased from 1.5 million to 2 million effective May 2017 as approved by the BOD on January 18, 2017.

25.5 The Audit Team evaluated the Reports of Utilization submitted by the host cities/provinces to assess the handling and disposition of the funds and noted the following:

Angeles City

25.6 Out of the unutilized fund amounting to P14.808 million as of December 31, 2017, the amount of P1.569 million was placed in a time deposit making it unavailable for use for its intended purpose which could have benefited its constituents. The Audit Team also noted that there was an increase in monthly income share from P2.750 million to P3.750 million effective December 2017 as approved by the BOD on April 5, 2017 despite the fact that huge portion of the fund remained unutilized.

Bacolod City

25.7 The funds amounting to P15 million were fully utilized as of December 31, 2017. However, it was noted that most of the disbursements pertained for the purchase of gasoline in the total amount of P5.736 million under the project promotion of peace and order.

Iloilo City

25.8 The Report of Utilization as of December 31, 2017 showed a balance of P26.102 million including interest and bank charges with more or less P20 million carried over from prior years which all remained unutilized, thus defeating its primary purpose to fund different qualified social projects as provided in the guidelines that will redound to the benefits of its constituents particularly the poor sector of the city. As stated in the Management Letter released by COA Regional Office No. XVI, only P0.500 million were utilized for the last four years; P0.5 million of which was spent for the Conduct of Comprehensive Drug Test and P350.00 was for bank charges.

Cavite Province

25.9 Fraction of the fund amounting to P0.819 million was used for payments to BIR which is not allowable under the PAGCOR guidelines.

25.10 The Report on the Utilization reflected a balance of P18.949 million as of December 31, 2017 available for qualified projects in the Cavite Province.

Manila City

25.11 The total unutilized fund could not be ascertained due to failure of the City Accounting Department (AD) to reflect the balance of the Host City Share available for each quarter of CY 2017 as well as the accumulated balance from prior years in theUtilization Report. However, in the quarterly report ending June 30, 2017, there was a purchase made for one unit of utility vehicle from Toyota Otis amounting to P1.345 million in which the purpose was not clearly indicated.

Negros Occidental Province

25.12 Only minimal part of the fund was used for the projects implementation amounting to P1.140 million or 9.38 per cent of the total accumulated shares of P13.210 million, leaving an unexpended balance of P12.069 million as of December 31, 2017.

Cebu

25.13 As of December 31, 2016, the Audit team arrived at a balance of P307.844 million based on reports obtained from Auditors of LGU-recipients. From these balances and confirmation from Auditors, the Host City Share reflected a balance of P372.560 million as of December 31, 2017 with analysis of utilization, as follows:

LGU	Balance as of December 31, 2016	Amount Received CY 2017	Total Amount Available for CY 2017	Amount Utilized during CY 2017	Adjustments to the Fund	Balance As of December 31, 2017	% of Utilization
Mandaue City	P 20,842,981	P 5,500,000	P 26,342,981	P 0.00	P 157,019	P 26,500,00	0
Lapu-Lapu City	54,533,881	16,500,000	71,033,881	5,511,670		65,522,211	7.759
Cebu Province	17,847,371	6,000,000	23,847,371	1,236,286		22,611,085	5.184
Cebu City	14,619,512	48,000,000	262,619,512	4,693,000		257,926,512	1.787
Total	**P 307,843,745**	**P 76,000,000**	**P 383,843,745**	**P 11,440,956**	**P 157,019**	**P 372,559,808**	**2.981**

The fund balances were confirmed from the LGU COA Auditors, in their replies to the letter request sent by the audit team to determine the balances of the fund as of December 31, 2017. Thus, the result of confirmation revealed that only 2.981per cent of the total available amount of P383.844 million was utilized. The amount of P157,019 reflected as adjustment is a disallowed amount representing payment for the financial medical assistance.

With the absence of reports from LGUs on a regular basis, Management has failed to properly monitor the utilization and fund balances of the City Host Share. As a result, funds were put into waste or remained idle due to improper use and non-utilization of the fund.

Cebu City

25.14 The quarterly balance of the fund was not presented in the report. The Audit Team noted that large portion of the fund was used for the partial payment for a lot with an area of 22,177 sq. m located at Quiot, Pardo, Cebu City amounting to P38.809 million intended to alleviate the poor.

Cebu Province

25.15 The total amount received for each quarter and its balances were not reflected in the utilization reports. However, it was disclosed in the report that a total amount of P6.768 million was spent in CY 2017 for financial assistance for hospitalization, medical, transportation and burial/death, which needs to be properly monitored and verified if there are specific guidelines set by the LGU on the grant of the financial assistance.

Lapu-Lapu City

25.16 The Host City Share balance amounting to P65.522 million remained idle as of December 31, 2017.

Mandaue City

25.17 The Host City Share received in CY 2017 as well as the share accumulated from prior years' releases totaling P26.500 million as of December 31, 2017 has not been utilized, which could have been used for eligible programs, projects and activities under the PAGCOR guidelines. Moreover, total amount of share received for each quarter was not indicated in the report.

Davao City

25.18 There was no utilization noted in CY 2017 as the fund was earmarked for the construction four-storey City Library and Information Center with Roof Deck Building with a Program Design amounting to P40 million, thus, the report showed only an unexpended balance of P58 million as of December 31, 2017.

Laoag City

25.19 Although Host City Share was discontinued in CY 2017, the report reflected a balance of P1.431 million as of December 31, 2017 representing unutilized fund from previous years' releases. The required reports were submitted semi-annually instead of quarterly.

Ilocos Norte Province

25.20 There was no disbursement for the last three quarters of CY 2017 leaving an unutilized amount of P3.201 million as ofDecember 31, 2017.

Olongapo City

25.21 The total amount received and the balances for each quarter were not disclosed in the reports. Significant disbursements made in CY 2017 were subsidies extended to Bureau of Fire Protection/Philippine National Police BFP/PNP under the category, Peace and Order. Also, there were payments made for telephone bills and team building activity categorized under Poverty Alleviation Program which are included in the list of authorized expenses under the PAGCOR guidelines.

Pasay City

25.22 The fund accumulated to a ballooning amount of P123.995 million which remained idle as of December 31, 2017, thus, the funds were not used for the intended purpose for which it was given. The only disbursement made in CY 2017 was the purchase of PNB check books worth P1,750.

Tagaytay City

25.23 The balance of the fund for every quarter was shown in the report, however the accumulated unutilized fund including those in the prior years, if any, was not indicated, thus, the remaining balance available for use cannot be determined as of December 31, 2017.

25.24 It was also observed that PAGCOR Finance Group relied on the reports submitted by the cities/provinces as there were no other records to show that Management closely monitored the host city share of each city/province, thus there was no assurance whether the funds were utilized for its intended purpose and in accordance with the guidelines on the handling and disposition of funds.

25.25 ***We recommended that Management:***

a. Revisit the Guidelines in the Handling and Disposition of Host City Share as the projects indicated in the guidelines are broad, with the end view of establishing specific guidelines and controls especially on the grant of financial assistance for poverty alleviation, to avoid misuse and misappropriation of the funds;

b. Require the concerned city/province to submit a standardized format of Quarterly Report on Utilization of Host City Share which reflects the total share received for each quarter, total expenditures and the accumulated balance of the fund available and also attached the summary of expenditures which shows particulars on what project it was spent for proper monitoring;

c. Advice the recipient LGUs as host cities/provinces to utilize the funds for relevant programs and projects as stated in the guidelines so as to benefit the people and avoid accumulation of idle funds otherwise, require the LGUs to return the unutilized or idle funds; and

d. Require the LGUs to prepare and submit an Annual Plan and Budget for the purpose of determining the reasonable amount of Host City Shares to be released and approved by the Board of Directors.

26. Management did not require the submission of Report of Checks Issued and the Report of Disbursementand/or liquidation report pertaining to the fund transferred to the Department of Energy (DOE) amounting to P60 million, thus there was no proper accounting and reporting on the utilization and liquidation of the funds as required under COA Circular No. 94-013.

26.1 Paragraph 4.6 of COA Circular No. 94-013 dated December 13, 1994 provides that:

> "*Within ten (10) days after the end of each month/end of the agreed period for the Project, the implementing agency shall*

submit the Report of Checks Issued and the Report of Disbursement to report the utilization of the funds…."

26.2 Section 10 of RA No. 8479, otherwise known as the "Downstream Oil Industry Deregulation Act of 1998" provides that:

> *"to enable the Department of Energy (DOE) to effectively carry out the mandate, the same section of the said Act established a Gasoline Station Training and Loan Fund with the Three Hundred Million Pesos (P300,000,000) to be provided by the Philippine Amusement and Gaming Corporation (PAGCOR) and administered by the DOE under a separate account."*

26.3 The PAGCOR, being the source agency, have obligated an allotment for the project to be implemented based on the Memorandum of Agreement signed on February 21, 2002. As of December 2017, the balance of the allotment amounting to P240 million remained outstanding in the books and recorded under the account Due to NGAs-Gas Station Training and Loan Fund. From 2002 to 2007 PAGCOR allotted a total of P300 million, as presented as follows:

Year	Allocation	Remittance to DOE	Balance
2002	P 80,000,000	P30,000,000	P 50,000,000
2003	10,000,000	0	10,000,000
2005	70,000,000	30,000,000	40,000,000
2006	63,500,000	0	63,500,000
2007	76,500,000	0	76,500,000
Total	**P300,000,000**	**P60,000,000**	**P240,000,000**

26.4 The PAGCOR transferred a total amount of P60 million already, however, DOE have not submitted copies of the report covering the utilization of the fund transferred.

26.5 To date, the details and the validity of this fund cannot be fully ascertained due to lack/unavailability of supporting records/documents and it seems that the present accounting personnel has no knowledge thereof.

26.6 ***We recommended and Management agreed to send a demand letter to the Department of Energy (DOE) requiring them to submit the Report of Checks Issued and the Report of Disbursement and/or liquidation report as required under COA Circular No. 94-013 dated December 13, 1994.***

27. PAGCOR's Bids and Awards Committees (BACs) Nos. 1 to 4 exercised full reliance on the results of verification of the bid documents made by the BAC Secretariat during the Submission and Opening of Bids and which was beyond the functions and responsibilities of the latter as provided under Section 14.1 of RA No. 9184[15].

[15] An Act Providing for the Modernization, Standardization and Regulation of the Procurement Activities of the Government and for Other Purposes

27.1 This is a reiteration of prior year's observation. Relevant provisions of the 2016 Revised Implementing Rules and Regulations (RIRR) of RA No. 9184, are quoted as follows:

> "Section 30.1. **<u>The BAC</u>** shall open the first bid envelopes in public to determine each bidder's compliance with the documents required to be submitted for eligibility and for the technical requirements, as prescribed in this IRR. For this purpose **<u>the BAC</u>***<u>shall check the submitted documents of each bidder against a checklist of required documents to ascertain if they are all present, using a non-discretionary "pass/fail" criterion, as stated in the Instructions to Bidders</u>*. If a bidder submits the required document, it shall be rated "passed" for that particular requirement. In this regard, bids that fail to include any requirement or are incomplete or patently insufficient shall be considered as "failed". Otherwise, the BAC shall rate the said firs bid envelope as "passed"". (Emphasis ours)

27.2 It is clear from the above-quoted provisions of the 2016 Revised IRR of RA 9184 that the BAC is the sole authority to receive and open the bids.[16]The BAC and not the BAC Secretariat should determine the presence, completeness and sufficiency of each and every documents submitted by the bidders. The function of the BAC Secretariat is merely to assist the BAC and provide administrative support to the BAC and the Technical Working Group TWG.[17]Administrative support pertains to handling administrative tasks such as data entry, filing and correspondence and does not involve the determination of which documents should pass or fail.

27.3 As echoed in GPPB Non-policy Matter (NPM) 007-2006 dated 06 April 2006, GPPB opined that in using the non-discretionary "pass/fail" criteria under Section 23.2 (now Section 30.1) of the IRR-A, theBAC merely checks for the presence or absence of the required document. A bidder is declared to be eligible if such document is present, complete, and sufficient. Otherwise, the absence, incompleteness, or insufficiency of a requirement will result to a bidder's ineligibility to bid.

27.4 During the attendance to the various submission and opening of bids in CY 2017, the Audit Team noted that PAGCOR BACs delegated their supposed function to the BAC Secretariat.

27.5 However, considering the voluminous documents submitted by the bidders and the required time it will take for the BAC to check those documents one by one, and number of bidding projects handled each of the four (4) BACs, the Audit Team recognizes the need for assistance from the BAC Secretariat.

[16]Section 12 (d) of RA 9184
[17]Section 14.1 of RA 9184

27.6 We wish to emphasize and remind the BACs that by affixing their signatures on every page of the documents, they are certifying that:

a. They have checked the contents of the documents;
b. The required document is present, complete and sufficient; and
c. Any issues that may arise therefrom shall be their sole responsibility.

27.7 ***We recommended that Management:***

a. Ensure that the BAC members verified and signed all the necessary documents submitted during the Submission and Opening of Bids; and

b. See to it that all BAC members, BAC Secretariat and TWG members, including other relevant procurement personnel are properly trained and attended procurement training or capacity development program conducted, authorized or accredited by the GPPB through its Technical Support Office within six months upon designation.

C. PERFORMANCE AUDIT

28. Only 10.50 per cent of the total projects were commenced in accordance with the timelines set in the Annual Procurement Plan (APP) while the greater remainder of 89.50 per cent did not meet the timelines which may reflect lack of commitment of PAGCOR to ensure that project implementation timelines are met. As a result, there was a low turnout of completed projects in CY 2017 equivalent to only 60.45 per cent of the total projects (52.89 per cent of the total value of projects).

28.1 The APP is the document that consolidates the various Project Procurement Management Plan (PPMPs) submitted by the various Project Management Offices (PMOs) and end-user units within the Procuring Entity. It reflects the entirety of the procurement activities that will be undertaken by the Procuring Entity within the calendar year.

28.2 In preparing the APP, the BAC shall take into consideration the following factors:

a. The APP should include all procurement activities planned for the year. The approved APP shall be the basis for the Procuring Entity's procurement, and only those projects/procurement indicated therein shall be undertaken.

b. The APP shall include only those procurements that are considered crucial to the efficient discharge of governmental functions. The IRR-A considers a procurement crucial to the efficient discharge of government functions if:

i. It is required for the day-to-day operations of the Procuring Entity; or
ii. It is in pursuit of the principal mandate of the Procuring Entity concerned.

c. The APP shall include provisions for foreseeable emergencies based on historical records. The BAC, through the BAC Secretariat, shall include therein a lump sum to cover these emergencies or contingencies, which amount shall not be more than four per cent of the Procuring Entity's total appropriation for MOOE.

d. Scheduling of procurement activities should be done in such a manner that the BAC and the other offices/units in the Procuring Entity are involved in the procurement process are able to efficiently manage the conduct of procurement transactions. **Moreover, it is paramount that project implementation timelines are met.**"(Emphasis ours)[18]

28.3 However, review of the Procurement Monitoring Report showing the procurement activities of PAGCOR for CY 2017 disclosed that only 10.50 per cent of the transactions 1.43 per cent of the total value of the projects) were commenced in accordance with the timeline provided in the APP while the greater remainder of 89.50 per cent did not meet the timeline, as shown in the following table.

Type of Procurement	Met the Original Timeline in the APP	Did not Meet the Original Timeline in the APP	Total	% of Projects that did not meet the original timeline in the APP
Competitive Bidding	**0**	**173**	**173**	**100.00%**
Goods/ Services	0	170	170	100.00%
Consulting Services	0	3	3	100.00%
Alternative Procurement	**75**	**465**	**540**	**86.11%**
Negotiated Procurement	***72***	***419***	***491***	***85.34%***
Agency to Agency	40	14	54	25.93%
Two-failed Biddings	1	34	35	97.14%
Emergency cases	8	5	13	38.46%
Highly Technical	2	10	12	83.33%
Lease of Real Property	0	37	37	100.00%
SSAWEM	4	128	132	90.91%
Small Value	17	191	208	95.19%
Direct Contracting	***2***	***38***	***40***	***97.50%***
Shopping	***1***	***8***	***9***	***88.89%***
Total	**75**	**638**	**713**	
% to Total	**10.52%**	**89.48%**	**100.00%**	

28.4 Amongst the types of procurement, Competitive Bidding is least efficient as no single project has met the timeline. In the Negotiated Procurement under Alternative Procurement, Agency to Agency Mode appears to be efficiently managed with 74.07 per cent of its projects have met the timeline, followed by procurement under Emergency Cases with 61.54 per cent. It was also however noted that 100 per cent or all procurement under Lease of Real Property did not meet the timeline.

[18]Government Procurement Manual, Volume 1, Sec 3 Procurement Planning- Preparation of the Annual Procurement Plan (APP)

28.5 Out of the projects that did not meet the timeline in the APP, 52.74 per cent were started only in the second semester, thus leaving the agency a shorter period to complete the procurement activities within the year. It was further noted that 44.13 per cent of the transactions which were belatedly implemented were either failed or cancelled or not completed during the year.

28.6 Consequently, there was a low turnout of completed projects for CY 2017, details are provided as follows:

Type of Procurement	Completed	Failed	Cancelled	On-going	Total	Percentage to Total
Competitive Bidding	70	73	0	30	173	24.26%
Goods/ Services	68	72	0	30	170	23.84%
Consulting Services	2	1	0	0	3	0.42%
Alternative Procurement	361	134	13	32	540	75.74%
Negotiated Procurement	*329*	*127*	*7*	*28*	*491*	*68.86%*
Agency to Agency	49	3	0	2	54	7.57%
Two-failed Biddings	12	15	0	8	35	4.91%
Emergency cases	13	0	0	0	13	1.82%
Highly Technical	9	0	1	2	12	1.68%
Lease of Real Property	1	25	2	9	37	5.19%
SSAWEM	109	19	4	0	132	18.51%
Small Value	136	65	0	7	208	29.17%
Direct Contracting	*25*	*7*	*4*	*4*	*40*	*5.61%*
Shopping	*7*	*0*	*2*	*0*	*9*	*1.26%*
Total	431	207	13	62	713	
% to Total	60.45%	29.03%	1.82%	8.70%	100%	100.00%

28.7 Based on the foregoing table, it revealed that only 60.45 per cent of the projects were completed (52.89 per cent of the total value of projects for CY 2017); 29.03 per cent were failed, 1.82 per cent were cancelled and 8.70 per cent were still on-going. The completed transactions of procurement done thru Competitive Bidding were only 40.46 per cent (9.82 per cent of the total) which is comparatively lower than Alternative Modes 66.85 per cent (50.63 per cent of the total). Under Negotiated Procurement, Agency to Agency (procurement through government agencies e.g. DBM) has the highest turnout of completed projects with 100 per cent, while Lease of Real Property has the lowest turnout of only 2.70 per cent.

28.8 It was also noted that 24.26 per cent of total projects refer to procurements done through Competitive Bidding while 75.74 per cent belongs to Alternative Modes, further broken down to Negotiated Procurement with 68.86 per cent, Direct Contracting with 5.61 per cent and Shopping with 1.26 per cent. Under Negotiated Procurement, it covers Agency to Agency (7.57 per cent), Two-Failed Biddings (4.91 per cent), Emergency Cases (1.82 per cent), Highly Technical (1.68 per cent), Lease of Real Property (5.19 per cent), Scientific, Scholarly or Artistic Work, Exclusive Technology and Media Services (SSAWEM) (18.51 per cent) and Small Value (29.17 per cent) making the latter as the most frequently used mode.

28.9 Further, the maximum period of 136 calendar days as provided in the Annex "C" of the 2016 Revised IRR of RA No. 9184 for goods and services was not observed by the agency as 10.29 per cent of the completed projects under Competitive Bidding took an average of 155 calendar days while Consulting Services called for an average of 185 calendar days with one project took 192 calendar days to finish which is longer than maximum period allowed of 180 calendar days. For Alternative Modes, 13.52 per cent were completed for more than 90 calendar days varying from 91 calendar days to 213 calendar days.

28.10 Annex "C" of the 2016 Revised IRR of RA No. 9184 provides for the period of action of procurement activities. For Goods and Services, the minimum procurement period is 26 calendar days and the maximum is 136 calendar days. While for Consulting Services, the minimum is 36 calendar days and the maximum is 180 calendar days.

28.11 The following table below shows the total number of projects that exceeded the maximum allowable period of action on procurement activities and its corresponding percentage to the total completed projects:

Type of Project under Competitive Bidding	**Projects that Exceeded the Maximum Allowable Time per Annex C of RA 9184**	**Total Projects Completed**	**% of Projects that Exceeded the Timeline to Total Completed Projects**
Goods/ Services	7	68	10.29%
Consulting Services	1	2	50.00%

28.12 The above table shows that 10.29 per cent of the completed projects under Competitive Bidding took an average of 155 calendar days to conclude ranging from 143 to 183 calendar days which is longer than the maximum period of 136 calendar days. For Consulting Services, we noted that it took an average of 185 calendar days slightly longer than maximum period of 180 calendar days. However, one project particularly the procurement of consulting services for the Development and Management of Intermediation Platform/ Audit Program for the Philippine Offshore Gaming Operations (POGO) with an ABC of P6 billion, took 192 calendar days to complete from advertisement to signing of the contract.

28.13 While there is no minimum and maximum period set for Alternative Modes, the same should be shorter than the timeline for competitive bidding in view of the relatively lesser procedures to be undertaken. However, we have noted that 13.52 per cent were completed for more than 90 days varying from 91 calendar days to 213 calendar days, details are as follows:

Alternative Procurement	More than 90 days less than 120 days	More than 120 days	Total Projects Completed	% of Projects that exceed timeline to Total Completed Projects
Negotiated Procurement				
Agency to Agency	1	0	49	
Two-failed Biddings	3	4	12	

Alternative Procurement	More than 90 days less than 120 days	More than 120 days	Total Projects Completed	% of Projects that exceed timeline to Total Completed Projects
Emergency cases	0	0	13	
Highly Technical	0	0	9	
Lease of Real Property	0	0	1	
SSAWEM	16	2	109	
Small Value	6	1	136	
Direct Contracting	5	0	25	
Shopping	0	0	7	
Total	31	7	431	
% to Total	11.03%	2.49%		13.52%

28.14 Although the analysis may be incomplete considering that the report provided to the Audit Team was inadequate as some information such as the word "N/A" were used instead of the actual dates, the Audit Team believes that available information is sufficient basis to draw overall conclusion therefrom.

28.15 Furthermore, the bulk of the procurement transactions for CY 2017 were lodged in Bids and Awards Committee (BAC) Nos. 1, 2 and 4 with a combined total percentage of 91.02 per cent while the remaining 8.98 per cent were undertaken by BAC No.3, which resulted in unequal distribution of the projects to the four separate constituted BACs.

28.16 Relevant provisions of the Revised Implementing Rules and Regulations (IRR) of RA No. 9184 are quoted as follows:

> *"Section 11.1.2. xxx, to expedite the procurement process for practical intents and purposes, the HoPE [Head of Procuring Entity] may create separate BACs where the number and complexity of the items to be procured so warrant. The BACs may be organized either according to: (a) geographical location of the PMO or end-user units of the Procuring Entity; or (b) nature of procurement. Similar committees for decentralized and lower level offices may also be formed when deemed necessary by the HoPE."*
>
> "*Section 14.3. To expedite the procurement process, the HoPE shall ensure that the members of the BAC, its Secretariat and TWG, shall give utmost priority to BAC assignments over all other duties and responsibilities, until the requirements for the said assignments at hand are completed."*

28.17 As reiterated in the Government Procurement Manual (GPM), Volume 1, Section 2- Procurement Organizations, on the creation of separate BACs; it provides that separate BACs may be created under any of the following conditions:

a. The items to be procured are complex or specialized; or

b. If, even after undergoing “jury duty’, ***the single BAC cannot manage the procurement transactions as shown by delays beyond the allowable limits.”*** (Emphasis Supplied)

The separate BACs may be organized according to:

a. geographical location of the PMO or end-user units if the Procuring entity; or
b. nature of procurement.

28.18 The Audit Team noted that PAGCOR found it necessary to have more than 1 BAC to address the need to expedite the voluminous procurement activities. At present, there are four separate constituted BACs wherein each BAC is composed of a Chairperson, Vice Chairperson, and four members with heads of various departments and Satellite Operations Groups (SOGs) as provisional members or end-users.

28.19 Verification also disclosed that almost all of the transactions for CY 2017 were allocated to BAC Nos. 1, 2 and 4 with a combined total percentage of 91.02 per cent while the scant 8.98 per cent is assigned to BAC No. 3, details are shown below:

BAC	Completed	Failed	Cancelled	On-going	Total	% to Total
BAC 1	164	67	3	20	254	35.62%
BAC 2	78	51	0	24	153	21.46%
BAC 3	33	27	2	2	64	8.98%
BAC 4	156	62	9	16	242	33.94%
Total	**431**	**207**	**13**	**62**	**713**	**100.00%**

28.20 Based on above table, out of total completed projects, BAC Nos. 1 and 4 contributed to almost 74.25 per cent while only 25.75 per cent were attributed to BAC Nos. 2 and 3.

28.21 It was also noted that 84.31 per cent of the total value of the Approved Budget for the Contract (ABC) of completed transactions was attributed solely to BAC No. 1 due to its completion of the project on the procurement of Consulting Services for the POGO with a total ABC of P6 billion. The remaining 15.69 per cent was attributed to BAC No. 2 with 4.56 per cent, BAC No. 3 with 3.50 per cent and BAC No. 4 with 7.63 per cent.

28.22 It can be gleaned that there was inequitable division of the projects to the different BACs leading to lost opportunities to maximize the capacity of other BACs especially the BAC No. 3. This is because bidding for some projects has to be rescheduled since the BAC who is handling the same can only accommodate an average of three to four biddings in a day. The current scenario can be considered a factor for the ensuing low turnout of completed projects for the year.

28.23 The Audit Team further noted that analysis of the aging of completed projects of BAC Nos. 1 to 4 revealed that 87.50 per cent of transactions for BAC No.3

were completed in less than 90 days. This is due to less number of projects assigned to it ranging from 7 calendar days to 87 calendar days. There were also no projects that lasted for more than 120 calendar days. Details of the aging are as follows:

BAC	Period		
	Less than 90 days	More than 90 days but less than 120 days	More than 120 days
BAC 1	61.11%	23.15%	15.74%
BAC 2	47.76%	25.37%	26.87%
BAC 3	87.50%	12.50%	0.00%
BAC 4	77.07%	14.65%	8.28%

28.24 Amongst BAC Nos. 1, 2 and 4, the latter appears to be the most efficient having the lowest percentage of transactions completed for more than 120 days (ranging from 134 to 149 days).

28.25 In general, it is worth mentioning that the unequal distribution of the projects defeats the purpose of creation of four separate BACs to expedite the procurement activities with the end view of attaining higher number of completed projects for the year within the timeframe set in the APP.

28.26 ***We recommended that Management:***

a. Ensure that project implementation are met within the timelines set in the APP;

b. Strictly comply with the timeline and/or period of action on procurement activities as provided in Annex "C" of the 2016 Revised IRR of RA No. 9184; and

c. Consider revisiting management policies and procedures regarding the distribution of the projects to be assigned to the designated BACs and ensure equal distributionof workload to the four separate constituted BACs for more effective and efficient implementation of the identified Programs/Activities/Projects (PAPs) of PAGCOR.

29. PAGCOR could have earned additional gaming revenue of P470.940 million had it implemented its Rules and Regulations on the issuance of billing statements to the licensed Philippine Offshore Gaming Operations (POGO) operators.

29.1 Compliance Monitoring and Enforcement Department (CMED) did not closely monitor the issuance of billing statements to all licensed POGO operators to support the collection of all applicable gaming taxes in accordance with the provisions set forth in the Offshore Gaming Licensing Department (OGLD) Rules and Regulations, thus resulting in the incurrence of unbilled gaming taxes amounting to P470.940 million as of December 31, 2017.

29.2 Review of the Gaming Taxes Income from POGO disclosed some inconsistent and arbitrary non-billings by the CMED to 31 out of the 52 POGO operators granted a license to operate by PAGCOR as of December 31, 2017.

29.3 Moreover, a POGO operator, aside from Sports betting also offered E-Casino games, however, there was no billing made for live table games from January to May 2017, when in fact the license validity started on November 24, 2016.

29.4 It was also noted that the issuance of license was not consistent as some licenses issued to offshore gaming operators does not indicate the games being offered.

29.5 In addition, the Audit Team also noted that there were still copies of approved licenses that were earlier requested but not yet submitted to date, thus hindering the prompt verification and evaluation of the same.

29.6 ***We recommended that Management:***

a. Direct the CMED to closely monitor the issuance of billing statements to all licensed POGO operators to support the collection of all applicable gaming taxes in accordance with the provisions set forth in the OGLD Rules and Regulations, pending the implementation of the Intermediary Audit Platform Program for the POGO operations;

b. Instruct the CMED to monitor strictly the actual games being offered by the operators as against the approved licenses granted by PAGCOR;

c. Require the OGLD to submit all remaining copies of the approved licenses to facilitate verification and evaluation; and

d. Submit justification for the non-issuance of billing statements to the concerned POGO operators supported with documentary evidence to avoid possible issuance of Notice of Charge (NC) against the concerned officials and employees.

29.7 Management stated that the grant of a license does not automatically vest the right on the licensee to operate. At most, operators can only commence operations upon issuance of the “Notice to Commence Operations” which is considered the reckoning date for the imposition of the monthly gaming tax.

29.8 Moreover, the POGO Operator’s actual operation is purely Sports betting only as evidenced by Management’s submission of copies of notices to commence offshore gaming operations, billing statements and other pertinent documents.

29.9 Management also ensures unfaltering commitment to safeguard the integrity of operation of Online Gaming in the region while promoting fair business opportunity to all stakeholders.

CF- ILOILO

30. PAGCOR could have earned P35.488 million per month had it renewed the Contract of Lease with a Lessor.

30.1 The 5-year Contract between PAGCOR and a Lessor on the lease of building for use of Casino Filipino (CF) – Iloilo expired on January 16, 2017. PAGCOR Management, however, was able to secure extension of contract until November 16, 2017 on a month to month basis. Biddings were conducted on May 30, 2017 and October 2, 2017 but were all declared a failure since no bid proposals were received.

30.2 Negotiation between PAGCOR and the lessor continued but eventually failed and ultimately, PAGCOR was given Notice to vacate the premises on December 15, 2017.

30.3 For the first nine months of CY 2017, CF-Iloilo has a total gross revenue from gaming of P319.388 million. The closure, thus, will cost PAGCOR an estimated loss of average monthly gross gaming revenue of P35.488 million notwithstanding the cost of manpower that are still being paid by the Management despite the conclusion of the operation as well as the cost of gaming equipment which were not utilized for a period of time.

30.4 ***We recommended that Management seek other options, as follows:***

a. Better marketing strategies for CF-Bacolod to draw playing patrons from Iloilo City and its neighboring provinces to increase winnings and mitigate income loss;

b. Recommend for approval to Board of Directors the revival of amenities of CF-Bacolod to entice playing patrons, like hotel accommodations for VIP/Class A players, plated meals, reimbursements of boat tickets from Iloilo City to Bacolod City, and free transportation from Bacolod Port to Casino premises and vice versa for all other players, among others; and

c. Open the possibility of re-opening CF-Iloilo considering its material revenue contribution to PAGCOR.

30.5 Per letter dated January 24, 2018, management relayed to the audit team the following measures that the branch has taken:

a. CF-Bacolod with its new management already recommended for more intense marketing strategy that are on lined with Corporate Marketing Department. CF-Bacolod also re-configures the Gaming (Slot Machine and Table Games) area to improve profitability.

b. Management already recommended to Board of Directors (BOD) of PAGCOR the following:

i. Tie-up with the ferries
ii. Exchange clients' ferry tickets to marketing collaterals
iii. Provision of shuttle service to clients at the port of Bacolod going to L'Fisher Hotel

A recommendation to the BOD for the re-opening and procurement through Lease of Space for a Casino Facility in Iloilo City for a period of ten years was approved last December 13, 2017.

30.6 **Auditor's rejoinder**: We enjoin management to expedite the re-opening of a casino facility in Iloilo City as to increase branch revenues in order to fund nation-building programs.

CF- MALATE

31. Revenue amounting to P24.397 million could have been earned had PAGCOR retain the provision of the previous contract with a junket operator on the payment of fees for junket operation.

31.1 On June 8, 2016, the Board of Directors of PAGCOR approved the renewal of the junket operations of a junket operator at CF-Malate under the new Foreign High Roller Marketing Agreement dated June 23, 2016 for a period of threeyears.

31.2 Verification of previous agreement disclosed that under Section 4.1 of the 2010 Junket Agreement, the junket operator shall pay PAGCOR the higher of the amount between the monthly minimum guaranteed fee of US$50,000.00 or 15 per cent of Gross Gaming Revenues derived from the Foreign Area(s).

31.3 Further verification revealed that for CY 2017, PAGCOR's income from junket operations amounted to P57.120 million. However, had the provision of the 2010 Junket Agreement been retained, the income from junket operations for CY2017 could have been P81.517 million or a revenue loss of P24.398 milliondetails are summarized as shown in Annex C**.**

31.4 Thus, the renewal of agreement for junket operations with the junket operatorwas disadvantageous to the government, which resulted to a revenue loss of P24.397 million.

31.5 ***We recommended that Management:***

a. Revisit pertinent provisions of the contract/agreement to ascertain that future contracts will not be disadvantageous to the Government, resulting to revenue loss; and

b. Submit written explanation on the reduction made on payment of fees for junket operation from the previous agreement

31.6 Management commented that during the preparation of renewal of said contract, the junket operator'smanagement expressed that the 10 guaranteed tables are not all being utilized. Hence, said number of guaranteed table has been reduced based on existing junket operational manual.

31.7 The difference from the previously approved arrangement is the PRO-RATA charges, which mean that the branch will charge the junket operatorbased on the actual number of tables used during the special event and also based on US$10,000 multiplied by the number of days operated, and divided by the number of days during the month. Hence, this will be added revenue for the branch. We have also provision for E-junket operation for E-junket operation which is also additional income to PAGCOR.

31.8 Management commented that the rate being used was based on the Exchange Rate Table Bulletin from Treasury Department, BSP which is provided by the Finance Group and emailed to the Accounting Section for transaction involving dollar conversion to pesos.

SCHOOL BUILDINGS

32. Out of the 10,000 total estimated classrooms that should have been constructed and completed as of December 31, 2017 to help address the deficiency of classrooms across the country under the P12 billion "Matuwid Na Daan Sa SilidAralan" Project, only 6,919 or 69.19 per cent classrooms were actually constructed leaving a deficiency of 3,081 or 30.81 per cent which shows inefficiency in the implementation of the project. Moreover, out of the actually constructed 6,919 classrooms, only 5,971 or 86.30 per cent were actually completed which was already beyond the target date.

32.1 The School Building Project, launched in 2011 and dubbed as "Matuwid Na Daan Sa Silid Aralan" Project is one of the many Corporate Social Responsibility (CSR) projects of PAGCOR. The project aims to help address the acute deficiency in classrooms/school buildings and provide additional classrooms needed for the Senior High School program of the Department of Education(DepEd) and to help improve the quality of education in the country. Through this project, PAGCOR, for and on behalf of DepEd, has offered to fund the construction of 10,000 classrooms, more or less, and/or school buildings in the Philippines from year 2011 to 2017, with an estimated budget of P12 billion, referred hereinto as "Project Fund".

32.2 PAGCOR, as the source agency, together with the DepEd, Department of Public Works and Highways(DPWH) and Gawad Kalinga (GK), as project implementing agencies, had agreed to cooperate in the construction of classrooms and/or school buildings nationwide to alleviate the country's classroom and school building shortage and to improve the quality of education in the country. In next page is the summary of allocations and releases of the Project Fund to the implementing agencies:

Implementing Agency	Project Fund	Period Released	Estimated Number of Classrooms per MOA	Date of Memorandum of Agreement	Expected Completion of the Project
DepEd	935,000,000	2011	900		December 31, 2012
Gawad Kalinga	32,500,000	2011	50		November 9, 2012
Gawad Kalinga*	32,500,000		50		November 9, 2012
DPWH	2,000,000,000	2013	2,000	April 5, 2013	December 31, 2014
DepEd/Yolanda	2,000,000,000	2014	2,000	December 20, 2013	June 30, 2015
DPWH	2,000,000,000	2014	1,500	October 27, 2014	December 31, 2015
DPWH	3,000,000,000	2015	2,000	April 16, 2015	December 31, 2016
DPWH	2,000,000,000	2016	1,500	December 29, 2015	December 31,2017
TOTAL	**12,000,000,000**		**10,000**		

*The unreleased balance of P32.500 million will be realigned to healthcare projects as directed by the management.

32.3 As stated under the MOA between PAGCOR & the implementing agencies, the term shall commence from the date of execution until the turnover and completion of the classrooms and/or school buildings subject to the MOA, or the date specified as expected completion of the project, whichever comes earlier. Extension may exist upon the mutual agreement of the parties, which shall be made in writing.

32.4 Verification of the Status of Implementation of Projects/Programs and/or Activities as of February 28, 2018, the latest report submitted by the Community Relations & Services Department (CRSD), revealed that only 6,691 or 69.19 per cent classrooms with total costs incurred to date of P8.341 billion, were actually constructed which is deficient by 3,081 or 30.81 per cent of the total expected 10,000 classrooms. This is a clear indication of inefficiency on the implementation of the project as the implementing agencies had not maximized the fund to exceed or at least reach the expected number of classrooms that could have contributed more in addressing the shortage of classrooms in the country. Details of the status of implementation are provided as follows:

Implementing Agency	Project Fund	Cost Incurred to date	Estimated Number of Classrooms per MOA	Actual Number of Classrooms Constructed per Monitoring Report	%	Deficiency	%
			A	B	C=B/A	D	E=D/A
DepEd	935,000,000.00	873,841,281.85	**900**	**917**	**101.89%**	**(17)**	**-1.89**
Gawad Kalinga	32,500,000.00	32,500,000.00	**50**	**50**	**100.00%**	**-**	**0.00**
Gawad Kalinga	32,500,000.00	0	50	-	0.00%	50	100.00
DPWH	2,000,000,000.00	1,986,079,913.99	2,000	1,070	53.50%	930	46.50

Implementing Agency	Project Fund	Cost Incurred to date	Estimated Number of Classrooms per MOA	Actual Number of Classrooms Constructed per Monitoring Report	%	Deficiency	%
DepEd/Yolanda	2,000,000,000.00	1,588,600,327.88	2,000	1,345	67.25%	655	32.75
DPWH	2,000,000,000.00	1,547,212,543.64	1,500	995	66.33%	505	33.67
DPWH	3,000,000,000.00	1,951,961,970.64	2,000	1,541	77.05%	459	22.95
DPWH	2,000,000,000.00	360,655,930.60	1,500	1,001	66.73%	499	33.27
Total	**12,000,000,000.00**	**8,340,851,968.60**	**10,000**	**6,919**	**69.19%**	**3,081**	**30.81**

Note: Figures and data above were originally extracted from the Monitoring Matrix and Status of Implementation of Projects/Programs and/or Activities submitted by the Management to this Office quarterly.

32.5 The Audit Team further noted that out of the total 6,919 actually constructed, only 5,971 or 69.51 per cent classrooms were completed and the remainder of 948 classrooms or 13.70 per cent are still ongoing notwithstanding the target dates set for every tranche. Details are presented below:

Implementing Agency	Actual Number of Classrooms Constructed per Monitoring Report	Completed	Ongoing	% of Completed to Actually Constructed	% Ongoing to Actually Constructed
DepEd	917	888	29	96.84	3.16
Gawad Kalinga	50	50	0	100.00	0.00
Gawad Kalinga	0	0	0	0	0
DPWH	1,070	1,065	5	99.53	0.47
DepEd/Yolanda	1,345	1,081	264	80.37	19.63
DPWH	995	931	64	93.57	6.43
DPWH	1,541	1,347	194	87.41	12.59
DPWH	1,001	609	392	60.84	39.16
Total	**6,919**	**5,971**	**948**	**86.30**	**13.70**

Note: Figures and data above were originally extracted from the Monitoring Matrix and Status of Implementation of Projects/Programs and/or Activities submitted by the Management to this Office quarterly.

32.6 With respect to the ongoing construction of 948 classrooms which was beyond the target completion date, the Audit Team noted that no written mutual agreement between PAGCOR and the implementing agencies were provided to our Office for the extension on the completion, as required in the MOA, quoted as follows:

"The completion of the project may be extended only upon the mutual agreement of the parties, which shall be made in writing."

32.7 Further verification of the Status of Implementation Report also revealed that the total actual fund allocation to the project was P11.752 billion which was

P247.770 million lower than the P12 billion total released budgets.Details of the allocation are shown below:

Implementing Agency	Project Fund	Actual Fund Allocated	Unallocated Fund
DepEd	P935,000,000	P926,390,857	P8,609,143
Gawad Kalinga	32,500,000	32,500,000	0
Gawad Kalinga	32,500,000	0	32,500,000
DPWH	2,000,000,000	1,990,653,726	9,346,274
DepEd/Yolanda	2,000,000,000	1,973,623,721	26,376,279
DPWH	2,000,000,000	1,996,614,193	3,385,807
DPWH	3,000,000,000	2,910,582,700	89,417,300
DPWH	2,000,000,000	1,921,865,102	78,134,898
Total	**P12,000,000,000**	**P11,752,230,299**	**P247,769,701**

32.8 As stated in the report and as per inquiry from CRSD personnel, the second tranche released to Gawad Kalinga in the amount of P32.500 million did not push thru and the unused fund later on was re-aligned for healthcare projects by the Management. The status of the remaining unallocated fund of P215.270 million could not be ascertained because no disclosures were provided in the report to account for its disposition.

32.9 Furthermore, verification disclosed that releases of the Project fund in tranches to implementing agencies were recorded as outright expenses (Donation Account) rather than initially recording those in "Due from National Government Agencies" account, pending liquidation.

32.10 The Community Relations and Services Department (CRSD) is in charge of the monitoring of the utilization of fund as well as the implementation of the project in coordination with AD. However, since the releases were taken up in the books as expense, the monitoring was left to CRSD alone.

32.11 As a result, monitoring on the liquidation and status of the implementation was not fully undertaken as evidenced by the delay in the submission and inaccuracies in the Monitoring Report submitted by the CRSD. Also, the Due from National Government Agencies account is understated and corresponding Retained Earnings account is also understated for those funds pending liquidation.

32.12 Ocular and technical inspectionswere conducted in various locations nationwide to verify the physical existence and conditions of some of the completed PAGCOR funded School Buildings. The details are presented in Annex D.

32.13 The results of inspections presented in Annex D were just few among the number of remarks/observations noted by the different inspection teams which require immediate action, especially to those found to have major defects that may endanger lives of the occupants/students.

32.14 The Audit Team noted similar observations of the inspection teams on the majority of the classrooms actually inspected which include broken and defective door knobs; leaking and damaged pipes, ceiling, canopy's polycarbonate especially during rainy season; broken and stagnant jalousies; cracks, chippings and stripping in walls, ceiling and flooring; scrapped wall paints; some rooms have faulty electrical wirings; cracks on column posts connecting tubular steels; layers of polycarbonate roofing were already destroyed; no concrete gutter at the back portion of the school building; missing horizontal slats on jalousie windows; some comfort rooms do not have concrete water system; presence of swarm of termites in the classrooms which may cause structural damage; some do not have downspout; most of the school buildings we visited do not have the PAGCOR logo/emblem; and alterations and deviations from original building plan by PAGCOR, among others.

32.15 It was further noted that some of the classrooms were used for other purposes like Principal's Office, Administration's Office, Conference Room, etc. There are some completed classrooms were not yet occupied because of some issues noted in Annex D.

32.16 ***We recommended that Management:***

- ***a. Submit justification on why the Project Fund was not maximized by the implementing partners in the full extent to at least reach the estimated 10,000 classrooms;***

- ***b. Submit documents that will support the disposition of the unallocated fund amounting to P247.770 million, otherwise coordinate with the concerned implementing agencies to cause the return of the said amount if not spent or earmarked for the construction of classrooms;***

- ***c. Request the consolidated monitoring reports of each implementing agencies to aid the CRSD to come up with an accurate and updated Status of Implementation Reports of the project;***

- ***d. Submit a summary of school buildings including its locations that were already turned over and accepted duly signed and verified by DepEd;***

- ***e. Submit the written mutual agreement between PAGCOR and the implementing agencies, if any, on the extension for the completion of ongoing construction of uncompleted classrooms, supported with justification on the delay of the completion;***

- ***f. Coordinate with the implementing agencies to inspect the project and to address the noted deficiencies of the Audit Team especially those found to be unsuitable for occupancy; and***

- ***g. Require the AD to use the "Due from National Government Agencies" account in the accounting system to record the funds pending***

liquidation with corresponding adjustment to "Retained Earnings" account.

33. The procurement of 5,000 desktop computers amounting to P172.536 million intended for donation was inadequately planned as manifested by the insufficiency of warehousing facilities, the non-determination of intended beneficiaries and the non-inclusion of required Microsoft configuration.

33.1 Records showed that the 5,000 units PC Desktop Computers were procured from PS-DBM through Negotiated Procurement under Agency-to-Agency pursuant to Section 53.5 of Revised IRR of RA 9184 which provides that:

> ***"Negotiated Procurement*** *is a method of procurement of goods, infrastructure projects and consulting services, whereby the procuring entity directly negotiates a contract with a technically, legally and financially capable supplier, contractor or consultant in any of the following cases:*
>
> *xxx xxx xxx*
>
> *Agency-to-Agency. Procurement of Goods, Infrastructure Projects and Consulting Services from another agency of the GoP, such as the DBM-PS, which is tasked with a centralized procurement of Common-Use Supplies for the GoP in accordance with Letters of Instruction No. 755 and E.O. 359, s. 189.*
>
> *xxx xxx xxx*"

33.2 The Audit Team requested for documents relative to the procurement of the 5,000 units Desktop computers. In the review and evaluation of the provided documents, the Audit Team noted that PAGCOR procured the Desktop Computers from PS-DBM based on various letter requests received by PAGCOR from different beneficiaries. The CRSD was tasked to spearhead the donation of television (TV) and computer sets to various public schools and other agencies/institutions. This is part of the Corporate Social Responsibility (CSR) of PAGCOR to supply the fundamental needs of the unprivileged pupils/students across the country.

33.3 In the original Annual Procurement Plan (APP) for CY 2017, the procurement of the supply and delivery of TV and computer sets was to be made under Public Bidding with an estimated budget of P264 million. However, during the pre-procurement conference of Bids and Awards Committee (BAC) 2 on June 20, 2017, it was decided that TV sets shall be procured through Public Bidding while Desktop computer sets shall be procured thru Negotiated Procurement under Agency-to-Agency method. The APP was revised incorporating therein the decision of the BAC No. 2 and separating also the ABC of the two projects where procurement of computer sets was set at P240 million.

33.4 However, the Audit team noted that the procurement was inadequately planned as manifested by the following improvement opportunities:

a. *Insufficiency of warehousing facilities*

33.5 Out of 5,000 units of Desktop computers, only 332 were delivered and received by the CRSD while the remaining units of 4,678 units are still currently housed at the supplier'swarehouse in Pasig City pending delivery. The Audit Team is concerned with the condition of the items as its safety and warranty are specifically affected if they will remain in the supplier's storage.

33.6 Inquiry with CRSD personnel revealed that there was no formal agreement yet with supplier addressing the safekeeping and warranty conditions of the computers while they are still stockpiled in the supplier's warehouse. It was also noted that there was no definite time when such units shall be released from supplier's premises. With the current scenario, this may result to possible loss to PAGCOR due to prolonged and unwarranted storage. Moreover, additional costs will be incurred by PAGCOR on the warehousing of the remaining 4,678 units as the supplier already signified its intention to impose warehousing and demurrage charges as communicated to PAGCOR through the Procurement Department in its letter dated October 23, 2017.

b. *Non-determination of intended beneficiaries*

33.7 Verification also disclosed that intended beneficiaries were not identified at once and were not considered in the procurement of the PC Desktop computers even after the delivery, thus contributed much in the delay of the immediate implementation of the project.

33.8 Per CRSD Memorandum dated November 21, 2017, only 2,513 units out of the 5,000 units were identified with beneficiaries awaiting approval by the PAGCOR Chairman for distribution, while the remaining 2,487 units have no specific list of beneficiaries. The allocation and breakdown are as follows:

Total no. of procured PC Desktop Computers		5,000
Less: Allocation		
Initial (August 30, 2017)		
82 Public Schools and Other Institutions	799	
Additional (November 21, 2017)		
7 Public Schools	31	
Requests from Congressmen and Other Government Officials	183	
Allocation for the COO	1,500	2,513
Total no. of estimated unallocated PC Desktop Computers		**2,487**

33.9 As can be observed from the above presentation, there are still 2,487 units with no identified beneficiaries.

33.10 It was further noted that there were no written guidelines or policies as to the determination and selection of beneficiaries. The Audit Team would like to emphasize that effective donation activity dictates that a pre-determined list of beneficiaries should have been prepared at the very onset so that nothing is left to end-user after delivery to distribute the items to identified beneficiaries.

c. *Non-inclusion of the required Microsoft configuration*

33.11 In the course of the inspection, it was also noted that procured Desktop computers do not have pre-installed licensed Microsoft Office (MS Office) program, the absence of which will render the project futile as the items could not be used for the purpose they are intended. This gap was only contemplated after the delivery of the items.

33.12 The lack of Microsoft configuration would mean separate procurement of MS Office Licenses for the Desktop computers which in effect, entail additional cost of about P28.696 million if purchased from the PS-DBM. The amount was arrived based on the pricing from PS-DBM for the Office Licenses wherein the unit price per quantity is P2,602.33 for Education Sector and P15,149.43 for Government Sector, details of which are as follows:

Particulars (Beneficiaries)	Quantity	Amount	% of distribution
Public Schools	3,750	P9,758,737.50	75%
Other Government Offices	1,250	18,936,787.50	25%
Total estimated additional costs	**5,000**	**P28,695,525.00**	**100%**

33.13 These additional costs for MS Office Licenses would defy the very reason the procurement was made from PS-DBM being more economical, efficient and beneficial to PAGCOR than it would undergo competitive bidding.

33.14 Consequently, the deficiencies noted hindered the prompt implementation of the project that could have been avoided if these issues were earlier addressed and improvement opportunities were timely considered by the Management. Moreover, adequate planning in the procurement and distribution of the 5,000 Desktop computers should have been observed and undertaken.

33.15 Out of the total 5,000 desktop computers, the delivery of the 322 units did not undergo the required Agency Inspection for functional testing. Inspection as defined in the Handbook on Property and Supply Management System (PSMS) is the examination (including testing) of supplies and services (including raw materials, and component) to determine whether the supplies and services conform to contract requirements, which include all applicable drawings, specifications and purchase description.

33.16 In the same Handbook, it provides that the inspection shall be undertaken by the authorized inspector of the agency and that all items to be inspected shall invariably be accepted first by the property officer.

33.17 Based on the inspection and evaluation conducted by our Technical Audit Specialists (TAS) from Commission on Audit (COA)– Information Technology Audit Office (ITAO), there were 322 units of desktop computers which were found in different locations as shown in the next page:

	System	Monitors	Location	Remarks

	Units			
Desktop PCs	257	257	PAGCOR Warehouse Imus, Cavite	Verified and tested
	19	19	PAGCOR Corporate Office-Office of the Auditor	Verified 19 units; 4 units not tested due to the absence of the users
	3	3	PAGCOR Casino Filipino Manila Bay-Office of the Auditor	Verified and tested
	3	3	PAGCOR Casino Filipino Malate-Office of the Auditor	Verified 2 units; 1 unit not tested due to absence of the user
Subtotal	**282**	**282**		
	40	40	Various locations in Quezon Province (Beneficiaries)	Not verified; units are delivered
Total	**322**	**322**		

33.18 However, the COA-TAS noted that all units did not undergo Agency Inspection for functional testing as required. As a consequence, there were several defective system unit and monitors noted in the course of the inspection as shown below:

Item	Serial Number	Remarks
System Unit	6CR7213F9L	Defective USB 3.0 front ports
Monitors	3CQ7171DQ0	Yellowish display
	3CQ7150S55	
	3CQ7150S58	
	3CQ7150S59	
	3CQ7150S62	
	3CQ7150RM1	
	3CQ7171FBB	

33.19 The noted defects in the USB ports might be caused by wiring problems or faulty connection between the ports and the motherboard. On the other hand, the yellowish display in the monitors can be considered as factory defect. It can also be attributed to loose VGA and faulty cables.

33.20 Had the Management conducted the required performance testing before the acceptance of the items, it could have noticed or prevented inclusion of the defective units. Consequently, it could have required the supplier the immediate replacement of the items.

33.21 ***We recommended that Management:***

a. Submit Status Report on the implementation of the project setting forth among others allocation and distribution of the remaining units to beneficiaries as of April 30, 2018;

b. ***Make representation with the DBM - Procurement Service to coordinate with the supplier as to the safekeeping and warranty conditions on the remaining units kept in its warehouse in Pasig City;***

c. ***Hasten the determination of beneficiaries and the distribution of the items to intended beneficiaries to avoid or at least lessen the further incurrence of costs for warehousing and demurrage;***

d. ***Consider formulation of written guidelines on the effective donation system which includes among others, the determination and selection of beneficiaries, procedures in the donation/distribution of Items and provisions on monitoring and feedback mechanisms to pinpoint responsibility and enhance accountability and transparency on the donated properties/items;***

e. ***Require the supplier to replace the defective items;***

f. ***Conduct performance testing on the remaining undelivered units stored at supplier's warehouse in Pasig City and for future delivery of similar items; and***

g. ***Henceforth, consider all the necessary procedures and factors in the procurement of items for donations including the aforementioned improvement opportunities to ensure the effective and efficient implementation of the project.***

33.22 Management commented that due to the congestion concerns at PAGCOR's Imus warehouse, CRSD in a memorandum dated September 28, 2017, requested PD to coordinate with the PS-DBM, "if it were possible to hold the remaining stocks of computers in the warehouse of the supplier given our dilemma with the warehousing logistics for the project, until we have sought clearance for distribution from the Office of the Chairman." The supplier was not able to grant the request to hold the remaining computers in their warehouse and that they will be charging a demurrage fee for the months of November and December. It also states thatthe supplier will be amenable to waive these fees if CRSD was to issue an acceptance for the remaining computers so that they may already bill PS-DBM for the units delivered. As such, management accepted the 2,678 computers on November 27, 2017 and the remaining 2,000 computers last December 20, 2017. Prior to acceptance, an inspection was conducted to the computers stored at the supplier's warehouse by CRSD and Logistics Management Department personnel with Information Technology Department and witnessed by COA.

33.23 In the warranty concerns, CRSD through PD reminded the supplier regarding the replacement conditions stated in the contract in cases where defective units are discovered during inspection/distribution. It is worthy to note that the warranty period is from August 30, 2017 up to August 29, 2020. Management took note of the recommendations and they will be sending an inquiry to PS-DBM. It was already verbally communicated to the supplier that ITD and IT of COA found some computers to be defective during the inspection and testing. The formal notice to the supplier will be sent once ITD has given full report on the defective units so that these may be replaced including inspection/ testing of the remaining units.

33.24 According to Management, there were identified beneficiaries for 4,228 units of desktop computers and that CRSD is now again processing issuance of the said remaining items since the lifting of the election ban is effective May 22, 2018. CRSD will furnish COA a copy of the delivery schedule(s). Also, management will be providing a team to set up and inspect the computers onsite during deployment/issuance to its intended beneficiaries. CRSD has been following standard donation procedures which will be further amended/ improved to incorporate the suggestions and to be included in the agency's department revised manual.

33.25 Management explained that the computer hardware was bought from PS-DBM for only P172.536 million from an original budget for the project of P240 million. While the hardware already has a Microsoft based Operating System (OS), the Microsoft Office program (MS-Office) was intended to be bought separately from PS-DBM using the remaining budget. Considering that the intended beneficiaries of the project are public schools, PS-DBM and the representatives of Microsoft in the Philippines offered their "academic pricing" intended for educational institutions for the MS- Office program.

33.26 Management further commented that if PAGCOR immediately then bought the MS-Office program with PS-DBM, it would have been the regular government price of more or less P15,000 per program. But with the offer of academic pricing the MS-Office program can be acquired at more or less P3,000 or a projected savings of P12,000 per MS Office program. If all the units will be given to academic institutions, and the academic pricing will be availed, PAGCOR is projected to save millions of pesos.

34. TheCorporate Social Responsibility Group (CSRG) did not closely monitor the submission of the required completion and liquidation reports on the grant of financial assistance totaling P10 million to the Local Government Units (LGUs) affected by super typhoon "Lawin", thus prompt evaluation to determine whether the funds were properly utilized was not undertaken.

34.1 The PAGCOR's Board of Directors (BOD), in its meeting on October 25, 2016, approved the grant of financial assistance totalling P11 million to seven LGUs for the repair of various infrastructures in areas damaged and affected by super typhoon "Lawin" as presentedbelow:

Affected Areas	Check No.	Check Date	OR No.	OR Date	Amount
1. Ilocos Norte	6805	21/11/2016	713389	09/12/2016	P3,000,000
2. Ilocos Sur	6804	21/11/2016	9685854	07/12/2016	1,000,000
3. Cagayan	9444	31/05/2017	6944098	20/06/2017	2,000,000
4. Isabela	6800	21/11/2016	8132301	12/12/2016	2,000,000
5. Kalinga	6801	21/11/2016	7499394	07/12/2016	1,000,000

Affected Areas	Check No.	Check Date	OR No.	OR Date	Amount
6. Apayao		*Not claimed by the LGU.*			1,000,000
7. Mt. Province	6803	21/11/2016	3377369	07/12/2016	1,000,000
Total					**P11,000,000**

34.2 Pertinent provisions of the Memoranda of Agreement (MOA) between PAGCOR and the recipient LGUs provides among others:

"Clause 2. The grant shall be utilized strictly for the construction materials and related items for the victims of Typhoon Lawin, or for the repair of various infrastructures giving priority to public hospitals and public schools which were damaged in the areas affected by super typhoon Lawin (the Project)."

"Clause 5. The [LGU] shall, within thirty (30) days after the completion of the Project, submit to PAGCOR a completion report accompanied by pictures of the completed Project together with a fund utilization report/liquidation report showing the expenses incurred and the disbursement of the financial assistance."

"The [LGU] shall also submit any and all documents and reports required by PAGCOR within five (5) days from notice."

"The foregoing documents shall also be audited and verified by the Commission on Audit (COA) Resident Auditor of the [LGU]."

34.3 However, verification of the Audit Team disclosed that the required completion and liquidation reports were not yet submitted by the respective LGUs as required in the MOA. The Audit Team also noted that the MOA has an open-ended provision wherein the term of the completion of the project is left to the discretion of the LGUs. The duration of the project implementation is therefore indefinite.

34.4 The Audit Team communicated the said observation to the Community Social Responsibility Group (CRSG) on January 17, 2018 but on March 22, 2018, a letter reply was received from CRSG stating that there was no fund/liquidation reports received from the respective LGUs.

34.5 On the other hand, we appreciate the efforts of the CRSG informing the LGUs on the immediate submission of the required documents as evidenced by the letters sent to the LGUs but since the CSRG did not send follow up letters and closely monitor the submission of the same, compliance to the MOA was not strictly observed.

34.6 The Audit Team believes that since PAGCOR granted the financial assistance more than a year ago and considering that the purpose of the assistance concerns the urgent needs of the victims of a super typhoon, the necessary projects should have been completed immediately. The non-submission of the required completion and liquidation reports by the respective LGUs hindered the prompt evaluation of the Audit Team to determine whether the funds were properly utilized.

34.7 ***We recommended that Management:***

a. Intensify its efforts by sending follow-up letters requiring the beneficiaries to comply with provision of the MOA specifically on the submission of completion and liquidation reports; and

b. Incorporate provision on deadlines/timeframe for the project implementation and completion of projects in the succeeding MOA to oblige the beneficiaries to submit the required report within the deadline set.

34.8 Management commented it has already sent letters to LGU's on March 14, 2018 informing on the immediate submission of the required completion and liquidation reports. As of date, the Province of Isabela and Kalinga responded and submitted an incomplete summary of statement of fund utilization report such as, completion report accompanied by pictures of the completed project together with fund utilization/liquidation report showing the breakdown of actual expenses incurred. It has already conducted follow-ups with the beneficiaries through phone to LGU's to comply the completion and liquidation report.

34.9 On the open-ended provision in the MOA, PAGCOR have implemented the deadlines/timeframe for the project in the succeeding MOA preparation.

35. Relief operations were conducted on an average of 40 days after the actual date of calamity due to the absence of a well-planned disaster response system, thus delaying the distribution of relief goods to augment the urgent needs of the victims/beneficiaries.

35.1 The primary purpose of the relief operation is to meet the immediate needs of the victims/beneficiaries of a calamity that occurred in a particular area.

35.2 Moreover, considering the nature and the urgent needs of the victims/beneficiaries in the calamity stricken areas, the immediate response of PAGCOR is necessary to at least mitigate their suffering in consonance to the PAGCOR CRS statement on DROs.

35.3 However, for CY 2017, the Audit Team analyzed the relief operations of PAGCOR throughout the year and noted that they were conducted on an average of 40 days from the actual date of calamity, the details are presented in Annex E.

35.4 There were times that it took more than 100 days before the relief goods reached the victims or beneficiaries. In our inquiry with CRSD personnel, we were informed that the delays were attributed to problem in the procurement and that the aforementioned donations refer to the last series of the relief operations.

35.5 The Audit team was not amenable on the reasons claimed by the CRSD because the procurement of the relief goods was undertaken thru Negotiation under Emergency Cases where the underlying reason to support the method of procurement relates to time element. PAGCOR should have considered appropriate timing or the proximity of time between the actual procurement activities to be conducted and the emergency sought to be addressed.

35.6 As a result of the foregoing observation, the objective of the DROs to provide immediate assistance to the victims of the calamities were not served as the cause or the suffering brought out by the emergency may have already been subsided. The late response may also adversely affect the corporate image of PAGCOR.

35.7 Verification also disclosed that 3,000 packs of relief goods amounting to P1.600 million were donated without the required approval of the head of the agency or authorized officer and 12 donations were already transmitted to the donees prior to the execution of the required Deed of Donation in violation of Section 4 of Presidential Decree (PD) No. 1445

35.8 The Deed of Donation (DOD) is indispensable as it bind the parties, the donee and the donor, to enforce and confirm the terms and conditions agreed by them. It serves as the evidence of the acceptance by donee imposed by the donor, on the condition of directing the former to give the relief items to the proper recipients/beneficiaries.

35.9 Validation of DODs on the release of relief goods to various beneficiaries disclosed that two DODs in the total amount of P1.621 million were not signed or did not bear the approval of PAGCOR Chairman, as head of the agency or her authorized representative.

35.10 The aforementioned donations proceeded despite the lack of approval in violation of Section 4, paragraph 5 of PD No. 1445. The said donations are therefore considered unauthorized.

35.11 The Audit Team also noted that 12 donations were transmitted already to the donees even before the execution of corresponding DODs. Details of whichwere presented below:

Place	**Date of DOD**	**Date of Transmittal**
Relief Operations for Typhoon Niña per board approval January 12, 2017		
Quezon Province	1/30/17	1/10/17
Albay	1/30/17	1/14/17
	1/30/17	1/14/17
Quezon Province	2/17/17	1/20/17
	2/17/17	1/20/17
Quezon Province	2/17/17	1/30/17
	3/9/17	1/21/17
	3/9/17	1/20/17

Place	Date of DOD	Date of Transmittal
	3/9/17	2/27/17
	3/9/17	1/20/17
Relief Operations for Magnitude 6.5 Earthquake per board approval July 12, 2017		
Leyte	8/17/17	7/29/17
	8/17/17	7/30/17

35.12 Interview with CRSD personnel revealed that the DODs and the Transmittals were signed at the same time during the actual date of donation. There were some instances that donation documents were left in the custody of the donees causing the late signing and notarization.

35.13 The Audit Team understands the immediacy of the distribution of relief goods to calamity stricken areas. However, it is to be emphasized that no donation shall be made without the proper approval of authorized officials to avoid unauthorized distribution of goods and to ensure that the rightful beneficiaries received the items.

35.14 ***We recommended that Management:***

a. Design a well-planned disaster response system and/or an effective logistics operation to include but not limited to, coordination and collaboration with the affected areas where the disaster took place to bring flexibility and ensure that conduct of relief operations will immediately be undertaken after the actual date of calamity to augment the urgent needs of the victims/beneficiaries;

b. Ensure that Deed of Donations are duly signed and approved by the authorized officials before actual distribution of the relief goods to the recipients/ beneficiaries; and

c. See to it that Deed of Donations are duly signed by the donees and notarized immediately after the actual dates of donation.

35.15 Management commented that CRSD commenced procurement of relief items through competitive public bidding with the inclusion of Ordering Agreement as a condition upon approval of its Board of Directors of the budget amounting to P10.500 million last May 23, 2018. Through the Ordering Agreement, CRSD shall be able to have the needed relief goods available the soonest possible time without having a concern with storage requirements and most especially wastage.

35.16 Management further commented that during relief operationsthe exact figures were not yet available which DSWD counterparts normally provide. Under such circumstances, the DODs are then left with DSWD personnel to have the DODs acknowledged by the recipients of relief goods. Moreover, all relief operations were covered by an approval from the Board of Directors, whereby requisite attendant to the approval were complied with prior to the distribution of the said goods. Management will ensure that the DODs are immediately signed and notarized right after the actual dates of donation.

36. The Community Relations & Services Department (CRSD) released 5,050 sets of backpacks totaling P2.557 million to politicians or their representatives instead of the authorized public schools officials, thus, there was no assurance that the donations reached the targeted beneficiaries as there are no available documents that can be relied on to verify that the intended beneficiaries actually received the items except for the copies of the Deed of Donations (DODs)and Transmittals.

36.1 As part of its Corporate Social Responsibility (CSR) Programs by giving importance to the fundamental needs of underprivileged primary schools pupils in Public Elementary Schools, PAGCOR thru its Board of Directors (BOD) approved in a memorandum dated February 9, 2017[19] the acquisition and distribution of backpacks with school supplies and hygiene kits to beneficiary pupils for school year 2017-2018.

36.2 In the said memorandum, the BOD approved the budget of P33.120 million to be utilized for the purchase of 30,000 packs of school supplies and hygiene kits at approximately P1,104per pack to be distributed to primary public school pupils.

36.3 Each pack contains the following with corresponding cost per item:

Sequence	Items	Cost per unit
1	1 piece backpack	P250.00
2	Pack of 3 medium pencil	12.00
3	Square sharpener	4.00
4	Pad paper	9.36
5	Writing notebook	12.00
6	Ruler	4.60
7	Crayons	26.00
8	Scissors	15.00
9	Pencil case	25.00
10	Hand towel	18.77
11	Toothbrush and toothpaste set	68.00
12	Hand soap	21.66
13	Slippers	39.88
	Total	**P506.27**

36.4 However, verification of records of Deed of Donations (DODs) disclosed that there were 5,050 backpacks totaling P2.557 million were donatedmade directly to the politicians or their representatives instead of the authorized public schools officials. It was also noted that the distribution of the backpacks to the

[19] Memorandum dated February 9, 2017, approved by the Board of Directors on February 24, 2017, School Supplies and Hygiene Kits for Public School Pupils.

intended beneficiaries were undertaken by the donee politicians without the presence of the CRSD personnel.

36.5 During the interview with CRSD personnel, the Audit Team was informed that the aforementioned donations were delivered to the politicians upon approval by the higher officials of their respective requests for donation.

36.6 Since the backpacks were received by the donee politicians or their representatives and the distribution were undertaken without the presence of the CRSG personnel, there is no assurance that the donations reached the targeted beneficiaries as there are no available documents that can be relied on to verify that the intended beneficiaries actually received the items except for the copies of the DODs and Transmittals.

36.7 Granting also that the intended beneficiaries received the items, the practice however suggests an impression to the beneficiaries that such donations were endowed by the politicians themselves, and not by PAGCOR.

36.8 Also, Section 4, paragraph 5 of PD No. 1445 specifically provides that disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.

36.9 During the course of the audit, the Audit Team noted that there were Deeds of Donations for 1,136 set of backpacks totaling P0.575 million which were not signed by the Head of the Agency or her authorized representative.

36.10 Although there are initials made beside the name of Vice President, the CRSD should have presented the unsigned DODs to Vice President for his signature before submission to the Office of the Auditor as required under Section 4, paragraph 5 of PD No. 1445.

36.11 Late submission of Accomplishment Reports and DODs by CRSD to the AD resulted to a discrepancy amounting to P0.911 million in the recorded amounts of inventory of backpacks between AD and CRSD. Consequently, Other Supplies Inventory - Others Account is overstated by P0.911 million and Donation Account is understated, by the same amount as of December 31, 2017.

36.12 Verification of the inventory reports submitted by AD and CRSD disclosed that there was a discrepancy of 1,781 sets of backpacks amounting to P0.911 million, as shown below:

Particulars	Amount
Per AD records	7,091 packs
Per CRSD records	5,310 packs
Difference (Quantity)	1,781 packs
Cost per pack	P506.27
Difference (Amount)	**P901,666.87**

36.13 The AD personnel explained that the reason for the discrepancy was the failure of the CRSD to timely submit all the DODs to the AD. The DODs serve as the basis of the AD to update its inventory records. The Audit Team also noted that copies of the DODs were not promptly submitted to the Office of the Auditor for timely verification of the same.

36.14 Interview with CRSD personnel revealed that the DODs and the Transmittal were signed at the same time during the actual date of donation. There were some instances that donation documents were left in the custody of the donees causing the late signing and notarization.

36.15 ***We recommended that Management instruct the CRSD to ensure that:***

a. CRSD personnel in-charge of donation activities are present during the actual distribution of the donated items, otherwise require the submission of Actual Distribution Lists, duly signed by the recipients and Activity Reports including pictures of the actual distribution, particularly those released to the politicians and their representatives;

b. DODs are duly signed and approved by the PAGCOR authorized officials before actual distribution of the relief goods to the recipients/ beneficiaries;

c. DODs are duly signed by the donees and notarized immediately after the actual dates of donation; and

d. Copies of the Accomplishment Reports and DODs be promptly submitted to the AD for proper recording in the books of accounts and to the Office of the Auditor to facilitate verification and evaluation of the same.

36.16 Management commented that majority of requests for donation were from the Local Government Units (LGU) and their appeal for assistance was approved based on their representation in behalf of the public schools under their constituency. To substantiate the release of donated items, Management shall incorporate conditions in theDOD such as requiring an acknowledgment receipt of the donated items by the intended recipient/s, activity reports which shall include pictures and other supporting documents and require its submission on specific period of time.

36.17 Management further commented that all donation activities were covered by an approval from the Board of Directors whereby it is ensured that requisites attendant to the approval were complied with prior to the distribution of the said goods. Delays on the submission of the DODs are often incurred during the transit of documents from PAGCOR to the donee and back. We will add a condition in the DOD which will require a specific period of time for the accomplished document to be submitted to PAGCOR including notarization. To avoid incurring delays and discrepancies in AD’s records, CRSD will be furnishing the said department all pertinent donation documents.

CF-ANGELES

37. The Agency did not formulate plans, programs and projects related to senior citizens and persons with disability and did not allocate funds for the implementation thereof contrary to GAA of FY 2017.

37.1 Section 31 of the Republic Act No. 10924 or the General Appropriations Act of FY 2017 states that all agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities. Moreover, all government infrastructure and facilities shall provide architectural or structural features, designs or facilities that will reasonably enhance the mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and RA No. 7277.

37.2 Section 4.2 of the Joint DBM and DSWD Circular No. 2003-01 dated April 28, 2003 provides that: *All government agencies, departments, bureaus, offices, commissions and state universities and colleges shall allocate at least one per cent (1%) of their respective budget for the implementation of plans, programs, projects, activities and services for older persons and persons with disabilities.*

37.3 For CY 2017, the Agency did not implement any programs and projects or formulate any plans to be integrated into their regular activities that would address the concerns of the senior citizens and persons with disability nor allocated funds for the implementation thereof. Thus, senior citizens and persons with disability were not benefited by the purpose of the program.

37.4 ***We recommended that Management (a) formulate plans and programs to be integrated into their regular activities that would address the concerns of the senior citizens and persons with disability; and (b) allocate funds for their implementation.***

37.5 The Management commented that Senior Citizens and PWD PAPs were incorporated in the plans and budget of PAGCOR as one agency/corporation. The Accounting Department, Human Resource and Development Department and Corporate Social Responsibility Group at Corporate office are the responsibility centers for the aforementioned plans and programs.

CF-BACOLOD

38. Casino Filipino – Iloilo and Bacolod Branch incurred marketing expenses over the annual approved budget and the five per cent ceiling based on winnings.

38.1 One of the management policies to control operating expenses is the setting up of the Branch Annual Budget for Marketing Expenses of within the five per cent of the total winnings. Its primary objective is to reach the level equal to or below the five per cent ceiling that will translate into a positive variance or a decrease in its marketing expenses.

38.2 For the current year the CF-Bacolod and Iloilo Branch has a total budget of P48.897 million for marketing expenses to cover payment for clientele's hotel charges, food concessionaires and other amenities.

38.3 Perusal of actual marketing expenses against budgeted marketing expenses revealed that CF-Bacolod incurred actual expenses less than the budget by P1.615 million, which is deemed favorable. However, CF-Iloilo incurred actual expenses more than the budget by P10.495 million, which is unfavorable. The net effect is that both CF-Bacolod and CF-Iloilo incurred actual marketing expenses of P8.880 million more than the aggregate budget, which is deemed unfavorable.

38.4 Hereunder is the comparative analysis of the variances for marketing expenses for CF-Bacolod and Iloilo:

	CF-Bacolod	**CF-Iloilo**	**Total**
Marketing Expenses per budget	40,126,800	8,770,000	48,896,800
Actual Marketing Expenses	38,511,896	19,264,823	57,776,720
Variance	**1,614,904**	**(10,494,824)**	**(8,879,920)**
Percentage of negative variance per marketing expense budget	N/A	119.67%	18.16%
Total Winnings	715,426,419	339,349,791	1,054,776,210
Percentage of actual marketing expenses per total winnings	**5.38%**	**5.68%**	**5.48%**

38.5 While actual marketing expenses as compared against total winnings, it can be gleaned that both CF-Bacolod and CF-Iloilo had exceeded the five per cent ceiling, thus, needs management immediate attention to evaluate the current policies, controls and procedures in place.

38.6 ***We recommended that management re-visit the policies/controls/ procedures in the budgeting and expenditures related to gaming operations with the end view of establishing stronger controls to maximize income and reduce expenses.***

38.7 Per memorandum dated April 17, 2018, management relayed to the audit team that as of October 16, 2017, CF-Iloilo was no longer operating. This was the main reason that CF-Iloilo failed to achieve its income target for the year. The untimely stoppage of operation of CF-Iloilo and the deficient marketing budget in connection with its income target are the main reasons that Iloilo exceeded its budget for Marketing Expenses for the year. Management assured the branch is continuously in the process of rationalizing its expenses while at the same time trying to improve its revenues.

39. Utilization of the Host City Shares given by PAGCOR to Local Government Units (LGUs) in the Cities of Bacolod and Iloilo and the Province of Negros Occidental in the total amount of P108 million for CYs 2014-2017 were not properly monitored, thus, the risk of improper use and wastage of government funds.

39.1 The LGUs where PAGCOR operates are given monthly shares in the income of the casinos located in a city/province termed as Host City Share the amount of which was determined and approved by the Board of Directors (BOD).

39.2 The Host City Shares released to the following LGUs from CYs 2014 to 2017 are as follows (in millions of Peso):

LGU	Monthly Subsidy	T o t a l	CY 2017	CY 2016	CY 2015	CY 2014
Bacolod City	P1.250	P60.000	P15.000	P15.000	P15.000	P15.000
Iloilo City	0.500	24.000	6.000	6.000	6.000	6.000
Negros Occidental	0.500	24.000	6.000	6.000	6.000	6.000
T o t a l	**P2.250**	**P108.000**	**P27.000**	**P27.000**	**P27.000**	**P27.000**

39.3 The Guidelines on the Handling and Disposition of Host City Shares required among others the submission to PAGCOR by the Office of the Governor/City Mayor of COA certified Utilization Report on a quarterly basis and other reports which PAGCOR may require from time to time.

39.4 However, verification of the Utilization Reports submitted to PAGCOR by these LGUs revealed the following:

a. As of December 31, 2017, the City of Bacolod had submitted only four quarterly Utilization Reports covering the quarters ending March, 2017 to December, 2017 while none of such reports were submitted on previous years' releases, thus monitoring could not be made to determine if said funds were used for the purpose it was given.

b. The Report on the Utilization of Host City Share for the City of Iloilo as of September 30, 2017 showed a balance of P24.587 million with only P0.500 million utilized for the last four years; P0.500 million of which was spent for the Conduct of Comprehensive Drug Test per DV No. 300-2016-10 dated October 10, 2016 and P350.00 was for bank charges. Thus, defeating its primary purpose to fund the different qualified social projects that will redound to the benefits of its constituents particularly the poor sector of the City.

c. While the Province of Negros Occidental had submitted the Report on the Utilization for the period covering nine quarters from the quarter ending September, 2015 until the quarter ending September, 2017 with a balance of P10.165 million.

39.5 ***We recommended that Management:***

a. ***Require the recipient LGU, the City of Bacolod to submit to CF-Bacolod Branch, for submission to the PAGCOR Corporate Office a quarterly Report on the Utilization of Host City Share for proper monitoring; and***

b. ***Advice the recipient LGU, the City of Iloilo to utilize the funds for relevant programs and projects as stated in the guidelines so as to benefit the people and avoid accumulation of idle funds.***

39.6 Management informed that copies of utilization reports were submitted to the audit team from the following LGUs, particularly the City of Iloilo showing a balance of P26.102 million as of December 31, 2017 and the Province of Negros Occidental with a balance of P12.070 million for the quarter ending December 31, 2017.

39.7 **Auditor's rejoinder**: We maintain that Management require the City of Bacolod to submit utilization reports for previous years' releases and also require the City of Iloilo to utilize the funds for relevant programs and projects as stated in the guidelines so as to benefit the people and avoid accumulation of idle funds.

CF-DAVAO

40. Inability of the Special Project Committee to validate school beneficiaries and actual feeding activity cast doubt on the occurrence of the transactions and validity of the liquidations of cash advances for PAGCOR Feeding Program amounting to P2.904 million.

40.1 The PAGCOR Feeding Program is a school-based feeding program in partnership with the Department of Education, serving undernourished children in public elementary schools and augmenting existing government programs addressing malnutrition in the country.

40.2 PAGCOR Unnumbered Memorandum dated August 14, 2017 sets the guidelines on the implementation of PAGCOR Feeding Program 2017-2018 wherein a total of P4.320 million was budgeted for CF-Davao with 1,200 beneficiaries at a daily allocation rate of P30.00 per head (P20.00 for food and P10.00 for non-food expenses).

40.3 A total of P2.904 million cash advances for the PAGCOR Feeding Program were directly given to the school principals, as presented in Annex F.

40.4 Our audit disclosed that only the following supporting documents were attached to the liquidation reports: (a) acknowledgment by the principal, (b) Summary of Expenditure; (c) Certification from the School Division Head, School Nurse and Barangay Captain that the actual feeding was conducted; (d) Certificate of Emergency Purchase; (e) Weight Monitoring Report signed by the

Principal, School Feeding Program Coordinator; (f) Feedback/Summary Report; and (g) pictures.

40.5 The following necessary documents are not attached: (a) the daily lists/attendance sheets of the actual recipients; (b) daily pictures of the actual feeding including the food served to the beneficiaries; (c) reports on the actual conduct of the scheduled and unscheduled inspection of school beneficiaries by the Special Project Committee (SPC); (d) SPCs Monthly Monitoring Report submitted to Community Relations and Services Department; and (e) report on the monitoring of the recipients' weight and height as a result of the SPC's inspection to be compared with the Principal's Monitoring Report. All these unsubmitted documents are necessary in proving the occurrence and establishing validity of the transactions.

40.6 Section 4 (6) of the Presidential Decree No. 1445 states that claims against government funds shall be supported with complete documentation.

40.7 Section 1.2 of COA Circular No. 2012-001 dated June 14, 2012 further provides that the liquidations of cash advances shall be supported with sufficient and relevant documents to establish the validity of the claim, specifically, such other pertinent supporting documents as are required by the nature of expense.

40.8 The PAGCOR Feeding Program Coordinator explained that they were not able to completely undertake the scheduled inspection of school beneficiaries due to the unavailability of service vehicles as well as the distance of the school beneficiaries which are mostly located in far-flung areas.

40.9 PAGCOR Unnumbered Memorandum dated August 14, 2017 mandates the SPC to conduct scheduled/unscheduled inspection of school beneficiaries, to check/ensure the actual conduct of feeding, the quality and quantity of the food served, and to submit monthly monitoring report to CRSD; hence they shall have to do said duties.

40.10 We recommended that:

a. The PAGCOR Feeding Program Special Projects Committee to pursue the conduct of inspection of school beneficiaries to check/ensure the actual conduct of feeding, the quality and quantity of the food served, and to submit monthly monitoring report to the CRSD;

b. Management provide service vehicle to the SPC to be used for the inspection; and

c. Management strictly require the school beneficiaries' full attachments of the documentary requirements to the liquidation reports for them to avail subsequent grants and cash advances for the Feeding Program, such as the (a) the daily lists/attendance sheets of the actual recipients; (b) daily pictures of the actual feeding including the food served to the beneficiaries; (c) reports on the

actual conduct of the scheduled and unscheduled inspection of school beneficiaries by the Special Project Committee (SPC); (d) SPCs Monthly Monitoring Report submitted to Community Relations and Services Department; and (e) report on the monitoring of the recipients' weight and height as a result of the SPC's inspection to be compared with the Principal's Monitoring Report in order to clearly establish the validity and propriety of the disbursements.

40.11 During the exit conference, Management explained that only two personnel were assigned to the PAGCOR Feeding Program, rendering it impossible to completely monitor every activity of the feeding program undertaken during CY 2017. Although, Management agreed with the audit recommendations and in order to address the issues, they committed that for CY 2018 Feeding Program, the following measures will be employed, to wit:

a) Project Coordinator shall prepare daily lists/attendance sheets.
b) For daily pictures of the actual feeding, Management to require photos of the actual feeding once or twice a month to be attached to the liquidation report. Those schools with computers and Wifi connection will be requested to take pictures and send them through email.
c) Project Coordinator shall prepare reports on the actual conduct of feeding activity.
d) Project Coordinator shall prepare SPCs Monthly Monitoring Report.
e) To conduct verification of weight and height of the beneficiaries on a sampling basis and only to the schools that are accessible so as to ensure the safety of the SPC, driver, and the Internal Security escort.

40.12 The Team emphasized the importance of proper monitoring to ensure that the objectives of the program were attained.

D. Gender and Development (GAD)

41. The GAD Focal Point System (GFPS) did not perform its mandated functions as the guidelines prescribed under Joint Circular No. 2012-01 of Philippine Commission on Women (PCW), National Economic Development Authority (NEDA) and Department of Budget and Management (DBM) were not strictly observed and/or implemented, thus affecting the proper planning, programming and utilization of the GAD Fund and contributed in the incurrence of several deficiencies as discussed in the succeeding paragraphs.

The GAD GFPS has a vital role in the preparation of the annual GAD Plans and Budget and Accomplishment Reports to implement its programs, activities, and projects. The agency GFPS shall take the lead in mainstreaming gender in agency programs, activities, and projects. As such, they shall coordinate the preparation of the agency GAD Plan and Budget (GPB) and the GAD Accomplishment Report (GAD AR), monitor its implementation, and report on its result. In the process, they shall provide technical assistance to offices or units within their agency on gender mainstreaming. To enable them to perform their roles, it is important that GFPS members are provided with the required gender capacity, such as the application of gender analysis tools.

41.1 However, based on the following deficiencies, the GFPS did not function as mandated:

The GPB for the year 2017 and GAD AR were not submitted to the PCW for review and approval. Consequently, the same was not endorsed to the DBM as required under Joint Circular No. 2012-01 of PCW, NEDA and DBM.

41.2 This is a reiteration of prior years' audit observation due to the non-submission of the GPBs and GAD ARs to PCW. Consequently, the same was not endorsed to the DBM as required under the above mentioned Joint Circular. As a result, there is no assurance that GAD Plans and Programs/Activities/Projects (PAPs) of PAGCOR for CY 2017are acceptable and in accordance with the guidelines set for the preparation of GPBs and GAD AR to implement the Magna Carta of Women.

In addition, it was also noted that PAGCOR has not yet registered/enrolled with the PCWs online system facility to facilitate submission of the GPBs and GAD ARs.

41.3 GPBs and GAD AR were submitted late to the Office of the Auditor, thus hindering the prompt verification and evaluation of the PAPs charged to GAD Fund. In addition, copies submitted to the Office of the Auditor were not duly signed/ approved by the Agency Head.

41.4 Out of the total GAD Budget for CY 2017of Corporate Office amounting to P3.172 billion, only P217.885 billion or 7 per cent were utilized, thus optimum utilization of the GAD Fund was not undertaken by the agency.

For the CY 2017, the total Corporate Operating Budget (COB) of PAGCOR amounted to P48.703 billion. Out of which, the amount of P3.172 billion was allocated for GAD Fund, computed was presented below:

		Amount	%
Corporate Operating Budget	P	48,702,625,000	
GAD Allocation		5%	
GAD Budget (should be)		2,435,131,250	100%
PAGCOR Board Approved GAD Budget		3,171,736,035	130%
Variance	P	736,604,785	30%

41.5 However, based on the GAD Accomplishment Report submitted for CY 2017, it was disclosed that only P217.885 millionor seven per cent was utilized by the three implementing departments of PAGCOR as shown below:

DEPARTMENT	APPROVED BUDGET	ACTUAL EXPENSES	VARIANCE (Unutilized)
Community Relations & Services	P2,986,155,779	P216,234,196	P2,769,921,584
Human Resource and Development	1,930,255	850,075	1,080,180

DEPARTMENT	APPROVED BUDGET	ACTUAL EXPENSES	VARIANCE (Unutilized)
Auxiliary Services Department	183,650,000	800,538	182,729,859
Total	P3,171,736,035	P217,884,809	P2,953,731,623
Percentage	**100%**	**7%**	**93%**

41.6 The table above shows the total unutilized GAD Fund amounted to P2.954 billion or 93 per cent of the total GAD allocation, thus affecting the timely implementation of the projects, program and activities of the agency and the optimum utilization of the GAD Fund to address the gender issues and concerns was not undertaken by the agency.

41.7 Moreover, GFPS did not strictly apply the Harmonized Gender and Development Guidelines (HGDG) in identification of tool areas for improvement and in the assessment of the gender-responsiveness in implementation of their major programs, projects and activities.

41.8 In addition, the total expenses incurred by the Auxiliary Services Department (ASD) to educate pregnant and lactating women on the importance and benefits of breastfeeding amounted to P0.801 million but the GAD Budget intended for the said program was only P5,000and may be attributed to the improper planning during the preparation of the GBP.

41.8.1 CF-Davao and CF-Bacolod had a total operating budget of P573.311 million and P342.606 million, respectively, of which no appropriation of five per cent for GAD plans, programs and activities was made.

41.8.2 PAGCOR CF-Angeles total operating budget for the year 2017 amounted to P1.032 billion, 5 per cent thereof is P51.579 million. The amount allocated by the Branch for its GAD programs was only P0.813 million or 0.08 per cent of the total budget.
The actual cost of GAD activities undertaken by CF-Angeles amounted to P0.794 million. It was also noted that the Agency's GAD PAPs were not submitted to and approved by the PCW. Thus, it could not be ascertained if such activities are GAD-related.

41.9 The GFPS has not yet established a GAD database, thus depriving the PAGCOR of its vital role for the gender-responding planning, programming and policy formulation and facilitate sex-gender analysis in determining gender issues.

41.10 An institutionalized GAD Database/Sex-disaggregated data is an essential element in GAD Planning and Budgeting. The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming and policy formulation.

41.11 During the audit of GAD Fund for CY 2017, it was noted that the GFPS has not yet established a GAD database; thus the necessary sex-disaggregated data needed in the PAGCOR's planning of its programs and activities was not yet available.

41.12 Moreover, it must be emphasized that in formulating GAD plans, agency's database can be used to identify priority gender-issues and/or specific GAD mandates and targets to be addressed over a one-year or three-year term by the corporate office in consultation with PAGCOR branches and regional offices. This GAD plans shall be the basis for the annual formulation of PAPs to be included in the GPBs. The result of gender analysis using sex-disaggregated data or information from major programs or services of PAGCOR for its clients and gender gaps or issues faced by their women and men employees will be a priority gender issue.

41.13 ***We recommended that Management instruct the GFPS to perform its mandated functions and comply strictly with the guidelines prescribed under Joint Circular No. 2012-01 of PCW, NEDA and DBM. Specifically the GFPS should:***

a. Comply strictly with the General and Procedural Guidelines of the PCW-NEDA-DBM Joint Circular No. 2012-01 particularly in the preparation, submission, review, and endorsement of PAGCOR's GPBs and ARs;

b. Register/enroll with PCW's online system facility for easier submission and approval of PAGCOR's GPBs and GAD ARs;

c. Submit promptly copies of the GPB and GAD AR to the Office of the Auditor and ensure that the same are duly signed/approved by the Agency Head before submission thereof;

d. Ensure that optimum utilization of the GAD Fund is undertaken by the agency and that adoption of the Harmonized Gender and Development Guidelines (HGDG) is strictly observed to attain the primary objective and purpose of the GAD Fund. Moreover, see to it that proper planning is strictly observed so that in the preparation of the GBP to avoid incurrence of expenses in excess of what is budgeted; and

e. Establish a GAD database/sex-disaggregated data to determine the vital role of PAGCOR in the gender-responding planning, programming and policy formulation and facilitate sex-gender analysis in determining gender issue.

42. The Disbursement Vouchers (DVs) together with the related supporting documents were not submitted to the Office of the Auditor, thus hindering the prompt audit and evaluation of the expenses charged to GAD Fund.

42.1 Pursuant to Section 36 of Magna Carta on Women (MCW), the COA shall conduct audit on the use of the GAD budget for the purpose of determining its judicious use and the efficiency and effectiveness of interventions in addressing gender issues toward the realization of the objectives of the country's commitments, plans, and policies on women's empowerment, gender equality, and GAD. To be able to examine the agency's level of gender mainstreaming or the extent of the gender-responsiveness of its policies, programs, and projects, the following documents are needed:

a. Brief summary of the reported Programs or Projects;
b. Abstract of reported policies issuances;
c. Cash Requests/Advances;
d. GAD Plan and Budget duly approved and endorsed by PCW;
e. Certification from the Accountant for the total GAD expenditures during the period under review;
f. Disbursement Vouchers for GAD activities;
g. Liquidation Reports on GAD programs/training programs;
h. Certificate of Attendance of participants; and
i. List of beneficiaries and other supporting documents pertaining to GAD's activities, programs and projects with actual cost incurred.

42.2 However, it was noted that the Disbursement Vouchers (DVs) together with the related supporting documents were not submitted to the Office of the Auditor, thus hindering the prompt audit and evaluation of the expenses charged to GAD Fund. Based on the records of the Office of the Auditor, the only documents submitted are the following:

a. Breakdown of the actual expenditure re: Construction and repairs of classrooms;
b. List of actual beneficiaries with their actual expenditures;
c. Detailed list of beneficiaries with corresponding amount of Financial Assistance; and
d. Breakdown of the actual cost re: Projects of Public and Private Organizations of Public Interests amounting to P103.276 million.

42.3 ***We recommended that the Accounting Department submit promptly to the Office of the Auditor the DVs together with the related supporting documents to facilitate audit and evaluation of the GAD expenses*.**

42.4 Management is committed to comply and submit 2019 GAD Plan and Budget through PCW's on line system, on or before January 31, 2018 for PCW's review and for GAD Focal Point Person and the TWG to undergo GAD orientation and re-training course.

43. Compliance with Tax Laws

In compliance with the National Internal Revenue Code and BIR Revenue Memorandum Circular No. 8-2012 dated February 29, 2012, the total Corporate Income Tax of PAGCOR amounting to P83.24 million, as disclosed in the Notes to Financial Statement, was remitted to the BIR within the prescribed period.

44. Compliance with Social Security System(SSS) Regulations

The agency complied with the SSS regulations regarding remittances of contributions.

45. Compliance with Various Republic Acts

During the year PAGCOR complied with the requirements following RAs:

a. RA No. 1869 - As mandated under Section 1 (b) of this act, PAGCOR was able to remit P27.175 billion to the National Treasury. This pertained to the National Government's income share for FY 2017, computed as 50 per cent of winnings, net of the five per cent franchise tax.

b. RA No. 6847 - A total of P1.362 billion was remitted to the Philippine Sports Commission as its income share. This was computed at five per cent of winnings, net of five per cent franchise tax and 50 per cent government share.

c. RA No. 1869 - The Agency was able to remit P441.82 million as Host City Share for FY 2017, to the different Cities and Provinces hosting casinos as donations/financial assistance in the amounts approved by the Board of Directors in fulfillment of its socio civic function under its Charter.

d. RA No. 7309 - A total of P49.987 million was remitted to the Board of Claim's as its income share and was computed at one per cent of net income, as provided under this Act.

e. RA No. 10066 - A total of P100 million was contributed to the National Endowment for Culture and the Arts for FY 2017, as provided under Section 20 paragraph (a) of this Act.

f. RA No. 10410 - In compliance with Section 10 of this Act, PAGCOR contributed P500 million to the Early Childhood Care and Development System.

46. Status of Suspensions, Disallowances and Charges

As of December 31, 2017, The audit suspension, disallowances and charges amounted to P0, P445.420 million and P42.117 million, respectively, of which the total disallowances of P445.420 million were appealed to the COA in accordance with Chapter IV on Decisions and Appeals of the 2009 Revised Rules of Procedures of the Commission on Audit.

Matrix of Audit Disallowances and Charges are shown below:

ND/NC NO.	Particulars	AMOUNT in PhP
1. Notice of Disallowance (ND)		
2011-01 (06/07)	Erroneous application of percentage in computing the software license fee remitted to thepayee	57,926,134
2011-02 (08)	The approval of the Board to charge the total cost of P26.7M to Player Tracking System was not followed	26,700,000
2011-03 (10)	Irregular expenditure	315,683

ND/NC NO.	Particulars	AMOUNT in PhP
2011-04 (10)	Irregular expenditure	680,658
2012-001 (08/09)	Illegal expenditure	550,000
2012-003 (08)	Irregular expenditure	16,000,000
2012-004 (09)	Irregular expenditure	3,200,000
2012-005 (09)	Irregular expenditure	750,000
2012-006 (10)	Irregular expenditure	3,000,000
2012-007(10)	Irregular expenditure	435,000
2013-002 (10)	Irregular expenditure	2,000,000
2013-003 (09)	Incomplete supporting documents	20,438,130
2013-004 (2004-2008)	Incomplete supporting documents	26,744,471
2013-005(10)	Incomplete supporting documents	31,237,500
2013-006(10)	Incomplete supporting documents	1,040,000
2013-007(10)	Incomplete supporting documents	1,654,000
2013-011(10)	Non-compliance with COA Circular No. 2007-001 dated Oct. 25, 2007	1,007,237
14-005(13)	Falsified official receipts	1,800,000
14-002	Fake official receipts	1,915,830
16-002 (15)	Payment of Officers' Performance-Based Bonus to PAGCOR Officers for CY 2015	248,025,309
TOTAL		**445,419,952**
2. Notice of Charge (NC)		
2014-001 Bingo 2013	Unremitted Bingo Ticket Sales	614,000
2015-001001-Bingo (2013)	Unremitted Bingo Ticket Sales	34,000
16-001 (14/15) CF Malate	Inability to collect five per cent franchise tax	839,798
16-001 (14/15) CF Pavilion	Inability to collect five per cent franchise tax	540,054
2016-001-CF Olongapo	Under collection of taxes and over payment to the proponent	28,525,212
2016-002-CF Olongapo	Under collection of taxes and over payment to the proponent	9,635,479
2016-003-CF Olongapo	Inability to collect five per cent franchise tax	621,637
2016-004-CF Olongapo	Inability to collect five per cent franchise tax	46,915
2017-001(2016)-CF Pavilion	Inability to collect five per cent franchise tax	705,272
2017-001(2016)-CF Malate	Inability to collect five per cent franchise tax	436,113
2017-002- CF Malate	Inability to collect five per cent franchise tax	118,997
TOTAL		**42,117,477**

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 73 audit recommendations embodied in the prior year's Annual Audit Report, 33 were fully implemented, 19 were partially implemented and 21 were not implemented.

Reference	Observations	Recommendations	Status of Implementation
FINANCIAL AND COMPLIANCE AUDIT			
AAR 2016 A.1 p. 34	The continued differing interpretation of the clause "*aggregate gross earnings from its Franchise*" in Section 12, Presidential Decree (PD) No. 1869, resulted in under remittances to the Bureau of Treasury (BTr) aggregating P26.832 billion as of December 31, 2016. Also, the computation of the 50 per cent cash dividend required under Section 3 of Republic Act (RA)No. 7656was still overstated by P6.159 billion.	We reiterated our previous audit recommendation that Management comply with Section 12 of PD No. 1869 and consider not only income from gaming operations but from the entire income in computing the 50 per cent government share. To avoid accumulation of PAGCOR's obligation to the BTr, it was recommended that PAGCOR remit the amount of P20.673 billion representing the net amount of the total under remittance of P26.832 billion and the over remittance of P6.159 billion.	Not Implemented Reiterated in AO # 1 & 10
AAR 2016 A.2 p. 37	The year-end balance of Property, Plant and Equipment (PPE) account totaling P18.307 billion included unserviceable PPE and those which were beyond economic repair amounting to P75.432 million which was not in consonance with the provisions of Philippine Accounting Standard (PAS) No. 16and semi-expendable items in the amount of P24.538 million, which were below the P15,000 threshold. Discrepancies amounting to P53.477 million between the balance per books and the	We recommended that Management: a. Reclassify to Other Assets account the unserviceable PPE in order to derecognize them from the PPE account pursuant to Paragraph No. 67, PAS No. 16; and b. Conduct deeper investigation into the big Listed but Not Found (LBNF) items that were not found during the physical count. In case it could	 Fully Implemented Partially Implemented

Reference	Observations	Recommendations	Status of Implementation
	Annual Physical Inventory Report were also noted.	no longer be located, require the accountable employees/officers determined to be liable for the loss of PPE items to file relief from property accountability in accordance with Section 105 of PD No. 1445. Subsequently, make the necessary adjusting entry for the fair presentation of the PPE account in the financial statements.	
AAR 2016 A.3 p. 42	The presence of abnormal/negative balances and past due/dormant accounts in Accounts Receivable -Others account may cast doubt on the reliability of its balance of P2.556 billion as of December 31, 2016.	We recommended that Management that: a. Cause immediate reconciliation/validation of pertinent records relating to the subject accounts with negative balances, more effort for over 360 days accounts, so that necessary adjusting entries may be effected in order to present fairly the balance of the Accounts Receivable-Others (Corporate) account in the financial statements; b. Determine the validity of dormant and past due accounts and exert extra effort to enforce collection of the non-moving receivables. Insufficient monitoring of collection efforts may decrease the probability of fully	Partially Implemented Reiterated in AO # 4 Not Implemented

Reference	Observations	Recommendations	Status of Implementation
		recovering outstanding accounts receivable and may also have contributed to the existence of long overdue accounts;	
		c. Submit status update with supporting legal documents on the accounts receivable with pending court cases and those referred to Corporate Legal Services Dept. (CLSD);	Not Implemented
		d. Enforce collections of the long outstanding receivables; and	Partially Implemented
		e. Impose interest charges and/or administrative sanctions as provided in the Authority to Operate Electronic/Traditional Games, if circumstances warrant.	Fully Implemented
AAR 2016 A.4 p. 45	As of December 31, 2016, 81.86 per cent of the total Other Receivables - Others account or about P47.392 million were outstanding from four to 20 years. Likewise, the Accounts Receivable - Others account of Casino Filipino (CF) -Tagaytay amounting to P13.429 million or 91 per cent of the total receivable of P14.731 million were also outstanding for more than ten years.	We recommended that Management: a. Exert extra effort to enforce collection of the non-moving receivables. Administrative and/or legal sanctions should be resorted to, if circumstances warrant;	Partially Implemented Locating of personnel addresses to issue demand letter is still on-going.
		b. If the collection efforts proved futile, request for authority to write-off accounts deemed	Not Implemented

Reference	Observations	Recommendations	Status of Implementation
		uncollectible;	
		c. Furnish the Office of the Auditor with the status of the unrefunded deposit of fromthe lessor; and	Not Implemented
		d. Submit to COA the actions taken as well as the status of these unpaid accounts, especially the enormous balance of the Car Loan and Housing Loan past due accounts.	Not Implemented
		We recommended that the Officer-in-Charge:	
		a. Instruct the Accountant and other concerned officials to prepare the necessary documents to substantiate the request for authority to write-off the dormant accounts of P13.429 million; and	Not Implemented
		b. File the request for authority to write-off the dormant accounts, to COA, in accordance with COA Circular No. 2016-005 dated December 19, 2016.	Not Implemented
AAR 2016 A.5 p. 49	PAGCOR did not impose the required posting of Performance Cash Deposit (PCD) to various electronic and traditional bingo operators which was contrary to the provisions of Section 4(a), Regulation 4 on the Fees and Monetary Requirements as	We recommended that Management:	
		a. Implement strictly the provisions of the Gaming Site Regulations Manual for the Bingo Games on the	Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
	provided in the Gaming Site Regulatory Manual (GSRM) Version 2.0 for Bingo Games resulting in non-collection of PCD amounting to P115.818 million.	posting/payment of the required PCD;	
		b. Exert effort in collecting the required balance of the PCD as PAGCOR's safety measure in case of Bingo Operator's failure to comply with its financial obligations and for payment of penalties for offenses committed, if any; and	Partially Implemented
		c. Consider the suspension/revocation of the licenses of bingo operators until they fully complied with the payment of the required PCD.	Fully Implemented
AAR 2016 A.6 p. 51	PAGCOR did not impose the provisions of Regulation 6, Section 2 (c) of the GSRM Version 2.0 for Bingo Games on the non-renewal of license for Bingo Gaming Operations which led to continuous operations of 61 bingo operators with expired licenses.	We recommended thatManagement:	
		a. Strictly implement the provisions of the GSRM for Bingo Games on the non-renewal of license;	Fully Implemented
		b. If warranted, review and/or revise the processes in the renewal of licenses to expedite such function by the issuing department; and	Fully Implemented
		c. Consider the suspension of the operations of the gaming sites until their licenses are renewed.	Fully Implemented
AAR 2016	The recorded	We recommended that	Fully

Reference	Observations	Recommendations	Status of Implementation
A.7 p. 53	receipts/collections in the amount of P12.921 million representing only 30 per cent of PAGCOR's share on the total collections of P43.071 million generated from In-House Regular Bingo operations of the Satellite Operations Group (SOG) 1 instead of recording gross receipts less payouts/consolation prizes was not in accordance with Section 63 of PD No. 1445 on the proper handling and accounting of government funds, which resulted in the understatement of the cash in bank and the liability accounts by P30.150 million.	the 70 per cent Peoples' Money (less payouts/consolation prizes) be recorded or taken up in the books as Cash in Bank with a corresponding credit to Trust Liability account for proper accounting and monitoring of transactions and in accordance with Section 63 of PD No. 1445.	Implemented
	PAGCOR's share on bingo gross sales was not deposited intact daily contrary to Section 69 of PD No. 1445 and Section 21, Volume 1 of the Manual of New Government Accounting System (NGAS) thereby exposing the same to undue risk of loss or probable misuse.	We recommended that Management inquire and investigate the cause of the delay in the deposit of bingo sales, which should be deposited intact daily or the next banking day in compliance with Section 69 of PD No. 1445.	Fully Implemented
AAR 2016 A.8 p. 56	Transactions of SOG 4 on the deposit of winnings from Madison, Pan Pacific and Tropicana Satellites to Citystate, mother satellite of SOG 4, were not deposited intact, contrary to the provisions of Section 69 of Presidential Decree No. 1445 and Section 21, Volume 1 of the Manual of NGAS, thereby exposing the same to undue risk of possible loss or probable misuse.	We recommended that Management: a. Conduct inquiry or investigation on big amount of winnings that were not deposited intact as required under Section 69 of PD No. 1445 and Section 21, Volume 1 of the Manual on NGAS; b. Likewise, conduct an investigation on over deposit of P1.951	 Fully Implemented Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
		million; c. Take/impose appropriate legal and/or administrative sanctions against the concerned officials and employees responsible for the probable loss or misuse of winnings after the results of the inquiry/investigation, if warranted; and d. Set guidelines on the proper remittance and deposit of winnings in accordance with abovementioned provisions.	 Fully Implemented Fully Implemented
AAR 2016 A.9 p. 60	The Treasury Fund Capital (TFC) account of SOG 4, of P75.039 million as of December 31, 2016, disclosed the following deficiencies: 1. Reconciling items of Citystate in the Branch Capital Accountability Report (BCAR) a. Analysis of the TFC showed that reconciling items in the BCAR of Citystate for the month of December 2016 included shortages and unaccounted promo chips amounting to P89,600 and P9,500, respectively. b. Moreover, the unreplenished rebates amounting to P0.519 million was overstated by P91,850 due to the understatement of paid	We recommended that Management: a. Monitor the reconciling items in the Branch Capital Accountability Report of the satellites to avoid unnecessary reconciling items such as shortages, unaccounted cash or chips and rebates; b. Cause the immediate reconciliation/validation of pertinent records relating to the subject account to make the necessary adjustments if there is an error in recording or make the TFC equivalent to the book balance in order to present fairly the balance of the	 Fully Implemented Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
	rebates for the month of December 2016 by the same amount 2. Unreconciled balance of Pan Pacific TFC per treasury cash balance and per book balance. 3. Long outstanding unclaimed credits	Treasury Fund Capital account in the financial statements; and c. Observe the policy on the handling of abandoned/unclaimed credits of players and deposit to PAGCOR Non-Opex account after a holding period of six months.	Fully Implemented
AAR 2016 A.10 p. 63	Certificate to Operate (CTO) or Gaming License (GL) of Poker Clubs disclosed that the license of ATI, operators of Davao and Pasig Gaming Sites have already expired since January 21, 2016 and October 24, 2016, respectively, but still continued operations contrary to Regulation 6, Section 2 and 2(c) of PAGCOR Gaming Site Regulatory Manual (GSRM) for Poker Games.	We recommended that Management: a. Suspend the operations of the above poker club operators pending the renewal of their licenses; and b. Monitor the compliance of poker operators on the regulations provided under Sections 2 and 2 (c) of the Gaming Site Regulatory	Fully Implemented Fully Implemented
AAR 2016 A.11 p. 64	Management failed to imposed the submission of reports on the fund transferred to the Department of Energy (DOE) amounting to P60 million for the proper accounting and reporting on the utilization and liquidation of the funds in accordance with the rules and regulations of COA Circular No. 94-013.	We recommended that management require the DOE to submit the required reports and documents pursuant to COA Circular No. 94-013 dated December 13, 1994.	Not Implemented Reiterated in AO#26
AAR 2016	The undisbursed amount of	We reiterated our previous	

Reference	Observations	Recommendations	Status of Implementation
A.12 p. 65	the financial assistance granted by PAGCOR to the City of Alaminos, Pangasinan for the E-Kawayan Project amounting to P15.667 million was not refunded despite the fact that the implementation of the project had stopped since November 2015, resulting in the funds being idle exposing the funds to the risk of being used for other purpose.	audit recommendations that Management: a. Terminate the Memorandum of Agreement with the City of Alaminos; and b. Cause the refund of the undisbursed amount pursuant to the provision under Paragraph No. 11, which states that, “In the event that facts or circumstances arise or are discovered which render this Agreement disadvantageous to the government, the Parties hereto agree to immediately renegotiate its terms and conditions, or at the option of PAGCOR, terminate the same.”	 Fully Implemented Fully Implemented
AAR 2016 A.13 p. 66	The service contract entered into by and between the PAGCOR and the Contractor for the procurement of food and beverages requirements for casino customers and guests of Biñan Table Games for three years amounting to P10.440 million was awarded without complying/satisfying the conditions provided under the direct contracting mode of procurement, which is inconsistent with Section 50 of the Implementing Rules and Regulations (IRR)-A of RA No. 9184.	We recommended that Management: a. Submit documents that will prove that PAGCOR obtained the most advantageous price for the supply and delivery of food and beverage requirements of Biñan Table Games; and b. Comply with any of the conditions provided under the direct contracting mode of procurement, otherwise, conduct competitive bidding as a mode of	 Not implemented Not Implemented

Reference	Observations	Recommendations	Status of Implementation
		procurement in compliance with the provisions of Section 10, Rule IV of IRR-A of RA No. 9184.	
AAR 2016 A.14 p. 70	The non-amendmentof the terms of delivery either in the Purchase Order (PO) or Deed of Assignment in the procurement of 72 units Shuffle Master Equinox Slot Machines and six Signages during the procurement process period resulted in non-deduction of liquidated damages of $46,511.40 or P2.316 million due to delayed deliveries of the slot machines for 26 days, thus, payments made were not in compliance with Section 2, Annex A of the PO No. 430.	We recommended that Management deduct the liquidated damages in the succeeding payment to the supplier. Moving forward, we also recommended that Management: a. Include in the provision of Deed of Assignment the new terms of delivery to be complied with by the supplier; and b. Settle all procurement issues during the procurement process period to properly implement the term of delivery provided under the PO.	 Fully Implemented Fully Implemented
AAR 2016 A.15 p. 71	The actual period of procurement activities of four POs on the Supply and Delivery of Electronic Gaming Machines (EGMs)/Slot Machines and Spare Parts for CY 2016 was beyond the scheduled date specified in the Annual Procurement Plan (APP) which exceeded the prescribed three month requirement under Section 38.1 or 73 calendar days (cd) for applicable procurement activities for Direct Contracting mode of procurement under Annex "C" of RA No. 9184 and may result in opportunity loss in the generation of additional	We recommended that Management: a. Comply strictly with the schedule of procurement activities provided in the APP; b. Expedite the process of Direct Contracting mode of procurement that will not exceed the maximum three months prescribed under Section 38.1 of RA No. 9184 or the applicable 73 calendar	 Not Implemented Reiterated in AO#28 Not Implemented Reiterated in AO#28

Reference	Observations	Recommendations	Status of Implementation
	income from Slot Machines. In addition, we identified the following deficiencies on the procurement for the supply and delivery of various Spare Parts of existing KO Slot Machines that prolonged the duration of procurement process: a. Schedule of procurement activities, from pre-procurement conference in January 2015 to the acceptance of the goods in March 2015, set under APP for CY 2015, was not observed for supply and delivery of various spare parts of existing KO slot machines amounting to $66,742.56 under PO No. 791 dated September 16, 2016 entered into with Company A resulting in procurement activities that was completed by more than one year that further extended the procurement activities to CY 2016. Terms and Conditions as to preferential attention on the shipment and delivery period as well as the relevant tax for the procurement of KO spare parts of the slot machines was not considered initially in the Terms and Conditions for the procurement of slot machines with Company A since that the replacement of the spare parts of the existing slot machines were already expected by	days for Direct Contracting mode of procurement as set under Annex "C" of RA No. 9184; c. Develop a systematic monitoring that will fast track the execution of the scheduled procurement activities; and d. Consider the terms of reference for the procurement of spare parts and other maintenance services in the terms and conditions of the contract for slot machines to avoid any further clarifications or negotiations for the succeeding procurement of its spare parts and/or accessories which will fast track the procurement activities.	 Not Implemented Not Implemented

Reference	Observations	Recommendations	Status of Implementation
	Management. Thus, prolonging the process of procurement.		
AAR 2016 A.16 p. 77	PAGCOR's Bids and Awards Committees (BACs) 1 to 4 exercised full reliance on the results of verification of the bid documents made by the BAC Secretariat during Submission and Opening of Bids, which was beyond the functions and responsibilities of the latter as provided under Section 14.1 of RA No. 9184.	We recommended that Management require all BACs to: a. Consider opening the envelope one at a time and designate a BAC member or Secretariat to announce by describing the submitted document while other BAC members are verifying the copy of the submitted documents; b. Perform assessment to determine whether the eligibility requirements are Passed or Failed all the time; and c. Revisit the provisions stated under Sections 12 and 14.1 of the RA No. 9184.	a. Partially Implemented Reiterated in AO#28 b. Partially Implemented Reiterated in AO#28 c. Partially Implemented Reiterated in AO#28
AAR 2016 A.17 p. 81	The Internal Audit Department (IAD) performed pre-audit of vouchers and other regular activities related to operations, which were specifically excluded from the internal audit activities provided under Administrative Order (AO) No. 278 dated April 28, 1992 and neither among the functions of IAD provided under Section 3.2 of Philippine Government Internal Audit Manual (PGIAM).	We reiterated our previous recommendation that the IAD refrain from performing functions or participate in procedures which are essentially part of regular operating activities or in operation which are primary responsibility of another department of PAGCOR. The PAGCOR Management and IAD should be guided with AO No. 278 dated April 28, 1992, Department of	Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
		Budget and Management (DBM) Circular Letter No. 2008-8 dated October 23, 2008, the National Guidelines on Internal Control Systems (NGICS), Section 16.2 of GCG Memorandum Circular No. 2012-07 dated December 20, 2012 and the PGIAM on the supposed roles and responsibilities of the Internal Audit Department.	
AAR 2016 A.18 p. 83	The total amount of P234 million was paid to a sub-lessee representing 12 months advance rental and six months security deposit at P13 million per month pursuant to Article V of the subject Contract of Lease, despite the fact that the premises to be leased was not yet existing at the time of the execution of the contract. Considering that there were no leased premises to speak of, the disbursement of P234 million was irregular and therefore, disallowed in audit pursuant to COA Circular No. 2012-003 dated October 29, 2012. Copy of the Contract of Lease entered into by PAGCOR with the sub-lessee and its supporting documents were not submitted to the Office of the Auditor within five working days from the execution of the contract, which was not in accordance with the COA Circular No. 2009-001 dated February 12, 2009.	We recommended that Management strictly comply with the provisions of COA-Circular No. 2009-001 dated February 12, 2009 requiring submission of copy of contract and each of all the documents forming part thereof by reference or incorporation to the Office of the Auditor within five working days from the execution thereof.	Fully Implemented
AAR 2016 A.19	The funding by PAGCOR for various socio-civic projects of	We recommended thatManagement:	

Reference	Observations	Recommendations	Status of Implementation
p. 86	the Office of the President (OP) in the amount of P5 billion was not properly supported by Memorandum of Agreement (MOA) and the socio-civic projects worth P3.001 billion in excess of the approved original budget was not covered with DBM Supplemental Budget.	a. Submit MOA entered into by and between the PAGCOR and the OP to support the disbursement of the Socio-Civic Project Fund (SCPF) and its compliance with the existing law; and	Fully Implemented
		b. Provide also the approved Supplemental Budget for CY 2016 showing the allocated budget for the excess SCPF of P3.001 billion.	Fully Implemented
CASINO FILIPINO BRANCHES			
AAR 2016 B.20 p. 87	The five per cent Franchise Tax was not withheld by three CF branches, namely, CF Malate, CF Pavilion, and CF Olongapo, from the proponents on their income from operations of the casino amounting to P6.088 million representing their share of P121.756 million on the total gross rake collections of P313.090 million for the period, January 1 to December 31, 2016, despite the Supreme Court's decision on August 10, 2016 in the case of Bloomberry Resorts and Hotels, Inc. vs. Bureau of Internal Revenue (BIR) that contractees and licensees of PAGCOR are likewise subject only to five per cent Franchise Tax.	We recommended and Management agreed to: a. Lift the Memorandum dated April 22, 2014 to give go signal to the Accounting Section to withhold the five per cent Franchise Tax due from the proponents. This is to prevent the further accumulation of uncollected Franchise Tax and to avoid the issuance of Notice of Charge (NC) in the coming periods; and	Partially Implemented
		b. Enforce the previously issued NCs for the liable persons to settle the audit charges immediately.	Partially Implemented
AAR 2016 B.21	**CF-BACOLOD**		

<table>
<tr><th>Reference</th><th>Observations</th><th>Recommendations</th><th>Status of Implementation</th></tr>
<tr><td>p. 90</td><td>Failure to complete the procurement of food supplies resulted to non-operation of the branch cafeteria for the past three years to the detriment and disadvantage of casino employees.</td><td>We recommended that Management of CF-Bacolod make representation with PAGCOR Corporate Office for the authority to bid and award its branch cafeteria operation to a private concessionaire to cater employee’s meals/snacks.</td><td>Partially Implemented

Third bidding was to be conducted due to failed second bidding.</td></tr>
<tr><td>AAR 2016
B.22
p. 91</td><td>Utilization of the Host City Shares granted by PAGCOR to Local Government Units (LGUs) for the calendar year 2016 amounting to P263.300 million were not properly monitored and some have not submitted the required Utilization Report while others did not utilize their shares thereby exposing the funds to possible risk of loss or improper use of government funds, as follows:

<table>
<tr><th>LGUs</th><th>Host City Shares</th></tr>
<tr><td>Bacolod City</td><td>15,000,000.00</td></tr>
<tr><td>Iloilo City</td><td>6,000,000.00</td></tr>
<tr><td>Negros Occidental</td><td>6,000,000.00</td></tr>
<tr><td>City Treasurer of Cebu</td><td>144,000,000.00</td></tr>
<tr><td>Provincial Treasurer of Cebu</td><td>18,000,000.00</td></tr>
<tr><td>Mandaue City</td><td>15,500,000.00</td></tr>
<tr><td>Lapu-Lapu City</td><td>54,000,000.00</td></tr>
<tr><td>Laoag City</td><td>4,800,000.00</td></tr>
<tr><td>TOTAL</td><td>263,300,000.00</td></tr>
</table></td><td>We recommended that the Branch Management:
a. Require the concerned LGUs to submit to the Branch a quarterly Report on the Utilization of Host City Share for proper monitoring;

b. Advice the LGUs to utilize the funds for relevant programs and projects as stated in the guidelines set by PAGCOR;

c. Monitor the utilization of the Host City Shares; and

d. Consider requiring the LGUs to prepare and submit an Annual Plan and Budget for the purpose of determining by the Board of Directors the correct amount of Host City Shares.</td><td>CF Bacolod - Partially Implemented

Submission of utilization report was requested

CF Iloilo and CF Laoag – Fully Implemented

Partially Implemented

Not Implemented

Reiterated in AO#39</td></tr>
<tr><td>AAR 2016
B.23</td><td>Total Liabilities of P5.789 million as of December 31,</td><td>We recommended that Management require the</td><td>CF Cebu – Partially</td></tr>
</table>

Reference	Observations	Recommendations	Status of Implementation
p. 93	2016, remained outstanding for more than one to five years and still booked as Current Liabilities in the Statement of Financial Position which is not in accordance with PAS No. 1 and majority of these accounts are not supported by sufficient documents to ascertain its validity, in violation of Section 40, Book VI of the 1987 Administrative Code.	Accountant to: a. Present the payables and all other accounts in accordance with PAS No. 1; b. Review the payable accounts and fast track payments on all past due accounts; and c. Complete documentary requirements prior to the taking up of all payables in the books.	Implemented Reversal of some payables is still on-going. Partially Implemented Partially Implemented
AAR 2016 B.24 p. 94	**CF-MALATE** Inventory accounts of P10.780 million as of December 31, 2016 were unreliable due to unreconciled balances in the total amount of P5.560 million between inventory account balance and the balance per books.	We recommended and the Branch Management agreed to require the Accounting Section and Stock Keeping Dept. (SKD) to make extra effort to reconcile the resulting variances between inventory account balances per book and per count. Henceforth, require the SKD to religiously and regularly prepare the Issuance Slips as these reports shall be the basis of the Accounting Section in recording the issuances/consumption of supplies in the books of accounts.	Partially Implemented Reiterated in AO#5
AAR 2016 B.25 p. 95	**CF-LAOAG** CF-Laoag did not subject its Junket Rental Income to mandated tax and contributions which resulted in	We reiterated our previous audit recommendation that Management subject the	Not Implemented Junket Operations

Reference	Observations	Recommendations	Status of Implementation
	the accumulation of huge balance of unremitted obligations to the BIR, National Treasury (NT) and Philippine Sports Commission (PSC) in the amount of P8.516 million, P80.903 million and P4.045 million, respectively, or a total of P93.465 million for the CYs 2014 to 2016.	income earned from the conduct of casino operations with a lessor to five per cent Franchise Tax, 50 per cent Government and five per cent PSC Shares and remit the computed amount of obligations to the BIR, NT and the PSC, in compliance with the mandate of the PAGCOR Charter.	ceased operation on December 4, 2016
VALUE FOR MONEY AUDIT			
AAR 2016 B.26 p. 98	PAGCOR incurred an opportunity loss of approximately P33.362 million from generating income due to delayed release of the 60 W units from Supplier 1 and the 80 A from Supplier 2 to the operational sites by 106 to 118 calendar days (cd) and four to 35 cd, respectively.	We recommended that Management: a. Require the Slot Machines Department to evaluate the cause(s) of decrease in income from the four types of machines and consider in the improvement of the Slot Machine gaming operations or in the procurement of the type of machine in the future and submit thereof the results of evaluation. Otherwise, improve the preparation of Cost-Benefit analysis before procuring a particular Slot Machine by using the actual past experiences in projecting income and determining the priority in procuring high viable Slot Machines;	 Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
		b. Evaluate regularly the status of the recovery of cost of machines distributed to the Branches. If determined to have a slow recovery period, consider possible transfer to high-earning Branches or procure machines that will provide high sales to the particular Branches in the future; and	Fully Implemented
		c. Release immediately the Slot machines to the operational sites after the maximum period of satisfactorily checking the conditions of machines, to avoid opportunity loss from the slot machine gaming operation.	Fully Implemented
	Late delivery of 80 A Slot Machines resulting in non-deduction of liquidated damages of $84,640 or P4.216 million from the payments made to Supplier 2 and non-forfeiture of the corresponding performance security amounting to $552,000 or P24.630 million. Such liquidated damages can be considered as "Other Income" if only deducted from the claim of the supplier.	We recommended that Management:	
		a. Deduct the liquidated damages for late delivery in the succeeding payments to the Supplier 2; and	Fully Implemented
		b. Submit a written justification on why forfeiture of the performance security was not done despite the delay in the delivery as agreed upon in the contract.	Fully Implemented
AAR 2016 B.27	Wines, liquors, and other beverages, as well as	We recommended that the Branch Management	CF Malate - Partially

Reference	Observations	Recommendations	Status of Implementation
p. 105	cigarettes with a total cost of P4.199 million as of December 31, 2016 remained in the VIP Bar storage and the Branch has no definite plan to dispose the said items despite the fact that Marketing and Entertainment Expenses of the Branch had already been assumed by the proponent, effective April 1, 2016. Further, for the period April 1 to December 31, 2016, there were still deliveries of food & non-food supplies for the VIP Bar in the total amount of P1.874 million. Since these VIP supplies are consumable in nature and the same are exposed to loss, damage, spoilage and theft to the prejudice of the Branch, if they will remain in storage.	to: a. Consider the immediate disposal of said items in which the Branch has the feasible option of either selling the supplies to the proponent at cost or transferring the supplies to other PAGCOR casino branches; and b. Cause the immediate retrieval of VIP supplies issued to the proponent or make representation instead to cause the proponent pay the cost of the supplies instead.	Implemented The disposal of the subject supplies is still on-going. Partially Implemented
AAR 2016 B.28 p. 108	CF-Bacolod and CF-Iloilo marketing expenses amounting to P25.254 million and P16.550 million, respectively, were more than the approved budget by P12.884 million and P8.548 million, respectively. Likewise, said marketing expenses exceeded five per cent ceiling based on winnings by 0.41 per cent and 1.71 per cent, respectively.	We recommended that management re-visit the policies/controls/procedures in budgeting and expenditures related to gaming operations with the end view of establishing stronger controls by amending or exploring other policies to maximize income and reduce expenses.	Fully Implemented

Gender and Development (GAD)

AR 2016 B.29 p. 109	PAGCOR's Gender and Development Plans and Budget (GPBs) for the years 2014-2016 was not submitted to the Philippine Commission on Women (PCW) for review and approval and was not endorsed to the DBM in compliance with the Joint Circular No. 2012-01 of PCW, National Economic Development Authority (NEDA) and DBM.	We recommended strict compliance with the: a. General and Procedural Guidelines of the PCW-NEDA-DBM Joint Circular No. 2012-01 particularly in the submission, review, and endorsement of PAGCOR's GAD Plans and Budgets for more responsive results of GAD programs; and	Not Implemented Reiterated in AO#41
		b. General and Procedural Guidelines of Joint Circular No. 2004-01 dated April 5, 2014. Moreover, the use of the Harmonized Gender and Development Guidelines (HGDG) tool is recommended to determine the extent of the targeted HGDG score is attained.	Not Implemented Reiterated in AO#41
	PAGCOR's GAD Focal Point System (GFPS) is weak.	We recommended the strengthening of the existing GFPS to have an institutionalized and functional GFPS to more effectively plan and implement the sectoral programs on GAD.	Not Implemented Reiterated in AO#41
	There was an absence of documents to support expenses incurred in implementing GAD Plans Activities and Programs.	We recommended the submission of the above documents to determine, among others, whether the total appropriations authorized for gender and development were indeed appropriated and utilized for the purpose.	Not Implemented Reiterated in AO#41

ANNEX A **PSC Share Over(Under) Remittance**

Period	Particulars			Total Gross Earnings	5% PSC Share to be Remitted	Actual Remittance	Over(Under) Remittance
	Income from Gaming Operations	Income from Other Related Services	Other Income				
January	4,738,732,557	364,870,924	9,734,550	5,113,338,031	255,666,902	112,379,266	(143,287,636)
February	4,441,852,711	140,122,508	18,931,430	4,600,906,648	230,045,332	105,488,806	(124,556,526)
March	4,862,482,926	510,425,346	13,817,959	5,386,726,231	269,336,312	115,483,970	(153,852,342)
April	4,440,807,673	50,801,067	10,788,217	4,502,396,957	225,119,848	105,469,182	(119,650,666)
May	5,142,430,726	352,860,362	13,610,486	5,508,901,575	275,445,079	122,132,730	(153,312,349)
June	4,645,186,791	63,508,616	27,028,381	4,735,723,787	236,786,189	110,323,186	(126,463,003)
July	4,891,203,252	211,105,673	15,564,854	5,117,873,778	255,893,689	116,166,077	(139,727,612)
August	4,654,415,224	102,527,698	37,253,803	4,794,196,725	239,709,836	110,542,362	(129,167,474)
September	4,562,634,599	107,945,635	15,999,786	4,686,580,020	234,329,001	108,367,590	(125,961,411)
October	4,820,615,934	128,050,155	53,097,652	5,001,763,742	250,088,187	114,489,628	(135,598,559)
November	4,755,721,305	202,951,235	(73,503,387)	4,885,169,153	244,258,458	112,948,381	(131,310,077)
December	5,379,835,510	159,603,325	(16,125,230)	5,523,313,605	276,165,680	127,771,093	(148,394,587)
Total	**57,335,919,208**	**2,394,772,544**	**126,198,501**	**59,856,890,252**	**2,992,844,513**	**1,361,562,271**	**(1,631,282,242)**

ANNEX B Negotiated Procurement of Lease Contracts For 14 VIP Clubs

Project No.	Approved Budget for the Contract	Lease Period in the Original Contract	1st Extension (Month to Month)	2nd Extension	3rd Extension	Date of Opening of Quotation
1	P578,266,239	May 26, 2014 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 14, 2017
2	446,964,588	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 14, 2017
3	604,186,862	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 14, 2017
4	593,084,273	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 14, 2017
5	356,051,816	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 14, 2017
6	605,557,256	September 30, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 15, 2017
7	704,125,134	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 15, 2017
8	363,371,067	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 15, 2017
9	242,719,281	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 15, 2017
10	396,891,448	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 15, 2017
11	423,379,920	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 16, 2017
12	1,398,359,577	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 16, 2017
13	1,566,470,417	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 16, 2017
14	468,021,285	June 1, 2013 to June 30, 2016	July 1, 2016 to July 31, 2016	Aug 1, 2016 to December 31, 2016	January 1, 2017 to June 30, 2017	June 16, 2017
	P8,747,449,163					

Annex C Casino Filipino - Malate’s Income from Junket Operations

Month	Gross Revenue in US$	PAGCOR Share 10%	Minimum Guaranteed Fee	Fee for excess table	Net in US$	BSP rate	PAGCOR Share In Peso
January	279,671	27,967	40,000	968	40,968	49.8140	P 2,040,767
February	6,570,652	657,065	40,000	714	657,065	50.2670	33,028,697
March	474,862	47,486	40,000	0	47,486	50.1940	2,383,523
April	(266,999)	(26,700)	40,000	333	40,333	49.6990	2,004,526
May	668,765	66,876	40,000	0	66,876	49.8670	3,334,930
June	70,581	7,058	40,000	0	40,000	50.4660	2,018,640
July	164,543	16,454	40,000	0	40,000	50.5820	2,023,280
August	293,493	29,349	40,000	0	40,000	51.1660	2,046,640
September	418,465	41,846	40,000	0	41,846	51.0730	2,137,225
October	227,759	22,776	40,000	0	40,000	51.7990	2,071,960
November	84,960	8,496	40,000	0	40,000	50.3650	2,014,600
December	154,140	15,414	40,000	357	40,357	49.9230	2,014,750
Total							**P57,119,538**

2010 Junket Agreement

Month	Gross Revenue in US$	PAGCOR Share 15%	Minimum Guaranteed Fee	Fee for excess table	Net in US$	BSP rate	PAGCOR Share In Peso
January	279,671	41,951	50,000	0	50,000	49.8140	P2,490,700
February	6,570,652	985,598	50,000	0	985,598	50.2670	49,543,045
March	474,862	71,229	50,000	0	71,229	50.1940	3,575,285
April	(266,999)	(40,050)	50,000	0	50,000	49.6990	2,484,950
May	668,765	100,315	50,000	0	100,315	49.8670	5,002,395
June	70,581	10,587	50,000	0	50,000	50.4660	2,523,300
July	164,543	24,681	50,000	0	50,000	50.5820	2,529,100
August	293,493	44,024	50,000	0	50,000	51.1660	2,558,300
September	418,465	62,770	50,000	0	62,770	51.0730	3,205,837
October	227,759	34,164	50,000	0	50,000	51.7990	2,589,950
November	84,960	12,744	50,000	0	50,000	50.3650	2,518,250
December	154,140	23,121	50,000	0	50,000	49.9230	2,496,150
Total							**P81,517,262**
Difference							**P24,397,724**

Annex D **Observations on Ocular and Technical Inspection of Various PAGCOR Funded School Buildings**

Location	Name of School	No. of Classroom	Status per Inspection	Significant Remarks/Observations
Narra, Palawan	Narra Pilot School	10	Not substantially completed	The project was not substantially completed as reflected in the monitoring report submitted by the management as of June 30, 2017. The report showed that the said school is at 98 per cent completed; however, actual inspection revealed that the construction is not yet at its substantially completed stage. Photos are attached for verification. It was also found out that man power services were subcontracted.
Quezon, Palawan	Quezon Elementary School	20	Not substantially completed	The project was still under construction and the estimated percentage of completion was only 25 per cent, different to what was reported which is 89 per cent completed.
Puerto Princesa, Palawan	Puerto Princesa Pilot Elementary School	18	Not substantially completed	The project was estimated only to be at 70% completed stage and not 95.6 per cent as reported. Two (2) buildings, walkway and drinking fountain were demolished for the construction of the PAGCOR school building. Demolition cost was shouldered by the school without remitting the scrap materials to the school authorities.
Madrilejos, Cebu	Malbago Elementary School	3	Construction not yet started	Coordination has been made between the school authorities and DepEd as to reserved areas of the school premise allocated for PAGCOR building. However, no assurance was given if the plan will push thru. According to the management's

Location	Name of School	No. of Classroom	Status per Inspection	Significant Remarks/Observations
				monitoring, the project is under the process of contracting. Note that this project was part of the Yolanda Fund.
Madrilejos, Cebu	Madrilejos National High School	9	Construction not yet started	Construction of supposed 3-storey with 9 class rooms building was not yet started. Accordingly, bidding process was already done five to six months ago but up to the date of inspection no clear information was given to us if the project will push through. The project was also part of Yolanda Fund.
Daanbantayan, Cebu	Logon Elementary School	4	Completed	Two classrooms were not yet occupied. The floorings of second classroom were already sunken and destroyed.Accordingly, the gravel and sand used in the construction were taken from the school premises.
Bogo City, Cebu	Binabag National High School	2	Completed	The location of the School Building is at high risk because of eroding foundation. There are cracks in the flooring and walls. The flooring is 3 to 5 inches sunk due to weak foundation. Typhoon, earth- quake or simple rain may aggravate its condition according to our Technical Inspector.
Talisay City, Cebu	Talisay City Elementary School	20	Under Construction	The construction is approximately half completed which is not in congruent with the monitoring report wherein the said school building is fully completed as of December 31, 2016.
Carles, Iloilo	Barangcalan Elementary School	3	Completed	The contractor repaired the ceiling of the classroom that was destroyed by typhoon Marce but the electrical wirings were not reinstalled.

Location	Name of School	No. of Classroom	Status per Inspection	Significant Remarks/Observations
Balasan, Iloilo	Tingui-an Elementary School	5	Completed	The Principal recounted a short circuit incident due to faulty electrical wirings and leakage on ceiling.
San Dionisio, Iloilo	NicomedesTubar Senior National High School	8	Completed	The back portion of the school building serves as the catch basin of the water coming from the field, which causes flooding in the vicinity of the school building and causes the land to soften. The contractor also left the water down spout exposed with no land filling.
Concepcion, Iloilo	Polopiña Elementary School	3	Completed	One classroom is used as Principal and Teacher's Office
Concepcion, Iloilo	Macalbang Elementary School	3	Completed	Accordingly, there was an incident where the polycarbonate roofing of the canopy was removed and hit a child on his head. They shouldered the medical needs of the child
Sara, Iloilo	Sara National High School	20	Not yet started	Accordingly, there is already a winning bidder for the project but there are certain documents that the bidder needs to comply. The condemned building, where the proposed school building will be constructed, is still being used by the students.
Jaro, Iloilo	Jaro II Elementary School	10	Completed	Multiple cracks on walls and flooring were noted as well as vibrations on the structures were observed.
Jaro, Iloilo	San Isidro Uswag, Sr. PS-Annex	6	Completed	Multiple cracks, chippings and scaling on flooring and walls. There was also possibility of falling cement blocks from the gutter.
Bolinao, Pangasinan	Bolinao Integrated School	5	Significantly Completed	Classrooms were already used even if it is not yet fully completed. Paintings are not yet applied. We took note also of some holes and cracks in the floorings.

Location	Name of School	No. of Classroom	Status per Inspection	Significant Remarks/Observations
Bani, Pangasinan	Tiep National High School	5	Significantly Completed	The classrooms were not yet used because it is not yet fully completed and the flooring is not fully compacted. We observed that the flooring creates sound and vibrations every time we step into it. The school authorities are afraid to use the building because of the noticed defects. Also, no paint was applied.
Mati, Davao Oriental	AntoninoVicentino Elementary School	3	Completed	Accordingly, the contractor has an outstanding claim for the painting of the classrooms. They are still looking for fund to pay the contractor since the 10% increment on the budget for the construction of the school building was not approved/ released by PAGCOR.
Baganga, Davao Oriental	Baganga Elementary School	5	Completed	One classroom is used as Principal's Office.
Baganga, Davao Oriental	Lambajon Central Elementary School	5	Completed	They have accepted the school building even before it was completed. In addition, only 80 per cent of the work of the school building was shouldered by the contractor and the remaining 20 per cent was completed by DPWH.
Baganga, Davao Oriental	Dapnan Elementary School	5	Completed	One classroom is used as Guidance and Principal's Office
Cateel, Davao Oriental	San Antonio Elementary School	5	Completed	One classroom is used as Principal's Office.
Cateel, Davao Oriental	San Isidro Elementary School	5	Completed	One classroom is used as Principal's Office.
Cateel, Davao Oriental	Cateel Agricultural High School	5	Completed	3 out of the 5 classrooms are used as Administration Office, Principal's Office and Library.
Cateel, Davao Oriental	Cateel Central Elementary	5	Completed	3 out of the 5 classrooms are used as Clinic/Planning Section,

Location	Name of School	No. of Classroom	Status per Inspection	Significant Remarks/Observations
	School			Faculty Room and Principal's Office
Cateel, Davao Oriental	Cateel Vocational High School	5	Completed	All five classrooms are used as Conference Hall, Head Teachers Office/Registrar, Principal's Office, Guidance Office and Education Management Education Section/Accounting Section
Boston, Davao Oriental	Boston Central Elementary School	5	Completed	Two out of the five classrooms are used as Principal's Office/Faculty Room, WATCH Office/ Guidance Office
Boston, Davao Oriental	Boston National High School	5	Completed	All five classrooms are used as Principal/School Planning Office, Record/Accounting, Guidance/Publication Office, WATCH/Faculty Office and Clinic/Disaster Risk reduction Office
La Trinidad, Benguet	Benguet National HighSchool-Alno Annex	20	Completed	The school head decided not to use the classrooms yet because there were severe cracks in the second floor. There is also problem found in the water system of comfort rooms that requires immediate action.
Jones, Isabela	Jones Rural School	5	Completed	Huge cracks on walls which can be the primary reason for building to collapse anytime are observed. Ceiling is partially replaced. Huge stripping in the flooring is also noted. Ceiling paints were already scraped and missing horizontal window slats were replaced with wooden lawaners. Defective water pipe causes some traces of flooding of the building.

Location	Name of School	No. of Classroom	Status per Inspection	Significant Remarks/Observations
Alicia, Isabela	Burgos Elementary School	3	Completed	The building was already abandoned and never used due to unsettled issue about the lot where the school building was built (They told us that the lot is owned by a politician and it was donated to the school. Accordingly, the owner will advice them when it can be utilized). The building has been destroyed by several typhoons.
Ormoc City, Leyte	Luna Elementary School	2	Completed	The stage was completely separated from the building structure itself which is not in accordance with the design and plan made by PAGCOR. The school building was under renovation because it was previously damaged by earthquake.
Ormoc City, Leyte	Concepcion Elementary School	5	Completed	The school building was under renovation because it was severely damaged by earthquake.
Ormoc City, Leyte	Matica-a Elementary School	4	Completed	The ceiling is severely damaged and it was revealed that the woods used inside the ceiling are coconut lumbers which are already degraded.
Isabel, Leyte	Monte Alegre Elementary School	4	Completed	The ceiling, walls and foundation of the school building were severely damaged by earthquake. As of the date of inspection, no renovation was taken yet. The structure itself may create accident if not given attention based on our Technical Inspector.

Annex E **Relief Operations of PAGCOR for CY 2017**

Place	Date of Calamity (A)	Date of Deed of Donation (B)	Date of Transmittal (B)	No. of Days From the Date of Calamity. (A-B)
Relief Operations for Typhoon Niña per board approval January 12, 2017				
Camarines Sur	12/25/16 to 12/26/16	1/30/17	Not dated	35 days
	12/25/16 to 12/26/16	1/30/17	Not dated	35 days
Quezon Province	12/25/16 to 12/26/16	1/30/17	1/10/17	15 days
Albay	12/25/16 to 12/26/16	1/30/17	Not dated	35 days
	12/25/16 to 12/26/16	1/30/17	1/14/17	19 days
	12/25/16 to 12/26/16	1/30/17	1/14/17	19 days
	12/25/16 to 12/26/16	1/30/17	Not dated	35 days
Sorsogon	12/25/16 to 12/26/16	1/30/17	Not dated	35 days
Quezon Province	12/25/16 to 12/26/16	2/17/17	1/20/17	25 days
	12/25/16 to 12/26/16	2/17/17	1/20/17	25 days
	12/25/16 to 12/26/16	2/17/17	1/30/17	35 days
Oriental Galera	12/25/16 to 12/26/16	2/17/17	2/7/17	43 days
Quezon Province	12/25/16 to 12/26/16	3/9/17	1/21/17	26 days
	12/25/16 to 12/26/16	3/9/17	1/20/17	25 days
	12/25/16 to 12/26/16	3/9/17	2/27/17	63 days
	12/25/16 to 12/26/16	3/9/17	1/20/17	25 days
Camarines Sur	12/25/16 to 12/26/16	Not dated	1/11/17	16 days
	12/25/16 to 12/26/16	4/24/17	4/24/17	119 days
	12/25/16 to 12/26/16	4/24/17	4/24/17	119 days
Relief Operations for Magnitude 6.5 Earthquake per board approval July 12, 2017				
Leyte	7/6/17	8/17/17	7/29/17	23 days
	7/6/17	8/17/17	7/30/17	24 days
Relief Operations for fire at San Miguel Manila per board approval August 30, 2017				
Manila	8/16/17	11/10/2017	Not dated	86 days

*B = date of transmittal is used because it is the date of actual receipt of the relief assistance. However, transmittal without date is presumed to be same with the date of Deed of Donation.

$$\textbf{Average no. of days of Relief Operations} = \frac{\text{Total No. of days*}}{\text{No. of relief operations}} = \frac{882 \text{ days}}{22} = \textbf{40.09 days}$$

*Based on all Deed of Donations submitted.

Annex F List of PAGCOR Feeding Program Beneficiaries

Date	Check No.	Name of Principal	Name of School	Amount
12/02/16	62420	Arabelle Amar	Cabili Village Elementary School	P15,000
11/02/16	62244	MelbenDaggon	Nam-Nam Elementary School	24,990
11/02/16	62243	Florendo Jacinto	Buhangin Central Elementary School	51,000
11/02/16	62242	Susan Pirante	Francisco Ll. Laya Memorial Integrated School	51,000
11/02/16	62241	Jamila Ali Maradial	Ma. Cristina Central Elementary School	75,480
11/02/16	62240	Ma. Elena Ferido	Magugpo Pilot Central Elementary School	86,190
12/02/16	62418	Wilson Gamao	Zonta Elementary School	31,200
11/14/16	62318	Jamila Ali Maradial	Ma. Cristina Central Elementary School	62,160
11/14/16	62316	Ma. Elena Ferido	Magugpo Pilot Central Elementary School	70,980
11/14/16	62315	Florencio Jacinto	Buhangin Central Elementary School	42,000
01/09/17	62676	Florendo Jacinto	Buhangin Central Elementary School	60,000
01/09/17	62675	Liza Ann Ebron	Cabantian Elementary School	30,600
01/09/17	62674	Wilson Gamao	Zonta Elementary School	62,400
11/14/16	62317	Susan Pirante	Francisco Ll. Laya Memorial Integrated School	42,000
11/14/16	62314	MelbenDaggon	Nam-Nam Elementary School	20,580
01/09/17	62673	Ma. Elena Ferido	Magugpo Pilot Central Elementary School	101,400
01/09/17	62672	Jamila Ali Maradial	Ma. Cristina Central Elementary School	88,800
01/09/17	62671	Arabella A. Amar	Cabili Village Elementary School	30,000
02/01/07	62797	Wilson Gamao	Zonta Elementary School	62,400
01/17/17	62705	Susan Pirante	Francisco Ll. Laya Memorial Integrated School	60,000
01/13/17	62695	MelbenDaggon	Nam-Nam Elementary School	29,400
02/01/07	62801	Arabella Amar	Cabili Village Elementary School	30,000
02/01/07	62800	Jamila Ali Maradial	Ma. Cristina Central Elementary School	88,800
02/01/07	62799	Ma. Elena Ferido	Magugpo Pilot Central Elementary School	101,400
02/01/07	62798	Florendo Jacinto	Buhangin Central Elementary School	60,000
02/23/17	62972	Wilson Gamao	Zonta Elementary School	71,760
02/23/17	62971	Liza Ann Ebron	Cabantian Elementary School	35,190
02/23/17	62970	Florendo Jacinto	Buhangin Central Elementary School	69,000
02/07/17	62829	Liza Ann Ebron	Cabantian Elementary School	30,600
03/03/17	63057	Ma. Elena C. Ferido	Magugpo Pilot Central Elementary School	264,011
03/16/17	63156	Melben O. Daggon	Nam-Nam Elementary School	264,682
03/03/17	63056	Jamila Ali Maradial	Ma. Cristina Central Elementary School	264,010
03/03/17	63055	Arabella A. Amar	Cabili Village Elementary School	264,009
02/20/17	62915	Melben O. Daggon	Nam-Nam Elementary School	263,164
Total				**P 2,904,206**