



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

Annual Audit Report
on the
National Food Authority

For the Year Ended December 31, 2011

**NATIONAL FOOD AUTHORITY
ANNUAL AUDIT REPORT FOR CY 2011**

EXECUTIVE SUMMARY

Introduction

The National Grains Authority was created under Presidential Decree (PD) No. 4 dated September 26, 1972 and became the National Food Authority (NFA) through P.D. No. 1770 dated January 14, 1981 with the original mandate to promote the integrated growth and development of the grains industry, to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made and to promote the stabilization of supply and prices of staple cereals both at the farm gate and consumer levels. Pursuant to Executive Order (EO) No. 398 dated January 31, 1997, NFA undertakes the procurement of sugar when necessary. Furthermore, EO No. 22 issued on September 1998, authorized NFA to include in its scope the marketing operation of other basic food items.

The NFA is an attached agency of the Department of Agriculture (DA) and is governed by the Board of Directors known as NFA Council, chaired by the Secretary of Department of Agriculture.

It has 15 regional and 87 provincial offices.

The NFA has plantilla positions numbering 4,437 with 4,165 filled positions. Only 615 are assigned at the NFA Central Office and 3,822 are assigned at the field offices. It also has 568 co-terminus/job order employees; 140 assigned at the central office and 428 assigned at the field offices.

Financial Profile

For CY 2011 the NFA funds were sourced from the following:

Sources	Amount
Availment of loans	P144,594,190,522.45
Cash sales	24,998,928,247.09
Miscellaneous income	1,937,819,920.92
Collection of accounts receivables	1,278,256,947.93
Total	P172,809,195,638.39

NFA's financial condition and results of operations are presented below:

Comparative Financial Condition

	2011	2010
Assets	39,438,738,286	62,102,089,823
Liabilities	171,499,237,202	178,412,908,383
Equity	(132,060,498,916)	(116,310,818,560)

Results of Operations

	2011	2010
Income	28,470,354,297	44,374,424,305
Expenses	46,637,163,899	66,778,454,371
Loss from operations	18,166,809,602	22,404,030,066
Subsidy from National Government	2,500,000,000	8,000,000,000
Loss after subsidy from National Government	15,666,809,602	14,404,030,066

Scope of Audit

The audit covered the operation of NFA for the period January 1 to December 31, 2011. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Auditor's Opinion on the NFA Financial Statements

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements for reasons stated in the Audit Certificate in part I of the report.

Summary of Significant Findings and Recommendations

Below is a summary of significant audit findings and recommendations with details in Part IIA of the report:

1. NFA incurred a total of P8,844.563 million financial expenses, of which P6,570.122 million and P1,424.783 million represent interest expense and guarantee fee, respectively. This attributed to the incurrence by NFA of net loss of P15.667 million.

We recommended that Management exert its best effort to minimize borrowings.

2. Stock and empty sack shortages of Stock Accountable Officers amounting to P391.899 million remained uncollected for more than 1 to 25 years, due to the lax implementation of the provisions of NFA SOP FS-GP20 and NFA General Memorandum No. A02k10-01-003, particularly the provisions on payments and collections.

We recommended that Management:

- a. Strictly implement the procedures, administrative sanctions and reporting and monitoring system as provided for under NFA SOP-FS-GP20 dated January 27, 2006, as amended under NFA General Memorandum Order No. AO 2k10-01-003;
 - b. Look into the reasons or causes of shortages and require the Provincial Managers to institute measures to prevent or at least minimize the occurrence of shortages;
 - c. Consider the filing of administrative charges against the concerned Provincial Managers who failed to take any action to facilitate collection of shortages of Stock Accountable Officers; and
 - d. Exhaust all available legal remedies to enforce collection.
3. Account Merchandise Inventory with a year-end balance of P43.237 million was found existing in the books of the NFA-NCR despite decentralization of the cost accounting of stocks to the District Offices. This balance was the aggregate of individual stock varieties with balances of P30.61 million and those with abnormal balances of P12.626 million that can be attributed to error in encoding/interchanging of variety codes of rice.

Also, unreconciled variance existed between the accounting and warehouse stock records of Merchandise inventory account of NFA-Region I, with the accounting records higher by P8.159 million.

Four NFA Regional Offices reported shortlanding and spillages totaling 550,915.03 net kilogram valued at P12.227 million, resulting in bigger cost of inventories.

- 3.1. Merchandise inventory account with year-end balance of P43.237 million remained in the books of NFA-NCR despite the decentralization of the cost accounting of stocks to the District Office.

We recommended that Management undertake a thorough analysis of the Merchandise Inventory account to determine the stock transactions that need adjustments/corrections as the Merchandise Inventory account in the NFA-NCR books of accounts should show zero balance.

- 3.2. Unreconciled variance existed between the accounting and warehouse stock records of Merchandise inventory account of NFA-Region I, with the accounting records higher by P8.159 million.

We recommended that Management of Provincial Offices reconcile the variance and effect the necessary adjustments.

- 3.3. Four NFA Regional Offices reported shortlanding and spillages totaling 550,915.03 net kilogram valued at P12.227 million resulting in bigger cost of inventories.

We reiterated our recommendation that Management:

- a. Institute additional control measures to minimize losses due to shortlandings and spillages;
- b. Consider amendment of the purchase, contract; and
- c. Continue filing letter of protest to demand settlement of shortlanded deliveries.

We also recommended that Benguet PO Management verify and confirm from the issuing PO, the amount charged/imposed to the hauler for spillages in excess of TOLA to serve as basis of treating it as reduction from the total losses recognized by the Benguet PO.

4. Iron Rice Premix consisting of 48,584.98 bags with book value of P299.998 million stored in the warehouses of NCR District/Provincial Offices were already expired and this may result to wastage if not immediately used for its intended purpose. Also, two units of Rice Fortification Equipment/Blender with acquisition cost of P5.435 million that were purchased by NFA Central Office, and transferred to NFA-NCR South District Office in 2008 and 2009 for the iron fortification project remained idle/unutilized.

We recommended that Management:

- a. Prepare plans of action for immediate disposal/use of said expired IRP stocks to avoid wastage;
 - b. Observe the guidelines and implement the specific responsibilities provided under NFA SOP No. GM-PG11 dated June 20, 2005 re: Implementation of Rice Fortification Program (RA 9876);
 - c. Request for laboratory analysis of the expired IRP from the Food and Drug Administration of the Department of Health to make sure that these IRP are still fit for human consumption; and
 - d. Propose to DSWD or Office of the President that instead of giving the whole amount of conditional cash transfer to its beneficiaries, 50 percent or part of it be given in the form of iron fortified rice.
5. Five NFA Regional Offices reported a total estimated loss of P1.251 billion from the sales of 7,607,810.56 bags of imported rice sold through auction under NFA's "Sale through Market Determined Pricing (SMDP). The loss may be attributed to the quality deterioration of stocks due to prolong storage resulting in low selling price.

We recommended that Management re-assess/re-evaluate the economy and effectiveness of SMDP as a marketing strategy considering the losses it has brought to the NFA.

6. Of the balance of Accounts Receivable-Trade in the amount of P1,402.754 million as at December 31, 2011, 21.34% or P299.336 million remained outstanding and uncollected for one to over 30 years, hence its validity and collectibility was deemed doubtful.

We recommended that Management:

- a. Provide the NFA Regional/Provincial Offices (RO/PO) with updated information on collections and/or status of the receivables and send collection advices to concerned RO/PO;
 - b. Facilitate reconciliation with Department of Education (DepEd), Department of Social Welfare and Development (DSWD), National Disaster Coordinating Council (NDCC) /Regional Disaster Coordinating Council (RDCC), Local Government Units (LGUs) and other National Government Offices concerned; and
 - c. Instruct the concerned NFA Provincial Manager to meet with the present LGU executives to resolve the issue of non-recording of their liabilities.
7. In six NFA Regional Offices, the accuracy and validity of the balance of Property and Equipment accounts amounting to P266.478 million were not ascertained due to unreconciled variances of P74.338 million between book balance and the physical inventory report. Also, unserviceable property totaling P11.72 million remained under PPE accounts instead of transferring the same to Other Assets. Further, the same were not yet disposed of, contrary to Sec. 79 of PD 1445.
- 7.1 In six NFA Regional Offices, the book balance of the Property and Equipment as of December 31, 2011 did not reconcile with the balances per Physical Inventory Reports, resulting in a variance of P74.338 million.

We recommended that Management:

- a. Require the Regional Accountant and the Supply Officer to reconcile their variances and make the necessary adjustments to ensure accurate balances of the Property and Equipment accounts;
- b. Investigate and take appropriate action for all the discrepancies/ variances between the physical and booked inventories;
- c. Record small tangible assets with serviceable life of more than one year but small enough to be considered PE as inventories upon acquisition and expenses upon issuance; and prepare a separate inventory report for these items; and

- d. Maintain Equipment Ledger Card for each class of equipment to record the acquisition, description, custody, estimated life, depreciation and other information about the equipment; and reconcile the physical inventory with the equipment ledger cards and the control accounts.

7.2 Unserviceable/obsolete and beyond economical repair property were still recorded under Property and Equipment accounts instead of reclassifying them to Other Assets account. Likewise, the same were not yet disposed of, contrary to Sec. 79 of PD 1445.

We recommended the following courses of action:

- a. Require the Property Officer to prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) and submit the same to the Accountant for reclassification to Other Assets account; and
- b. Dispose the unserviceable property immediately in accordance with Section 79 of PD No. 1445 and Section 502 of GAAM, Volume 1 to avoid further deterioration and obsolescence and to generate additional funds to augment its operation.

7.3 In three NFA Regional Offices, Property and Equipment accounts with book value of P16 million were not provided with depreciation charges, contrary to PAS No. 16 and NFA SOP No. FS-GP08 thereby understating the depreciation expense and overstating the income.

We recommended that Management:

- a. Require the concerned committee to determine the new estimated useful life of the assets to compute correctly the depreciation expense; and
- b. Provide depreciation charges for the capitalized repair cost.

8. The accuracy and validity of the book balance of Deferred Credits – unwithdrawn stocks totaling P18.566 million in the books of NFA NCR were doubtful due to existence of unwithdrawn stocks paid in prior years.

We recommended that Management:

- a. Require a thorough analysis of the Deferred Credits - Unwithdrawn Stocks; and review/analyze regularly the account to immediately determine completeness and accuracy of the transactions recorded;
- b. Coordinate with the district offices or obtain data from them to determine the complete stock withdrawals for said years/dates so that appropriate adjustments can be made; and
- c. Transfer account balance affected by the decentralization of cost accounting of stocks to the books of accounts of the district offices.

9. The practice of the NFA Region III Zambales Provincial Office Manager of signing checks without any accompanying disbursement vouchers and supporting documents; and checks that were signed on the dates the countersigning official of NFA Region VII Siquijor PO was on travel and out of the official station was not in accordance with sound system of internal control.

We recommended that Management of Zambales and Siquijor PO refrain from signing blank checks. Delegate the authority to sign/countersign checks to the next in rank officials on the dates the said Provincial Managers are out of the official station.

Status of Implementation of Prior Years' Audit Recommendations

Of the 61 prior years recommendations embodied in the previous year's Annual audit Report, 36 were fully implemented; 20 were partially implemented; and 5 was not implemented.

COA – NFA Audit Group/Teams

The COA - NFA Audit Group is headed by Atty. Elenita de Vera Lumongsod, Supervising Auditor and assisted by the following Audit Teams and staff:

Name	Designation
Office of the Supervising Auditor	
1. Zenaida Z. Sumaya	Staff
2. Elena C. Medina	Staff
Team 1 – NFA Head Office	
3. Carmencita A. Cabreza	Audit Team Leader
4. Floredliza A. Arellano	Audit Team Member
5. Marielyn M. Quemuel	Audit Team Member
6. Joselita P. Veluz	Audit Team Member
7. Ma. Teresa P. Aquino	Audit Team Member
8. Zenaida N. Laureano	Audit Team Member
9. Jocelyn G. Malapote	Audit Team Member
10. Teresita P. Ramos	Audit Team Member
11. Carmencita Josephine C. Ulep	Audit Team Member
12. Greisarla L. Dumaran	Audit Team Member
Team 2 – NFA NCR Regional Office and Central District Office (CDO)	
NFA - NCR	
13. Teodora R. Josen	Audit Team Leader
14. Bienvenido G. Menes, Jr.	Audit Team Member
15. Belinda S. Kierulf	Audit Team Member
NFA -CDO	
16. Rolando A. Navarro	Audit Team Member

17. Maria Gisela M. Racelis

Audit Team Member

Team 3 – NFA South District Office (SDO)

18. Rosalina A. Valdez

Audit Team Leader

19. Salome D. Magno

Audit Team Member

Team 4 – NFA North District Office (NDO)

20. Narcisa DJ. Joaquin

Audit Team Leader

21. Elvira D. Abenis

Audit Team Member

22. Prima O. Santos

Audit Team Member

The other 14 NFA Regional Offices and 87 Provincial Offices are audited by Regional and Provincial Teams under 14 COA Regional Offices.



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

The NFA Council
National Food Authority
Quezon City

We have audited the accompanying financial statements of the National Food Authority, which comprise the balance sheet as of December 31, 2011, and the statement of income and expenses, statement of changes in capital deficiency and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Part IIA - Comments and Observations, our audit disclosed the following which we consider in forming our audit opinion:

1. Account *Merchandise Inventory* with a year-end balance of P43.237 million was found existing in the books of the NFA-NCR despite decentralization of the cost accounting of stocks to the District Offices. This balance was the aggregate of individual stock varieties with balances of P30.61 million and those with abnormal balances of P12.626 million that can be attributed to error in encoding/interchanging of variety codes of rice. Also, *unreconciled variance existed between the accounting and warehouse stock records of Merchandise inventory account of NFA-Region I, with the accounting records higher by P8.159 million. Further, four NFA Regional Offices reported shortlanding and spillages totaling 550,915.03 net kilogram valued at P12.227 million, resulting in bigger cost of inventories. (Comments and Observations No. 3)*
2. Of the balance of *Accounts Receivable-Trade* in the amount of P1,402.754 million as at December 31, 2011, 21.34% or P299.336 million remained outstanding and uncollected for one to over 30 years, hence its validity and collectibility were deemed doubtful. *(Comments and Observations No. 10)*
3. In six NFA Regional Offices, the accuracy and validity of the balance of *Property and Equipment* accounts amounting to P266.478 million were not ascertained due to unreconciled variances of P74.338 million between book balance and the physical inventory report. Also, unserviceable property totaling P11.72 million remained under PPE accounts instead of transferring the same to Other Assets. Further, the same were not yet disposed of, contrary to Sec. 79 of PD 1445. *(Comments and Observations No. 11)*

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the National Food Authority as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT


ELENITA DV. LUMONGSOD

Supervising Auditor, Audit Group A
Cluster C, Corporate Government Sector

June 27, 2012

NATIONAL FOOD AUTHORITY
B A L A N C E S H E E T
December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
ASSETS			
Current Assets			
Cash and cash equivalents	4	2,374,517,901	2,548,430,720
Accounts receivable - net	3.3, 5	765,474,019	1,180,644,946
Inventories - net	3.2, 6	31,109,151,710	53,608,634,897
Other current assets	7	971,489,097	1,066,082,441
Total Current Assets		35,220,632,727	58,403,793,004
Non-Current Assets			
Property and equipment - net	3.4, 8	2,488,063,848	2,413,330,374
Other assets	9	1,730,041,711	1,284,966,445
Total Non-Current Assets		4,218,105,559	3,698,296,819
TOTAL ASSETS		39,438,738,286	62,102,089,823
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Accounts payable	10	6,407,583,080	34,872,643,832
Notes payable	11	34,559,406,610	97,090,227,201
Due to Bureau of the Treasury	12	14,712,825,575	5,237,557,520
Deferred credits to income	13	663,674,109	672,813,845
Other current liabilities	14	4,103,193,021	4,443,004,398
Total Current Liabilities		60,446,682,395	142,316,246,796
Non -Current Liabilities			
Loans payable - domestic	15	110,619,119,395	35,620,119,395
Loans payable - foreign	16	433,435,412	476,542,192
Total Non-Current Liabilities		111,052,554,807	36,096,661,587
TOTAL LIABILITIES		171,499,237,202	178,412,908,383
CAPITAL DEFICIENCY		(132,060,498,916)	(116,310,818,560)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		39,438,738,286	62,102,089,823

The notes on pages 7 to 16 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
SALES	3.1	25,929,863,859	40,085,089,305
COST OF SALES		33,177,172,418	53,964,144,962
GROSS LOSS FROM SALES		7,247,308,559	13,879,055,657
OPERATING EXPENSES	19	4,615,428,761	4,926,937,469
FINANCIAL EXPENSES	20	8,844,562,720	7,887,371,940
LOSS FROM OPERATIONS		20,707,300,040	26,693,365,066
OTHER INCOME	3.1, 21	2,540,490,438	4,289,335,000
NET LOSS BEFORE GOV'T. SUBSIDY		18,166,809,602	22,404,030,066
SUBSIDY INCOME FROM THE NAT'L. GOV'T.	22	2,500,000,000	8,000,000,000
NET LOSS		15,666,809,602	14,404,030,066

The notes on pages 7 to 16 form part of these financial statements.

NATIONAL FOOD AUTHORITY
STATEMENT OF CHANGES IN CAPITAL DEFICIENCY
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Notes	2011	2010
EQUITY CONTRIBUTION FROM NAT'L. GOV'T.	17	5,000,000,329	5,000,000,329
DEFICIT	18		
Balance at the beginning of the year		(121,310,818,889)	(107,187,607,691)
Correction of prior period errors		(82,870,754)	280,818,868
As restated		(121,393,689,643)	(106,906,788,823)
Net loss for the year		(15,666,809,602)	(14,404,030,066)
Balance at the end of the year		(137,060,499,245)	(121,310,818,889)
CAPITAL DEFICIENCY		(132,060,498,916)	(116,310,818,560)

The notes on pages 7 to 16 form part of these financial statements.

NATIONAL FOOD AUTHORITY
CASH FLOW STATEMENT
For the Year Ended December 31, 2011
(With corresponding figures for 2010)
(In Philippine Peso)

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection from customers		28,077,898,046	41,556,410,818
Subsidy received from the National Government		2,500,000,000	8,000,000,000
Payment to suppliers of imported rice		(25,022,197,176)	(33,461,721,846)
Payment to suppliers and employees		(5,480,709,438)	(5,431,557,098)
Payment to suppliers of palay		(4,932,949,452)	(9,038,501,554)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		(4,857,958,020)	1,624,630,320
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement of investments/Proceeds from maturing investments		(399,912,120)	10,063,649,348
Proceeds from sale of property		724,381	3,004,412
Purchase/construction of property		(140,683,333)	(195,548,218)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(539,871,072)	9,871,105,542
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings /(Payment of loans)		12,425,072,629	(4,452,799,260)
Payment of financial charges		(7,201,547,316)	(6,924,141,875)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		5,223,525,313	(11,376,941,135)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(174,303,779)	118,794,727
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		390,960	(1,532,885)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4	2,548,430,720	2,431,168,878
CASH AND CASH EQUIVALENTS, END OF YEAR	4	2,374,517,901	2,548,430,720

The notes on pages 7 to 16 form part of these financial statements.

NATIONAL FOOD AUTHORITY
NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Pesos unless otherwise stated)

1. GENERAL INFORMATION

The National Grains Authority was created under Presidential Decree (PD) No. 4 and became the National Food Authority (NFA) through PD No. 1770 with an original mandate to promote the integrated growth and development of the grains industry, to provide food security in the staple cereals in times and places of calamity or emergency, both natural or man-made and to promote the stabilization of supply and prices of staple cereals both at the farm-gate and consumer levels.

Pursuant to Executive Order (EO) No. 398 dated January 31, 1997, NFA undertakes the procurement of sugar when necessary. Furthermore, EO No. 22 issued in September 1998 authorized NFA to include in its scope the marketing operation of other basic food items.

The NFA is an attached agency of the Department of Agriculture (DA) and is governed by a Council, which is chaired by the Secretary of the DA.

It has 15 regional and 87 provincial offices. It has a plantilla positions numbering 4,437 with 4,165 filled positions. Only 615 are assigned at the NFA Central Office and 3,822 are assigned at the field offices. It also has 568 co-terminus/job order employees; 140 assigned at the central office and 428 assigned at the field offices.

2. BASIS OF FINANCIAL STATEMENT PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared using the Chart of Accounts prescribed under the New Government Accounting System (NGAS).

Income and Expense Recognition

Income and expenses are accounted for on an accrual basis.

Inventories

Inventories are recognized at cost. This cost includes the basic procurement cost plus direct incidental expenses that are identified with each cereal type at the time they are incurred. However, the customs duties on imported rice/corn which are fully funded by the National Government are not included in the cost in accordance with Philippine Accounting Standard (PAS) No. 2 which provides

that only import duties and other taxes which are not subsequently recoverable by the entity from taxing authorities are included in the cost of the item. Stock issuances are valued based on last month's average unit cost.

Volumetric physical count is conducted twice a year. Any variance between the books and the count is taken up as allowance for inventory variance.

Provision for Doubtful Accounts

Accounts receivable are provided with allowance as follows: 25 percent for accounts aged one year to less than two years, 50 percent for accounts aged two years to less than three years, 75 percent for accounts aged three years to less than four years and 100 per cent for accounts aged four years and above.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation using the straight-line method. Depreciation is based on cost net of 10 per cent salvage value using the estimated useful life of the asset. This is based on COA Circular No. 2003-007 dated December 11, 2003. Major repairs that prolong the life of the assets are capitalized while minor repairs and maintenance costs are expensed when incurred.

Foreign Currency Transactions

Foreign currency liabilities are booked up at peso equivalents at the time of availment. Payments are taken up at current foreign exchange rate. Gain or loss on foreign exchange is recognized and charged to current operations. Outstanding loan and dollar bank account balances at the end of the year are adjusted based on the closing rate and any gain/loss is recorded accordingly.

4. CASH AND CASH EQUIVALENTS

This account consists of cash deposits in bank of P2.357 billion out of which P1.952 billion are held in trust by NFA. Cash with accountable officers amounted to P17.800 million.

5. ACCOUNTS RECEIVABLE - NET

This account is composed of the following:

Particulars	2011	2010
Accounts receivable	1,402,754,388	1,650,075,724
Less: Allowance for doubtful accounts	637,280,369	469,430,778
Total Accounts receivable - net	765,474,019	1,180,644,946

42.7 percent of this account or P599 million were rice issuances made to the Department of Education in connection with the implementation of the “Food for School” program.

This account is aged as follows:

	Amount	Percentage
Less than one year	366,201,349	26
One year but less than two years	289,622,368	21
Two years but less than three years	316,648,783	23
Three years but less than four years	101,124,140	7
More than four years	329,157,748	23
Total	1,402,754,388	100

6. INVENTORIES - NET

This account consists of the following:

Particulars	2011	2010
Raw materials inventory	9,514,072,037	10,589,572,297
Work-in-process inventory	140,330,184	26,034,805
Merchandise inventory	20,785,662,418	42,286,484,673
	30,440,064,639	52,902,091,775
Less: Allowance for inventory variance	435,019,746	515,609,689
	30,005,044,893	52,386,482,086
Others	1,104,106,817	1,222,152,811
Total Inventories – net	31,109,151,710	53,608,634,897

Raw materials consist primarily of palay while Merchandise consists primarily of rice inventory.

Other consists of office supplies, accountable forms, drugs and medicine, medical, dental and laboratory supplies, gasoline, oil and lubricants, agricultural supplies, other supplies, confiscated/abandoned/seized goods, spare parts and construction materials.

7. OTHER CURRENT ASSETS

This account consists of the following:

Particulars	2011	2010
Due from other government agencies	319,279,549	332,100,369
Other receivables	191,432,423	189,595,163
Other inventory	144,314,832	228,463,452
Inventory in transit	148,267,498	145,611,854
Due from officers and employees	93,037,629	78,711,517
Guaranty deposits	62,329,823	67,567,790
Prepayments	12,827,343	24,032,296
Total Other current assets	971,489,097	1,066,082,441

Included in Due from other government agencies is P95.526 million due from the Food Terminal, Inc. (FTI), a wholly-owned subsidiary of NFA.

Other Inventory consists of items in transit-empty sacks (MTS), miscellaneous inventory, commodity held in trust, inventory miscellaneous (corn marketing assistance program, cereal sweepings, damaged grains, damaged non-grains, fertilizer and rice donation-Japan), inventory – Rapid Seed Supply Financing Project (RaSSFIP), stock held in trust and rice donation – East Asia Emergency Rice Reserve (EAERR).

Inventory in transit consists of imported rice purchased but not yet received.

Guaranty deposits include P6.077 million for three months security deposits with Amberland Corporation, P5.135 million for three months security deposit with Solid Triangle Sales Corporation, and P5.723 million for two months security deposit and two months advance rental with Sugar Regulatory Administration. The security deposits with Amberland Corporation and Solid Triangle Sales Corporation could not yet be refunded due to the pending case in court handled by the Office of the Government Corporate Council (OGCC).

8. PROPERTY AND EQUIPMENT - NET

This account consists of the following:

	Land and Land Improvement	Buildings and Structures	Furniture, Fixtures, Equipment, Books	Construction in Progress	Total
Cost, 01/01/11	742,848,813	1,939,858,911	1,985,187,859	115,699,111	4,783,594,694
Additions	22,330,280	290,533,609	368,482,228	148,735,945	830,082,062
Deductions	(1,532,605)	(141,131,056)	(285,573,917)	(183,052,845)	(611,290,423)
Cost, 12/31/11	763,646,488	2,089,261,464	2,068,096,170	81,382,211	5,002,386,333
Accum. Depreciation, 01/01/11	96,412,878	1,046,420,156	1,227,431,286	-	2,370,264,320
Depreciation-2011	18,701,360	79,084,478	167,725,368	-	265,511,206
Adjustment – transfer	(501,485)	(12,947,347)	(108,004,209)	-	(121,453,041)
Accum. Depreciation, 12/31/11	114,612,753	1,112,557,287	1,287,152,445	-	2,514,322,485
Net book value, 12/31/11	649,033,735	976,704,177	780,943,725	81,382,211	2,488,063,848
Net book value, 12/31/10	646,435,935	893,438,755	757,756,573	115,699,111	2,413,330,374

9. OTHER ASSETS

This includes the amount of P502 million recognized in the books of NFA pursuant to Section 8 of PD No. 1770 dated January 14, 1981, which provides that the investments and loans as well as related obligations incurred by Human Settlements Development Corporation (HSDC) in the FTI shall be transferred to the NFA and P1.066 billion provision of Sinking fund for the long term bonds.

10. ACCOUNTS PAYABLE

This account consists mainly of payables to farmers and private contractors.

11. NOTES PAYABLE

This account includes short-term availments of credit lines from different banks to finance the rice importation activities of the agency.

12. DUE TO BUREAU OF THE TREASURY (BTr)

This account consists primarily of guarantee fees payable to the BTr of P2.474 billion and advances made by BTr for the settlement of NFA's short term loans through net lending program of P11.539 billion and proceeds of USPL 480 rice of P638 million.

13. DEFERRED CREDITS TO INCOME

This account consists primarily of payments made by retailers on rice stocks which have not yet been withdrawn by them from NFA warehouses.

14. OTHER CURRENT LIABILITIES

This account consists of the following:

Particulars	2011	2010
Due to government agencies	1,131,711,633	1,243,151,966
Accrued interest payable	1,646,094,816	1,415,708,884
Due to officers and employees	128,179,564	115,952,086
Performance and bidders bonds payable	685,493,766	1,154,780,661
Other payables	511,713,242	513,410,801
Total Other current liabilities	4,103,193,021	4,443,004,398

Due to government agencies include amount due to the BIR, GSIS, Pag-IBIG, Philhealth, other NGA's, other GOCCs and LGUs.

Accrued interest payable represents interest on notes payable from various banks.

Due to officers and employees consists of payables to employees on various programs such as bereavement assistance, hospitalization assistance, remunerations, executive health program, provident fund and calamity loan assistance program.

Other payables include guaranty deposit payable and miscellaneous payables deducted from employees e.g. real estate loan, employees character loan, NFAEA loans, for remittance to various creditors.

15. LOANS PAYABLE – DOMESTIC

This account consists of loans from different banks maturing from 2011 to 2021, to wit:

Particulars	2011	2010
1. Ten-year notes/loans from different banks syndicated by Development Bank of the Philippines and Land Bank of the Philippines dated: November 28, 2011 due date: November 28, 2021		
Banco de Oro Unibank, Inc.	28,540,000,000	-
Rizal Commercial Banking Corporation	15,000,000,000	-
Development Bank of the Philippines	10,000,000,000	-
China Banking Corporation	8,200,000,000	-
Land Bank of the Philippines	8,000,000,000	-
Philippine National Bank	3,000,000,000	-
Metropolitan Bank & Trust Comp.	1,830,000,000	-
Mizuho Corporate Bank Ltd.	430,000,000	-
Sub-total	75,000,000,000	-

Particulars	2011	2010
2. Loans from ROP long-term notes – BTR		
ROP Long-Term Notes – BTR dated February 8, 2008 due date: October 29, 2018 (callable year 2013), interest 6.75% (fixed rate)	8,000,000,000	8,000,000,000
ROP Long-Term Notes – BTR dated October 29, 2009 due date: February 8, 2019 (callable year 2014), interest 6.375% (fixed rate)	9,000,000,000	9,000,000,000
Sub-total	17,000,000,000	17,000,000,000
3. Land Bank of the Philippines		
dated December 23, 2009 due date: December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3-months, Philippine Dealing System Treasury Fixing (PDSTF) + fixed spread of 1% with quarterly repricing, 5.1423% for the first quarter	5,400,000,000	5,400,000,000
dated January 7, 2010 due date: December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3-months, PDSTF + fixed spread of 1% with quarterly repricing, 5.1719% for the first quarter	4,100,000,000	4,100,000,000
dated January 14, 2010 due date: December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3-months, PDSTF + fixed spread of 1% with quarterly repricing, 5.1369% for the first quarter	4,500,000,000	4,500,000,000
dated January 14, 2010 due date: December 23, 2021 (payable in 40 equal quarterly amortizations to start at the end of the 9 th quarter), interest: 3-months, PDSTF + fixed spread of 1% with quarterly repricing, 5.1435% for the first quarter	4,000,000,000	4,000,000,000
Sub-total	18,000,000,000	18,000,000,000
4. Corn Development Fund		
for the Dryermat and Corn Center Project	18,500,000	19,500,000
5. DBP – Minprocor		
acquired assets from Minprocor properties	91,200,000	91,200,000

Particulars	2011	2010
6. Human Settlements Development Corporation – P 553.824 million, interest free, payable in 25 years (quarterly payment)	509,093,711	509,093,711
7. Agrarian Credit Line	205,000	205,000
8. Ministry of Agriculture & Food interest of 3% per annum payable every 6 months. Dept. of National Agricultural Productivity Program (NAPP) loan granted to NFA for procurement operations	120,684	120,684
Total Loans payable - domestic	110,619,119,395	35,620,119,395

16. LOANS PAYABLE - FOREIGN

This account consists of foreign loan, to wit:

Particulars	2011	2010
1. 1995 Japanese Rice Loan – Y541.355M 1995 at 2% on the 1 st to 10 th year and 3% per annum from 11 th to 30 th year (with 10 years grace period) annual installments of Y27,067.737 starting July 31, 2006 to July 31, 2025	213,823,496	216,007,743
2. 1996 USPL 480 at 3% per annum for the 1 st to 5 th year and 4% per annum for the 6 th to 20 th year (with a 4 year grace period) annual installments of \$312 million	219,611,916	260,534,449
Total Loans payable - foreign	433,435,412	476,542,192

17. EQUITY CONTRIBUTION FROM NATIONAL GOVERNMENT

Authorized capital stock is P5 billion divided into 50 million shares with par value of P100 per share. Capital stock rose by P1,100 million due to additional equity contribution given by the National Government in 2007 to complete the authorized capitalization of National Government. This account already reconciles with the records of the BTr.

18. DEFICIT

The NFA has a record of contingent accounts in its books of accounts. In accordance with PAS No. 37 on Provisions, Contingent Liabilities and Contingent Assets and for the purpose of presenting fairly the financial condition of the NFA as of December 31,

2011, these accounts were no longer reflected in the balance sheet and were charged to capital deficiency. The contingent accounts are as follows:

Particulars	Amount
Stock shortages which may be subject of claims against warehouse supervisors	2,655,548,297
Claims filed against Government Service Insurance System for losses of stocks on board MV Haran	94,840,234
Claims against defaulting millers for undelivered sugar	616,202,028
Claims against defaulting millers for undelivered rice	432,694,290
Total Contingent accounts	3,799,248,849

19. OPERATING EXPENSES

This account consists of the following:

Particulars	2011	2010
Personal Services:		
Salaries and wages	1,154,425,080	1,031,360,545
Other compensation	450,617,235	444,264,763
Personnel benefits contributions	163,591,222	148,200,777
Other personnel benefits	86,138,232	69,852,755
	1,854,771,769	1,693,678,840
Maintenance and Other Operating Expenses		
Inventory losses	584,088,536	656,685,933
Professional/contract services	456,682,396	515,884,610
Storage	374,140,539	430,443,257
Depreciation and depletion	148,828,935	133,129,461
Bad debts	138,367,469	87,580,021
Handling	131,793,839	255,256,997
Utilities	111,030,945	110,545,105
Supplies and materials	99,784,778	157,014,039
Rewards and other claims	90,138,056	92,703,450
Repairs and maintenance	85,319,692	72,747,972
Transportation and delivery	82,304,218	271,259,059
Gasoline, oil and lubricants	72,816,127	75,293,665
Traveling	59,491,567	68,995,592
Taxes and other fees	47,359,226	37,580,096
Rent	35,553,346	36,939,699
Communication	29,935,087	34,212,452
Other expenses	213,022,236	196,987,221
	2,760,656,992	3,233,258,629
Total Operating expenses	4,615,428,761	4,926,937,469

20. FINANCIAL EXPENSES

This account consists of the following:

Particulars	2011	2010
Interest expense	6,570,122,171	6,402,304,376
Guaranty fees	1,424,783,303	1,023,735,423
Documentary stamps	731,548,850	449,343,665
Bank charges	118,108,396	11,988,476
Total Financial expenses	8,844,562,720	7,887,371,940

21. OTHER INCOME

This account consists primarily of income from the forfeiture of cash performance bond amounting to P614.831 million.

22. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

This account consists of subsidy for food security and stabilization programs. A total amount of P2.5 billion was received from the Department of Budget and Management as subsidy allotment for the year.

For CY 2011, the approved NFA Tax Subsidy is P2.895 billion. However, the released Tax Expenditure Subsidy (TES) in the form of non-cash allotment as of December 31, 2011 is only P2.295 billion for customs duties on imported rice. This was not reflected as income, in compliance with PAS No. 2.

Likewise, TES for private sector's implementation for rice was issued by DBM as of December 31, 2011 in the amount of P4.394 billion for a volume of 495,365 metric tons.

23. OTHER MATTERS

Tax Compliance

Taxes withheld and due to BIR for the CY 2011 were recorded and remitted to BIR.

A. COMMENTS AND OBSERVATIONS

A.1 Financial Performance

1. NFA incurred a total of P8,844.563 million financial expenses, of which P6,570.122 million and P1,424.783 million represent interest expense and guaranty fee, respectively. This attributed to the incurrence by NFA of net loss of P15.667 million.

1.1 In CY 2010, we reported that the NFA incurred financial expenses totaling P7,887,371,940.41 and paid total principal loans of P123,459,322,153.09.

1.2 For CY 2011, a total of P8,844,562,720.49 financial expenses was incurred or an increase of P957,190,780.08 or 1.12%. This financial expenses (for short term and long term loans) represents 56.45 percent of the total net loss for CY 2011 of P15,666,809,602. Included in the financial expenses were the following:

Financial Expenses	Amount
Interest expense	P6,570,122,171.61
Guaranty fee	1,424,783,302.68
Documentary stamps	731,548.849.85
Bank charges	118,108,396.35
Total	P8,844,562,720.49

The guaranty fee was paid by the NFA to the Bureau of National Treasury for being the guarantor of NFA obligation; while bank charges include arranger's fees.

1.3 At the beginning of CY 2011, the NFA has a total loan obligation of P170,878,989,454.82. During the year, it availed a total loan of P144,594,190,522.45 and paid a total principal loan of P154,480,390,312.43.

1.4 **We recommended that Management exert its best effort to minimize borrowings.**

1.5 According to Management, NFA's debts accumulated through the years due to losses arising from its mandate of ensuring food security and stabilization of the price of rice, and insufficient subsidy. Thus, in the DA Food Staples Self-Sufficiency Program of which the NFA's Roadmap is a component, the following reforms are to be undertaken.

- a. Transfer of NFA's accumulated debts to NG thru legislation,
- b. Meantime, funding assistance in the form of annual net lending and subsidy shall be provided. Whatever will be advanced shall be requested for conversion to subsidy after two years in accordance with DOF guidelines, and

- c. Annual phased increase in selling price of rice to approach market level in order to prevent diversion and remove price distortion at farm level, and to partially recover cost.
- 1.6 Management also commented that in December 2010, NFA increased its release price of P23.50 to P 25/kg. Also, NFA undertook a Management of Liability Program last year to refinance its short-term to long-term loans, in coordination with DOF, with the successful issuance of P75B syndicated long-term (10) years arranged by government banks. With the said issuance, NFA's liability mix was reversed from 65 percent short-term to long-term. DOF supported the shift to long-term in preparation also for the eventual transfer of NFA's accumulated loans to NG.
- 1.7 Management informed that the increase in financial expenses for the year was mainly due to documentary stamp tax (P375 M), arranger's fees (P110.5 M) and guarantee fee (P180 M) related to the long-term notes issuance.
- 1.8 Management gave an assurance that Management is doing its best to minimize its borrowings.

A.2 Financial and Compliance

2. Stock and empty sack shortages of Stock Accountable Officers amounting to P391.899 million remained uncollected for more than 1 to 25 years, due to the lax implementation of the provisions of NFA SOP FS-GP20 and NFA General Memorandum No. A02k10-01-003, particularly the provisions on payments and collections.

- 2.1 This is a reiteration of prior year's finding. For the past ten years, Audit Team Leaders of different NFA Regional/Provincial/District Offices reported low percentage, or zero collections, or non-settlement of shortages of accountable officers.
- 2.2 As of December 31, 2011, NFA Regional Offices reported the following stock and empty sack shortages, as follows:

AMOUNT			
Region	MTS	STOCKS	TOTAL
Region 1	P949,011.63	P25,643,220.54	P26,592,232.17
2	-	5,193,099.60	5,193,099.60
3	627,701.52	49,739,202.86	50,366,904.38
4	6,534.40	56,148,848.17	56,155,382.57
5	21,341,671.38	20,034,697.30	41,376,368.68
6	139,404.34	10,107,205.07	10,246,609.41
7	-	2,321,431.19	2,321,431.19
8	-	4,841,084.97	4,841,084.97
9	571,872.28	18,559,406.24	19,131,278.52
10	-	18,187,519.08	18,187,519.08
11	2.00	1,406,423.23	1,406,425.23

AMOUNT			
Region	MTS	STOCKS	TOTAL
12	-	4,635,049.41	4,635,049.41
13-NCR	4,526,852.91	128,089,140.43	132,595,993.34
14 (ARMM)	7,304,067.16	11,354,050.57	18,658,117.73
15 (Caraga)		191,345.76	191,345.76
Total	P35,467,117.62	P356,431,724.42	P391,898,842.04

- 2.3 NFA Standard Operating Procedures (SOP) No. FS-GP20 dated January 27, 2006 entitled "Revised SOP on the payment of Grains and MTS (empty sacks) Shortages of Accountable Officers" provides the guidelines for the full settlement of grains and MTS shortages. This revised SOP allows the payment of shortages through installment basis. However, the NFA Management saw it fit that all shortages be paid in full so it issued General Memorandum Order No. AO-2k10-01-003 dated January 20, 2010 which requires full payment of grains and empty sacks shortages of NFA Accountable Officers within 15 working days from receipt of Demand Letter subject to certain provisions related to the filing of administrative and/or criminal case against the Stock Accountable Officers.
- 2.4 Audit disclosed that the provisions of the aforementioned NFA SOPs were not strictly implemented, as discussed below:

2.4.1 In NFA National Capital Region (NCR) –

- 2.4.1.1 Accounting records of individual district and provincial offices under NFA-NCR as of December 31, 2011 showed that receivables arising from the shortages of warehouse Accountable Officers amounted to P104,143,168.83 with details as follows:

Office	Total Amount	Breakdown	
		Still with NFA	No longer with NFA (retired, dismissed, deceased)
NCR (RO)	P 923,889.49	P -	P 923,889.49
CDO	15,282,489.47	3,529,285.19	11,753,204.28
NDO	30,665,011.38	4,642,383.39	26,022,627.99
SDO	51,514,383.18	6,571,164.56	44,943,218.62
EDO	658,038.15	658,038.15	-
Cavite	5,099,357.16	10,215.45	5,089,141.71
Total	P104,143,168.83	P 15,411,086.74	P 88,732,082.09

- 2.4.1.2 Based on the consolidated Trial Balance of NCR submitted to the NFA Central Office for consolidation, the total shortages was P 132,595,993.34.
- 2.4.1.3 At NFA-NCR South District Office, there was no payment made by the Stock Accountable Officers no longer connected with NFA. One Accountable Officer had been absent without leave (AWOL) since June 11, 2002, another one was dismissed from the service effective May 7, 2011 and one was already deceased. There were no decisions yet on the criminal cases filed by the NFA at

the Office of the Ombudsman against two Accountable Officers. There was no settlement made by the Accountable Officers still employed in NFA. The appeal made by one Accountable Officer to replace the MTS shortages with the same quality of second hand MTS was denied per Memo 2011 NCR-ORM-FIN-1-154 dated September 30, 2011.

2.4.1.4 NFA-NCR-Central District Office was able to prepare adjustments of P2,634,155.50 and collected P690,049.77. The increase in year-end balance was due to the inclusion of shortage of another warehouse Accountable Officer.

2.4.2 In NFA Region I –

2.4.2.1 Only P4,120.46 was collected/credited to the account out of the beginning balance of P25,646,420.54 and P920.46 additional shortage during CY 2011.

2.4.3 In NFA Region II –

2.4.3.1 Audit of account Due from Officers and Employees – shortages recorded in the books of NFA Region II showed that stock and MTS shortages were incurred in three provinces. Breakdown is shown below:

Provincial Office	Balance 2010	Collection 2011	Additional 2011	Balance as of 12-31-11
Allacapan	1,612,043.40	12,801.56	-	1,599,241.84
Bayombong	359,541.61	10,400.00	81,281.34	430,422.95
Isabela	592,954.34	74,060.25	2,644,540.38	3,163,434.47
Total	2,564,539.35	97,261.81	2,725,821.72	5,193,099.26

2.4.3.2 The leniency in the implementation of the aforementioned NFA SOPs resulted in a very low collection of P97,261.81 only during the year.

2.4.3.3 In Allacapan Provincial Office (PO), one Stock Accountable Officer with a total stock and MTS shortage of P1,081,157.90 pay P1,000.00 a month only through salary deduction. Another SAO with a total shortage of P518,083.94 was no longer connected with NFA but still has a pending criminal case in court.

2.4.4 In NFA Region III –

2.4.4.1 The stock and MTS shortages incurred by NFA Region III – Tarlac Warehouse Supervisors or SAO amounting to P8,113,958.29 remained uncollected/unrecovered for a relatively long period of time. The shortage of SAOs pertained to their accountabilities from 1985 to 2006.

2.4.5 *In NFA Region IV –*

- 2.4.5.1 The stock and MTS shortages increased by P7,237,978.52 in CY 2011. The increase was in the Provincial Offices of Mamburao, Batangas, Infanta and Palawan.
- 2.4.5.2 The Due from Officers and Employees of NFA Region IV Batangas PO representing final stock shortages totaling P566,615.35 were receivables from employees who were reassigned, retired and/or on AWOL status. The account includes:
- a. Shortages totaling P52,751.13 of one employee who was no longer connected with NFA and had allegedly migrated to Canada;
 - b. MTS shortages amounting to P56,307.07 of two retired staffs;
 - c. Shortages incurred at Kadiwa and cash advances granted for the procurement of stocks allegedly lost through hold-up amounting to P48,903.40 and P170,921.71 respectively, lack documents to substantiate the receivables;
 - d. Shortages of P58,421.51 from an alleged hold-up in CY 2002 were covered by a request for relief from accountability filed with the Commission on Audit, but with no results/decision yet as of report date;
- 2.4.5.3 The shortages of SAOs in NFA Region IV Mamburao PO increased from P6,483,130.01 in CY 2010 to P16,727,406.60 in CY 2011 despite collection of P449,724.76 during the year. The year-end balance included the total shortages of P3.4 Million of two SAOs who were no longer connected with NFA, Mamburao PO.
- 2.4.5.4 In NFA Region IV Quezon PO, deceased Accountable Officer had an established shortages and outstanding balance of P9,544,762.66 after deducting P189,139.98 from his salaries and benefits.
- 2.4.5.5 NFA Region IV Occidental Mindoro's Due from Officers and employees of P18,845,983.07 pertained to stock shortages that remained outstanding and uncollected from the date/s the shortages have been initially become due and demandable.
- 2.4.5.6 To date, the COA Audit Team in Occidental Mindoro PO has not received documented information on the action/s of the Provincial Office Management after the issuance of the initial demand letter for the recovery/payment of the shortages, nor in the filing of

administrative and criminal Charges against the Accountable Officers as required under the NFA guidelines. The absence of such documented information creates doubt on whether the Provincial Management was really serious on the timely and effective recovery of the stock shortages.

2.4.6 *In NFA Region V –*

2.4.6.1 Analysis of the stock shortages revealed that there were 32 SAOs with stock shortages totaling P41,376,368.68. Out of these 32 SAOs, only 12 remained in the service as of year-end with outstanding balance of stock shortages totaling P23,219,479.73. The other 20 SAOs were either retired, separated from the service or deceased already.

2.4.6.2 Of the 12 SAOs still in active service, only five made partial payments during the year through salary deductions amounting to P407,659.75 or 0.98 percent of the total stock shortages. Also, because of laxity of the NFA Regional/Provincial Management in the implementation of the aforementioned NFA SOPs, two SAOs with stock shortages of P10,655,445.45 and P3,720,750.54 were able to retire on May 20, 2011 and July 31, 2011 without NFA filing appropriate legal charges against them to the prejudice of the government.

2.4.7 *In NFA Region VI –*

2.4.7.1 The total stock and MTS shortages of SAOs in NFA Region VI as of December 31, 2011 amounted to P10,246,609.41:

	Stocks	MTS	Total
Iloilo	924,259.24	139,404.34	1,063,663.58
Negros	9,067,377.84	-	9,067,377.84
Aklan	115,567.99	-	115,567.99
Total	10,107,205.07	139,404.34	10,246,609.41

2.4.7.2 The total collections during the year are as follows:

A. Stocks	Beginning Balance	Payment	Ending Balance
Iloilo	960,259.24	36,000.00	924,259.24
Negros	9,067,377.89	-	9,067,377.84
Aklan	144,550.68	28,982.69	115,567.99
	10,172,187.81	64,982.69	10,107,205.07
B. MTS			
Iloilo	1,714,863.65	1,575,459.31	139,404.34

2.4.7.3 The stock shortages of NFA Negros (Bacolod City) were incurred more than five years ago but the Provincial Management was not able to collect from the SAOs.

2.4.7.4 On the other hand, the stock shortages of NFA Iloilo were incurred prior to 1988 but collected P36,000.00 only, while the stock shortages of NFA Aklan pertained to the stock

accountability of one SAOs from July 1999 to April 2000 amounting P109,716.20 and additional P5,851.79 incurred during CY 2011.

2.4.8 In NFA Region IX –

2.4.8.1 The total stock shortages of P18,559,406.24 increased in the following NFA PO:

Provincial Office	Amount
Zamboanga City	P 2,214,734.17
Zamboanga del Norte	5,993,653.59
Zamboanga del Sur	5,990,770.11
Zamboanga Sibugay	4,360,248.37
Total	P18,559,406.24

2.4.8.2 Out of the total shortages of P2,417,958.62 in CY 2010, only P203,224.45 or 8.4 percent was paid by SAOs in Zamboanga City PO during the CY 2011, leaving a balance of P2,214,734.17 broken down as follows:

Amount	Remarks
P 996,962.99	With request for recomputation in March 2008.
1,171,454.34	With resolved appeal. Retired effective April 1, 2010.
46,316.84	With approved installment payment starting November 1999.

2.4.8.3 There was no further action taken by Management of Zamboanga City PO to collect the stock shortages of SAO who retired effective April 1, 2010. The request of one SAO for the recomputation of his shortage on March 2008 remained unresolved as of December 31, 2011.

2.4.9 In NFA Region X –

2.4.9.1 NFA Region X reported an unsettled shortages of six SAOs from two Provincial Office totaling P18,187,519.08. Five SAOs were from Lanao del Norte PO while one was from Ozamis City PO.

2.4.9.2 In NFA Lanao del Norte PO, one accountable Officer with shortages of P12.91 million paid a total of P346,246.04 as of December 31, 2011 from his CY 2003 and 2004 40% COLA differentials and deduction of P1,000 per month from his salary effective January 1, 2004. The other two SAOs are still in service paying on staggered basis until June 2010. They stopped paying after June 1, 2010. The remaining two SAOs were no longer in service since 1980, one of whom died in 1994.

2.4.9.3 In Ozamis City PO, a decision was issued under Administrative Case No. 10-03-003 dated December 9, 2011, confirmed by the Secretary of Agriculture on February 6, 2012. The respondent

Stock Accountable Officer was found guilty and meted the penalty of dismissal from the service, together with all the necessary penalties provided for under the uniform rules on administrative cases in Civil Service.

2.4.10 ***In NFA Region XI –***

2.4.10.1 Davao City PO reported a total stock and MTS shortages of three SAOs amounting to P125,457.08. Two SAOs with a total shortages of P120,060.96 retired in CY 2007 while the other one with a shortage of P5,396.12 was transferred in CY 2011 to NFA Tagum PO also in Region XI.

2.5 **We recommended that Management:**

- a. **Strictly implement the procedures, administrative sanctions and reporting and monitoring system as provided for under NFA SOP-FS-GP20 dated January 27, 2006, as amended under NFA General Memorandum Order No. AO 2k10-01-003;**
- b. **Look into the reasons or causes of shortages and require the Provincial Managers to institute measures to prevent or at least minimize the occurrence of shortages;**
- c. **Consider the filing of administrative charges against the concerned Provincial Managers who failed to take any action to facilitate collection of shortages of Stock Accountable Officers; and**
- d. **Exhaust all available legal remedies to enforce collection.**

2.6 Management submitted the following comments:

NFA Central Office	<p>a. NFA Central Office Management informed us that a new SOP was issued to address the problem. They furnish us a copy of NFA SOP No. FS-GP20-A dated May 17, 2012 an Amendment/Addendum to the revised SOP on the Payment of Grains and Empty Sacks (MTS) shortages of NFA Accountable Officers. Paragraph III No. 1 of the new SOP provides that:</p> <p style="text-align: center;"><i>“ 1. Stocks shortages (grains, by products, MTS) shall be paid in cash and in full directly to the NFA Cashier within fifteen (15) working days from the receipt of demand letter from the Provincial Manager.”</i></p> <p>It was stated in the last paragraph of the aforementioned SOP that the Amendment/Addendum shall take effect retroactive January 20, 2010.</p> <p>b. The NFA Central Office Legal Affairs Department (LAD) informed that their staff lawyers are handling the shortages of SAOs within the region assigned to them.</p> <p>c. For the SAOs who failed to pay their shortages despite demand, the</p>
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	<p>LAD had already requested the Provincial Managers for certified true copies of pertinent documents needed for evaluation and filing of administrative, civil and criminal cases based on available documents</p> <p>d. The LAD has already filed several criminal cases for malversation against SAOs with shortages and are pending before the Office of the Ombudsman and in several courts throughout the country. Several SAOs have already availed of the payroll deductions.</p> <p>e. Action taken by NFA LAD on uncollected shortages of Stock Accountable Officers are summarized below:</p> <table border="1" data-bbox="678 592 1372 1285"> <thead> <tr> <th>Regions</th> <th>No. of SAO</th> <th>No. of Cases filed</th> <th>Cases evaluated and ready for filing</th> </tr> </thead> <tbody> <tr> <td>I</td> <td>52</td> <td></td> <td>Mostly retired and deceased</td> </tr> <tr> <td>II</td> <td>53</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>III</td> <td>64</td> <td>7</td> <td>1</td> </tr> <tr> <td>IV</td> <td>126</td> <td></td> <td>5</td> </tr> <tr> <td>V</td> <td>96</td> <td>2</td> <td>-</td> </tr> <tr> <td>VI</td> <td>39</td> <td></td> <td>2</td> </tr> <tr> <td>VII</td> <td>55</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>VIII</td> <td>28</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>IX</td> <td>38</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>X</td> <td>51</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>XI</td> <td>36</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>XII</td> <td>11</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>XIII (NCR)</td> <td>55</td> <td>3</td> <td>2</td> </tr> <tr> <td>XIV</td> <td>20</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>XV</td> <td>17</td> <td></td> <td>Documents for evaluation</td> </tr> <tr> <td>TOTAL</td> <td>741</td> <td>12</td> <td>10</td> </tr> </tbody> </table>	Regions	No. of SAO	No. of Cases filed	Cases evaluated and ready for filing	I	52		Mostly retired and deceased	II	53		Documents for evaluation	III	64	7	1	IV	126		5	V	96	2	-	VI	39		2	VII	55		Documents for evaluation	VIII	28		Documents for evaluation	IX	38		Documents for evaluation	X	51		Documents for evaluation	XI	36		Documents for evaluation	XII	11		Documents for evaluation	XIII (NCR)	55	3	2	XIV	20		Documents for evaluation	XV	17		Documents for evaluation	TOTAL	741	12	10
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NFA Region II	<p>Management explained that as much as the Region wanted to implement the latest SOP on payment of Stock shortages by accountable officers; they were constrained to implement the same due to scheme of payment forged between the former Regional Management and the accountable officers with shortages. The Provincial Managers were reminded that the revised SOP should be strictly enforced. However, if same cannot be implemented, the Provincial Managers were instructed to submit last March 31, 2012 a reasonable scheme of payment for approval of the Administrator.</p>																																																																				
NFA Region III	<p>Management informed that out of P49,739,202.86, NFA-Region III was able to collect a minimal amount of P363,573.58 from Accountable Officers with final shortages from January to May 2012. Presently, they are continuously demanding Accountable Officers to fully pay their accounts. The names of Accountable Officers who were not able to pay or refused to pay their shortages were forwarded to Enforcement, Investigation and Prosecution Department (EIPD) and LAD for filing of charges. Those with pending appeal at Regional Office and at Central Office were still booked as stock shortages but demand of payment cannot be made until their appeals were resolved.</p>																																																																				

	<p>The amount of P627,701.52 represents the cost of MTS issued to Warehouse Supervisor to be used as container of palay and rice. It is an accounting procedure to debit the cost of MTS under the name of WSII upon receive of MTS (empty sacks) by WSII. It will only be credited upon issuance of MTS. Hence, the amount of P 627,701.52 was the amount of MTS under the accountability of WSII/Accountable Officers who have not yet liquidated their accountabilities due to incomplete documentations. As of June 30, 2012, they were able to make an adjustment totaling P33,238.16 out of the P627,701.52 MTS receivables due to liquidation of two accountable officers.</p> <p>Tarlac Provincial Office has been exerting best efforts to continuously locate the whereabouts of Warehouse Supervisors who have been separated from the service and collect from them if it is still possible. For those who are still in active service, cases have already been filed against them and hearings are ongoing.</p>
NFA Region V	<p>During the exit conference, the Provincial Manager of NFA Camarines Sur PO explained that demand letters were actually sent to the concerned SAOs. Copy of the same, together with the related communications/records were forwarded to the NFA Regional Office V. She further explained that supplemental instructions/procedures were promulgated to reinforce SOP No. FS-GP20 and that is General Memorandum Order No. AO-2k10-01-033. Under the new guidelines, the Provincial Managers are now tasked to initiate the filing of administrative case against the concerned SAO without prejudice to the filing of criminal case. She admitted though that indeed, there was a very minimal settlement of stock shortages.</p> <p>Management further informed that demand letters were sent to SAOs dated February 23, 2012. SAOs have been paying their shortages through payroll deductions and Official Receipts. As of May 31, 2012, NFA Region V had already collected the total amount of P8,096,926.08 from their shortages. Death Certificate was requested by LAD for the deceased accountable officers for records purposes.</p>
NFA Region VI	<p>NFA Aklan PO explained that the P5,851.79 represents the book value of MTS Shortage of Team Leader Gerardo B. Bertuldo for the period March 2010 to June 2011. They have requested from GMOD per AKL-201-B-28 for the replacement cost of PPRE50 BN and PPRE50 SH so they can issue the Demand Letter. But even without the Demand Letter, Mr. Bertuldo started paying last June 2012 through payroll deduction of P200 monthly.</p> <p>The amount of P3,000.00 is continuously deducted monthly from the salaries of SGOO Nelson Hermano from January to December 2011. WSII Arañador has a pending request for recomputation but only her accountability for palay was recomputed, resulting in a decrease in her shortage of P79,341.03. She has not yet submitted her justifications for the recomputation of her shortage in corn.</p>
NFA Region VII	<p>NFA Region VII Management informed that they are in the process of determining who are those accountable officers with shortages that are covered under the new SOP No. FS-GP20-A dated May 17, 2012, after which the regional director will closely monitor the strict implementation of said SOP.</p>

NFA Region IX	<p>Management of Zamboanga del Norte PO explained that:</p> <ol style="list-style-type: none"> a. The aforecited standard operating procedures were not fully implemented because of the material amounts of shortages that the SAOs incurred and they did not signify their intention to pay their shortages in installment. b. Management waited for the NFA CO – Legal Department to act on the failure of SAOs to reconstitute the shortages. With the issuance of NFA General Memorandum Order No. AO2k10-01-033, they were able to send demand letters and will now be initiating the filing of administrative case. c. The SAOs who are still in the service were trying their best to settle their respective shortages. <p>The Provincial Management of NFA Dipolog PO has already sent demand letters to the accountable officers. For those who are still in service Management encouraged them to pay their shortages through payroll deductions and voluntary cash payments.</p> <p>Management of Zamboanga City PO informed that all Accountable Officers with final shortages were given demand letters and were already paying their shortages on installment basis while Ipil PO was able to collect in CY 2012 the amount of P 203,572.85 from stock shortages.</p>
NFA Region X	<p>Management of Lanao del Norte PO informed that the SAOs who are still in the service; except the SAO with pending case in the Supreme Court, promised to pay their shortages on staggered basis.</p> <p>The Regional Office also informed that a request for write-off of receivables from accountable officers who were no longer in the service will be forwarded to the COA.</p>
NFA Region XI	<p>NFA Davao City PO gave the following information:</p> <ol style="list-style-type: none"> a. One SAO whose shortages amounted to P114,802.60 is willing to have this deducted from his Terminal Leave claim which is already in process at the HR Department of NFA Central Office. b. One SAO whose shortage is P5,258.36 has just retired but not yet cleared due to some unliquidated accountabilities. c. One SAO whose shortage P5,396.12 was set-up in 1991 refutes this amount and maintains that it is a shortage per stock report and not per liquidation report.
NFA Region XIII (NCR)	<p>NFA-NCR District Offices Management gave the following comments:</p> <ol style="list-style-type: none"> a. SDO – In compliance with the Memorandum dated April 14, 2011 of Assistant Administrator Celia Z. Tan, they already submitted to NFA Legal Department a summary list of Stock Accountable Officers with final shortages. The Legal Department was tasked to review and prepare a guide for

	<p>Management to determine what could be done to the shortages. Management mentioned that they could not act on these shortages until they receive the guidelines from the Legal Department.</p> <p>b. CDO - Collections of shortages from two warehouse Accountable Officers could not be effected since there were pending cases filed at the NFA Legal Department and in the Ombudsman.</p> <p>c. From Jan to May 2012, NFA NCR collected P342,055.23.</p> <p>d. Actions taken were as follows:</p> <ul style="list-style-type: none"> • Monitored and updated encoding of warehouse documents; • Issued demand letters and updated the Legal Department of the status of collection. • Forwarded to the Legal Department copies of documents of accountable officers who refused to pay their shortages. • Sought the assistance of Legal Department regarding filing of charges against those who refuse to pay.
NFA Region XV	As of June 30, 2012, collections from Agusan del Norte amounted to P14,692.82.

3. **Account *Merchandise Inventory* with a year-end balance of P43.237 million was found existing in the books of the NFA-NCR despite decentralization of the cost accounting of stocks to the District Offices. This balance was the aggregate of individual stock varieties with balances of P30.61 million and those with abnormal balances of P12.626 million that can be attributed to error in encoding/interchanging of variety codes of rice.**

Also, unreconciled variance existed between the accounting and warehouse stock records of Merchandise inventory account of NFA-Region I, with the accounting records higher by P8.159 million.

Four NFA Regional Offices reported shortlanding and spillages totaling 550,915.03 net kilogram valued at P12.227 million, resulting in bigger cost of inventories.

- 3.1 Review of the Merchandise Inventory Account disclosed deficiencies as discussed below.

- 3.1.1 ***Merchandise inventory account with year-end balance of P43,236,722.01 remained in the books of NFA-NCR despite the decentralization of the cost accounting of stocks to the District Office.***

- 3.1.1 The cost accounting of stocks was decentralized from the NFA-NCR books of accounts to the District Offices (CDO, NDO, EDO and SDO) effective February 1, 2011. The balance of Merchandise inventory account was transferred from NFA-NCR books to the books of concerned District Offices; however, as of December 31, 2011, the books of NFA-NCR still showed material balances of the said account as follows:

Variety	Quantity (net kilos)	Average Unit Cost	Amount
Local Rice	(15,990.66)	P30.4200	P (483,745.91)
Local Refined sugar	42,350.00	34.0989	1,444,087.13
China Rice	(33,191.29)	23.1729	(769,139.26)
Indian Rice	(354,824.10)	14.2795	(5,066,693.65)
Vietnam Rice	1,458,710.42	33.2764	48,540,694.91
Thailand Rice	106,036.45	21.1946	2,247,398.65
Premium China Rice	63,963.64	14.4500	924,704.21
Premium Vietnam Rice	47,105.29	31.6471	1,490,744.25
Premium Thailand Rice	606.58	24.2659	14,719.22
Pakistan rice	58,992.22	20.3521	1,200,616.48
Imported Iron Fortified Rice	(204,701.25)	30.6131	(6,266,529.73)
US Rice	8,130,619.41	(0.0049)	(40,134.29)
Total	P9,299,676.71		P43,236,722.01

- 3.1.2 The existence of such material and abnormal balances of the individual stock varieties after the stock transfer indicated that the accuracy of the balance of the Merchandise inventory account in the NFA-NCR books of account was unreliable. Other accounts affected by errors in recording Merchandise inventory transactions was Retained Earnings.
- 3.1.3 **We recommended that Management undertake a thorough analysis of the Merchandise Inventory account to determine the stock transactions that need adjustments/corrections as the Merchandise Inventory account in the NFA-NCR books of accounts should show zero balance.**
- 3.1.4 Management believed that existence of the material and abnormal balances of the individual stock varieties could be due to errors in encoding the transactions particularly on the variety codes of rice stocks.
- 3.1.5 Management informed that the analysis of Merchandise Inventory account was set for the second semester of CY 2012 to give priority to the reconciliation of Cash Disbursing Officer, Accounts receivables, Property and Equipment and Interbranch accounts set for the first semester of CY 2012.

3.1.2 **Unreconciled variance existed between the accounting and warehouse stock records of Merchandise inventory account of NFA-Region I, with the accounting records higher by P8,159,257.61.**

3.1.2.1 Section 7 of NFA SOP No. GM-WH12 or the Revised SOP on Semi Annual Physical Inventory Costing of NFA Inventory Items for Sale, By-Products and Empty Sacks provides, that a monthly reconciliation of the stock report versus trial balance stock and empty sacks shall be prepared by the provincial accountant so that any booking variance can be immediately verified and corrected.

3.1.2.2 Verification and review of the Merchandise inventory account balances and year end stock inventory reports of seven NFA PO in Region I revealed a total negative variance of P8,159,257.61. The discrepancies were not yet reconciled/settled as of audit date. Details are as follows:

Province	Per Stock Inventory Report		Per Books		Variance	
	Nkg	amount	Nkg	amount	Nkg	amount
Abra	1,055,957.25	30,202,951.92	1,059,475.33	30,307,006.10	(3,518.08)	(104,054.18)
Benguet	2,966,927.78	91,353,279.13	2,961,138.18	91,171,711.21	5,789.60	181,567.92
Ilocos Norte	1,346,950.82	39,322,572.24	1,345,296.27	39,280,445.38	1,654.55	42,126.86
Ilocos sur	2,085,411.12	64,663,810.80	2,158,660.39	66,925,350.49	(73,249.27)	(2,261,539.69)
La Union	9,522,840.20	282,799,522.74	9,607,426.66	285,344,619.08	(84,586.46)	(2,545,096.34)
East Pangasinan	9,825,418.14	299,320,737.21	9,922,243.02	302,277,689.83	(96,824.88)	(2,956,952.61)
West Pangasinan	2,991,217.64	86,005,456.09	3,008,970.72	86,520,765.65	(17,753.08)	(515,309.56)
Total-Region I	29,794,722.95	893,668,330.13	30,063,210.57	901,827,587.74	(268,487.62)	(8,159,257.61)

3.1.2.3 **We recommended that Management of Provincial Offices reconcile the variance and effect the necessary adjustments.**

3.1.2.4 Management explained that the imported rice have been stored in various NFA PO warehouses for more than 22 months to almost two years resulting in weight loss/shrinkage. It can also be attributed to losses due to spillages as a result of regular transfer of stocks within the provinces. Transfer may also result in scale errors and truck scale-platform scale variance.

3.1.3 **Four NFA Regional Offices reported shortlanding and spillages totaling 550,915.03 net kilogram valued at P12,227,169.49 resulting in bigger cost of inventories.**

3.1.3.1 For the last three years, NFA reported the following:

CY	Rice Importation (nkg)	No. of Regions that reported shortlandings and spillages	Shortlanding/ spillages net kilograms (nkg)	Value	Shortlandings vs Importation
2008	2,453,000,000	5	8,303,736.93	P225,725,764.00	0.34%
2009	1,575,000,000	8	7,790,083.98	225,510,846.82	0.49%
2010	1,282,429,060	5	10,495,558.18	302,663,864.10	0.82%
Total	5,310,429,060		26,589,379.09	P753,900,474.92	

3.1.3.2 For CY 2011, NFA Regions V and XI reported a total shortlandings of 509,026.84 kilograms of imported rice valued at

P10,947,369.89 while Benguet PO of NFA Region I and NFA Region VIII reported a total spillages of 41,888.19 kilograms amounting to P1.279,987.44. Details is shown below:

Regions	Shortlandings		Spillages		Total	
	Net kilograms	Value	Net kilograms	Value	Net kilograms	Value
Region I			21,664.35	P674,305.49	21,664.35	674,305.49
Region V	445,706.16	P9,430,206.40	-	-	445,706.16	P9,430,206.40
Region VIII	-	-	20,223.84	605,493.72	20,223.84	605,493.72
Region XI	63,320.68	1,517,163.49	-	-	63,320.68	1,517,163.49
Total	509,026.84	P10,947,369.89	41,888.19	P1,279,987.44	550,915.03	P12,227,169.49

3.1.3.3 The total shortlandings of the two NFA Regions represents 0.82% of the total importation of 61,679,200 kg. allotted to the said regions while the spillages of NFA Region VIII was 0.2469% of the total stock transferred of 8,190,580 kg.

3.1.3.4 The value of shortlandings and losses on spillages were included in the cost of Merchandise inventories resulting in losses from operation. Under the contract for the purchase and sale of rice, the bill of lading weight, quantity and condition of rice stocks and polypropylene bags and packing shall be final at the port of loading as inspected and certified by a reliable First class Independent Surveyor appointed by NFA for seller's account; hence, the agency cannot recover from the rice supplier. For inter-warehouse transfer, NFA set a 0.28 percent tolerable allowance (TOLA). Spillages in excess of 0.28 percent shall be charged to the hauler or trucking company.

3.1.3.5 In Benguet PO, the spillages exceeded the 0.28 percent TOLA. The Statement of Confirmation of Stock Dispersal to Benguet for the period January to December 31, 2011 disclosed that there were spillages on a per truck basis beyond the 0.28 percent TOLA summarized as follows:

	Booked stock dispersal		Computed spillage in excess of TOLA	
	In kilos	Cost	In Kilos	Cost
Spillages	21,664.35	P674,305.49	1,215.70	P38,220.52

3.1.3.6 **We reiterated our recommendation that Management:**

- a. **Institute additional control measures to minimize losses due to shortlandings and spillages;**
- b. **Consider amendment of the purchase, contract; and**
- c. **Continue filing letter of protest to demand settlement of shortlanded deliveries.**

3.1.3.7 **We also recommended that Benguet PO Management verify and confirm from the issuing PO, the amount**

charged/imposed to the hauler for spillages in excess of TOLA to serve as basis of treating it as reduction from the total losses recognized by the Benguet PO.

- 3.1.3.8 Management informed that private sector allowed a 5 percent shortlandings. NFA incurred below one percent shortlandings. They also informed that letters of protest to the shipping companies on a per vessel basis are continuously being sent to demand settlement of shortlanded deliveries.
- 3.1.3.9 Grains, Marketing and Operation Department of NFA informed that a new scheme of procurement through importation is currently being implemented by NFA. The 120,000 MT imported for this year (CY 2012) is under the "Free on Warehouse" (FOW) basis where actual quantity and weight are final upon arrival of stocks at first warehouse.
- 3.1.4 ***Pile 5 of GID Taway Warehouse in NFA Region IX Zamboanga Sibugay PO containing 405 bags of PG1 variety could not be accounted due to spillages and damaged sacks.***
- 3.1.4.1 NFA SOP No. GM-WH07 provides for the warehousing policies and procedures of NFA. Paragraph I.A Rationale states that "proper management of stocks in the national economy rests on the handling and preservation of quantity and the quality of grains stock in the warehouse....." On the other hand, Paragraph E.7 of the same SOP also provides that "Spillages shall be immediately collected, sacked and piled separately or cleaned and added to busted bags."
- 3.1.4.2 We noted that Pile 5 of GID Taway Warehouse containing 405 bags of PG1 variety with net kilos of 15,001.70 were not properly piled and spillages of grains around the piles were noted due to damaged sacks. There was no assurance that the stocks recorded in the books will have the same quantity in the physical inventory taking.
- 3.1.4.3 **We recommended that Management:**
- a. **Instruct the Warehouse Supervisor to ensure that stocks are properly protected and preserved; and**
 - b. **Resack/Rebag the stocks with damaged sacks to avoid spillages.**
- 3.1.4.4 Management explained that during the period of November 8, 2011 to December 11, 2011, the stocks from Pile 5 were being transferred/hailed to NFA Molave, Zamboanga del Sur for milling thus Pile 5 was in disarray position.

3.1.5 **Official Receipts on sales of stocks issued by Surigao del Norte PO were not stamped or written with AI number in violation of NFA SOP No. GM-WH11 as amended, which may result in unauthorized/over issuances of stocks.**

3.1.5.1 Quoted hereunder are pertinent provisions of NFA SOP NO. GM-WH11 dated January 29, 2001.

“Par. 3. Authority to Issue (AI exhibit 3)- prepared by the Provincial Operations Officer (Sr. GOO) and serves as the written order from the Provincial Manager/OIC to the WS II for all issuances and in-warehouse movement of stocks. Stock issuances arise from the following transactions; sales, transfers, drying, milling, remilling, reconditioning, replacement, disposition, issuance of fertilizers, sugar and certified seeds, stocks withdrawals under the following programs; GIFT, FGEP, FOBB. In-warehouse stock transactions shall refer to the repiling, reclassification, rebagging and packaging (rice and sugar) of stocks within the warehouse.

- a. *The AI shall be prepared prior to the issuance of the stocks, except for rice issuances under EO 88 where the rice allowance coupon takes the place of the AI.*
- b. *Only one pad of the AI shall also be used to authorize all kinds of stock issuances.*
- c. *For issuances to sales, only one (1) AI shall be issued per OR, per variety, and/or per stock condition.*
 - c.1. *To ensure that only one (1) AI is prepared based on a particular OR, the POO (Sr. GOO) shall stamp or write “AI No. ____” on the face of the OR.*
 - c.2. *The Provincial Manager/OIC shall be held accountable for the issuance of two or more AIs based on one (1) Official Receipt (OR) resulting to the illegitimate issuance of stocks. He/ She shall therefore be liable for payment of the over issuance of stocks based on the prescribed replacement cost. Payment shall be without prejudice to the filing of administrative offense for violation of reasonable office rules and regulations and shall, upon conviction, suffer the penalty of reprimand, suspension or dismissal as the case maybe.*
- d. *The WS II shall sign in the “SERVED” portion of the AI only when the quantity authorized for issuance has been fully served. The face of the AI shall also be marked boldly with “FULLY SERVED” with a double underline.”*

3.1.5.2 In the audit of stock issuances at NFA Dapa warehouse, Dapa, Surigao del Norte, the Audit Team noted that the AIs were not yet approved. Buyers were allowed to withdraw their stock allocation even without the corresponding approved AI from the Senior

Grains Operations Officer/ Assistant Provincial Manager contrary to par. 3.1. of the aforementioned NFA SOP.

3.1.5.3 The Management of Surigao PO and the Director of Grains Marketing and Operations Department of NFA Central Office gave a justifiable explanation on the situation. According to them, the deficiency occurred because of the geographical location of the Dapa warehouse from the PO. AI and OR were issued at the PO which is located at Surigao City. Before the AI and OR reached the warehouse, a person has to board a vessel or watercraft and travel for four hours. There is no telephone line in Dapa, Surigao del Norte that is why they cannot send a facsimile of the AI. They just call the Warehouse Supervisor and instruct them to issue the rice stocks.

3.1.5.4 Further verification disclosed that all official receipts issued by NFA Surigao del Norte PO for the sale of stocks were not stamped or written with AI number in violation of the aforementioned provision of par. 3.3.1 of the same SOP.

3.1.5.5 The above deficiencies/ lapses may result in unauthorized issuance or over issuance of stocks and eventually, losses on the part of NFA.

3.1.5.6 **We recommended that Management:**

a. Strictly implement NFA SOP No. GM-WH11 as amended; and

b. Make plans/strategies to resolve the problem on the approval of the NFA to issue stocks in warehouses located in places that are very far from the Provincial Office.

3.1.5.7 Surigao del Norte Management committed to stamp the OR with AI number starting this CY 2012.

4. **Iron Rice Premix consisting of 48,584.98 bags with book value of P299.998 million stored in the warehouses of NCR District/Provincial Offices were already expired and this may result to wastage if not immediately used for its intended purpose. Also, two units of Rice Fortification Equipment/Blender with acquisition cost of P5.435 million that were purchased by NFA Central Office, and transferred to NFA-NCR South District Office in 2008 and 2009 for the iron fortification project remained idle/unutilized.**

4.1 The Philippine Fortification Act of 2000 or Republic Act 8976 required the implementation of the mandatory fortification of all rice with iron except brown rice and locally produced glutinous rice to take effect on November 7, 2004.

- 4.2 In compliance with the Rice Fortification Law or RA 8976, NFA entered into a Memorandum of Agreement with the Department of Social Welfare and Development and Department of Education on the distribution of Iron Fortified Rice to public school children thru the Food for School Program. To implement the project, NFA purchased Iron Rice Premix (IRP) and Rice Fortification Equipment/Blender for blending/mixing of IRP and rice.
- 4.3 On July 20, 2010 however, NFA Administrator Angelito T. Banayo issued Memorandum No. AO-2010-G-004 for the temporary suspension of mixing iron fortified rice due to evident non-acceptability by the buying public. Even the issuance of IFR to school children who were the direct beneficiaries of the Food for School Program of the DSWD and DepEd was also terminated.
- 4.4 Ocular inspection of the warehouse of NFA-NCR showed that inventory of IRP totaling 48,584.98 bags of 25 kilos with book value of P299,998,049.06 have already reached their expiration dates as shown below:

Expiration Dates 2001	Office					Total
	CDO	NDO	SDO	EDO	Cavite*	
March			155			155.00
April			727			727.00
June	17.50		448			465.50
July	477.00		1,820	90	34.38	2,421.38
August	347.00		3,664	410		4,421.00
September	862.00		884	2,505		4,251.00
October	266.00		1,454			1,720.00
November	5,530.00					5,530.00
2012						
Jan. & Feb.		27,918			976.10	28,894.10
	7,499.50	27,918	9,152	3,005	1,010.48	48,584.98
Book Value	P47,810,714.29	P176,854,202.80	P56,038,452.39	P19,294,679.58	-0-	P299,998,049.06

*the 976.10 bags were received from NDO on March 27, 2012.

- 4.5 In addition, two units of rice Fortification Equipment/blender purchased by NFA Central Office, with acquisition cost of P5,435,000.00 and transferred to NFA South District Office in 2008 and 2009 for the iron fortification project had remained idle/unutilized.
- 4.6 **We recommended that Management:**
- a. **Prepare plans of action for immediate disposal/use of said expired IRP stocks to avoid wastage;**
 - b. **Observe the guidelines and implement the specific responsibilities provided under NFA SOP No. GM-PG11 dated June 20, 2005 re: Implementation of Rice Fortification Program (RA 9876);**
 - c. **Request for laboratory analysis of the expired IRP from the Food and Drug Administration of the Department of Health to make sure that these IRP are still fit for human consumption; and**
 - d. **Propose to DSWD or Office of the President that instead of giving the whole amount of conditional cash transfer to its beneficiaries, 50 percent or part of it be given in the form of iron fortified rice.**

4.7 NFA-NCR Management gave the following comments:

- a. CDO, SDO and EDO Management submitted a certification from the Director of Food Development Center of NFA stating that the iron content of the raw i-mix is within specification even after one year and seven months from its expiration date as indicated in the label.
- b. SDO explained that the non-utilization of the rice fortification equipment was only temporary due to the low sales of Iron Fortified Rice (IFR). Tie up on sales of IFR was only minimal wherein blending and mixing of IFR can be done through the equipment installed at SDO Uniden Warehouse. They also mentioned that the blending/mixing was undertaken based on the actual demand and forecasted sales to avoid further infestation/deterioration of IFR stock.
- c. EDO Management informed that they have already coordinated with the concerned officials at NFA Central Office regarding the IRP use and disposition.

4.8 Additional comments were given by the Grains, Marketing and Operation Department (GMOD) and Technical Research and Services Department (TRSD) both of NFA Central Office.

a. *NFA Grains, Marketing and Operation Department –*

- Continuous dispersal/transfer of Premix to other field offices is being done from NCR to be utilized in their mixing-blending
- Instructions have been issued to prioritize sales of IFR to all outlets.
- IFR stocks were prioritized for issuance to areas affected by calamities/typhoons.

b. *NFA Technical Research and Services Department –*

- Regular monitoring of said stocks and submitted sample analysis at FDC was conducted.
- Copy of the Certification issued by FDC was sent to the NFA Regional Offices.
- FOs was regularly reminded to disinfest IMR stocks through fumigation before mixing.

5. **The First In-First Out (FIFO) method of handling inventory as required under NFA SOP No. GM-WHO7 was not applied by NFA Zamboanga City PO, resulting in CY 2010 undistributed Iron fortified rice (IFR) of 14,072 bags or 713,546.50 kilograms**

costing P18,614,508.72 as of December 31, 2011. These IFR showed signs of infestation and damage which may eventually result in losses.

- 5.1 Records of NFA Region IX - Zamboanga City PO showed that the Provincial Office had an undistributed CY 2010 IFR of P17,754 bags or 887,697.59 kilograms as of end of June 2010. Despite a considerable inventory, the said PO started to mix/fortified rice in July 2010 totaling 46,641.17 bags or 2,323,058.26 kgs.
- 5.2 Audit of the undistributed 2010 IFR revealed that FIFO method was not used in the dispersal and distribution of IFR after July 2011 contrary to NFA SOP No. GM-WH07 dated January 10, 1995. The total inventory of IFR as of December 31, 2011 totaled 15,534 bags or 786,720.07 kgs, of which 90 percent or 14,072 bags or 713,546.50 kgs were 2010 IFR. Ocular inspection made by the Audit Team during the inventory count on November 25, 2011 revealed that 2010 IFR have accumulated dirt, grains residues, dusts and showed sign of damage and infestation which may result in losses.
- 5.3 **We recommended that Management apply the FIFO method in the issuance of stocks to reduce, if not prevent, the possibility of rice infestation, damage and eventual loss to the government; and make proper planning and monitoring of market demand for IFR to avoid excess and undistributed IFR.**
- 5.4 Management of NFA Zamboanga PO explained that during the first quarter of 2010, they received a Memorandum from then Deputy Administrator for Operations directing them to mix 60 percent of rice distribution target into IFR under the rice fortification program. This was followed by Memorandum coded AO-2k10-F040 of the previous Administrator with the same tenor. The instruction prompted them to utilize the two existing mixing equipment to enable them to cope with the targeted volume. In July 2010, however, a memorandum from newly installed Administrator directed them to suspend the mixing of iron fortificant into NFA rice stocks due to non-acceptability of IFR to the buying public. The Provincial Office stopped mixing but continue to market the IFR through various strategies but because of the quality of stocks due to its age, acceptability in the market became a problem.
- 5.5 With the approval of the new IFR distribution plan for the second semester of CY 2011, Administrator Banayo authorized them to utilize newly milled and/or newly arrived imported rice for mixing with iron rice premix. Relative to this, a Memorandum was issued by Assistant Administrator Cordero reminding the field office to ensure that IFR issued should be of good quality because of alleged food poisoning of three children in Gen. Santos City attributed to the eating of NFA I-rice or IFR. Results of laboratory analysis of IFR recommended that stocks must be reconditioned first prior to disposition; so the Provincial Office Management reconditioned 500 bags, but acceptability by the consuming public remains a problem because of the quality of the 2010 IFR due to its age; hence, reconditioning operation was stopped so as not to incur additional expenses.
- 5.6 Management also justified that included in the 2010 target requirement for IFR were the Food for School Program of DepEd and the requirements of the ARMM

provinces. After the May 2010 election however, the Food for School Program was stopped and Tawi-Tawi did not anymore take their IFR requirements.

5.7 NFA Zamboanga City PO was able to distribute the aforementioned IFR stocks as of April 30,2012.

6. **Five NFA Regional Offices reported a total estimated loss of P1.251 billion from the sales of 7,607,810.56 bags of imported rice sold through auction under NFA’s “Sale through Market Determined Pricing (SMDP). The loss may be attributed to the quality deterioration of stocks due to prolong storage resulting in low selling price.**

6.1 NFA SOP No. GM-DN24 dated October 11, 2002 or the Revised SOP on Sales of NFA commodities through Market Determined Pricing provides among others, that to improve the turnover of NFA supply of stock, SMDP may be employed as an alternative distribution scheme for the agency to influence the market to benefit the rice, corn and sugar consumers through lower prices and a steady supply.

6.2 Aside from its regular sales, Memorandum of Agreement with National Government Agencies, Local Government Units and Legislators, SMDP is also part of the distribution program of NFA. SMDP is the last marketing strategy employed by NFA to dispose its ageing stocks which usually aged one year and above. Under the SMDP, NFA initially auctioned the old rice stocks with a floor price or minimum bid price equivalent to the current wholesale price of NFA, which was P25.00 per kilogram (kg) for CY 2011. After two failures, the floor price or minimum bid price can be converted to an indicative price that will allow NFA to award at a price not lower than 10 percent of the indicative price of P25.00 per kg or P22.5 per kg. Two more failures will allow NFA Regional Offices to reduce the indicative price to as low as P22.5 per kg, thus allowing an award at a price of 10 percent less than P22.5 per kg or P20.25 per kg.

6.3 During CY 2011, five NFA Regional Offices implemented several SMDPs to dispose imported stocks aged one year and above. During the Auctions the NFA Regional Offices received a bid price ranging from P20.25 to P24.00 per kg. Computing the difference between the bid price with the regular selling price of P25.00 per kg, NFA incurred losses. A total estimated loss of P1,251,643,730.00 was incurred by the following Regional Offices:

Regional Office	No. of Bags	Estimated Loss
NCR	6,198,496.56	P907,764,575.00
Region I	247,431.00	130,558,988.16
Region IV	286,271.00	20,454,422.93
Region VIII	25,700.00	3,210,250.00
Region X	849,952.00	189,655,494.00
Total	7,607,810.56	P1,251,463,730.09

6.4 **We recommended that Management re-assess/reevaluate the economy and effectiveness of SMDP as a marketing strategy considering the losses it has brought to the NFA.**

6.5 The concerned offices gave the following comments:

a. *NFA Grains, Marketing and Operations Department –*

- NFA's mandate is to maintain food security stocks which is 15 days of the national consumption requirement at any given time and at least 30 days by end of June and at the onset of the lean months period. Pursuing this mandate entails costs to the agency as disposition of the stocks will have to take into account the required number of days inventory level that has to be maintained. Therefore, the opportunity to sell the stocks at once is foregone resulting in losses.
- At the same time, the NFA has to dispose of aging stocks (which comprised food security stocks) but because of quality, are subject to SMDP. NFA would have lost more if these were not sold through SMDP since holding cost of said stocks is at P11.95 per bag per month.

b. *NFA Region I –*

The recommendation on the reassessment of the economy and effectiveness will be subjected for review and will also be forwarded to Central Office for their comments. At the onset, the following comments were made on the above finding:

i. Enumerated below were the marketing strategies employed by the NFA prior to the conduct of SMDP:

- (1) Extension of FAIR withdrawals of Farmers Organizations until October 2011.
 - Instruction from the Administrator per AO-2K11-D-024 dated 12 April 2011 to implement open sales scheme for Imported/Local Rice stocks aged one year and above including 2010 first quarter arrivals to all interested NFA licensed grains businessmen. Period of sales is for the period April to May 2011. Per AO-2K11-E-010, the open sales strategy was extended until August 2011.
 - Also, these stocks were offered to our creditors as payment to their contracted services or the payment in kind scheme.

ii. Factors contributory to the slow turnover of imported rice stocks, thus, resulting to huge ending inventories.

(1) Non-attainment of rice distribution target:

Target	: 2,800,000 bags
Actual	: 2,154,583 bags
% Accomplishment	: 77
Unsold Volume	: 645,417 bags

- (2) Substantial volume of grains stocks in traders warehouses and households.
 - (3) Despite the P2.00 – P3.00/kilogram difference in the wholesale price of commercial rice compared to NFA selling prices, consumers still prefer to buy commercial rice due to the declining quality of NFA rice.
- iii. The SMPD was the last marketing strategy employed by the Agency to dispose the ageing stocks. As part of the distribution program for 2011 and per instruction of the Secretary of Agriculture on February 21, 2011, NFA-Central Office secured the approval of the NFA Council on the conduct of SMDP covering the disposition of IMR 25% brokens, 2010 arrivals, aged one year and above.
 - iv. The NFA from time to time conducts a Sale through Market Determined Pricing (SMDP) to dispose of its old rice (over 6 months old). Under the SMDP, NFA initially auctions the rice with a floor price or minimum bid price equivalent to the current wholesale price of NFA rice, in this activity was P25.00 per kilogram. After two failures, the floor price or minimum bid price can be converted to an indicative price that will allow NFA to award at a price not lower than 10% of the indicative price or P22.50 per kg for an indicative price of P25.00 per kg. Two more failures can allow the NFA to reduce the indicative price to as low as P22.50 per kg thus allowing an award at a price of 10% less than P22.50 per kg, or P20.25 per kg.
 - v. Advantages in the sale of 247,431 bags through SMDP:
 - (1) With the sales revenue of P255,107,194.54, NFA was able to improve its cash position. Had we borrowed this amount at 6% per annum for our operational activities, we may have spent about P15, 306,431.67 in interest expense.
 - (2) We were also able to reduce losses due to shrinkage had these stocks remained stored in our warehouses.
 - (3) Reduced significantly the cost of holding and maintenance of said stocks, thus, lowering our operational losses as follows:

OBJECT OF EXPENSE	COMPUTATION	SAVINGS GENERATED	
		Monthly	For a Min. Period of Six Months
Storage Cost	(247,431 b x P1.14/bag)	282,071.34	1,692,446.04
Pesticides	(247,431 b x P0.142/bag)	35,135.20	210,811.21
Stock Insurance	(247,431 b x P0.2194/bag)	56,480.36	338,882.16
Shrinkage Allowance	(247,431 b x P0.67/bag)	165,778.77	994,672.62
TOTAL			3,236,812.03

- (4) Buyers/Bidders under the SMDP were opened to the following categories:

CATEGORY	% ALLOCATION	MIN. VOLUME TO BID (bags)	MAX. VOLUME TO BID (bags)
Open to All NFA Licensed Grains Businessmen	60%	2,000	100,000
Institutionalized Palay Procurement Program – Accredited Farmer’s Organization	30%	1,000	10,000
NFA Accredited Retailers	10%	500	2,000

- (5) All categories were given a chance to bid in the subject stocks.

- vi. We would also like to equate these losses in terms of stable supply and rice prices in the market and likewise no recorded complaints from consumers throughout the year.

7. **The accounting and warehouse stock records of Raw Material inventory of six Provincial Offices (POs) of NFA Region I and NFA Region Aklan PO were not reconciled with total variance of 4,662,226.70 kilograms valued at P83.914 million. Also, the warehouse stock records/stock report and the physical inventory report on grain stock at GID Taway warehouse in NFA Region IX Zamboanga Sibugay PO were not reconciled, with a difference of 864 bags or 42,687.73 kilos. The existence of these unreconciled discrepancies was not in accordance with NFA SOP No. GM-WH12 requiring monthly reconciliation for immediate correction.**

- 7.1 Section 7 of NFA SOP No. GM-WH12 on the Revised SOP on Semi Annual Physical Inventory Counting of NFA Items for Sale, By Products and Empty Sacks provides that a monthly reconciliation of the stock report versus trial balance stocks and empty sacks shall be prepared by the Provincial Accountant so that any bookkeeping variance can be immediately verified and corrected.

- 7.2 Review of raw materials recorded in the books and stock reports of six provincial offices in NFA Region I and NFA Region VI Aklan PO disclosed a total variance of 4,662,226.70 kilograms of palay valued at P83,913,506.92, with details below.

Provinces	Quantity in Kilograms			
	Per Stock Report	Per Book	Variance	Amount
Region I				
Abra	1,784,119.46	1,795,939.18	11,819.72	P 207,861.53
Ilocos Norte	7,069,138.72	7,397,601.25	328,462.53	5,874,092.60
Ilocos Sur	18,003,654.86	18,685,341.42	681,686.56	12,623,144.51
La Union	25,254,968.34	25,543,516.72	288,548.38	5,184,319.18
East Pangasinan	19,227,955.33	20,359,519.66	1,081,564.33	20,042,946.35
West Pangasinan	41,360,629.19	42,350,403.91	989,774.72	17,510,302.47
Region VI				
Aklan	4,617,069.01	5,897,439.47	1,280,370.46	22,470,840.28
Total	117,367,534.91	122,029,761.61	4,662,226.70	83,913,506.92

7.3 Likewise, NFA Region IX Zamboanga Sibugay PO reported also an unreconciled difference between the stock report and physical inventory report. The total variance was 42,687.73 kilos of palay.

7.4 **We recommended that Management of various NFA Provincial Offices:**

- a. **Verify their unreconciled balances/variances and effect the necessary adjustments; and**
- b. **Conduct periodic reconciliation of accounting and stock records/reports as required under NFA SOP No. GM-WH12 in order to reflect accurate account balances.**

7.5 Management of NFA Regions I and VI gave the following comments:

7.5.1 ***NFA Region I –***

- a. The volumetric count was adopted in the conduct of physical inventory count in November 2011 on all provinces and warehouses of NFA Region I implementing the policy on NFA SOP No. GM-WH12 which states that ***“if the aggregate inventory level for all stocks inside one warehouse is above 5,000 bags, volumetric count may be adopted.”***
- b. Further, the set-up of Allowance for Inventory Variance was also in accordance with the SOP. The count variance refers to the difference (shortage or overage) between the derived/actual count against the adjusted stock report/book balance. This allowance account shall be adjusted every time a physical inventory taking is conducted whether bag to bag or volumetric count to come up with the corrected allowance at the date of the count. Other circumstances occurring within the accounting period immediately preceding the conduct of physical inventory which can affect or reduce the Allowance for Inventory Variance are the following:
 - Warehouses which have been closed, vacated or terminated;
 - Cut-off of accountability of stock accountable officers; and
 - Stock examination and TOLA computation of stock accountabilities.
- c. They also affirmed that the increase in Allowance for Inventory Variance was due to the age of the stocks and losses due to natural causes such as shrinkage and moisture content (MC) variation.
- d. With the NFA thrust for 2012 which are to mill all existing palay inventories and to prioritize the closure and liquidation of leased warehouses within the Region, this account shall be reduced with

the determination of the actual shortages of the accountable officers.

7.5.2 **NFA Region VI –**

- a. In Aklan Provincial Office, the variance of raw materials inventory pertains to the late submission of Stock Report of SGOO broken down as follows

Warehouse	Qty (kg)
Delgado II	827,003.79
Magdael	453,335.73
Ibajay SBS	30.94
Total	<u>1,280,370.46</u>

- b. The accounting section was able to ascertain the stock record of the above warehouses based on the Abstract of Canvass for the stocks procured and corresponding receipt of Terminal Warehouse where the stocks were transferred.
- c. The SGOO submitted her Stock Report for Delgado II and Magdael Warehouse last February 26, 2012 and Ibajay Satellite Buying Station last February 12, 2012.

8. **Good warehouse keeping on the preservation/keeping of stocks was not properly observed in NFA Regions IV, VI, VIII and IX as required under NFA-SOP GM-WH-07 and NFA-SOP IDM'97 TRDD-QAD-II.32 dated November 25, 1977.**

8.1 NFA SOP GM-WH07 dated January 10, 1995 and IDM'97 TRDD-QAD-II.32 dated November 25, 1977 provides policies and procedures on the preservation of stocks which include the following:

- "a) *One meter space between piles, between piles and walls, between piles and post should be provided to facilitate cleaning, inspection and application of pest control measures;*
- b) *Standard height capacity:*
- *For 50 kilograms net weight capacity – 20 bags per height pile*
 - *For 100 kilograms net weight capacity – 15 to 18 height pile*
 - *From warehouse experiences, 18 to 25 sacks of palay can be adequately supported by bottom bags without damage for at least 6 months or more.*

- c) *Proper classification and segregation of grains wherein all stocks for storage should be classified and piled according to variety, age, quality and condition;*
- d) *The First In – First Out (FIFO) principle shall always be applied;*
- e) *Structural defects like gutters and downspout shall be properly and immediately repaired;*
- f) *Warehouse hygiene and sanitation to prevent dirty appearance and accumulation of too much webs and dusts and to eliminate the possible breeding place of rats, birds and insects; and*
- g) *Protective spraying and fogging shall be done regularly.”*

8.2 In NFA Region VI, the following observations were made:

- a. The normal capacity of Aklan Grains Center (AGC) in NFA Aklan PO is 80,000 bags. During physical inventory conducted in November 2011 however, the stocks stored in the warehouse had reached to 90,010 or more than 10,000 bags compared to its normal capacity. The situation started in May 2011 until December 31, 2011.
- b. With the congested condition of the AGC Warehouse, maintenance of hygiene/sanitation and pest control administration could not be efficiently and effectively affected which if not resolved will ultimately affect the preservation of stocks.
- c. The following observations were also noted during inspection/physical inventory conducted:
 - One meter space between piles, between piles and walls and between piles and post was not strictly followed which affected easy operation or cleaning, inspection and application of pest control measures.
 - Standard height on piling stocks was not observed since pile height had reached 32 to 35 pile height and same had exceeded the standard height pile.
 - Some newly procured palay were piled at the top of the old stocks; hence, proper classification and segregation of grains was not fully followed which may affect the FIFO method of dispersal of some stocks and if FIFO method will be used, the Provincial Office will incur additional handling expense.
 - Leaks were noted due to structural defects on gutter/downspouts and if not immediately corrected, may cause damage to the stocks.

- Presence of dirt, dusts and cobwebs were noticeable inside the warehouse, an indication that warehouse hygiene and sanitation was not regularly maintained in the warehouses.
 - Although pest control is being regularly administered, same cannot effectively control the pest/insects since the existence in the stocks and inside the warehouse was very visible.
- 8.3 In NFA Region IV, the FIFO method was not strictly followed in the disposition of imported rice.
- 8.4 In NFA Region VIII – Southern Leyte PO, the FIFO method was not strictly followed in the issuance of rice to clients.
- 8.5 In NFA Region IX, the following were noted:
- a. Grains stocks of Pile 4B of GID Taway Warehouse in Zamboanga, Sibugay PO were not properly maintained.
 - b. During the conduct of physical inventory, pile 4B containing 7,203 bags with net kilos of 295,611.12 as reflected in the warehouse layout was not properly piled. The back portion of the pile had grain spillages on the ground and damaged sacks of grains were left unattended. Stocks on the right corner of the back portion were not properly piled since piling was not squared off because stocks had collapsed. Line No. 11 of the pile of the left side portion indicates that there were stocks that were damaged as the pile was not aligned to the original piling. The presence of dust and cobwebs at the back portion was also noted. The pile might collapse because of the improper piling.
 - c. FIFO method was not also followed in Zamboanga, Sibugay PO in the milling of palay. It was gathered that the recently procured palay aged 1 month to 12 months were milled during the year whereas there was a very minimal movement of grain stocks aged 13 to 39 months.
 - d. Proper warehouse keeping was not also observed in NFA Banigan, Lilo, Zamboanga del Norte. During inspection, the Audit Team noted that piles at Banigan Warehouse exceeded the standard 20 bags per pile height for 50 kilograms. Almost all piles reached the roof trusses.
 - e. The age of palay stocks at Banigan Warehouse ranged from 20 to 21 months, thus, if not milled, would require a pest control administration. It would be difficult to administer pest control and to monitor the quality of stocks because these stocks were already near roof trusses. Additional handling expenses would be incurred because the present stock piling would require that the upper stocks be removed or dislodged before a pest control could be administered.
 - f. Dirt, dust and cobwebs were present on all stock piles. Furthermore, holes in the roof of Banigan Warehouse were noted. Considering the frequent

rain experienced in the area, the stocks were exposed to possible damage from the water leakage.

8.6 We recommended that Management:

- a. **Strictly observe the policies and procedures on good warehouse keeping on preservation/keeping of stocks provided under GM-WH07 and IDM'97 TRDD-QAD-11-33; and**
- b. **Repair the roof of Banigan Warehouse and ensure that stocks are free from any damage caused by defects on warehouse.**

8.7 Management of NFA Central Office – TRSD, NFA Regions VI and IX gave the following comments:

8.7.1 NFA Central Office – TRSD

- a. NFA Regions IV, VI, VIII and IX are regions with huge procurement. The observations cited in the audit report really occurred especially during peak procurement period. Deliveries from the farmers are always a priority, and they cannot reject incoming stocks just because of limited warehouse space. Nevertheless, the reported deviation from the standard piling system is only temporary. After the procurement season, any excess palay stocks in a buying station are being transferred to another storage warehouse so the proper warehousing system and practices for stock quality preservation is followed and observed.
- b. For the AGC warehouse in Aklan, the TRSD has already recommended the remittance of fund for the repair of AGC Warehouse in the amount of P342,342.26, under the 2012 RMT/MOOE fund budget of NFA Region VI per TRSD-ESD-03-25 dated 3/28/2012 and Wire Authority from BTFMD-BUD-F-002 dated 06/04/2012.

8.7.2 NFA Region VI –

- a. NFA Aklan PO Management commented that palay stocks have been transferred to NFA Iloilo PO since October 2011, to decongest AGC warehouse and fix its piling system. The transfer also included the rice output from rice mills which only started in November 2011. Magdael Warehouse at Lezo, Aklan, was rented for an additional storage space last October 2011. The warehouse was fully occupied after three weeks of operation.
- b. They dispersed 32,010 bags of palay and 4,500 bags of rice. Unfortunately, the quantity was not enough because procurement was averaging 9,947 bags a month from October to December 2011. They only managed to re-pile a few stocks which blocked the warehouse aisle and those that were piled temporarily at the top of another pile sometime in January 2012.

- c. Based on their experience, piles beyond 20 layers can still be supported by bottom bags without bursting. In fact, in the AGC warehouse, piles 2 and 4 were layered up to 40 bags; yet, there were no sign of busted bags at the bottom. These piles were aged 15 and 16 months old, respectively. On the other hand, busted bags occur only in piles where they were directly exposed to sunlight. This happened in piles 8, 7, 5-A, and 1-A which were averaging 20 layers only.
- d. The Laboratory Analysis Result of samples submitted to the NFA Regional Office last November 2011 showed that no damaged stocks were present in the AGC Warehouse. Also, the maximum infestation in the warehouse was light. This occurred in piles 2, 4, and 8. Fumigation and appropriate pest control measures were undertaken to these stocks last December 23, 2011.
- e. A limited number of warehouses to be leased in the province of Aklan compelled them to maximize the layer of every pile in the AGC Warehouse. The 40 layer-pile was designed intently to suit their storage problem. This was consistent with SOP GM-WH07.II.B.11 which states, *“Standard piling system of width-24 feet x length-72 feet x height-15 feet shall be strictly followed except in extreme cases wherein dimensions are increased due to lack of storage space.”* Dimension is defined by Encarta as, *“a measurement of something in one or more directions such as length, width, or height.”*
- f. As of June 30, 2012, the inventory of AGC was only 50,547 bags.

8.7.3 **NFA Region IX –**

- a. Standard piling at 20 bags per pile height was not observed due to the huge volume of stocks intended for Liloy that were received during the CY 2010. Two warehouses were even rented for stocks not accommodated at Banigan Warehouse. Stocks at rented warehouses were sold/issued first and the remaining stocks were transferred to Banigan Warehouse to eventually vacate the rented warehouses and save on rental expenses. When sales/issuances deplete the stocks stored at Banigan Warehouse, standard piling will be strictly implemented.
 - b. Cleaning cannot be done regularly because only one Job Order Laborer was provided to do the cleaning of warehouse and its surroundings. The laborer was also utilized during sales/issuance of stocks as weigher due to cost cutting measures.
 - c. Defects in the rooftop of Banigan Warehouse was already repaired.
9. **Remaining 5,007,075 bags of imported stocks amounting to P8,516.363 million received at the NFA-NCR in CY 2010 could further deteriorate if remained unsold/unwithdrawn. Additional storage and pest control expenses would be**

incurred to maintain said stocks. Sweepings and damaged stocks totaling 3,420 bags were also noted.

- 9.1 Pile lay out and stock reports of the warehouses at the Central District Office (CDO), North District Office (NDO), South District Office (SDO), East District Office (EDO) and Cavite Provincial Office (CPO) under NFA NCR as of December 31, 2011 showed that imported rice stocks totaling 5,007,075 bags with ages ranging from 12 to 25 months remained undistributed/unwithdrawn. Details are shown below:

Office	Quantity (in bags)	Amount	Age (no. of months)
CDO	1,085,856	P2,011,534,641.92	16 to 25
NDO	1,136,507	1,863,134,309.11	15 to 24
SDO	1,340,498	2,215,217,704.68	12 to 24
EDO	657,448	1,155,419,268.30	12 to 24
CPO	786,766	1,271,057,078.44	16 to 23
Total	5,007,075	P8,516,362,998.48	

- 9.2 At the beginning of CY 2011, NCR has a total stocks of P11,186,483 bags. During CY 2011, aside from its regular sales, NFA-NCR conducted several auction or Sales through Market Determined Pricing (SMDP) to dispose imported stocks received in 2010. Verification of the status of the results of auctions as of March 15, 2012 revealed that a total of P151,500 bags of stocks awarded were not yet paid and that out of the 6,198,496.56 bags paid, 1,409,436.20 bags remained unwithdrawn.

Office	Quantity (in bags)				
	Awarded (a)	Paid (b)	Withdrawn (b.1)	Unwithdrawn (b-b.1)	Unpaid (a-b)
NDO	1,562,687.00	1,565,836.58	1,264,526.58	301,810.00	500.00
CDO	1,741,045.00	1,742,694.98	994,419.38	748,275.60	0
SDO	1,612,521.00	1,501,284.40	1,171,183.80	330,100.60	151,000.00
EDO	696,725.00	696,125.20	666,375.20	29,750.00	0
Cavite	702,906.00	692,555.40	692,555.40	0	0
Total	6,314,884.00	6,198,496.56	4,789,060.36	1,409,436.20	151,500.00

- 9.3 While we recognized the efforts of Management to dispose slow moving rice varieties through SMDP, we noted that the remaining volume of said stocks were still significant which could result in further deterioration of the quality due to prolong storage and consequently low sales value. The regular selling price of 25% broken was P25.00 per kilo but the result of the SMDP showed the indicative price of P22.50 and actual bid prices received during SMDP ranged from P20.25 to P24.00 per kilo, resulting in an estimated loss of P907,764,575.00.
- 9.4 The prolonged storage of stocks would mean that NFA would also incur additional expenses in warehouse rentals and pest control to preserve the quality of the stocks.

- 9.5 We also noted sweepings and damaged stocks totaling 3,420 bags located in the following warehouses:

Office	Warehouses	Quantity (bags)	Total
Central District	Visayas	100	
	Kingswood 8/9	312	
	Kingswood E/F	8	
	Kingswood D	900	
	Kingswood 11	21	
	Kingswood 4	60	
	Kingswood H	58	
	Toprite 5	288	1,747
South District	FTI	155	
	JY Sons B	408	
	Uniden ABC	989	1,552
Cavite Provincial	JY-B-1	25	
	JY II	90	
	Granville	6	121
Total			3,420

- 9.6 These stocks also occupied large spaces of the warehouse which could be used for good stocks.

9.7 **We recommended that Management:**

- a. **Come up with a concrete and viable stock distribution plan/marketing strategy that will ensure that the existing stocks are sold while still in good condition to avoid additional expenses and to get a better selling price;**
- b. **Require the winning bidders to withdraw their stocks within the prescribed withdrawal period. Although the winning bidders pay storage fees for late withdrawal of stocks, said fees were not enough to compensate for the amount of warehouse rental and the expenses incurred for pest control measures;**
- c. **Consider increasing the storage fee as a measure to force the concerned retailers/winning bidders to withdraw the stocks within the withdrawal period; and**
- d. **Dispose immediately the sweepings/damaged stocks.**

- 9.8 Management gave the following comments:

9.8.1 NFA Central Office - GMOD

- a. GMOD informed that while there were unwithdrawn stocks sold thru SMDP, the NFA was able to collect the total amount of P19,806,852.91 as penalty and storage fee from the winning bidders who failed to withdraw the stocks within the prescribed withdrawal period. The

penalties and storage fees collected partially subsidized NFA's expenses on storage costs.

- b. FGs/FOs purchasing stocks under the FAIR program are allowed to pay and withdraw old IMR stocks in NCR.
- c. They instructed NFA NCR to prioritize the withdrawal of awarded stocks to winning bidders. NFA - NCR informed the NFA Central Office that said instructions are being implemented. They also informed the bidders that any unwithdrawn balances in specified warehouses are to be transferred to other warehouses to maximize utilization of the capacity and any expenses to be incurred in the transfer of said stocks shall be charged against said buyer.

9.8.2 NFA - NCR

- a. The total 6.3 M bags of IMR 25% received in 2010 awarded to the various winning bidders were totally and fully paid as of April 18, 2012 except for the 500 bags allocation of one bidder whose bid bond of P60,000.00 and the allocation was forfeited.
- b. The decision to further reduce the Indicative Price from P25/kg. was a marketing strategy to make it attractive and competitive to the prospective bidder in order to expedite and hasten immediate disposition of the said stock after a series of failed SMDPs, with the following objectives:
 - Monetize the stocks to generate funds for palay procurement operations and pay maturing financial obligations;
 - Save on the cost of money and interest on loans;
 - Save on costly stocks maintenance and holding costs;
 - Save on warehouse rentals and security services;
 - Prevent further decline in the quality of stocks due to prolonged storage and infestation.
- c. The estimated loss of revenue of P907,575.10 would have been higher had they not disposed of the said volume of stock through SMDP based on the above considerations.
- d. To hasten and facilitate the disposition of damage stocks, they have already decentralized and authorized and constantly reminded the district offices to immediately prepare the IIRs and necessary supporting documents for approval and the conduct of public bidding of damaged stocks/ sweepings to prevent/ avoid accumulation of the same in compliance with " No Sweepings and Damaged Stocks" policy and of the ten (10) fundamentals of good warehouse keeping and

sanitation and to be able to create warehouse space for the incoming stocks.

- e. In the radio message coded NCR-OCM-11-H-512 dated August 19, 2011 (Annex A), the NCR Regional Director gave instructions to the District/Provincial Managers to immediately conduct appropriate pest measures of infested stock and prioritize disposition of all damaged stocks and sweepings.
- f. The delay in the disposition of the damaged stocks/sweepings could also be attributed to the constraint on the Specifications of Authority on the volume of stocks needing the approval of IIR and the minimum Bid Price by NFA Central Office.
- g. They sent letters to the winning bidders demanding that they expedite withdrawals of their unwithdrawn stocks.
- h. They will consider recommending to the NFA Central Office to increase the storage fees and other stricter measures to compel the winning bidders to withdraw their stocks within the prescribed withdrawal period.

9.8.3 ***NFA Central District Office -***

- a. The existing inventory is a combination of aged imported milled rice and new local milled rice received from other regions. Issuances of said aged stocks disposed through SMDP are on going. A deadline was set on February 3, 2012 for the bidders to pay their awarded stocks.
- b. They are now making a follow-up with the winning bidders for the immediate withdrawal of stocks. Cost comparative analysis was being prepared between transferring the withdrawn stocks versus retaining the leased warehouses for a certain period especially those warehouses with less than 30 percent utilization.
- c. Imported stocks of 87,793 bags were being used to produce Iron fortified Rice which are being issued to DSWD Food for School Program, LGUs thru DSWD for their relief operations.
- d. The local rice is being readied for the 2012 distribution together with the existing imported rice varieties.
- e. It is expected that old stocks will be disposed this 2012.
- f. They have recommended for public bidding the 1,341 bags of sweepings/damaged stock. They are continuously practicing the "No Sweeping Policy". The Inventory and Inspection Report on those stocks are for approval by the NFA higher officials.

9.8.4 **NFA South District Office –**

- a. The ending inventory as reflected in the pile lay out as of December 31, 2011 represents the remaining balance of sales through SMDP conducted last July 2011. The stocks were already paid and withdrawal of the remaining stocks is still on going; and
- b. The damaged stocks and sweepings were already disposed through bidding conducted last January 2012.

9.8.5 **NFA Cavite Provincial Office –**

- a. As of March 31, 2012, NFA Cavite PO (CPO) was left only with 483,700 bags of rice inventory consisting of 326,700 bags of imported rice received in the 2nd semester of 2010 intended as buffer stocks for the coming lean months and 157,000 bags of local rice transferred from NFA Regions I, II and IV to last for 27 days based on 18,280 bags daily consumption requirements of the province. With no rice importation on the 1st quarter of 2012, CPO is expecting to receive 51,000 bags remaining balance of local rice dispersal from NFA Regions II and IV which is not sufficient to maintain a buffer stock. It is in this reason that the remaining 326,700 bags of imported rice aged 19 to 20 months are still in the warehouses and being sold through regular distribution to accredited outlets and the remaining 2010 stocks will be recommended for disposition thru SMDP after the lean month's period.

10. **Of the balance of Accounts Receivable-Trade in the amount of P1,402.754 million as at December 31, 2011, 21.34% or P299.336 million remained outstanding and uncollected for one to over 30 years, hence its validity and collectibility were deemed doubtful.**

10.1 This is a reiteration of prior year's audit observation.

10.2 As at December 31, 2011, Accounts Receivable - Trade in the amount of P1,402,754,388.46 was composed of the following:

Agencies	Central Office	Branches	Amount
National Government Agencies	P76,491,187.87	P1,017,028,043.58	P1,093,519,231.45
Local Government Units	-	130,640,273.95	130,640,273.95
GOCC's	-	8,635,094.46	8,635,094.46
Private Institutions	4,077,809.84	150,293,390.88	154,371,200.72
Retailers	-	8,768,537.27	8,768,537.27
Erap Sari Sari Store Operators	-	31,961.68	31,961.68
ECL	-	13.00	13.00
Employees	-	1,549,043.42	1,549,043.42
Farmers	-	5,239,032.51	5,239,032.51
Total	P80,568,997.71	P1,322,185,390.75	P1,402,754,388.46

- 10.3 The balance of Accounts Receivable-trade as at December 31, 2011 decreased by P247,321,335.71 due to collections from various agencies and adjustments made as a result of reconciliation between the records of the NFA Central Office and the NFA Regional /Provincial Offices. However, still a large portion of the account in the amount of P299,336,251.81 remained dormant and uncollected from one to over thirty years.
- 10.4 Reported uncollected Accounts Receivable - Trade as at December 31, 2011 is summarized below and discussed in the succeeding paragraphs.

Region	Amount
CO	80,568,997.71
III	9,142,822.83
IV	108,618,504.74
V	5,148,086.51
VI	3,260,225.00
VII	616,764.41
VIII	30,972,866.69
IX	24,120,326.24
X	21,804,492.34
XI	10,568,099.74
XII	931,791.57
XIII-NCR	3,583,274.03
Total	299,336,251.81

10.5.1 **NFA Central Office -**

- 10.5.1.1 Aging of Accounts Receivable - Trade revealed that these accounts had been outstanding for more than five years, details of which are shown below:

National Government Agencies/Private Corporations	Amount Aged 5 years and above
Bureau of the Treasury (BTr)	15,041,274.52
Department of National Defense (DND)	2,703,000.00
Office of the President (OP)	58,278,819.83
Presidential Action Center (PAC)	468,093.52
Philippine National Red Cross (PNRC)	4,077,809.84
Total	80,568,997.71

- 10.5.1.2 The receivables from the above National Government Agencies (NGAs) and private entity had been lengthily discussed in our previous reports. As a matter of procedure, we have regularly sent confirmation letters but only one agency replied. The DND confirmed no balances while the rest made no reply.
- 10.5.1.3 During last year's exit conference, they were informed that NFA Management had launched massive collection efforts by setting up collection targets on a per quarter basis coupled with regular monitoring of accomplishments. They also committed

to retrieve the supporting documents as attachments to demand letters.

- 10.5.1.4 As a result of the ongoing reconciliation, a substantial decrease from last year's balance of P91,339,701.21 in the total amount of P10,770,703.50 was recorded. This was due to adjustments of the accounts of BTr and DND brought about by erroneous recording of payments.

10.5.2 NFA Region III –

- 10.5.2.1 Audit of the Accounts Receivable - Trade of NFA Region III particularly the Nueva Ecija PO revealed that as at December 31, 2011, the total trade receivables in the amount of P10,905,322.83 included uncollected and non-current accounts totaling P9,142,822.83, with details below.

Account Title	Current	Non-Current	Total
Account Receivables	1,762,500.00	1,133,295.31	2,895,795.31
Due From Local Gov't Units		8,009,527.52	8,009,527.52
Total	1,762,500.00	9,142,822.83	10,905,322.83

10.5.3 NFA Region IV –

- 10.5.3.1 Analysis of Accounts Receivable - Trade in NFA Region IV disclosed that a total of P108,618,504.74 were doubtful of collections, as shown below:

NFA Region IV P.O.s	Accounts Receivable
Batangas	23,271,387.64
Mamburao	22,899,171.25
Marinduque	9,560,185.85
Oriental Mindoro	49,511,010.00
Quezon	3,376,750.00
TOTAL	108,618,504.74

- 10.5.3.2 Perusal of the Financial Statements of NFA Batangas PO showed that the balance of its Accounts Receivable account as at December 31, 2011 amounted to P23,883,706.98. Of this amount, P23,271,387.64 had been outstanding for 4 to 35 years. It was noted that only 11.78 percent or P3,719,604.54 were settled in CY 2011 out of the receivables of P26,988,438.30 as at December 31, 2010.

- 10.5.3.3 It was revealed in the audit of NFA Mamburao PO, that Accounts Receivable had an outstanding balance of

P23,466,146.25 as at December 31, 2011, 97.58% or P22,899,171.25 were considered past due for two to ten years.

- 10.5.3.4 Of the total Accounts Receivable of NFA Marinduque PO of P9,560,185.85 as at December 31,2011, P5,948,100.00 or 62% pertained to CY 2002-2004 accounts of the Congressman which was still undergoing verification/ econciliation process with the Central Office. The Management believed at Special Allotment Release Orders (SAROs) may have been received in behalf of the NFA Provincial Office but were not reported/credited. Hence, since then, there was no collection out of these accounts.
- 10.5.3.5 In NFA Oriental Mindoro PO, the delay in transmittal of advice on collection from NFA Central Office and failure to conduct regular reconciliation caused the Accounts Receivable amounting to P49,511,010.00 from various national government agencies to remain outstanding in the books of accounts of the said PO.
- 10.5.3.6 NFA Quezon PO's Receivables from National Government Agencies and Local Government Units mounting to P3,376,750.00 remained uncollected for two to 26 years, consisting of the following:

Particulars	Date Granted	Amount
Dept. of Social Welfare & Development	October 2006	P900,000.00
	November 2006	135,000.00
National Disaster Coordinating Council	October 2006	144,000.00
	November 2006	27,000.00
	December 2006	450,000.00
	July 2008	182,500.00
	July 2009	228,125.00
	September 2009	45,625.00
	December 2009	125,000.00
Congressman Rafael Nantes	November 1998	175,000.00
	August 2006	36,000.00
Congressman Danilo Suarez	November 1998	627,900.00
Congressman WigbertoTanada	October 1998	140,000.00
EO88 – PAF/PN/GHQ/PA Local Govt. Units Prov'l. GovtOfficec/o Ex Gov.Eladio Caliwara	2003	5,600.00
	February 1986	155,000.00
Total		P3,376,750.00

- 10.5.3.7 It was also noted that despite sending of bills/notices and even personal follow up to the concerned offices and Offices of the Congressmen, collections could not be effected, thus rendering its accuracy and collectibility doubtful.

10.5.3.8 It is worth mentioning that in January 2011, as a result of sending wires/follow ups, the NFA Quezon Provincial Office collected from NDCC the amount of P2,202,000.00.

10.5.4 NFA Region V –

10.5.4.1 As at December 31, 2011, the Receivables of NFA Region V particularly in the NFA-Catanduanes PO amounted to P6,259,178.90. Verification of its composition disclosed that 82% or P5,148,036.51 pertained to receivables aged four years and above as shown below:

Particulars	Amount
DSWD	P 900,000.00
DepED	155,000.00
NDCC	906,250.00
RDCC	450,000.00
LGU - Panganiban	2,717,036.51
LG-Cong. Villanueva	19,800.00
TOTAL	P 5,148,086.51

10.5.4.2 Confirmation made on the Receivable balances as of November 31, 2011 remained unanswered except for LGU-Panganiban which stated in their reply that they have no balance/record of this account on their books of accounts as of said date. It could be figured out that NFA–CPO, despite having documents and records to support the LGU’s payables which arose from loans availed of in CY 1999, may not be able to collect the said receivables since the LGU’s records proved otherwise.

10.5.4.3 Interview with the accounting personnel of CPO on this matter revealed that they are still awaiting response of NFA Central Office regarding the status of reconciliation made if any or any action taken thereon.

10.5.5 NFA Region VI –

10.5.5.1 In NFA Region VI particularly in NFA Aklan PO, the percentage of long outstanding Accounts Receivable increased every year and had reached 84.89% or P3,260,225.00 out of its P3,840,725.00 total receivables.

10.5.5.2 Aging Schedule of Accounts Receivable ending December 2011 is shown below:

Total Accounts Receivables	Age				
	Current	Past Due			
	Less than 1 year	More than 1 year less than 2 years	More than 2 year less than 3 years	More than 3 year less than 4 years	4 years and above
3,840,725.00	580,500.00	62,500.00	45,625.00	2,956,500.00	195,600.00
Percentage	15.11%	1.63%	1.19%	76.98%	5.09%
		84.89%			

10.5.5.3 The P3,840,725.00 balance of Accounts Receivable were collectibles from the following government agencies:

Agency	Date Granted	Amount	Remarks
Philippine Navy	Sept. 2004	P 2,800.00	Transactions were at NFA Central Office
Philippine Army	Aug. 2005	12,800.00	

Agency	Date Granted	Amount	Remarks
National Disaster Coordinating Council (NDCC)	Jan. 2007	114,300.00	Transactions were at NFA Central Office
	Feb. 2007	65,700.00	
	June 2008	530,060.30	
	July 2008	2,389,939.70	
	Aug. 2008	36,500.00	
	Nov. 2009	45,625.00	
Provincial Govt.-Aklan	Dec. 2011	175,500.00	Transactions were at NFA Provincial Office
Municipality of Banga	Oct. 2010	62,500.00	
Municipality of Ibajay	Nov. 2011	405,000.00	
Total		P 3,840,725.00	

10.5.6 NFA Region VII –

10.5.6.1 While in NFA Region VII, Accounts Receivable - Trade of NFA Bohol PO in the amount of P616,764.41 remained uncollected for more than one year as shown by the Aging Schedule. The condition may have occurred due to the failure of officials concerned to demand payment from identified debtors, summary of which is shown below:

National Government Agencies/Private Corporations	Amount Aged 5 years and above
Department of Education (FSP)	17,780.00
Local Government Units	110,978.41
National Disaster Coordinating Council/PDAF	476,250.00
Department of Agriculture, BAS/LGU	11,756.00
Total	616,764.41

10.5.6.2 Verification of Accounts Receivable from DepEd and NDCC/PDAF showed that the NFA Bohol PO was in the process of reconciliation with NFA CO for which they were required to submit Statement of Rice Issuances to

beneficiaries. Since collections were normally made at the NFA CO, the branch or the PO were dependent on the advice before collections were recorded.

10.5.7 NFA Region VIII –

10.5.7.1 Accounts Receivable from NGAs in NFA Region VIII in the amount of P30,972,866.69 had also remained dormant for two to eleven years, details of which is shown below:

NFA Region VIII P.O.s	Accounts Receivable
Southern Leyte	523,480.10
Eastern Samar	4,888,557.34
Western Samar	25,560,829.25
Total	30,972,866.69

10.5.7.2 The Audit Team of NFA Eastern Samar noted that out of the total balance of P4,888,557.34, 80% or P3,885,382.23 were from National Government Agencies (NGAs); P59,172.61 or 1% from Local Government Units (LGUs) and P944,002.50 or 19% were from GOCCs.

10.5.7.3 In NFA Southern Leyte PO, Accounts Receivable amounting P523,480.10 remained dormant for more than 2 to 11 years.

10.5.7.4 On the other hand, the NFA PO in Western Samar received two payment advices from NFA-Central Office under JEV #2010-12-025611 and 2011-10-0155 in the amounts of P433,504.00 and P806,430.00, respectively, thereby leaving an outstanding balance of P25,560,829.25 as at December 31, 2011 which was 97.10% of the Accounts Receivable Account.

10.5.8 NFA Region IX –

10.5.8.1 The Accounts Receivable – Trade/Business in Zamboanga del Norte PO In NFA Region IX, included past due accounts in the amount of P19,413,889.26. This amount remained uncollected for 2 to 20 years which cast doubt on the collectibility and reliability of the account. The breakdown is as follows:

Accounts Receivables – Nat'l. Gov't.	Date Granted	Amount
Dep ED	Dec. 31, 2009	11,677.285.00
DSWD	Dec. 31, 2009	7,042,633.00
AFP-General Head Quarters	Feb.-June 2004	1,200.00
Philippine Navy	Apr.-Oct. 2004	30,200.00
Office of Civil Defense	Nov.03-Apr. 04 & 10/05	544,500.00
Sub-total		P 19,295,818.00

Accounts Receivables – Nat'l. Gov't.	Date Granted	Amount
Farmers Cooperative		
Balok MP Cooperative		22,080.00
Kalahi Project		36,000.00
Malugas farmers Cooperative		13,540.00
Sub-total		P 71,620.00
Individual Employees		
Maridol Dalman	Sept. 1986	P 28,759.05
Zoilo Ruaya	Sept. 1986	17,692.21
Sub-total		P 46,451.26
TOTAL		P 19,413,889.26

10.5.8.2 In NFA Zamboanga Sibugay PO, the Accounts Receivable - Trade amounting to P10,477,486.98 as at year-end included past due/dormant accounts amounting to P4,706,436.98.

10.5.9 *NFA Region X –*

10.5.9.1 The balance of Accounts Receivable - Trade included past due accounts in the amount of P21,804,492.34. This amount had been dormant since CY 1998 breakdown of which is shown below:

Province	NGA	LGU	Private	Total
Lanao del Norte	2,146,181.86	5,168,300.00	54,000.00	7,368,481.86
Misamis Occidental	212,200.00			212,200.00
Camiguin	181,250.00			181,250.00
Bukidnon	34,200.00	2,087,485.48		2,121,685.48
Misamis Oriental	6,755,750.00	5,165,125.00		11,920,875.00
Total	9,329,581.86	12,420,910.48	94,000.00	21,804,492.34

10.5.9.2 The non-moving accounts represented Receivables from LGUs under the Expanded NFA Rice Loan Program to LGUs in April and May 1998. Included also were Receivables from the Philippine Army General Headquarters for rice issuances made by the NFA in 1999 in compliance with Executive Order No. 88 granting rice allowance to soldiers on combat duty in Mindanao and the accounts of Congressmen chargeable against their Sub-Allotment Remittance Advice (SARO) and other National Offices.

10.5.10 *NFA Region XI –*

10.5.10.1 Verification of the Accounts Receivable in NFA Region XI revealed that various accounts amounting to

P1,093,967.80 remained dormant for more than five (5) years, the composition of which is as follows:

Date Granted	Name	Amount
January 2006	NDCC	17,500.00
March 2005	NDCC	150,000.00
January 2005	NDCC	225,000.00
December 2004	NDCC	87,500.00
October 2005	AFP – Philippine Army	291,350.00
July 2005	AFP – Philippine Army	150,000.00
February 2003	AFP – Philippine Army	85,600.00
February 2003	AFP – Philippine Air Force	3,350.00
February 2003	AFP – Philippine Navy	53,200.00
October 2004	Deminay Trucking	30,467.80
Total Dormant Receivables		1,093,967.80

10.5.10.2 It was found out that five out of ten accounts amounting to P583,500.00 were granted under the EO 88 program of the NFA for the AFP personnel. These accounts were coordinated through NFA-Central Office.

10.5.10.3 The NFA also extended sales on account to NDCC amounting to P480,000.00. The credit transactions were further implemented by the Provincial Office on the basis of authorities sent by the Head Office through telegrams or Radio Messages.

10.5.10.4 Losses of rice through theft of its driver were charged to Deminay Trucking, which made partial payments through claim deductions. To date, the balance of P30,467.80 had not been collected since Deminay had ceased from operation and the driver/thief was already in jail.

10.5.10.5 At NFA Digos City Provincial Office, Accounts Receivable - Trade totaling P6,140,415.61 included the amount of P4,942,951.61 which had remained uncollected and outstanding since 2007.

10.5.10.6 The table below summarized the uncollected receivable accounts as at December 31, 2011.

Particulars	Date Granted	Amount	Outstanding/Age
Dep-Ed-Food for School Program	Jan. 2010	4,245,326.61	1 year & 11 mos.
Office of the Civil Defense	Jan. 2007	225,000.00	4 years & 11 mos.
NDCC – Cagas	May 2008	456,250.00	3 years & 7 mos.
PNRC	March 2009	12,775.00	2 years & 9 mos.
Province of Davao del Sur	March 2011	1,197,450.00	9 months
Anastacio Casayas	Sept. 2008	1,800.00	3 years & 3 mos.
Vitaliana Cadorna	Sept. 2008	1,800.00	3 years & 3 mos.
M. Jesuro	Sept. 2011	14.00	3 months
Total		6,140,415.61	

- 10.5.10.7 Based on the above table, two of the eight accounts were current. This amounted to P1,197,464.00 or 20% of the total accounts receivable, the remaining P4,942,951.61 or 80% remained non-moving for more than one year to nearly five years.
- 10.5.10.8 At the NFA Mati City Provincial Office also in NFA Region XI, Accounts Receivable - Trade in the amount of P4,531,180.33 had also remained dormant for so many years.
- 10.5.10.9 Of the P4,531,080.33 recorded as Accounts Receivable, the amount of P2,560,650.00 was from the Armed Forces of the Philippines; P119,020.86 was from DSWD; P1,059,833.24 was from DepEd; P540,865.19 was from PAGCOR; and P250,711.04 from dissolved offices such as the Ministry of Human Settlement and Bureau of Statistics, and from dead debtors.
- 10.5.11 **NFA Region XII –**
- 10.5.11.1 Accounts Receivable from LGUs of NFA South Cotabato PO amounting to P931,791.57 had been outstanding for one year to twelve years and remained uncollected as at December 31, 2011.
- 10.5.12 **NFA – NCR –**
- 10.5.12.1 At the NFA-NCR, the validity of the NFA South District Office (SDO) Accounts receivable from the Armed Forces of the Philippines amounting to P3,155,000.00 and from the Department of Social Welfare and Development of P428,374.03 remained doubtful due to non-reconciliation of accounts, dormancy and lack of supporting documents.
- 10.5.12.2 Verification of the financial statements as at December 31, 2011 disclosed the following dormant receivable accounts:
- a. Receivables from the AFP - P3,084,750.00 - It was noted that despite the termination of the program (EO#88) in September 2004, the amount of P 3,084,750.00 still remained in the books of NFA-SDO. The NFA-SDO Accountant informed that the reconciliation of Accounts receivable from AFP had been finished and forwarded to the NFA Central Office. However, there was no advice yet from NFA Central Office to close the balance in the books of NFA-SDO.

- b. Receivable from the Philippine Marine Reserved Command (PMRC) in the amount of P35,250.00 had no supporting documents and was already dormant.
- c. Receivable from the National Disaster Coordinating Council (NDCC) in the amount of P35,000.00 had no supporting documents and was already dormant.
- d. Accounts Receivable from DSWD - P428,374.03 - DSWD guaranteed the payment of credit sales to Tindahan Natin (TN) beneficiaries to support food security and provide livelihood opportunity program to these TN beneficiaries. Management commented in 2009 that they will reconcile the balance of the Receivable account. However, the amount of P428,374.03 remained unreconciled for two years now.

10.6 **We recommended that Management:**

- a. **Provide the NFA Regional/Provincial Offices (RO/PO) with updated information on collections and/or status of the receivables and send collection advices to concerned RO/PO;**
- b. **Facilitate reconciliation with Department of Education (DepEd), Department of Social Welfare and Development (DSWD), National Disaster Coordinating Council (NDCC) /Regional Disaster Coordinating Council (RDCC), Local Government Units (LGUs) and other National Government Offices concerned; and**
- c. **Instruct the concerned NFA Provincial Manager to meet with the present LGU executives to resolve the issue of non-recording of their liabilities.**

10.7 Majority of the NFA Regional/Provincial Offices commented that for accounts where collections are made at the NFA Central Office, their responsibility is to record only upon receipt of the collection advice. Also, constant follow-ups were already made with the Central Office Accounting Services Department for the issuance of the corresponding payment advices. Most of them have submitted the detailed Statement of Rice Issuances for DepEd Food for School program to facilitate reconciliation of records between CO and RO/PO.

10.8 Also, the concerned NFA Regional Offices submitted the following comments:

NFA Region III	The total amount of P1,350,000 was collected from PNRG and LGU-Licab which were part of the current portion of Account Receivable. Only P8,009,527.52 out of the total amount of P9,142,822.83 noncurrent portion of Account Receivable were collectible at the NFA Nueva Ecija Provincial Office and the remaining balance was collectible at NFA Central Office. They are continuously coordinating with the Cabanatuan City LGU c/o Mayor Jay Vergara regarding their outstanding account with NFA Nueva Ecija PO.
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NFA Region V	The Management of NFA –CPO made a personal follow-up with the Mayor of Panganiban together with NFA COA Auditor regarding the long outstanding loan. They have also made a representation with Panganiban Sanguniang Bayan for the passing of resolution for the appropriation of fund for payment of said loan. Copy of requested Resolution will be furnished.
NFA Region VI	<p>NFA Iloilo PO</p> <p>A letter reiterating request for write-off of dormant accounts was sent to COA last March 12, 2012 for the following:</p> <p style="text-align: center;">Government Institutions - P 29,345.78 Private Institutions - P 7,150.00</p> <p>Demand letters were sent to the Municipality of Sara and Banate last March 19, 2012 and they are still waiting for their reply since some of the officers in charged during the granting of such loans were no longer employed in the LGUs.</p> <p>NFA Antique PO</p> <p>On the dormant accounts in which billing and collection is being handled by the Provincial Office, it must be emphasized that collection effort is being done regularly thru demand letters and personal follow-up but such effort was not successful thus those accounts more than four years had been referred to the NFA Legal Department for legal remedies. Recently, the Municipality of Barbaza account was collected on April 24, 2012.</p> <p>Collection notice and confirmation letter shall again be sent and constant follow-up shall be done to successfully collect the accounts of the Municipalities of Libertad, Patnongon and Culasi.</p> <p>On June 8, 2012, the NFA Antique PO received a letter from the Mayor of the Municipality of Culasi signifying intention to pay the account.</p> <p>NFA Aklan PO</p> <p>For transactions at the NFA Provincial Office, all outstanding balance of Accounts Receivables from LGUs as of December 31, 2011 was now fully paid. For the transaction at the Central Office, we have sent AKL-12-B-36 to Grains Marketing Operations Department inquiring on the status of Accounts Receivables authorized by the Central Office. NDCC has paid P180,000 per OR#0661833 of Central Office dated December 29, 2011 and recorded per JEV3 12-02-0308.</p>
NFA Region VII	Except for the collectible accounts from the LGUs, the remaining accounts are awaiting the advice of payments from NFA CO. The Accounts Receivable from LGUs are in the process of write-off. They are awaiting for COA Region VII's action on their request for write-off.
NFA Region IX	Management of NFA Region IX has been considering requesting for the write off of dormant accounts. However, it needs to show diligent efforts to collect the receivables which is one of the requirements for write off in accordance with COA Resolution No. 80-122 dated April 23, 1980.

	<p>The Management of NFA Zamboanga del Norte commented that reconciliation is ongoing particularly for accounts under EO 88 and those from the DepED and DSWD. The DepEd accounts were settled in the Central Office who issued collection advice to the NFA PO while those from DSWD were paid at the NFA Regional Office which then remits to the PO after reconciliation.</p>
NFA Region X	<p>Lanao del Norte Management commented that they recently conferred with the concerned municipal mayors of the recipient municipalities of the rice loan and the DSWD office. Through their representation, the Provincial Head of the DSWD had requested the documents related to the loan of the Provincial Government for them to forward the same to DSWD Regional Office with the hope that there would be a good development this year.</p> <p>They have intensified their collection drive with positive results. With the assistance of former Congressman Dimaporo, they have fully collected P2,100,000.00 A/R for LGU Lanao del Norte last April 2012. Hopefully, additional collections from various Municipalities will be made during the current year.</p>
NFA Region XI	<p>As mentioned in the audit report, these accounts except the Demimay Trucking Account has been coordinated with NFA CO, where collection is being made and monitored. As to the Demimay Trucking Account, constant follow-up is being made.</p> <p>At NFA Digos Provincial Office, the accounts totalling P4,942,951.61 are being monitored and collected by NFA Central Office.</p> <p>At the NFA Mati Provincial Office, all of these accounts except the P250,711.04 are being monitored and collected at the NFA Central Office. The amount of P250,711.04 consists of accounts which are no longer collectible hence the subject of request for write-off.</p>
NFA – NCR	<p>NFA-NCR Management commented that the NFA-CO mentioned in 2010 that the target closure of the Accounts Receivable from the Armed Forces of the Philippines was at the end of 2011 but until now they have not yet received any advice of payment from them. Management also stated that they are still collecting documents as basis for the issuance of demand letters to PMRC and NDCC and informed that the reconciliation of receivable from DSWD is still on-going.</p>
NFA LAD	<p>The Legal Affairs Department of NFA informed that their department has directed the NFA Provincial Managers to send demand letters to defaulting LGUs.</p> <p>There are some LGUs offering to pay the principal loan but requested for the non-imposition of interest and penalties.</p> <p>On the other hand, there are few LGUs where the incumbent mayors do not want to acknowledge the outstanding rice loan due lack of MOA, between the concerned LGUs and NFA, plus the fact that other documents such as the WSR are also wanting.</p>

11. In six NFA Regional Offices, the accuracy and validity of the balance of Property and Equipment accounts amounting to P266.478 million were not ascertained due to unreconciled variances of P74.338 million between book balance and the physical inventory report. Also, unserviceable property totaling P11.72 million remained under PPE accounts instead of transferring the same to Other Assets. Further, the same were not yet disposed of, contrary to Sec. 79 of PD 1445.

11.1 Our audit of the Property and Equipment accounts disclosed a number of deficiencies as discussed below.

11.1.1 ***In six NFA Regional Offices, the book balance of the Property and Equipment as of December 31, 2011 did not reconcile with the balances per Physical Inventory Reports, resulting in a variance of P74,338,437.53.***

11.1.1.1 A comparison of the book balances and results of inventory reports for Property and Equipment (PE) accounts is shown below.

Region	Per Books	Per Inventory Report	Variance
II	47,066,466.38	30,097,920.45	16,968,545.93
V	104,684,753.16	94,707,127.19	9,977,625.97
VII	15,749,046.64	13,437,035.49	2,312,011.15
VIII-Biliran	14,899,406.59	9,465,071.85	5,434,334.74
NCR	98,910,266.15	59,626,375.18	39,283,890.97
XV	5,167,913.63	4,805,884.86	362,028.77
T O T A L	286,477,852.55	212,139,415.02	74,338,437.53

11.1.1.2 NFA-Region II disclosed that some items recorded in the accounting books were not taken up in the property records and vice versa. This deficiency was due to non-reconciliation of accounting and property records.

11.1.1.3 In NFA-Region V, the following observations were made:

- i. The NFA Masbate Provincial Office conducted the physical count of its fixed assets in November 2011, however, the Inventory Committee failed to come up with a complete report on the physical count. The same observation was discussed in the prior year's audit report. Nonetheless, Management still committed the same shortcoming in CY 2011.
- ii. In NFA - Albay Provincial Office, analysis of the accounting and property records revealed that various equipment totaling P261,356.03 were not recorded in its books. and in the books of NFA Region V. It was also noted in audit that one unit Avery Electronic Scale with acquisition cost of P200,000.00, transferred to NFA

Masbate PO on February 3, 2010 was still included in the NFA Region V (non-conso), thereby overstating the PE accounts by the same amount. Moreover, review of the inventory report of NFA Albay PO revealed that acquisitions amounting to P1,143,310.57 in CY 2011 were not included or omitted in the report and not reconciled with accounting records.

- iii. The NFA Camarines Sur Provincial Office did not submit the required inventory report of the PE accounts valued in the books at P15,549,957.61.
- iv. The inventory-taking in NFA Region V was inadequately planned, as to the availability of all concerned accountable personnel and in-charge of some facilities. Had there been formal notices sent to all concerned accountable person/s and in-charge of some facilities, the inventory taking could have been expeditiously undertaken as required under NFA SOP No. GS-PD19.
- v. During the actual inventory-taking, the donated one unit refrigerator and one unit television were not documented or were unaccounted, which was not in conformity with NFA SOP No. GS-PD19 providing that all fixed asset acquisition and receipts whether from purchase (local and importation), fabrication, transfers and donation shall be properly documented.
- vi. Section 53 of GAAM Volume III states that accountability for the custody and use of an asset is to be assigned, maintained and periodic comparison shall be made of the existing asset with the recorded accountability and appropriate action taken on any differences.

11.1.1.4 In NFA Region VII, the following were noted:

- i. The non-reconciliation of balances per books may be attributed to the failure of both the Regional Accountant and the Supply Officer to conduct regular reconciliation of their records. Some PE items totaling to P184,404.00 were included in the Acting Supply Officer's records but were not recorded in the Fixed Asset Register, thus causing difference in the Motor Vehicles, Land transportation, Equipment and Accessories accounts. Likewise, sports equipment which were recorded in the Supply Officer's records as Sports facilities were listed as Office Equipment in the accounting records.
- ii. In NFA-Negros Oriental Provincial Office, the difference of P86,305.00 between the general ledger balance and the

physical inventory report, represents the donation made by the Department of Agriculture (DA) to the NFA, a multipurpose pavement (post harvest facilities) in Sta. Catalina used for drying the palay. According to the Property Officer, she had not inspected said facilities; thus, this was not included in the inventory report.

11.1.1.5 In NFA-NCR there was a variance of P39,283,890.97 between the balance per books and the inventory report. There were deficiencies noted which may have contributed to the said variance, to wit:

- i. Inventory Reports showed that there were officials/employees no longer assigned at NFA-NCR but still listed with property accountabilities. They were:

Name	Item	Acquisition Date	Cost	Remarks
Heidy Pasion	HP Laserjet Printer	4/22/08	P 7,800.00	Reassigned to EDO
	Laptop Computer NEO 5725	12/10/07	38,300.00	
	Laptop Battery	1/31/10	5,260.00	
	Revolving Chair	6/19/09	360.33	
	Steel Filing Cabinet (3 drawers)	1/16/09		
RD Piolito Santos	Laptop Acer Aspire	5/13/09	3	Reassigned to Region V
Pedro Muncada	Clerical Table	7/13/76		Reassigned to SDO
	Steel Filing Cabinet (3 drawers)	4/20/09		

- ii. Nineteen (19) USB Flashdrive with a total cost of P8,630 were included in the Inventory of Property and Equipment. Several of these USBs were issued to employees no longer assigned in NFA NCR.
- iii. Items listed in the Inventory Report as Office Supplies and Security Equipment amounting to P22,194.99 and P75,345.00, respectively could not be traced from the books of accounts.
- iv. Equipment Ledger Card/Subsidiary Ledgers of each class of property were not maintained.
- v. During the physical count, only the personnel from the Property Section conducted the actual inventory.

11.1.1.6 At NFA-NCR-NDO, the accounts Building and Structures and Furniture and Equipment were understated by P19,624,820 and P1,632,297, respectively which were due to the following:

- a. The construction cost of NFA owned warehouses were not recorded in the books of accounts;

- b. Service motor vehicles reflected in the inventory report were not recorded in the books due to lack of the necessary documents to show the value of the vehicles acquired through donation

11.1.1.7 We recommended that Management:

- a. **Require the Regional Accountant and the Supply Officer to reconcile their variances and make the necessary adjustments to ensure accurate balances of the Property and Equipment accounts;**
- b. **Investigate and take appropriate action for all the discrepancies/ variances between the physical and booked inventories;**
- c. **Record small tangible assets with serviceable life of more than one year but small enough to be considered PE as inventories upon acquisition and expenses upon issuance; and prepare a separate inventory report for these items; and**
- d. **Maintain Equipment Ledger Card for each class of equipment to record the acquisition, description, custody, estimated life, depreciation and other information about the equipment; and reconcile the physical inventory with the equipment ledger cards and the control accounts.**

11.1.1.8 The concerned NFA Regional/Provincial Offices gave the following comments:

- a. NFA Isabela PO had fully implemented the audit recommendations; reconciliation in the NFA Regional Office was completed in February 2012 while reconciliation in Kalinga is on-going.
- b. In NFA Region V, reconciliation of the accounting records and that of the Supply Officer is being undertaken. As of June 30,2012 several Journal Vouchers have been prepared to record the reclassification and disposition of some junked assets which was one of the discrepancies. Accounting is now completing its individual equipment card for each item of PE complete with Accumulated Depreciation that must tally with the records of the Supply Officers.

Lapsing schedule of depreciation was effected last March 2012 in the NFA Regional Office. Reconciliation and reclassification is ongoing. The transfer of Avery

Electronic Scale to Masbate amounting to P200,000.00 was recorded by the NFA Regional Office in February 2012. The acquisition of mechanical dryers amounting to P1,143,310.57 was already recorded in the books of NFA Albay PO.

- c. In NFA Aklan PO, reconciliation of PE between the records of Accounting and Property Sections was reflected in the January Trial Balance (JEV6 12-01-166, JEV6 12-01-167 and JEV6 12-01-168
- d. In NFA Region VIII, the variance per books and per physical inventory amounting to P5,434,334.74 included the cost of Post Trading Center in Calubian, Leyte amounting to P4,484,648.70 which was classified to an appropriate asset account Other Structures-Warehouses per recommendation in the COA Audit Report. The Cost of the Post Trading Center was not Included in the Physical Inventory Report because said property will be turned over to the Municipality of Calubian, Leyte.

Adjustments were already prepared per JEV #s 12-05-079,080,081, 082, and 084 amounting to P948,704.00.

- e. In NFA – NCR, the Management commented that they will undertake the analysis and reconciliation of the account first semester of 2012. The NDO management informed that they effected adjustments and reclassification of the accounts in their January 2012 trial balance under JEV No. 12-01-0135.

11.1.2 ***Unserviceable/obsolete and beyond economical repair property were still recorded under Property and Equipment accounts instead of reclassifying them to Other Assets account. Likewise, the same were not yet disposed of, contrary to Sec. 79 of PD 1445.***

11.1.2.1 Section 79 of PD 1445 states that:

“When a government property has become unserviceable for any cause or is no longer needed, it shall, upon application of the officer accountable 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 sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body xxx. In the event that public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.”

11.1.2.2 On the other hand, Section 143 of the Manual on NGAS Volume III provides that:

“Other Assets (251). This account is used to record the value of obsolete and unserviceable assets awaiting final disposition as well as those assets still serviceable but no longer being used.

11.1.2.3 The following are the NFA Regional Offices where the unserviceable property were not yet disposed of and still recorded in the PE accounts:

Region	Amount
I	P 427,172.57
III – Bataan	344,792.95
III - Pampanga	937,100.01
IV- Quezon	506,522.76
IV- Marinduque	745,000.00
V	1,858,571.09
VI	1,050,810.10
VIII- Biliran	470,747.70
IX	1,881,393.07
XI	603,979.55
NCR	2,900,000.00
	11,726,089.80

11.1.2.4 NFA-Region III, NFA-Bataan disclosed that unserviceable property amounting to P344,792.95 were still recorded under their respective P and E accounts, instead of classifying them to Other Assets account. The non-reclassification of these assets overstated the PE accounts and understated Other Assets account by the same amount.

11.1.2.5 In NFA-Region III Pampanga, three units of “ERAP” mobile dryers with tents, delivered in 2001 costing P937,100.01 remained idle and hardly utilized. During the physical inventory taking and analysis of the PE accounts, three units Anihan multi-crop dryer, model – CFRD; SN-0013; 0014; and 0015 were found in station. They were placed in an open space of the NFA compound, exposed to bad elements of nature. Inter-Province Memo, PAM OPM01-02-012, dated 02 February 2001 revealed that the then NFA Pampanga Provincial Manager had requested NFA-CLRO for the transfer of the dryers to NFA Nueva Ecija PO or other NFA offices that might have need for them but did not materialize.

11.1.2.6 In NFA-Region IV Marinduque, machineries with acquisition cost of P745,000.00 were not utilized since their repossession from farmers’ cooperative sometime in CY 2005, thus the expected benefit to be derived from it was not attained. Per verification, these two items in the

Physical Inventory Report under Plant & Machinery Equipment account, though still serviceable were not being used in the agency operation; hence, remained idle and nearly obsolete for the reason that it was quite uneconomical to operate the said equipment. The Provincial Office is not a procuring branch and the volume of palay was very minimal / low. These machineries were repossessed from the group of member-farmers of the Farm Level Grains Center (FLGC) who were unable to pay their amortization. These were stored in FLGC warehouse at Napo, Sta. Cruz. Based on records, the former Officer-in-Charge of the NFA Marinduque Provincial Office, in her "Message of Transmission" dated March 18, 2010, requested the Regional Director, NFA Regional Office, for the relocation/transfer of the said machineries enumerated below, to NFA, Infanta PO, Quezon:

Ricemill Kolbin MDL KT -900HP 12/28/1999	P425,000.00
Sakura Drier Model 6 Tonner Batch 03/01/2000	<u>320,000.00</u>
Total	<u>P745,000.00</u>

However, the request was not acted upon and the same were still included in the P & E accounts instead of Other Assets.

11.1.2.7 Likewise, the truck scale costing P2,900,000 constructed in CY 2006 at NFA-NCR-NDO remained unused. Said truck scale was used only for ten months and was abandoned due to erratic and unstable weighing results.

11.1.2.8 **We recommended the following courses of action:**

- a. **Require the Property Officer to prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) and submit the same to the Accountant for reclassification to Other Assets account; and**
- b. **Dispose the unserviceable property immediately in accordance with Section 79 of PD N o. 1445 and Section 502 of GAAM, Volume 1 to avoid further deterioration and obsolescence and to generate additional funds to augment its operation.**

11.1.2.9 Management of the concerned NFA Regional/Provincial Offices commented the following:

<p>NFA Region I</p>	<p>The breakdown of the Junked Assets as of December 31, 2011 on a per province basis is as follows:</p> <table border="1" data-bbox="786 369 1330 747"> <thead> <tr> <th>Province</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Abra</td> <td>19.00</td> </tr> <tr> <td>Benguet</td> <td>24,307.95</td> </tr> <tr> <td>Ilocos Norte</td> <td>13.00</td> </tr> <tr> <td>Ilocos Sur</td> <td>68,960.86</td> </tr> <tr> <td>La Union</td> <td>261,143.62</td> </tr> <tr> <td>Eastern Pangasinan</td> <td>28,782.29</td> </tr> <tr> <td>Western Pangasinan</td> <td>52.00</td> </tr> <tr> <td>Regional Office</td> <td>43,893.85</td> </tr> <tr> <td>TOTAL</td> <td>427,172.57</td> </tr> </tbody> </table> <p>The NFA Regional Director has constantly reminded every PO and the Regional Disposition Committee to fasttrack the preparation and recommendation of the minimum bid price and to conduct immediate disposition of unserviceable/junked property.</p> <p>Minimum bid prices of Junked Assets of Ilocos Norte and Eastern Pangasinan was already approved by the NFA Regional Director on February 15, 2012 and the provinces conducted a public bidding on March 12 and 22, 2012 respectively.</p> <p>For the NFA Regional Office, approval of the minimum bid price is in process. While the junked assets of La Union Provincial Office which includes a packaging machine was wired to TRSD for possible use of other regions. The evaluation of the other junked assets of the province is still on-going.</p> <p>The NFA Regional Office Management shall reiterate to the other POs – Abra, Benguet, Ilocos Sur and Western Pangasinan to submit their evaluation and recommendation for the minimum bid price of their junked assets not later than the end of April, 2012. Further, we will reiterate to all the POs the proper accomplishment of the IIRUP in order for the Accounting Section to have a proper basis in the adjustment of the junked assets in the books of account</p>	Province	Amount	Abra	19.00	Benguet	24,307.95	Ilocos Norte	13.00	Ilocos Sur	68,960.86	La Union	261,143.62	Eastern Pangasinan	28,782.29	Western Pangasinan	52.00	Regional Office	43,893.85	TOTAL	427,172.57
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<p>NFA Region III</p>	<p>NFA-Bataan is now reclassifying and segregating these unserviceable property for preparation of I & I Report as basis for junked assets. The present COA is helping them in the process of reclassifying said property to Other Assets.</p> <p>NFA Pampanga PO was instructed to evaluate the usability and cost analysis for transfer of these three units of ERAP mobile dryers. NFA Pampanga PO will recommend the transfer of said units; however, if said transfer will incur tremendous amount of</p>																				

	expenses, they will recommend to junk and sell the said assets through public bidding/auction.																
NFA Region IV	NFA -Marinduque PO commented that various options were being considered on the two equipment such as (a) retaining the ricemill (b) the drier (Sakura brand) would be transferred to Boac and (c) the electrical system at the FLGC, Napo, Sta. Cruz would be upgraded. The Provincial Manager also added that there were lots of brands of the same type of drier in the Philippines, however parts may not be available and if this would be the case, the drier though brand new will be subjected to disposal.																
NFA Region VI	<p><u>NFA Aklan PO</u></p> <p>The Supply Officer has prepared the Inventory and Inspection Report for Unserviceable Property (IIRUP):</p> <p>The Isuzu Ten Wheeler was transferred to NFA Iloilo PO last March 2012. A bidding was conducted for Toyota Land Cruiser. The bidding was declared a failure thrice due to high minimum bid price of P64,086 recommended by COA.</p> <p><u>NFA Antique PO</u></p> <p>Balances between accounting and property records had been reconciled. IIRUP is being prepared whenever unserviceable property were identified. Accounting entries are being prepared whenever there is a reclassification or adjustments.</p> <p><u>NFA Iloilo PO</u></p> <p>The unserviceable property still in the PE accounts that will be included in the IIRUP are as follows:</p> <table> <tr> <td>1 unit Welding Machine</td> <td>1,600.00</td> </tr> <tr> <td>Padiscor Driers</td> <td>2,854,131.99</td> </tr> <tr> <td>Recirculating Driers Batch Type</td> <td>460,000.00</td> </tr> <tr> <td>Recirculating Driers Maruyama</td> <td>597,000.00</td> </tr> <tr> <td>2 units Mist-Polisher Machine Model</td> <td>4,043,195.00</td> </tr> <tr> <td>Dole Moisture Meter</td> <td>1,639.00</td> </tr> <tr> <td>Century Platform Scale</td> <td>6,000.00</td> </tr> <tr> <td>Fairbanks Morse Platform scale</td> <td>600.00</td> </tr> </table>	1 unit Welding Machine	1,600.00	Padiscor Driers	2,854,131.99	Recirculating Driers Batch Type	460,000.00	Recirculating Driers Maruyama	597,000.00	2 units Mist-Polisher Machine Model	4,043,195.00	Dole Moisture Meter	1,639.00	Century Platform Scale	6,000.00	Fairbanks Morse Platform scale	600.00
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NFA Region IX	The Provincial Manager of NFA-Region IX Zamboanga, Sibugay PO commented that the recommendation in compliance to Sec. 79 of PD 1445 is meritorious and advantageous to the agency if properly disposed. He cited circumstances that has caused the delay in the disposal such as the assumption of the incumbent Supply Officer on January of 2010, his assumption as the Provincial Manager last September 2011, and the failure of the former Supply Officer to dispose unserviceable / defective property.																

NFA Region XI	All unserviceable property mentioned were already reclassified to Other assets Account.
NFA Region XIV	IIRUP of Junked & Non-Performing Assets was submitted to RO for appraisal.

11.1.3 ***In three NFA Regional Offices, Property and Equipment accounts with book value of P16 million were not provided with depreciation charges, contrary to PAS No. 16 and NFA SOP No. FS-GP08 thereby understating the depreciation expense and overstating the income.***

11.1.4 Sec. 50 of the Philippine Accounting Standards (PAS) No. 16, provides:

“The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.”

11.1.5 Item II.F.3 of NFA SOP No. FS-GP08 dated August 16, 1989 states:

“Major repairs are extraordinary in nature and usually benefits future operations by extending the service life of the asset’s usefulness. The cost of major repairs shall be capitalized by debiting the asset account of the amount expended. The asset repaired shall be depreciated over its new estimated service life based on the new asset book value if the repairs have extended the life of the asset, otherwise, the capitalized repair cost shall be depreciated over the remaining life of the asset.”

11.1.6 Failure of the following NFA Regional/Provincial Offices to provide depreciation expense over the asset’s useful life resulted in inaccurate net book balance of the assets. It also understated depreciation expenses and overstated income.

Region	Particulars	Amount	
		Book Balance	Depreciation
II	Major repair of property and vehicle	P 415,8221.07	
III – Tarlac	Repair/renovation of Prov’l Office	1,985,067.12	
	Repair/renovation of staff house	417,024.47	
	Repair/renovation of Warehouse 5	1,623,487.86	
-Bulacan	MLGC –building	405,000.00	
IV -Infanta	Land improvements, bldg, and equipment	.00	1,706,119.61
V	Various equipment	11,578,651.50	
		16,009,230.95	1,706,119.61

11.1.7 Records of NFA Region III Tarlac Provincial Office, showed that Staff house and Warehouse 5 have reached their estimated useful life of 20 and 30 years, hence fully depreciated. However, the capitalized repair cost was not provided with depreciation charges since their completion which is not in consonance with Sec. 43 of PAS 16 and SOP No. FS-GP08.

11.1.8 Inaccurate estimate of the useful life and depreciation period resulted in the overstatement of net book value of NFA-Infanta building by P1,917,206.60 and understatement of land improvements and transportation equipment by P67,131.60 and P143,957.39, respectively, or a net overstatement of P1,706,119.61 contrary to COA Circular No. 2003-007 and generally accepted accounting principles, as shown below:

Property	Depreciation Per Audit	Depreciation Per Books	(Over) Under
Land Improvements	P 653,826.00	P 720,957.60	P(67,131.60)
Buildings	4,838,941.00	2,921,732.40	1,917,208.60
Transportation Equipt.	2,629,196.00	2,773,153.04	(143,957.39)
Net understatement			P 1,706,119.61

11.1.9 The understatement of accumulated depreciation resulted in overstatement of the net book value of the assets and Retained Earnings.

11.1.10 **We recommended that Management:**

- a. **Require the concerned committee to determine the new estimated useful life of the assets to compute correctly the depreciation expense; and**
- b. **Provide depreciation charges for the capitalized repair cost.**

11.1.11 Management of NFA Regions III and V gave the following comments:

- a. NFA –Tarlac is now providing depreciation expense for the capitalized repair cost of the subject properties for fair presentation of balances of assets and other related accounts in the financial statements. Also an inquiry was made to the Technical Services Department at NFA Central Office through the Provincial Engineer on how

to determine the new estimated useful life of assets which have already exceeded their useful life.

- b. NFA-Bulacan recently coordinated with the concerned officer of Municipal of Hagonoy for the proper turn-over of MLGC Hagonoy; however, it did not materialize since the officer want to first evaluate the turn-over documents before signing.
- c. In NFA Region V, it was mentioned during the exit conference that the Accounting Unit has started preparing the Lapsing Schedule to come up with the correct and complete depreciation expense.

12. Balances of Bidders/Performance bond recorded in the books of NFA Central Office and NFA Regions II and V as of December 31, 2011 totaling P37.97 million and P3.94 million, respectively, had been outstanding for more than two years.

12.1 Audit of the bidders/performance bonds disclosed deficiencies, as discussed below.

12.1.1 The balance of performance bond account recorded in the books of NFA Central Office amounted to P37,972,680.65. Out of this amount P25,932,260.63 had been outstanding for five years while the amount of P508,034.85 was the subject of reconciliation for four years now but remained unreconciled as of December 31, 2011.

12.1.2 NFA Region II reported that the Performance bonds payable of NFA Kalinga amounting to P25,700 had been dormant for seven years now.

12.1.3 NFA Region V reported the following balances as of December 31, 2011:

Account	Balance as of 12-31-11
Performance bond payable	P1,214,289.84
Bidders bond payable	2,701,331.00
Total	P3,915,620.84

The Audit Team of NFA Region V has the following observations:

- a) There was a net understatement of P619,888.26 on the bidders' bond due to accounting errors;
- b) Management failed to identify the specific creditors on Performance bond payable and bidders' bond payable totaling P421,710.84 and P116,982.85 respectively; and
- c) Bidders' bond payable of P2,701,331.00 had been outstanding for 20 months and above.

- 12.2 Performance bonds were refunded upon termination/fulfillment of the contractual obligation of the contractor or supplier, while the bidders bond were sometimes converted and/or applied as performance bond. Bidders bond were usually returned to the bidders after the bidding. It is therefore very unlikely that performance and bidders bond would be outstanding for a long period of time.
- 12.3 **We recommended that Management make an analysis of the above accounts to determine their correctness, accuracy and validity in order that appropriate/necessary adjustments can be made to reflect the correct balances in the books of accounts.**
- 12.4 Management informed us that they were reviewing the accounts and will effect the appropriate/necessary adjustments.
- 12.5 NFA Region V already effected the adjustments on performance bond with only the balance of P96,601.64 as of June 2012. Reconciliation of the bidders bond is on-going and adjustments will be made after the review.
13. **NFA North District Office, NFA South District Office and NFA Cavite Provincial Office could have saved a total of P4.748 million had they conducted immediate cost analysis of rice inventory vis-à-vis maintenance expenses and made representation with NFA – NCR in coordinating with the winning bidders for the immediate withdrawal of stocks in their warehouses. In addition, utilization of five leased warehouses at the NFA South District Office was not fully maximized where the level of utilization range only from 26.76 percent to 93.23 percent as of December 31, 2011.**
- 13.1 The Implementing Guidelines of NFA SOP No. GM-WH05 entitled “Lease of Private Warehouses/Drying/or Milling spaces” provides the variables or circumstances when lease of private warehouses may be resorted to, as follows:
- a. Marketing plan on procurement, dispersal and distribution;
 - b. Existing inventory level;
 - c. Available NFA warehouse space; and
 - d. Historical figures on procurement, distribution and stock inventory.
- 13.2 NFA SOP No. GM-DN08 particularly item G.6 and G.6.1 states that buyers are required to withdraw all their stock purchases within a specified number of working days. Failure to withdraw shall subject the buyer to pay storage fee of P0.50 per bag per day.
- 13.3 The NFA North District Office (NDO), NFA Cavite PO and NFA South District Office (SDO) observed the following which were not in conformance with the above NFA SOPs.

NFA NDO	Warehouses being maintained by NFA NDO totaled 22 warehouses, six were owned and 16 were leased warehouses. NFA NDO spent P18,029,540 on warehouse rentals for the 16 leased warehouses. As of
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	<p>December 31, 2011, the lease of the ten warehouses were already terminated.</p> <p>Based on the NFA-NCR Regional Bids and Awards Committee Resolution No. 2k11-09-05-060, the extension of lease contracts of warehouses was necessary due to the high utilization rate of stored stocks and to accommodate incoming local rice and that the extension was essential, indispensable and was an emergency measure to avoid interruption of service to NFA clients and customers.</p> <p>Verification of stock inventory level at NFA NDO however, showed that contracts of some leased warehouses need not be extended anymore while some could have been terminated earlier because the circumstances for the continued rental of these warehouses no longer exists as the utilization was not maximized due to low inventory level and as such, Management could easily have save rental expenses of P2,475,485.</p> <p>Additional savings could also have been realized had Management issued the 206,605 bags sold through SMDP and I-FAD from the leased warehouse instead from the NFA owned warehouses.</p> <p>There were delays in the withdrawal of stocks by the winning bidders. While there were storage fees collected which we believe were only minimal, the amount was not sufficient to compensate for the rental expenses incurred.</p>										
<p>NFA Cavite PO</p>	<p>In 2010, NFA Cavite Provincial Office (CPO) leased four warehouses to be utilized in storing imported rice received in 2010. The agency has one owned warehouse within its office compound.</p> <p>Verification of Statement of Income and Expenses revealed that for CY 2011 NFA CPO spent P39,823,199.90 in warehouse rentals, an increase of P3,464,145.77 from P36,359,054.13 in 2010. Additional bays were rented at JOMEJY 3 and GRANVILLE Warehouses to accommodate large volume of stocks imported in late 2010.</p> <p>The Warehouse Contract of Lease for GRANVILLE was originally executed in June 18, 2010 for the rental of S-1 Building with floor area of 4,635.52 square meters for P442,692.16 rental fee a month. Due to slow movement of stocks, Management has no recourse but to extend the Warehouse Lease Contract four times in 2011 to wit:</p> <table data-bbox="673 1470 1372 1627"> <thead> <tr> <th><u>Date of Contract Extension</u></th> <th><u>Period Covered</u></th> </tr> </thead> <tbody> <tr> <td>February 18, 2011</td> <td>January 1 to February 28, 2011</td> </tr> <tr> <td>May 2, 2011</td> <td>March 1 to May 31, 2011</td> </tr> <tr> <td>July 9, 2011</td> <td>June 1 to August 31, 2011</td> </tr> <tr> <td>October 27, 2011</td> <td>September 1 to December 31, 2011</td> </tr> </tbody> </table> <p>The Schedule of Storage Expense vis-a-vis rice Inventory revealed that fixed monthly storage rental of P442,692.16 was being paid for the maintenance of GRANVILLE Warehouse despite the depleting stocks of rice in October to December 2011. Aside from this, NFA-CPO incurred additional expenses in Security Services of P101,797.20 for six security guards a month bringing the total expenses to P544,484.36 a month or a total of P1,633,453.08 for the said period, as follows:</p>	<u>Date of Contract Extension</u>	<u>Period Covered</u>	February 18, 2011	January 1 to February 28, 2011	May 2, 2011	March 1 to May 31, 2011	July 9, 2011	June 1 to August 31, 2011	October 27, 2011	September 1 to December 31, 2011
<u>Date of Contract Extension</u>	<u>Period Covered</u>										
February 18, 2011	January 1 to February 28, 2011										
May 2, 2011	March 1 to May 31, 2011										
July 9, 2011	June 1 to August 31, 2011										
October 27, 2011	September 1 to December 31, 2011										

Month	Stocks in Bags	Withdrawal/Disposition	Monthly Rental	Security Service	Total Expenses
July	246,613				
August	227,613	19,000			
September	182,843	44,770			
October	107,524	75,296	442,692.16	101,792.20	544,484.36
November	82,824	24,723	442,692.16	101,792.20	544,484.36
December	82,824		442,692.16	101,792.20	544,484.36
Total					1,633,453.08

Management should have analyzed this situation as early as July 2011 during the Sale through Market Determined Pricing (SMDP) wherein NFA – CPO had been given an allocation of P34,635.30 metric ton of auction. They could have made representation with the NFA-NCR to coordinate with the winning bidders for the immediate withdrawal of stocks in GRANVILLE Warehouse.

Verbal inquiry with Management revealed that communications dated March 1 and 15, 2012 regarding this matter had been sent to the Regional Director, NFA NCR. In return, the Regional Director had communicated the matter to Purefeeds Corporation, the winning bidder, through letter dated March 23, 2012 requesting the latter to fast track the withdrawal of stocks.

NFA SDO

Verification from the Warehouse Utilization Report as of December 31, 2011 showed that the levels of utilization of five NFA SDO warehouses ranges from 26.76 percent to 93.23 percent only. Details was shown below:

Warehouse	Monthly Rental	Effective Capacity (Bags)	Stock Inventory as of December 31, 2011 (Bags)	% of Utilization
Diamond Star-Pilipinas Kao/FTI Complex, Taguig City	P276,397.28	124,500	33,321	26.76
FTI Bldg. 4/FTI Complex, Taguig City	362,558.01	97,000	46,356	47.79
JY sons 2/Cupang, Muntinlupa City	241,500.00	150,000	107,456	71.64
JY sons B/Phividec Cmpd. Taguig City	204,848.03	112,000	98,218	87.69
Chico/Brgy. Tunasan, Muntinlupa City	425,040.00	234,300	218,436	93.23

Moreover, the issuances of stocks from leased warehouses with the lowest level of stock inventory was not given priority, thus, the lease contract of said warehouses cannot be terminated until the stocks has been fully disposed. NFA SDO could have saved P638,955.00 had they prioritized the issuance of stocks from two leased warehouses (Diamond Star and FTI Bldg. 4) which have the lowest utilization level.

13.4 In summary, the said three district/provincial offices could have saved a total of P4,747,893.08:

Office	Amount
NDO	P2,475,485.00
Cavite	1,633,453.08
SDO	638,955.00
Total	P4,747,893.08

13.5 We recommended that Management:

- a. Give official instruction to the Economist III to conduct regular cost analysis of stock of rice vis-à-vis maintenance expenses and thereafter, render report with corresponding recommendation to avoid the incurrence of unnecessary expenses in warehouse rental and security services;
- b. Observe the guidelines set forth in NFA SOP No. GM-WH05 and GM-DN08; and
- c. Schedule first the withdrawal of stocks from leased warehouses and study the possibility of increasing the storage fee to discouraged late withdrawal of stocks.

13.6 Management gave the following comments:

NFA CO - GMOD	<p>With due acknowledgement to NFA Field Offices's efforts, they also take into account the percentage utilization of their warehouses and determine the need to maintain or terminate each warehouse based on factors like level of inventory, turnover of stocks, economies of transferring the stocks vis-à-vis rental rates.</p> <p>The Warehouse Contract of Lease for Granville warehouse has been terminated as of May 15, 2012.</p>
NFA-NCR	<p>Based on the cost benefit analysis on retaining leased warehouses against the storage fees and penalties for delayed withdrawal, the storage fees and penalties in some of the warehouses would compensate for the cost of monthly rental. As of June 15, 2012, a total of P10,341,427.56 was collected as penalties and storage fees on the unwithdrawn balances of the winning bidders (Annex B).</p> <p>The designation of the issuing warehouse of stocks sold through SMDP is in accordance with the "First-In-First-Out" (FIFO) policy of management. However, in cases when there is an urgent need to prioritize issuing of stocks in warehouses with stock that came last, they request authority from NFA CO from exemption in the FIFO policy to expedite the termination of the lease of warehouse.</p>
NFA NDO	<p>The issuance of stocks through SMDP and I-FAD was based on wire authority from the Regional Office. They further informed that they will seek assistance from the Regional Office to coordinate with the winning bidder for the immediate withdrawal of stocks to effect termination of the lease contracts.</p>

	<p>The remaining six lease warehouses have been extended because they are stored with the unwithdrawn balances of SMDP stock of the winning bidder. Transferring the stocks to NFA owned warehouses would be more expensive compared to the cost of monthly rental.</p>
NFA SDO	<p>Commented that the five warehouses were actually fully utilized and filled with stocks to its maximum capacity during the period of receipts of NFA's 2011 rice importation, in accordance with the warehouse's effective capacity. In fact, some of these warehouses stored stocks in excess of its estimated effective capacity. The balance indicated as of December 31, 2011 is the remainder after partial issuance of stocks on sales thru SMDP which was conducted last July 2011. As regards the priority in the issuance of stocks sold thru SMDP stored in all leased warehouses, they explained that the preference in the issuance is dictated solely by instruction thru wire authority coming either from Central Office and Regional office and not by SDO Management. They recommended to both offices that those leased warehouses with the lowest inventory be given priority in the issuance of stocks in order that the lease can be terminated.</p> <p>Lease Contract for FTI Bldg. 6 and 4 could not be terminated because the stocks in these warehouses are combination of 2010 first semester SMDP and 2010 second semester stocks not included in SMDP. Issuance of stocks from these warehouses shall be prioritized to expedite the termination of the contract of lease.</p>
NFA Cavite PO	<p>Based on the evaluation and assessment made by NFA Cavite PO, it would be more economical to extend the contract of lease rather than transfer the remaining stock balance of 82,000 bags at Granville warehouse to other warehouse. The handling expenses for the transfer would be P1,049,600.00 computed at P3.20/bag/move multiplied by 4 moves (transfer out and transfer in), excluding trucking expenses compared to the monthly rental and security services amounting to P544,484.36.</p> <p>The Granville warehouse was vacated on May 15, 2012 after they have requested the winning bidder to expedite withdrawal of their unwithdrawn stocks.</p>

14. The accuracy and validity of the year-end balance of Intra-Agency accounts (Due from/Due to) were doubtful due to unreconciled variances totaling P14 billion.

- 14.1 Annually, the Audit Teams of NFA Central, Regional and Provincial Offices always include in their audit observations the variances noted in the balances of Intra agency accounts. This observation was again reiterated this CY 2011.
- 14.2 Following is the comparison of the balances of Intra-agency accounts, the variances of which remained unreconciled as of December 31, 2011 despite the annual recommendation to immediately reconcile these reciprocal accounts and made the necessary adjustments.

Account Title (a)	Amount (b)	Account Title (c)	Amount (d)	Variance (e=b-d)
Due from Regional Office (FOA)	P 81,773,388,647			
Due from Operating Units (FOA)	178,080,953,674			
	259,854,342,321	Due to Central Office (HOA)	P262,698,151,917	(P2,843,809,596)
		Due to Regional Office (FOA)	13,790,134,603	
		Due to Operating Units (FOA)	169,422,519,209	
Due from Central Office (HOA)	185,475,120,493		183,212,653,812	2,262,466,681
Due from Regional Office (ROTA)	6,952,576,814	Due to Operating Units (BOTA)	6,951,386,200	1,190,614
Due from Operating Units (BOTA)	23,654,401,363	Due to Regional Office (ROTA)	24,394,581,156	(740,179,793)
Due from Operating Units (ROCA)	18,839,454,429	Due to Operating Units (ROCA)	18,669,007,777	170,446,652
Due from Operating Units (HOCA)	27,137,543,444	Due to Operating Units (HOCA)	26,077,676,363	1,059,867,081
Due from Central Office (COCA)	20,992,375,243	Due to Central Office (COCA)	23,893,477,755	(2,901,102,512)
Due from Regional Office (BOCA)	2,847,049,332	Due to Regional Office (BOCA)	-	(2,847,049,332)
Due from Regional Office (ROA)	5,008,148,792	Due to Operating Units (POA)	5,563,148,317	(554,999,525)
Due from Operating Units (POA)	6,702,445,432	Due to Regional Office (ROA)	6,004,775,320	697,670,112

14.3 As reciprocal accounts, a debit to a “Due From” account should have a corresponding credit to a “Due To” account and vice versa.

14.4 NFA SOP FS GP-13 provides, among others, the following:

a. “Reporting of the Inter-branch transactions

A Schedule of Interbranch transactions shall be prepared twice a month indicating the interbranch transaction for the two week period. Same shall be submitted every 16th day of the month and every 2nd day of the succeeding month to the originating and receiving office. These schedules shall serve as basis for confirmation and reconciliation on any floatation/variance that may arise within the reporting period.”

b. “Reconciliation of Inter-branch Accounts:

(1) The intra-regional and inter regional transactions shall not be recorded in the books of the clearing offices.

However, it shall be the responsibility of the clearing offices to monitor and reconcile interbranch accounts.

(2) The Central Office and Regional Office as clearing offices shall prepare a reconciliation to determine variances that may arise between the reciprocal accounts and inform the concerned offices of the variance/s to effect the necessary adjustments.

(3) The Regional office shall prepare elimination and reconciling entries to eliminate the variance of the reciprocal accounts. These elimination/reconciling entries shall be reversed at the beginning of the next accounting period.

14.5 During CY 2011, the Audit Teams of three NFA Regional Offices sent confirmation letters to validate the existence and check the correctness of the reported account balances of the concerned NFA Regional Offices.

14.6 Confirmation results of the accounts recorded in the books of NFA Region VIII showed the following variances:

Intra-agency receivables

	Per Books 12-31-11	Per Confirmation	Variance
Due from Central Office	P90,753,294.12	P91,096,279.49	P(342,985.03)
Due from OUs- within the Regions (143 RBT)	1,396,571,398.70	1,372,551,565.91	24,019,832.79
Due from OUs within the Region (143 RP)	192,027,854.26	111,556,695.91	80,471,158.35
Due from OUs outside the Region (143 H)	295,501.40	164,102.69	131,398.71
Totals	P1,679,648,048.75	P1,575,368,644.00	P104,279,404.78

Intra agency payable

	Per Books	Per Confirmation	Variance
Due to Central Office	P2,261,924,311.09	P2,223,877,249.66	P38,047,661.43
Due to OUs- within the Regions (143 RBT)	55,620,639.37	25,710,808.20	29,909,831.71
Due to OUs outside the Region (423 H)	41,685.71	13,800.00	27,885.71
Totals	P2,317,586,636.17	P2,249,601,857.86	P67,984,778.85

14.7 Confirmation made by the Audit Team of NFA Region X showed the following results:

Due from

	Per Books	Per Confirmation	Variance
Regional Office	P75,725,872.65	P420,657,895.12	P(344,932,022.47)
Lanao del Norte	50,022,691.99	22,477,484.46	27,545,207.53
Totals	P125,748,564.64	P443,135,379.58	P317,418,814.64

Due to OU (HOCA)

	Per Books	Per Confirmation	Variance
Regional Office	P353,400.13	P1,283,635.13	P(945,218.00)
Misamis Occidental	13,634,055.63	10,148,168.40	316,888.76
Totals	P13,987,455.76	P11,431,803.53	P(628,329.24)

- 14.8 Results of confirmation made by NFA Region XV (Caraga) showed the following variances:

Due from OUs (HOCA)

	Per Books 12-31-11	Per Confirmation	Variance
Tacurong, Region 12	P5,460.00	P15,614.50	P(10,154.50)
North Cotabato	17,281.00	0	17,281.00
Cagayan de Oro Region 10	3,100.00	3,100.00	0
Misamis Occidental	10,233.00	3,233.00	7,000.00
Pagadian City	18,728.75	18,728.75	0
Davao Oriental	6,471.42	0	6,471.42
Total	P61,274.17	P40,676.25	P20,597.92

Due to OUs (HOCA)

	Per Books	Per Confirmation	Variance
Tacurong Region 12	P4,566.80	No reply	P4,566.80
Cagayan de Oro Region 10	1,850,069.56	P3,880,446.29	P(2,030,376.73)
Total	P1,854,636.36	P3,880,446.29	P(2,025,809.93)

- 14.9 The Intra-agency accounts/reciprocal accounts should have the same balance at the end of the accounting period. Management used temporary entries on current intra-branch transactions purposely to eliminate the variances; however it still resulted in significant differences. Had there been proper recording and updated reconciliation, these accounts should have been eliminated/adjusted in the consolidation of accounts.

14.10 **We recommended that Management:**

- a. **Strictly comply with NFA SOP FS-GP13 as amended;**
- b. **Make periodic and immediate reconciliation of reciprocal accounts and effect the necessary adjustments; and**

- c. **Instruct the Accounting Office of the NFA Regional and Provincial offices to coordinate with other Regions and Provincial Offices to identify and reconcile the variances noted.**

14.11 Management of NFA NCR, NFA Region VIII, X and XV committed to reconcile their records with the concerned RO/PO.

14.12 NFA Central Office made the following comments:

- a. Accounting Services Department of NFA CO commented that the Inter-branch accounts are reciprocal accounts and theoretically should have the same or zero balance at the end of the accounting period. However, this condition does not exist at the NFA because of the volume of transactions and the time lag between the recording of the transactions on both Central and the Field Offices. The reconciling items are identified and are being monitored. Temporary entries are prepared for those transactions with complete information/data and are reversed the following month.
- b. Matching and reconciliation of the above accounts at the clearing offices is continuously undertaken and monthly/quarterly reports/statements are being prepared and corresponding adjustments undertaken.
- c. As of December 31, 2011, the reconciling items of the HOA-FOA from CY 2004-CY2011 has been reduced as follows:

Field Office Account (In million Php)

Bal	# Adv	DR	# Adv	CR
Reconciling Items cy 2004-2010	4,097	23.308	5,956	17.026
As of Dec, 31,2011	1,772	4.106	2,370	5.267
Reconciled	2,325	19.202	3,586	11.759

Head Office Account (In million Php)

Bal	# Adv	DR	# Adv	CR
Reconciling Items cy 2004-2010	5,739	16.696	4,482	21.374
As of Dec, 31,2011	2,393	4.945	1,722	2.061
Reconciled	3,346	11.751	2,760	19.313

- d. They also informed that during the joint NFA Management and COA Conference held sometime in 2007, it was agreed that preparation/sending of schedules on Inter-branch shall be done Monthly/Quarterly instead of twice a month as reflected in the SOP FS GP 13. This revision was made as per recommendations by the COA Field Auditors.

15. Stock examination reports and/or computation of Tolerable Allowance (TOLA) on the stock accountabilities of Warehouse Accountable Officers remained uncompleted despite the guidelines issued in NFA SOP No. GM-WH13; thus

affecting the accuracy and correctness of the account balance. This was attributed to lack/missing/unreadable warehouse documents and lack of manpower.

- 15.1 NFA SOP No. GM-WH13 dated April 22, 2003 covers policies and procedures for both past and on going accountabilities of stock accountable officers which have not undergone examination as well as stock accountabilities with examination but no TOLA computation yet. Item F of the aforementioned SOP states that:

“ The Provincial Manager creates a stock examination group in the provincial office which shall be responsible for the conduct of stock examination for past and current accountabilities of Stock Accountable Officers. The Provincial Accountant prepares work plan and supervises the SE Working Group and verifies stock examination reports and schedules and signs memos and reports prepared by the SE working Group. Ensures compliance to collection policies and procedures.”

- 15.2 The total stock accountabilities of Warehouse Supervisors or Stock Accountable Officers amounted to P2,275,566,703.98, based on the consolidated National Trial Balance. However, the total of the account based on the individual consolidated Regional Trial balance was P2,274,286,255.05 with a difference of P1,280,448.93. The variance noted between the consolidated National Trial Balance and consolidated Regional Trial Balance for CY 2011 was lesser than CY 2010 variance of P13,154,843.13. The details are shown below.

Region	With Exam for TOLA (06A)	With Exam without TOLA (06B)	Without Examination (06C)	Total
1	4,758,465.32	2,516,029.15	87,590,443.25	94,864,937.72
2	3,458,496.77	11,943,728.06	48,225,334.17	63,627,559.00
3	24,402,251.38	13,112,039.25	84,149,676.14	121,663,966.77
4	5,015,978.29	117,988,314.35	426,830,777.29	549,835,069.93
5	1,716,910.72	493,491.77	90,227,186.33	92,437,588.82
6	9,299,373.88	19,465,698.10	96,854,843.95	125,619,915.93
7	557,154.56	920,771.58	53,610,772.09	55,088,698.23
8	27,365.03	3,417,260.24	47,022,774.11	50,467,399.38
9	-	3,191,650.42	18,269,094.82	21,460,745.24
10	5,784,495.75	13,567,665.96	124,933,671.55	144,285,833.26
11	416,366.24	-	38,793,830.16	39,210,196.40
12	30,085,644.96	223,884.69	103,460,085.04	133,769,614.69
NCR	26,567,351.71	43,148.99	23,687,946.13	50,298,446.83
14	4,621,101.91	39,286,735.71	604,649,320.78	648,557,158.40
15	2,967,432.05	21,407,429.17	58,724,263.23	83,099,124.45
Total	119,678,388.57	247,577,847.44	1,907,030,019.04	2,274,286,255.05
Per NTB	138,227,027.35	247,541,805.26	1,889,797,871.37	2,275,566,703.98
Difference	(18,548,638.78)	36,042.18	17,232,147.67	(1,280,448.93)

- 15.3 The total amount of P119,678,388.57 of stock shortages with examination for TOLA computation represents shortages wherein stock examination was already submitted to the Regional Tolerable Allowance Committee (RTAC) for TOLA computation, shortages with examination without TOLA computation amounting to

P247,577,847.44 were shortages wherein a stock examination was already made but the result was not yet submitted to RTAC while the shortages without examination totaling P1,907,030,019.04 were shortages arrived at by comparing the balances in the last stock report against the result of volumetric count or bag to bag count in the warehouse.

- 15.4 The amount recorded as stock shortages was temporary. The possibility of realizing the recorded amount would depend on the computation of TOLA, hence the amount recorded was not reliable and accurate. In the computation of TOLA, factors such as moisture content variation, insects, rodents and bird infestation, spillages and other factors which were beyond the control of stock accountable officers were considered.
- 15.5 As had been noted in the previous years, the stock examination and TOLA computation was very slow. It was also observed that there was an increase of this account in ten regions (NFA Regions I, II, III, VI, VIII, X, XI, XII, XIV, and XV) particularly in NFA Region XIV where there was an increase of P309,209,122.41; from P339,348,035.99 in CY 2010 to P648,557,158.40 in CY 2011. It is worth mentioning however, that there was a decrease of this account in NFA Regions IV, V, VII, IX and NCR especially in NFA Region IV and NCR where there was a decrease of P8,738,890.20 and P15,685,240.74, respectively.

15.6 **We recommended that Management:**

- a. **Strictly adhere to NFA SOP No. GM WH13; and**
- b. **Instruct the stock examination group of NFA Provincial offices to fasttrack/speed up the stock examination to facilitate TOLA computation and establish the final shortage, if any, of the concerned Accountable Officers; set up the actual receivable from them and take appropriate measures to recover the amount of final shortage.**

15.7 Management informed that several problems were encountered in the stock examination such as lack and/or missing warehouse documents, laboratory analysis, pests control reports and limited manpower which contributed to the delay in the completion of stock examination.

15.8 Below are additional comments given by the NFA Regions:

NFA Region III	<p>Despite the various constraints encountered in the Stock Examinations such as lack/missing Warehouse Documents, limited manpower, and resources, NFA Region III Management is exerting its best efforts to update the Stock Examination and computation of Tolerable Allowance of Warehouse Supervisors/Accountable Officers.</p> <p>They were able to examined a total of 40 cases of Stock Accountabilities.</p>
NFA Region VI	<p>NFA Antique PO</p> <p>Stock Examination of Stock Accountabilities is still on-going for the current Stock Accountable Officers and the encoding of stock documents is updated.</p>

	<p>For past accountabilities, the stock examination remained uncompleted due to incomplete documents and most of the stock accountable officers are no longer connected with NFA or deceased.</p> <p>NFA Negros Occidental PO</p> <p>Difficulties encountered for past accountabilities were due to incomplete, rotten and ineligible documents. Stock examination reports were immediately prepared for current accountabilities with established cut-off and forwarded to RO for TOLA computation. Previously submitted stock exams to RO for application of TOLA was retrieved and resubmitted. Adjustment effected in books in 2012</p>
NFA Region VII	<p>The Provincial Stock Examination Working Group (PSEWG) of NFA Region VII is now examining accountabilities in Oct 1997 and up (current) because, all accountabilities from September 1997 down that were not finished due to missing documents. Some of the personnel of the working group were assigned to retrieve secondary documents of the said accountabilities.</p> <p>It is worthy to note that a material number of accountabilities were already computed of TOLA and final shortages were established as can be seen in the Quarterly Status Report submitted to Accounting Service Department (ASD) and Internal Audit Department (IAD).</p>
NFA Region X	<p>Preparation of Stock Examination reports is on going despite several problems encountered such as missing warehouse documents and unreadable documents.</p>

16. **Four thousand ninety four (4,094) bags of rice recoveries from test milling of PG1 palay received from NFA Pampanga Provincial Office did not conform with the standard specifications of WMO, contrary to the quality standards for palay/milled rice provided under the Primer on Philippine Grains Standardization Program and NFA's Standard Operating Procedures. This resulted in total estimated loss of P452,589.**

16.1 The Primer on Philippine Grains Standardization Program provides for the quality standards for palay rice to be procured and milled rice recoveries:

Parameter	GRADE						
	Premium Grade	Grade No. 1	Grade No. 2	Grade No. 3	PA1	PA2	PA3
Classification Grain Size	Very long/ Long/ Medium/ Short	Very long/ Long/ Medium/ Short	Very long/ Long/ Medium/ Short	Very long/ Long/ Medium/ Short			
Variety	Traditional / Modern	Traditional/ Modern	Traditional/ Modern	Traditional/ Modern			
Grade Factors (%by weight)							
Purity, min.	98.00	95.00	90.00	85.00			
Foreign matter, max.	2.00	5.00	10.00	15.00			

Parameter	GRADE						
	Premium Grade	Grade No. 1	Grade No. 2	Grade No. 3	PA1	PA2	PA3
(a) Weeds seeds and other crop seeds, max.	0.10	0.10	0.25	0.50			
(b) Other foreign matters, max.	1.90	4.90	9.75	14.50			
Defectives:							
Chalky and immature kernels, max.	3.00	6.00	12.00	20.00			
Yellow kernels, max.	0.50	2.00	4.00	8.00	7.10 to 15.00	15.10 to 30.00	30.10 to 50.00
Damaged kernels, max.	0.50	1.50	3.00	5.00			
Contracting types, max.	3.00	6.00	10.00	18.00			
Red kernels, max.	1.00	3.00	5.00	10.00			
Moisture content, max.	14.00	14.00	14.00	14.00	14.00	14.00	14.00

Note: Special variety palay shall be graded and designed according to the grade requirements of this standard and shall be identified under a specific variety.

- 16.2 On the other hand, the following are the corresponding milled/remilled rice variety codes of palay variety codes after milling:

Palay Variety Code	Regular Milled	Well Milled	Remilled	Discolored & Damaged Kernels (%)
PG1	RMO	WMO	RRO	0 – 3.5
PG2	RM1	WM1	PR1	3.6 – 7
PA1	RM2	WM2	RR2	7.1- 15
PA2	RM3	WM3	RR3	15.1 – 30
PA3	RM3	WM3	RR3	30.1 – 50
PA4	RM3	WM3	RR3	>50
PH1	RHO	WHO	RRHO	0 – 3.5
PH2	RH1	WH1	RRH1	3.6 - 7
Xx	xx	Xx	Xx	xxx

- 16.3 During the year, NFA Tarlac Provincial Office received 48,854 bags of palay from NFA Pampanga Provincial Office for test milling, 41,193 bags of PG1 and 1,661 of PG2. These were distributed to different private millers for a guaranteed milling recovery of 63% or 27,639 bags as follows:

ISSUES		RECEIPTS	
Variety	No. of Bags	Variety	No. of Bags
PG1	41,193	WMO	26,601
PG2	1,661	WM1	1,038
TOTAL	42,854		27,639

- 16.4 Based on the above primer and SOP, rice recoveries for PG1 palay is WMO. However, laboratory analysis made by the Provincial Standard Quality Assurance

Officer (PSQAO) of sample specification of rice recoveries disclosed that 4,094 bags of WMO have high percentage of yellow and damaged kernels, which did not conform with the standard specifications of WMO, hence was requested for downgrading to WM1 and WM2 at NFA Regional Office.

- 16.5 Results of laboratory analysis from the Regional Standard Quality Assurance Officer (RSQAO) confirmed the above laboratory analysis of PSQAO, thus the approval of the downgrading of WMO stocks to WM1 and WM2 by the Regional Director per RO3-QA-H 202 dated August 22, 2011, summarized below:

Variety	No. of Bags	Variety	No. of Bags
WM0	2,195	WM1	2,195
WM0	981	WM2	981
WM0	918	WM1	918

- 16.6 Seemingly, there was a misclassification of palay since recoveries from some of the PG1 palay received from NFA Pampanga were not WM0 but WM1 and WM2 which corresponds only to palay variety PG2 and PA1, based on result of laboratory analysis performed by PSQAO and RSQAO.
- 16.7 Although there are several factors in the quality deterioration of stock such as age of stocks, piling system, warehouse structure, etc., change in quality would only be minimal. Palay procured as PG1 are dry, and if properly stored, can be kept for a long period of time without undergoing quality deterioration, particularly increase in the percentage of damaged and discolored kernel.
- 16.8 As a result of the above deficiencies, NFA incurred an estimated total loss of P452,588.80; P253,750.00 for downgrading of 4,094 bags of WMO to WM1 and WM2 and P198,838.88 for misclassification of palay (from PG1 to PG2/PG1), which could have been avoided/prevented if palay were procured in accordance with the quality standard prescribed under the Primer on Philippine Grains Standardization Program.
- 16.9 In CY 2009, the Audit Team of NFA Bulacan PO reported that NFA Bulacan PO received 38,758 bags of palay also from Pampanga NFA PO. Out of the said number of bags, only 4,168 bags conformed with the specification of PG1 and PG2. The palay was reclassified and downgraded and as a result, NFA lost P1,074.213.
- 16.10 We then recommended the filing of appropriate charges against the Classifier of Bulacan PO and Pampanga PO. Management informed us in 2010 that they already filed charges against the erring personnel/s.
- 16.11 **We recommended that Management:**
- a. **Make an in-depth investigation on this matter, and file necessary charges against erring personnel, if warranted; and**
 - b. **Give instruction to NFA Regional Office No. III to make further evaluation of palay being transferred by NFA Pampanga PO to NFA Tarlac Provincial Office and other NFA Provincial Offices for milling,**

based on the result of laboratory analysis conducted by the PSQAO and RSQAO, to determine the cause of the high percentage of yellow and damaged kernels from rice recoveries and its extent as regards the other palay stock inventory of NFA Pampanga before its transfer to other provinces for milling, and to prevent the incurrence of additional loss due to downgrading of stocks brought about by misclassification of palay procured.

16.12 The NFA GMOD informed that instruction to NFA Region III specifically NFA Pampanga and Tarlac Provincial Offices have been issued to investigate and report the findings to NFA CO. Initially, feedback from TRSD is that prolonged storage of PG1 or PG2 stocks beyond one year can also affect milling recoveries.

16.13 NFA Region III also informed that it initiated a validation through the conduct of milling of palay from Pampanga using the facilities of contracted millers. The validation process was closely supervised by the NFA Regional Team composed of the Acting RSQAO, Regional Engineer and all PSQAOs and Plant Engineers of Region III. The NFA Regional Team came up with their detailed findings, observations and recommendations. Outcome of the validation was submitted to NFA Central Office thru the Internal Audit Team who conducted a more detailed analysis of milling operations in Tarlac and Nueva Ecija from 2010 to March 2012. The final audit observations, findings and recommendations of the Internal Audit Team would then be the basis of undertaking the necessary actions by the concerned NFA Office(s).

17. The accuracy and validity of the book balance of Deferred Credits – unwithdrawn stocks totaling P18.566 million in the books of NFA NCR were doubtful due to existence of unwithdrawn stocks paid in prior years.

17.1 The balance of unwithdrawn stocks as of December 31, 2011 of P18,565,888.43 consisted of the following:

Prior years balance	P15,394,573.47
CY 2011	<u>3,171,314.96</u>
Total	<u>P18,565,888.43</u>

17.2 The details of the unwithdrawn stocks amounting to P15,394,573.47 pertaining to prior years' sales are:

Office	Beginning Balance 1-1-11	Reversal during CY 2011	Ending Balance 12-31-11
Regional Office	P94,839,883.00	P89,497,190.61	P5,342,692.39
CDO	11,729,319.50	7,565,695.00	5,963,624.50
EDO	3,309,100.00	3,309,100.00	0
NDO	4,089,931.58	1,675.00	4,088,256.58
SDO	445,570.50	445,570.50	0
Total	P114,413,804.58	P99,019,231.11	P15,394,573.47

17.3 In January 2011, the amount set up for unwithdrawn stocks was P484,344,190.84. As of December 31, 2011 however, the amount

reversed/withdrawn was only P484,172,875.88; hence, there was a remaining balance of unwithdrawn stocks for the January 2011 sales amounting to P3,171,314.96. The details are as follows:

Regional Office	P2,708,254.96
CDO	440,400.00
SDO	22,660.00
Total	P3,171,314.96

- 17.4 It appeared that a material volume of stocks that were already paid and recorded as sales remained unwithdrawn by retailers/bidders. It is most unlikely that these retailers/winning bidders who paid their stocks allocation will not withdraw the stocks for such a long period of time.
- 17.5 Prior to the decentralization of the cost accounting for stocks in February 2011, issuances of stocks were done at the District Offices warehouses but were recorded in the books of NFA-NCR based on the reports submitted by the District Offices. Unreconciled issuances and unreconciled records of the NFA NCR Regional Office and the District Offices could have contributed to the material balance of unwithdrawn stocks. Furthermore, the balances of accounts affected by the decentralization should have been transferred to the books of accounts of the concerned district offices.
- 17.6 **We recommended that Management:**
- a. **Require a thorough analysis of the Deferred Credits - Unwithdrawn Stocks; and review/analyze regularly the account to immediately determine completeness and accuracy of the transactions recorded;**
 - b. **Coordinate with the district offices or obtain data from them to determine the complete stock withdrawals for said years/dates so that appropriate adjustments can be made; and**
 - c. **Transfer account balance affected by the decentralization of cost accounting of stocks to the books of accounts of the district offices.**
- 17.7 Management informed that reconciliation and analysis of the Deferred Credits account will be done first semester of 2012. They also informed that they are now retrieving all journal vouchers prepared from 2005-2010 affecting the balance of the Deferred credits, once retrieval is completed, a thorough analysis can be done and the necessary journal entries will be drawn to adjust the balance of the said account.
18. **Various lands acquired through purchase/unconditional donation/dacion en pago located in different NFA Regional/Provincial/District Offices were not covered with land titles, contrary to Section 3.1 of NFA SOP No. GS-PD19 and Section 449 of the Government Accounting and Auditing Manual, Volume I.**

- 18.1 The NFA acquired two lots from the Food Terminal Inc. (FTI) through Dacion en Pago as settlement of FTI's obligation to NFA. These lots were Lot 34 with an area of 14,720 square meters occupied by the Food Development Center of NFA and Lot 51 with an area of 21,202 sq. meters occupied by the NFA South District Office.

Lot 34 was acquired in 2007 while lot 51 was acquired in 2009. The two lots were not yet registered in the name of NFA but already recorded in the books of NFA Central Office in the amount of P191,814,028.70 and NFA SDO in the amount of P266,085,150.00. The acquisition of Lot 34 was however, inscribed in the Title of FTI on October 23, 2008.

- 18.2 The Audit Team of NFA-CR noted that aside from Lot 51 occupied by NFA SDO, a total of P14,262,838.65 was also recorded in the books of NFA - NCR and NFA CDO. Details are shown below:

Office	Amount	Observation/s
NFA NCR	P13,116,846.65	No details. TCT not submitted to prove ownership of NFA.
NFA CDO	1,145,992.00	The TCT submitted for the Minprocor property was in the name of Development Bank of the Philippines. One parcel of land located in Novaliches in the books not registered in NFA's Name
Total	P14,262,838.65	

- 18.3 The NFA CDO and NFA SDO property were included in the updated list of status of NFA Real Properties as of December 31, 2011 (Annex A).
- 18.4 The Audit Team of NFA Region II reported that NFA Isabela PO have several/unregistered/untitled property consisting of lands with constructed warehouses, perimeter fences, multi-purpose pavements and driveways. Only tax declarations attested the NFA claims to these properties totaling P26,413,161.58.
- 18.5 The Audit Team of NFA Region VI reported that a donated land with an area of 20,000 sq. meters situated at Mangoso Sigma Capiz remained untitled in the name of NFA. The property was included in the updated listing and status of NFA Real Properties.
- 18.6 **We reiterated our recommendation that Management exert extra efforts to facilitate titling of land in order to establish absolute ownership.**
- 18.7 Management of concerned NFA Regional Offices/Provincial/District Offices informed that the NFA Legal Department will facilitate the titling of land.
- 18.8 The Legal Affairs Department (LAD) of NFA informed that each staff lawyer was assigned at least 10-15 lots of NFA's real property for registration and titling. For some lots, they have already secured the required documents from the Provincial/Regional Offices for the filing of Petition in courts. For other lots however, LAD is continuously gathering information and other vital documents

relative to the titling and registration of NFA properties. LAD also informed us on the action taken by them on the following:

- a. In the case of Lots 51 and 34 acquired from the Food Terminal Inc. (FTI) through Dacion en Pago, while both parcels of land are not yet registered in the name of NFA, the mother title of FTI property duly covered by the Transfer Certificate of Title No. 13466 (Owner's Duplicate Certificate) containing an area of 1,199,237 sq. m. was borrowed by then FTI President Maria Theresa Acosta-Pinto. Her letter-request dated April 12, 2010 stated that the DENR-Bureau of Lands required presentation of the owner's duplicate copy of the Certificate of Title to facilitate FTI's request for registration, transfer and titling of the properties at the FTI Complex. The Owner's Duplicate Title was received by FTI on April 20, 2010.
- b. According to Engr. Antonio Sagun of FTI Asset Management Unit, FTI paid P 17.8 million to the BIR in taxes for lot 51 on July 9, 2012. With this payment, the Certificate Authorizing Registration (CAR) is expected to be released by the BIR within two weeks. The CAR is the document to be presented to the Register of Deeds for the issuance of the title in the name of NFA.
- c. For the various municipalities in the Province of Isabela, LAD- NFA gave the following updates:
 - (1) For lot in Samonte, Quezon – The Municipality of Quezon previously donated to NFA an unregistered 5,000 sq. m. property which is the site of an FLGC. The acceptance portion of the Deed of Donation, however, was not signed by the NFA, as such the donation is not valid. Upon proper coordination with the incumbent officials of the municipality, the latter has now refused to have the lot donated. Instead, the Municipal Sangguniang Bayan issued Resolution No. 2011-46 withdrawing its intention to donate the property to NFA and instead just allow NFA to occupy it.
 - (2) Delfin Albano – After a series of communication with the Municipality of Delfin Albano, the local Sangguniang issued Resolution No. 10-2012 confirming Resolution No. 95-26. By virtue thereof, a new Deed of Donation was executed and signed by both parties. The accepted Deed of Donation was forwarded to NFA-Isabela on April 4, 2012 for them to facilitate the request for the issuance of a new title with the Registry of Deeds.
 - (3) Alicia – lot measuring approximately 10,000 sq.m. is already registered in the name of NFA under TCT No. T-394222 on March 22, 2012.
 - (4) Luna – After a series of communication with the Land Management Bureau for details of the lot, the NFA was informed through a letter dated February 1, 2012 that based on Friar Land Records of the DENR, it appears that the lot was deeded on November 3, 1947 under a patent in favor of Mr. Hipolito Garma.

Efforts to have the land titled in the name of NFA are being undertaken as the identity of MR. Garma is still unknown.

- (5) Caliguian Burgos, Camarag San Isidro and Mallig – All 3 lots were acquired by NFA through a Deed of Donation. The petition to have the title transferred to NFA is already being prepared while waiting from the provincial offices the requested certified true copies of documents required to be attached to the petition.
- d. In the case of Mangoso Sigma Capiz, after diligent effort to locate the original copy of the deed from LAD files as well as from the records of the regional and provincial offices and even making correspondence to the Regional Trial Court and to the National Archives, they were able to get hold of the required documents. LAD has already forwarded to the Provincial Office on July 3, 2012 the pertinent documents needed to have the lot registered in the name of NFA.
- e. Through the efforts of LAD, they were able to secure the registration of title in the name of NFA of the following properties:

TCT No. 5100	Gapan, Nueva Ecija	December 5, 2011
TCT No. 5101	Gapan, Nueva Ecija	December 5, 2011
TCT No. 14095	Baliwag, Bulacan	December 2011
TCT No. 9388	Antipolo City	
PP No. 170	Puerto Princesa	May 16, 2011
TCT No. 16089	Dumalag, Capiz	
TCT No. 9839	Guimaras	October 7, 2011
TCT No. 67820	Rosales, Pangasinan	April 25, 2010
TCT No. 67821	Rosales, Pangasinan	April 25, 2010
TCT No. 52021	Pototan, Iloilo	November 15, 2010
TCT No. 55503	Jaro, Iloilo	August 31, 2010
TCT No. 55501	Jaro, Iloilo	January 17, 2011
TCT No. 3130	Alaminos, Pangasinan	
TCT No. 62721	Bayombong, Nueva Vizcaya	June 2, 2010
TCT No. 157143	Cauayan, Isabela	October 2, 2009
TCT No. 12310	Camalaniugan, Cagayan	August 11, 2009
TCT No. 12311	Camalaniugan, Cagayan	August 11, 2009
TCT No. 2390	Digos, Davao del Sur	September 15, 2011
TCT No. 10819	Maramig, Bukidnon	February 24, 2011
TCT No. 54336	Malaybalay, Bukidnon	February 24, 2011

- f. Also, in case of lots located at Brgy. Poblacion I, Banisilan, North Cotabato, they have already forwarded to the NFA North Cotabato, the Special Power of Attorney (SPA) authorizing the Provincial Manager and the Regional Director to facilitate the processing of the Certificate of Land Ownership Award with the Department of Agrarian Reform-North Cotabato in favor of NFA.

19. **Eight units of mechanical dryers costing P3.407 million provided by the NFA Central Office and installed in different stations of NFA Provincial Office, Kidapawan City were not fully utilized, as evidenced by the low income generated/earned therefrom.**

19.1 NFA's objective in the installation of the mechanical dryer is to encourage farmers/Farmer Organizations to use NFA-Owned Mechanical Drying Facilities with Biomass Furnace and optimize utilization of driers and sell better quality of palay to NFA.

19.2 Review of the agency's transactions revealed that eight units of mechanical dryers provided by the NFA-Central Office were installed in various NFA buying stations within the province of Cotabato during the period CY 2000 to 2011, to wit:

Acquisition		Accountable	Location	Condition	Remarks
Date	Cost	Officer			
	99,000.00	Fernando S. Nuñez	Kidapawan City	Repairable	Non-performing
	99,000.00	Fernando S. Nuñez	Kidapawan City	Serviceable	Non-performing
7/31/2000	460,000.00	Edgardo F. Celis	Kidapawan City	Serviceable	Performing
7/31/2000	460,000.00	Edgardo F. Celis	Kidapawan City	Serviceable	Performing
1/01/2005	597,000.00	Edgardo F. Celis	Baguer, Libungan	Serviceable	Performing
8/11/2005	597,000.00	Edgardo F. Celis	Baguer, Libungan	Serviceable	Performing
2.28/2011	597,000.00	Rey Mnedoza	Baguer, Libungan	Serviceable	Performing
	597,000.00	Moises A. Serdeña	Kabacan	Serviceable	Performing
TOTAL	P 3,506,000				

19.3 In our interview with the assigned personnel on the mechanics and the flow of drying operation, they explained that the drier is a biomass furnace, the movement of the machine is done by electricity and it is not useful if there are current interruptions, like brownouts. When the machine starts to operate, it needs to be continuous to have a good result of drying. The capacity of the dryer is 120 bags for 8 to 10 hours drying period, including the loading and unloading.

19.4 The objective of the NFA was encouraging to the farmers. The installation of the above machineries would be very useful to them during harvest season of palay specially on rainy days.

19.5 The assigned personnel added that there were some farmers/farmer organizations who wanted to use the mechanical dryer for drying their palay. However they did not allow the farmers to use the mechanical dryer, for they were not certain of its performance due to their past experience and they might be later on held liable in case of failure result.

- 19.6 Further verification of related records showed that the NFA-Provincial Office had procured clean and dried palay only with 14-12% moisture content (MC) from the farmers/traders/farmer organizations. The installation of mechanical dryers was not an immediate need in their operation, considering that the agency was not procuring wet palay.
- 19.7 Likewise, review of the agency's income revealed that service income earned from the operation of the eight units mechanical dryer from 2006 to CY 2011 were only P7,062.60, broken down as follows:

Year	Amount
2006	P 28.00
2007	85.00
2008	-
2009	-
2010	1,487.60
2011	5,472.00
TOTAL	P 7,072.60

- 19.8 The low income earned from the mechanical drier operation was an indication that the machines were not operating effectively / performing well or not fully utilized.
- 19.9 **We recommended that Management exert efforts to find alternative actions to utilize fully the driers in order to achieve its objective of helping the farmers in drying their palay and for Management to earn additional income.**
- 19.10 NFA Region XII Management informed that the Kaneko Drier located at GID # 1 warehouse in Kidapawan and the Satake drier located at NFA owned warehouse in NFA Mlang, North Cotabato were already junked, unserviceable and beyond repair. These units were already considered for disposition. The two units mechanical driers installed at GID # 5 are still serviceable and are being used in the Iron Fortified Rice (IFR) mixing operations. The newly installed driers with bio-mass furnace are serviceable and will be used during the main cropping season in September to December, 2012 when NFA North Cotabato will procure fresh palay from the farmers.
20. **The practice of the NFA Region III Zambales Provincial Office Manager of signing checks without any accompanying disbursement vouchers and supporting documents; and checks that were signed on the dates the countersigning official of NFA Region VII Siquijor PO was on travel and out of the official station was not in accordance with sound system of internal control.**
- 20.1 During the cash examination conducted by the audit team of NFA Region III Zambales PO, it was discovered that the Cashier had in her possession 50 blank checks already signed by the Provincial manager, to wit:

Fund	Check Nos.	Quantity
PNB CPF	4229-4246	18
LBP CPF	348119-140	22
GOF OC	20204-20205	2
PNB GOF	47976-47983	8
Total		50

- 20.2 Section 4(5) of PD 1445 provides that disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials. The approval of the disbursement is affixed on the disbursement voucher which shall be supported with complete documentation. The check shall only be prepared and signed/countersigned after the disbursement vouchers has been processed and approved.
- 20.3 In NFA Region VII Siquijor PO, post audit of the disbursements revealed that some of the checks issued were dated on the dates the countersigning officer was out of the official station and at the Regional Office in Cebu City as evidenced by the Certificate of Appearance attached to the claims for travel.
- 20.4 **We recommended that Management of Zambales and Siquijor PO refrain from signing blank checks. Delegate the authority to sign/countersign checks to the next in rank officials on the dates the said Provincial Managers are out of the official station.**
- 20.5 Management of NFA Zambales PO claimed that the Provincial Manager signed blank checks only of special cases such as during procurement operations or when the Manager attend meeting/biddings at the Regional Office which usually takes three or more days to avoid disruption of payments to clientele. However, the necessary control measures are being undertaken by the accounting section by regularly monitoring checks issued with corresponding disbursement vouchers through the report of daily checks issued being submitted to them.
- 20.6 Management of NFA Siquijor PO commented that the Provincial Manager was on frequent travel since he is a member of Regional Bids and Awards Committee. The pre-signed checks correspond to the disbursements that may fall due within his travelling period only. Payables and other liabilities which have a deadline must be paid to avoid surcharges and penalties.
- 20.7 We maintain that it is too risky for Management to continue such practice. The task of signing/countersigning checks may be delegated to the next-in-rank official, if necessary.
- 20.8 NFA Region III Management assured that recommendation of COA will be implemented. It already discourages such practice at any provincial offices and Zambales PO already stopped the practice of pre-signing of checks.

A.3 Rapid Seed Supply Financing Project (RaSSFIP) of the Rapid Food Production Enhancement Programme (RaFPEP)

The RaFPEP was financed by the International Fund for Agricultural Development (IFAD) and the European Commission (EC) under its Food facility Programme, and the Government of the Philippines through the DA and the National Irrigation Administration (NIA).

The Rapid Food Production Enhancement Programme or RaFPEP has two sub-projects namely:

- a. Rapid Seed Supply Financing Project (RaSSFIP) for the emergency phase of one year (CY 2009); and
- b. Irrigated Rice Production enhancement Project (IRRPEP) for the development of six years (2010-2015).

The European Community Contribution Agreement with IFAD for RaFPEP (DCI-FOOD/2009/209-973) was signed on 12 June 2009, but it had already taken effect on 1 April 2009 for a period of 30 months until 30 September 2011. Subsequently, the IFAD-GoP Financing Agreement was signed on 2 September 2009 and became effective on 9 November 2009 with a completion date of 31 December 2016 and an IFAD loan closing date of 30 June 2017. The RaSSFIP has been designed to be implemented during the paddy cropping seasons in 2009-2010.

The overall goal of the RaFPEP was to increase food production by farmers on clustered irrigated rice production system on a sustainable basis, thus contributing to rural poverty reduction. The key purpose was to ensure family food security of smallholder farm families on selected communal irrigation system in rural Philippines. This support was packaged in the RaSSFIP, as the rapid (1-2 years) response, to be further strengthened by the more medium-term (5-6 years) efforts of irrigation infrastructure rehabilitation and institution strengthening under IRPEP

The RaSSFIP has five components as follows:

Component	Objectives
a. Acquisition of Certified Inbred Seeds.	Procurement by NFA from private seed growers who are accredited by DA, certified inbred seeds (CS) bags, each containing 40 kilograms of CS duly certified by the National Seed Quality Control Service (NSQCS) of the Bureau of Plant Industry (BPI) pursuant to DA Administrative Order No. 20 of 2007.
b. Storage of Acquired Certified Inbred Seeds	Storage by NFA, of the procured certified inbred seeds in warehouses to be identified jointly, prior to implementation of the RaSSFIP activities, by the DA Regional Field Units (RFUs) and NFA.
c. Distribution of Acquired Certified Inbred Seeds.	To facilitate the distribution of the procured certified inbred seeds to farmer beneficiaries included in the master lists prepared by LGUs and submitted to the DA-RFUs.

Component	Objectives
d. Project Management	For the Project Management office (PMO) within the DA to oversee the management coordination, monitoring and evaluation of the Programme.
e. Monitoring and Evaluation (M & E)	To collect adequate data on: (a) seed acquisition and storage; b) seed distribution; c) beneficiaries of seeds; and d) budget general appropriation act processes of financing of the IRPEP

The RaSSFIP aimed to provide marginalized farmers their Certified Seed (CS) costing 1,200.00 per bag containing 40 lbs. of CS to increase their production with less application of costly fertilizer. The farmers paid the subsidized price of P600.00 per bag to the NFA through the LGU Municipal Agriculture Officer (MAO) as the DA representative who received the stocks from NFA and distributed them to the farmers.

The RaSSFIP was a budget support program jointly funded by the IFAD, EC and the GoP totaling P1,161,365,828, broken down as follows:

RaSSFIP Cost Summary (In Pesos)				
Component	IFAD Loan	EC Grant	GoP	Total
Procurement and Distribution of CS	668,819,742	430,665,420		1,099,485,162
Coordination and Management of RaSSFIP	338,498	51,515,730	10,026,468	61,880,666
Total	669,158,210	482,181,150	10,026,468	1,161,365,828

The RaSSFIP was implemented by the DA in coordination with the NFA in Regions CAR, II, III, IV, V, VI, VII, VIII, IX, X, XII and XIII involving 70 priority provinces. The RaSSFIP was originally scheduled to be implemented for a one-year period from July 2009 to April 2010. Due to the delay however, in the procurement and distributions of seeds, and other matters, the project implementation was extended up to September 2010. The project implementation was again extended up to March 15, 2011, in response to the request made by DA on March 30, 2010. It was again extended up to December 31, 2011.

Phase	Period Covered	Regions Covered
I	September 16, 2009 to September 15, 2010	Regions CAR, II, III, IV, V, VI, VII, VIII, IX, X, XII and XIII
II	September 16, 2010 to March 15, 2011	Regions IV-A, IV-B, V, VI, VII, VIII, IX, X, XII and XIII
III	March 16, 2011 to December 31, 2011	Regions IV-A, IV-B, V, VI, VII, VIII, IX, X, XII and XIII

Under Article 5 of the Loan Agreement of the GoP with IFAD, the Commission on Audit as the appointed Auditor of the RaSSFIP (the seed procurement and distribution of the RaFPEP), shall audit the quarterly and annual financial statements of the project.

Audit of Phase I and II was covered by a Terms of Reference or an Agreement between IFAD and COA. A terminal report for the two phases of the project was already submitted hence the inclusion of Phase III in the regular audit. The Audit Teams of

NFA Regions V and IX reported their observations in the Phase III implementation of the project.

21. The targeted farmer beneficiaries of the Rapid Seed Supply financing Project – Phase III (RaSSFiP) implemented by the NFA Catanduanes Provincial Office were not able to fully avail of the subsidized cost of certified inbred seeds (CS) due to its late distribution.

21.1 NFA Catanduanes Provincial Office started implementation of the program's extension phase in the 4th quarter of CY 2010 up to March 15, 2011 and the 3rd extension phase from March 16, 2011 to December 31, 2011. While the 3rd extension started on March 16, 2011, it was only in May of the same year that the NFA Catanduanes PO started to procure certified seeds. Additional purchases were made in June and July 2011. Shown below is the schedule showing actual procurement and distribution made by the NFA for the period March 16 to December 31, 2011.

Month	Actual Procurement	Distribution	Balance
March 16-31	0	0	0
April	0	0	0
May	161	80	81
June	518	431	168
July	286	53	401
August	0	105	296
September	0	59	237*
Total	965	728	

*172 bags transferred to NFA-Albay in September and 65 bags reclassified into ordinary palay in December.

21.2 The data above showed that only few farmers availed of the program, because the CS were not distributed within the time frame for planting season.

21.3 Interview with the Operations Officer of the NFA Catanduanes PO revealed that the local municipal agriculture officials of the LGUs of Catanduanes were not aware that the RaSSFiP Program was extended. He recalled that the agency head called for a meeting with the local agricultural officers' in-charge of the program to inform them of the program's extension and even committed that the target planting requirement for the wet cropping season of March to September 2011 will be accommodated.

21.4 It was apparent that there was delay in information dissemination by the NFA Catanduanes PO that the program was extended. This has left substantial quantity of certified seeds unavailed by target beneficiaries in the Province. It has also caused the incurrence of additional cost amounting to P8,883.40 resulting from the transfer of 172 bags to the Province of Albay. This was in addition to the loss of P33,280 incurred in the reclassification of CS into ordinary palay to wit:

Procurement price of Certified Seeds (40 kg./bag)	P 1,200.00
No. of bags reclassified at year-end into ordinary palay	<u>65</u>
Total Purchase Price	P78,000.00

Less: Price on reclassification	
Purchase price of ordinary palay P17.20/kg. x no. of bags (65 x 40 kg./bag) = 2,600 kg.	<u>44,720.00</u>
Loss on Reclassification	<u>P 33,280.00</u>

21.5 The additional costs incurred and the loss on reclassification could have been avoided had there been immediate coordination and information dissemination made by the agency with the local agriculture officials of the province. While it may be said that funds for the purpose had only been released in May 2011, purchases could have been adjusted to a certain number of bags particularly in the month of July.

21.6 **We recommended that Management strengthen their ties with partner agencies through strong coordination and immediate information dissemination to maximize the availment by the project beneficiaries' of the benefits offered by the program; and maximize the use of its monitoring system and the preparation of weekly report on stock issuances and balances as a decision tool.**

21.7 Management gave the following comments:

- a. The shortcoming in the implementation of the program could be attributed to the late announcement of the program's extension by the DA Project Coordinating Office to the concerned Municipal Agriculture Officers (MAOs) and DA officials at the provincial level. The target beneficiaries therefore had to utilize good seeds as early as end of March up to May 2011 to the advantage of the early "wet summer season".
- b. An earlier commitment between the seed growers and MAOs during a meeting held on May 2011 prompted the agency to procure at least 50% of the target applying the technical in- technical out method of procurement. However, procurement was stopped in July due to low sales. Nevertheless, constant coordination and follow-up with concerned MAOs were made by the agency to possibly dispose 100% of the procured certified seeds. The incurrance of the additional cost could not be avoided in complying with the directives from the regional office to transfer the CS inventory to Albay PO in order to filled up their demand. Similarly, the reclassification of 65 bags to ordinary palay could not be avoided considering the erratic preference of farmers for selected varieties; farmers prefer certain variety depending on weather conditions and specific area which sad to say could not be determined even by experienced agricultural technicians. The agency likewise, emphasized that the agency's role in the program was to procure and distribute CS that have passed through laboratory analysis and that the determination as to what variety was preferred by the farmers rest on the concerned agriculture officials.
- c. Lastly, had DA Central Office been consistently prompt and updated in downloading relevant information for important programs like this and

had local agriculture officials been true to their commitment to attain their target which is beyond our control, reclassification and transfer of stocks could have been avoided.

22. Certified Seed delivered to three municipalities under NFA Zamboanga Sibugay Provincial Office reported low germination rate .

22.1 Certified Seed (CS) are those seeds that were examined and certified by the Department of Agriculture (DA), Bureau of Plant Industry (BPI), National Seed Quality control Services (NSQQCS) with a germination rate of eighty-five (85) percent.

22.2 Certified seeds purchased and issued to farmer beneficiaries thru the LGU-Agricultural Technologist/Municipal Agriculture Officer were those seeds that have passed the standard set by the BPI-NSQCS and that at the time of delivery to the NFA warehouse were not more than three month reckoned from the date of certification by the BPI-NSQCS.

22.3 Reports from the Municipal Agriculture Offices showed that the certified seeds delivered by the NFFA Sibugay Provincial Office totaling 94 bags have low germination rate. These covered the following municipalities:

Municipality	No. of Bags	Variety	Date Released	Seed Grower
Roseller T. Lim	43	NSIC-Rc-134	June 3, 2011	Mr. Raul Zamora
Tungawan	18	NSIC-Rc-134	June 3, 2011	Mr. Raul Zamora
Diplahan	33	NSIC-Rc-134	June 3, 2011	Not identified
Total	94			

22.4 It was also gathered that the farmer beneficiaries were refunded the amount of P600.00 per bag of certified seeds representing the subsidized rate.

22.5 Verification disclosed that these CS were delivered by a certain Mr. Raul Zamora, a seed grower from Titay, Zamboanga Sibugay. The certified seeds were covered by laboratory test issued by the Chief, NSQCS-BPI-DA, Sanito, Ipil, Zamboanga, Sibugay on the following dates:

Date Reported by NSQCS	Laboratory No.	Date Delivered to NFA	Germination Test (NS)	Results	No. of Days from date of Report by NSQCS	Within 3 mos. (Yes)
April 11, 2011	12324	June 3, 2011	87	Certified Seed	53	Yes
April 20, 2011	12326	June 3, 2011	87	Certified Seed	44	Yes
May 2, 2011	12323	June 3, 2011	90	Certified Seed	32	Yes

22.6 The above data showed that the seeds passed the germination test and were certified seed at the time it was tested and delivered to NFA.

- 22.7 It would appear that the seeds certified by BPI were questionable considering that when it was sown, its germination rate was very low. There seems to be an issue on whether the certified seed sown were those that were tested and certified.
- 22.8 Considering that the seed grower refunded the farmer beneficiaries of the subsidized amount of P600.00 per bag, it would then be safe to assume that he acknowledged the defect of the certified seeds delivered. However, the amount subsidized by the government totaling P56,400.00 was not refunded.
- 22.9 **We recommended that Management coordinate with the Municipal office/BPI as well as the Seed Grower to review operating procedures to avoid similar lapses in the future, to monitor certified seed issuances under the questioned laboratory results and to require the return of the difference between the cost of the certified seed and the cost of ordinary seeds including handling cost.**
- 22.10 Management committed to coordinate with the Department of Agriculture and the Municipal Agriculturist Office of the concerned municipalities.
- 22.11 The Management had a meeting with the seed grower, Mr. Raul Zamora and requested him to refund the amount subsidized by the government for the Certified Seeds.
23. **GAD-related activities were incorporated in the NFA Plans and Budget as mandated under Executive Order No. 273.**
- 23.1 Government agencies are mandated to incorporate plans and budget for Gender and Development (GAD) in their Agency under Executive Order No. 273, approving and adopting the Philippine Plan for Gender and Development, 1995-2025 and Joint circular No. 2004-1 dated April 5, 2004 of the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and National Commission on the Role of Filipino Women (NCRFW).
- 23.2 For CY 2011, NFA allocated a total budget of P2,559,208.00 for GAD.
- 23.3 The NFA-GAD Committee reported the following accomplishments for CY 2011:
- a. Nine GAD awareness briefing participated in by 247 NFA employees, stakeholders and their spouses in Tacloban, Mamburao, San Pablo, Tagum, Mati, Surigao, Butuan, Allacapan and Laoag.
 - b. Women's Month Celebration – Government Womens Month celebration at Quezon City hall ground on March 7, 2011 geared towards economic empowerment, character development, enhancing one's personality and emotional health.
 - c. Health and wellness programs such as:
 - Body age testing of 300 NFA employees last March 10, 2011
 - SGP Test on June 9, 2011 with 50 NFA employees

- Kidney Ultrasound of 500 NFA employees, June 22, 2011
- Diatox10s and Steam Sauna, attended by 40 NFA employees in Dec. 14-21, 2011

d. Enhancement/skills formation program such as:

- Taking control of our Lives or Losing it, in Aug. 15-16, 2011 attended by 21 NFA employees
- Technology for a Better Family relationship and Being Productive in the Workplace last Aug. 17-18, 2011, with 20 employees
- Permissive Parenting: Boon or Bane, Nov. 28-29, 2011 attended by 25 employees
- Dealing with difficult People in Family, workplace and Community with 25 participants in Dec. 1-2, 2011

e. Discussed/provided participants with IEC materials on Magna Carta of Women, Violence Against Women and Children, Sexual Harassment, RA 7877, RA 9262, RA 7192 and RA 9710.

23.4 NFA Region I informed that a GAD Plan and Budget for CY 2011 with a total amount of P130,000.00 for NFA-Region was prepared and submitted to the NFA Central Office but the NFA Region I had no feedback as to the decentralization of the budget. Instead, NFA Central Office scheduled/conducted a GAD Awareness Workshop at NFA-Ilocos Norte from November 14-16, 2011, Abra, February 21 -23, 2012 and Ilocos Sur, February 27 – 29, 2012. The scheduled GAD for March 2012 for the Regional Office and La Union Provincial Office was reset for April 2012. Schedule for Baguio, East and West Pangasinan shall still be determined by the Central Office GAD Committee.

A.4 Status of Unsettled Audit Disallowances Charges and Suspensions

The NFA has a total (consolidated) unsettled disallowances of P23,694.178.77 and unsettled suspensions of P8,749,064.13. A Notice of Finality of Decision was already issued for P1,001,486.36. The rest of the disallowances were still on appeal either with the Commission Proper of the Commission on Audit or with the COA Regional Office concerned. Moreover, the total disallowances recorded in the books prior to the 2009 Rules and Regulations on Settlement of Accounts of Procedure was P7,864,346 as of December 31, 2011.

**B. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S
AUDIT RECOMMENDATIONS**

Of the 61 audit recommendations embodied in CY 2010 Annual Audit Report, 36 were implemented, 20 were partially implemented and 5 were not implemented.

Comments and Observations	Recommendations	Actions Taken/Comments
<p>1. The National Food Authority incurred a total amount of P7,887,371,940.41 financial expenses for CY 2010 thereby increasing its expenses resulting in additional losses.</p>	<p>We recommended that Management exert its best efforts to minimize borrowings.</p>	<p><i>Not implemented</i></p> <p>We reiterated in Part IIA-Comments and Observations No. 1 of this report</p>
<p>2. The shortages of Stock Accountable Officers (SAOs) recorded as due from officers and employees totaling P349,740,809.87 as of December 31, 2010 remained uncollected due to the failure of Management to strictly implement their own policy.</p>	<p>We again recommended that Management strictly implement the NFA policies on the payment of grains and MTS shortages of SAOs. Exhaust all available legal remedies to enforce collection.</p> <p>We also recommended that Management look into the reasons or causes of shortages and require the Provincial Managers to institute measures to prevent or at least minimize the occurrence of shortages.</p>	<p><i>Partially implemented</i></p> <p>We reiterated in Part IIA-Comments and Observations No. 2 of this report.</p> <p><i>Not implemented</i></p> <p>We reiterated in Part IIA-Comments and Observations No. 2 of this report</p>
<p>3. Shortlandings/spillages, unreconciled variances, accumulation of typhoon and marine damaged stocks and other deficiencies found in audit casted doubt on the accuracy and reliability of Merchandise inventory amounting to P42,286,484,373.62.</p>		

Comments and Observations	Recommendations	Actions Taken/Comments
<p>3.1 The NFA incurred a total loss of P10,495,558.18 net kilos with a total value of P302,663,864.10 due to shortlandings and 2,597,618.10 net kilograms due to stock dispersal by sea resulting in a bigger cost of stock inventories.</p>	<p>We recommended that Management:</p> <ul style="list-style-type: none"> a) institute additional control measure to minimize losses due to shortlandings; b) consider amendment of the purchase contract; c) continue filing letter of protest to demand settlement of shorlanded deliveries; d) reconcile the terminal reports with the stock report to determine the correct quantity of shortlandings for appropriate adjustments; and e) coordinate with the Regional Office on the arrival of vessels to avoid overlapping and incurrence of demurrage. 	<p><i>Partially implemented</i></p> <p>Part IIA- Comments and Observations No. 3.5 of this report</p> <p><i>Not implemented</i></p> <p><i>Implemented</i></p> <p>Management file a letter of protest every time there is a shortlanding</p> <p><i>Implemented</i></p> <p><i>Implemented.</i></p> <p>No more demurrage was reported.</p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>3.2 Unreconciled variance between the Merchandise inventory – grains commodity per books and per Stock Inventory Reports had increased to P67,823,398.31 from P17,968,539.96 in CY 2009; while Merchandise inventory – non grains commodity amounting to P344,818.62 had been in the books for an undetermined number of years, thus, rendering the Merchandise inventory account balance of NFA-Region VIII Northern Leyte Provincial Office unreliable.</p>	<p>We recommended that Management immediately verify the variance of P67,823,398.31, take action on the dormant account balances of non grains commodity amounting to P344,818.62 and effect the necessary adjustments. Henceforth, conduct periodic reconciliation of inventory as required under NFA SOP No. GM-WH 12 in order to reflect the accurate account balance in the financial statements.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Part IIA-Comments and Observation No. 3.4 of this report</p> <p>Reconciliation is on going focusing on double recording of receipts from other RO and transfer between warehouse. Partial adjustments were already recorded in the books. The dormant account of NFA Northern Leyte was already adjusted and has a zero balance as of audit date</p>
<p>3.3 The typhoon and marine damaged stocks and cereal sweepings of the NFA Region I from the previous years, which accumulated to 1,882,631.61 nkg with a book value of P37,193,507.26 were not immediately disposed resulting in a loss of P24,256,784.67.</p>	<p>We recommended that Management dispose damaged stocks within the time frame as provided for in NFA SOP No. GM – DS03 to prevent further deterioration and to command a better selling price. Advise the warehouse accountable officers to religiously implement good warehouse keeping to prevent and/or minimize stock damages and sweepings.</p>	<p><i>Implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>3.4 The Merchandise inventory account and Raw materials inventory account balance of NFA Region IX Ipil Provincial Office (PO) were doubtful due to unreconciled balance of P1,7765 bags of cereal between the stock report and the actual physical count.</p> <p>3.5 Failure of NFA Region IX Pagadian City PO to exercise due diligence in supervising deliveries of imported rice from NFA Cebu City resulted in 4,786 broken and busted bags amounting to P5,982,500.00 to the disadvantage of NFA.</p> <p>3.6 The summary of Weekly Stock Receipts, Issues and Balances (SWSRIB) submitted by the Warehouse Supervisors of NFA Region III – Bulacan PO which were inputs in the recording of merchandise inventory and raw materials inventory transaction reflected abnormal quantities, thus casting doubt on the reliability of the Merchandise inventory and Raw material inventory accounts.</p>	<p>We recommended that NFA Region IX – Ipil PO Management identify and reconcile the difference between the stock report and the actual physical inventory and then prepare the appropriate adjustments to bring both records into agreement.</p> <p>We recommended that Management adopt appropriate measures to avoid losses from broken and busted bags. Exercise the diligence of a good father of a family in supervising deliveries of rice and other cereal products to minimize, if not totally avoid, losses due to spillages.</p> <p>We recommended that Management investigate and resolve the abnormal balances in the inventory items, strengthen the review controls on inventory reports and hold the concerned Warehouse Supervisors accountable for the resulting shortage, if there is any.</p>	<p><i>Partially implemented</i></p> <p>There was still inconsistency between stock ledger and actual physical count stock reports.</p> <p><i>Implemented</i></p> <p><i>Implemented</i></p>
<p>4. Imported rice aged from 6 ½ months to more than 24 months totaling 9,476,367 bags remained undisposed/unsold as of December 31, 2010 and may</p>	<p>We recommended that Management:</p> <p>a) formulate a concrete and viable stock distribution plan/marketing strategy</p>	<p><i>Implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>not be sold at NFA approved selling price if sold/disposed through Sales through Market Determined Proce (SMDP).</p>	<p>that will ensure disposition of stocks while still in good condition. The quality of rice deteriorates as it ages; hence, it is absolutely necessary that the stocks be distributed before these deteriorate to avoid additional losses.</p> <p>b) coordinate with the inter-Agency Committee and conduct a thorough analysis and evaluation of the national / regional / provincial rice supply / production / demand situation as basis of determining the buffer stocks and actual volume of rice importation to avoid overstocking and minimize losses and additional expenses in the storage and maintenance of stocks.</p>	<p><i>Implemented</i></p>
<p>5. The accuracy and reliability of the book balance of Raw materials inventory amounting to P10,589,572,296.38 was doubtful due to stock shortage, stock infested with weevils and undisposed/unmilled old stocks.</p> <p>5.1. The stock shortage of 1,830 of palay with a book value of P2,086,733.82 incurred by the Warehouse Supervisor (WS) of NFA Region I – Ilocos sur Provincial Office due to alleged robbery committed by the warehouse security guards and laborers</p>	<p>We recommended that Management require the WS concerned to pay the value of the stock shortage.</p> <p>Also, require all WS to strictly adhere to the provisions of NFA SOP No. GM WH07.</p>	<p><i>Not implemented</i></p> <p>Administrative case No, 11-08-007 has been filed against the WS. No criminal case filed yet by NFA against the WS.</p> <p><i>Implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>resulted in overstatement of Raw materials inventory.</p> <p>5.2 Palay stocks of 6,345 bags with equivalent net weight of 299,741.99 nkgs at Aklan Grains Center (AGC) in NFA Region VI Aklan Provincial Office were heavily infested with weevils, while 7,015 bags with equivalent net weight of 342,313.20 nkgs were lightly infested with weevils; thus affecting the quantity and quality of stocks and resulting in losses.</p> <p>5.3 Two NFA Provincial Offices in Region X reported a total inventory of 165,834 bags of palay stocks stored at NFA warehouse with ages ranging from six months to more than two years that remained undisposed/ unmilled resulting in quality deterioration.</p>	<p>Likewise, conduct regular and more rigid supervision over the security guards. Further, pursue vigorously the criminal case filed against the security guards up to its desire conclusion to serve as a deterrent to similar and future offenses.</p> <p>We recommended that Management:</p> <p>a. check and review the classification of palay procurement;</p> <p>b. reevaluate the agency's program and practices on preservation of stocks and implement corrective measures; and</p> <p>c. determine the factors that affect/cause grain deterioration while in storage to effect proper controls.</p> <p>We recommended that Management disposed/mill the palay stocks to prevent quality deterioration and loss at NFA Region No. X.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Partially implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>6. The stock monitoring system provided under NFA SOP No. TS-SQ04 and the “No Sweeping Policy” were not effectively implemented resulting in accumulation of warehouse sweepings and existence of damaged stocks.</p>	<p>We recommended that Management:</p> <p>a) dispose immediately the accumulated sweepings and infested/damaged stocks at NFA NCR and Region IX and X to obtain maximum benefits in terms of better selling price and to ease the warehouse of spaces as well as to lessen leased warehouse; and</p> <p>b) strictly implement the NFA SOP No. TS-SQ04 and Memorandum No. A099-09-020 on “No Sweeping Policy”.</p>	<p><i>Partially implemented</i></p> <p><i>Implemented</i></p>
<p>7. The slow disposal of stocks and the increased levels of stocks inventory in NCR and Region X resulted in additional warehouse rentals of P67,169,198.14 and P9,442,523.21 or a total of P76,611,721.35 for CY 2010 or 64.63 percent compared to CY 2009 rentals due to increase in the number of leased warehouses.</p>	<p>We recommended the Management:</p> <p>a) study the possibility of constructing warehouses in the open/vacant spaces in NFA property to save on warehouse rentals;</p> <p>b) undertake immediately the disposal of stocks to ease the warehouse of space so that lease of other warehouses can be terminated;</p> <p>c) re-evaluate the existing marketing plan and strategies in the disposition/sale of imported rice; and</p>	<p><i>Implemented</i></p> <p>Constructed a new 200,000 bags capacity warehouse at NCR NDO.</p> <p><i>Implemented</i></p> <p>Several SMDP was conducted in CY 2011 to dispose old stocks. Terminated several lease contract as of December 31, 2011.</p> <p><i>Implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
	d) limit the level of stocks inventory to 30 days consumption requirement, if possible.	<i>Implemented</i>
<p>8. The validity and accuracy of Accounts receivable-trade amounting to P1,650,075,724.17 as of December 31, 2010 were doubtful due to lack of proper documentation, delayed reconciliation, negative results of confirmation with concerned debtors, absence of updated information/advise on collections made by NFA Central Office and other deficiencies found in audit.</p>	<p>We recommended that Management:</p> <p>a) pursue more aggressive collection measures and update the status report on the uncollected accounts;</p> <p>b) promptly send advice/update on the collection of Accounts receivable to concerned NFA Regional/Provincial Offices for adjustments / recording in the books;</p> <p>c) strictly enforce the provisions of the Memorandum of Agreement with LGUs, stating among others, that NFA shall have the right to terminate or rescind the agreement and to demand and collect all accounts due and demandable (including penalties already incurred);</p> <p>d) request for write-off of dormant accounts in accordance with COA Circular 97-001 dated February 5, 1997 and COA Resolution No. 80-122 dated April 23, 1980; and</p>	<p><i>Partially implemented</i></p> <p><i>Partially implemented</i></p> <p>Copies of JEVs are now regularly sent but more time is needed to reconcile.</p> <p><i>Partially implemented</i></p> <p>Collection effort is being intensified and cash payment is now being required before the stocks can be withdrawn. In time of calamities, however, credit sales cannot be avoided.</p> <p><i>Partially implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
	<p>e) make representation with the concerned government offices with the end view of reconciling these outstanding accounts, otherwise refer the matter to the Legal Department for more effective collection strategy and appropriate action thereon.</p>	<p><i>Partially implemented</i></p> <p>Reconciliation with DepEd, NFA and DSWD is on going.</p>
<p>9. The accuracy reliability and validity of Property and equipment accounts amounting to P2,413,330,374 were uncertain due to unreconciled variances, inclusion of unserviceable property and other defects found in audit.</p> <p>9.1 The balances per books of the Property and equipment accounts in five NFA regional offices did not reconcile with the balances per physical inventory reports resulting in a variance of P130,130,114.89.</p>	<p>We recommended that Management:</p> <p>a) require the Accounting and Property Sections of NFA ROs and POs to reconcile the variances noted in compliance with the guidelines set forth in NFA SOP No. GS-PD 19;</p> <p>b) book up the unrecorded equipment; and</p> <p>c) update property acknowledgment receipts.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Part II A-Comments and observations No. 11.1.1 of this report</p> <p><i>Implemented</i></p> <p><i>Partially implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>9.2 Unserviceable property amounting to P15,501,293.14 were still classified under Property and equipment account instead of Other assets resulting in continuous provision for depreciation charges, thereby overstating depreciation expense and accumulated depreciation.</p>	<p>We recommended that Management prepare the Inventory and Inspection Report for Unserviceable Property (IIRUP) which shall be used as basis to reclassify unserviceable property to Other assets account in compliance with the NFA SOP and NGAS. Further, we also recommended that Management immediately dispose these assets in accordance with Section 79 of PD No. 1445 and Section 502 of GAAM, Volume 1 to avoid further deterioration.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Part II A - Comments and Observation No. 11.1.2 of this report</p> <p><i>Partially implemented</i></p> <p>Reiterated in Part II A - Comments and Observations No. 11.1.2 of this report</p>
<p>9.3 Various equipment purchased by NFA Central Office and delivered to various NFA Regional Offices remained unutilized or seldom used for undetermined period of time which may result in wastage of government funds.</p>	<p>We recommended that management:</p> <p>a) determine the causes/reasons for the non-operation/utilization or low percentage of utilization of the unutilized assets;</p> <p>b) explore alternative strategies to maximize the usage of these property to prevent wastage of government funds;</p> <p>c) determine the necessity of procuring stand-alone fortification equipment, if not necessary, refrain from obtaining additional fortification equipment; and</p> <p>d) require the warehouse supervisors and the provincial managers to properly plan and study the viability of equipment before requesting purchase of any equipment.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>9.4 Property and equipment account with book value of P67,178,870.58 as of December 31, 2010 were not provided with depreciation expense for CY 2010 which was not in consonance with the Philippine Accounting Standard (PAS) No. 16, thereby overstating the assets and other related accounts.</p> <p>9.5 Computation of provision for depreciation of account Office buildings was not compliant with COA circular Letter No. 2004-003 dated October 4, 2004, thus, resulting in the year-end abnormal negative balance of the account in the amount of P153,006.81.</p>	<p>We recommended that Management:</p> <p>a) expedite accounting reconciliation/reconstruction of complete list of property and equipment to be able to compute the depreciation expense and present fairly the balances of assets and other related accounts in the financial statement; and</p> <p>b) prepare lapsing schedule to provide control over Property and equipment accounts by keeping a detailed record of each item.</p> <p>We recommended and Management agreed to adhere to the existing guidelines set under COA Circular Letters, and to make the necessary adjusting entries.</p>	<p><i>Partially implemented</i></p> <p>There were provinces that reported the same observation. Reiterated in Part IIA - Comments and Observations No. 11.1.3 of this report</p> <p><i>Partially implemented</i></p> <p><i>Implemented</i></p>
<p>10.A. The accuracy and reliability and recovery of the Other assets account of P3,149,876,453.24 were doubtful due to non-completion of the Stock Examination Reports and/or computation of tolerable allowance (TOLA) on the stock accountabilities of Warehouse Supervisors and other deficiencies</p>	<p>We recommended that Management:</p> <p>a) strictly adhere to NFA SOP No. GM-WH-13; and</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Part II A - Comments and Observations No. 15 of this report</p>

Comments and Observations	Recommendations	Actions Taken/Comments
<p>noted:</p> <p>10.B. Also included in the Other assets account were dormant and Other contingent assets. Part of these dormant and Other contingent assets were receivables from the Government Service Insurance System (GSIS) in the amount of P94,840,234.51 and Investments of P6,731,431.56 at Land Bank of the Philippines (LBP).</p>	<p>b) instruct the stock examination group of NFA Provincial Offices to fast track/speed up the stock examination to facilitate TOLA computation and establish the final shortage, if any, of the concerned accountable officers; set up the actual receivable from them and take appropriate measures to recover the amount of final shortage.</p> <p>We recommended that Management request for write-off of the receivables from GSIS and Investment account at LBP pursuant to Section 36 of PD No. 1445 after final determination that NFA could no longer collect from GSIS and that the outstanding investment should actually be part of the adjusting entries. The request for write-off should be supported with necessary documents.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Part II A - Comments and Observations No. 15 of this report</p> <p><i>Not implemented</i></p> <p>Due to lack/absence of supporting documents on Investment account at LBP in spite of diligent efforts to locate same.</p>
<p>11. Good warehousekeeping on the preservation/keeping of stocks was not properly observed in NFA Region VI – Aklan PO and NFA Region III – Bulacan PO as required under NFA – SOP GM-WH07 dated January 10, 1995 and NFA – SOP IDM '97 TRDD-GAD-II-32 dated November 25, 1997. Thus, the quality of stocks were not fully safeguarded from possible losses.</p>		

Comments and Observations	Recommendations	Actions Taken/Comments
<p>11.1 The height of stock piled at Delgado Warehouse and Aklan Grains Center (AGC) in NFA Region VI Aklan exceeded the standard 20 bags/pile height for 50 kilograms while pile No. 2 at Delgado Warehouse consisting of 4,940 bags PG2 almost reached the roof trusses.</p>	<p>We recommended that Management:</p> <p>a) instruct the Warehouse Supervisor of NFA Aklan PO to follow the standard pile height;</p>	<p><i>Implemented</i></p> <p>Region IX reported the same observation in CY 2011. Reiterated in Part II A- Comments and Observations No. 8 of this report</p>
<p>11.2 Pallets were not covered with jute sacks or unserviceable empty sacks to prevent spillages of grains accumulating beneath.</p>	<p>b) cover the pallets used either for palay or rice with jute sacks or unserviceable MTS to prevent spillage of grains accumulating beneath.</p>	<p><i>Implemented</i></p>
<p>11.3 Presence of dirt, dust and cobwebs were noted on all three stock piles at Delgado warehouse in NFA Aklan PO.</p>	<p>c) Maintain regular warehouse cleaning to ensure warehouse hygiene and sanitation and to prevent proliferation of pests and possible breeding of rats, birds and insects; and</p>	<p><i>Implemented</i></p> <p>Region IX has the same observation in CY 2011. Reiterated in Part II A- Comments and Observations No. 8 of this report</p>
<p>11.4 There were holes in the roofing of the Delgado warehouse in NFA Aklan PO and in warehouses of NFA Region III Bulacan PO.</p>	<p>d) Repair the holes in warehouses at NFA Region III and VI. Inspect regularly the warehouse structure.</p>	<p><i>Implemented</i></p> <p>Region IX has the same observation in CY 2011. Reiterated in Part II A- Comments and Observations No. 8 of this report</p>
<p>11.5 No bin cards were tagged in each pile at NFA Region III Bataan PO warehouse while bin cards were kept at the office of the Warehouse Supervisor at NFA Region IX – Ipil PO in violation of NFA SOP No. GM –</p>	<p>We recommended that Management of the above-cited NFA PO require their Warehouse Supervisors to prepare and update bin cards that should be tagged in each pile for proper and easy monitoring.</p>	<p><i>Implemented</i></p>

Comments and Observations	Recommendations	Actions Taken/Comments
WH07.		
<p>12. The accuracy of the book balances of the Other deferred credits, Advance payment/unwithdrawn stocks at NCR and Cavite PO amounting to P114,413,403.38 and P6,802,142.64, respectively, were not reliable due to the failure of Accounting Section to analyze and reconcile the documents pertaining to the account.</p>	<p>We recommended that Management require the Accounting Section to prioritize the analysis and reconciliation of prior years' Inventory, Sales and Deferred credits to come up with the corrected balance of the affected accounts.</p>	<p><i>Partially implemented</i></p> <p>Reiterated in Part II A-Comments and Observations No. 17 of this report</p>
<p>13. The accuracy and validity of the balance of Trust liabilities-Performance bond account of NFA NCR amounting to P161,814,550.38 were doubtful due to some deficiencies noted in audit.</p>	<p>We recommended that Management make a thorough analysis of the Trust liabilities –Performance bond account to determine their correctness, accuracy and validity in order that appropriate/necessary adjustments can be made to reflect the correct balances in the books of accounts.</p>	<p><i>Implemented</i></p> <p>NFA CO, Regions II and V have the same observations. Reiterated in Part II A - Comments and Observations No. 12 of this report</p>
<p>14. Failure to impose fees on delayed withdrawals of stocks purchased by retailers and delayed implementation of the new selling price deprived the NFA of additional income amounting to P1,056,531.50.</p>	<p>We recommended that Management:</p> <p>a) strictly adhere to the provisions of NFA SOP No. GM-DN09 regarding imposition of storage fees;</p>	<p><i>Implemented</i></p> <p>Region III and VII has the same observation but the amount was very minimal, hence, it was not reiterated.</p>

Comments and Observations	Recommendations	Actions Taken/Comments
	<p>b) require collection of the amount due from accredited retailers;</p> <p>c) instruct Warehouse Supervisors to monitor the date of withdrawal through the WSIs and without issuances pending payment of storage fees; and</p> <p>d) strictly adhere to NFA's Selling Price Bulletin in order to minimize losses from sale of imported rice.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p>
<p>15. Deficiencies were noted in the implementation by NFA NCR of the Private Sector Financed importation indicating the program's objective was not attained.</p>	<p>We recommended that Management re-evaluate the implementation of the Private Sector Financed importation taking into consideration the following:</p> <p>a) qualification of the participants and their capacity to undertake the importation which involve huge capital;</p> <p>b) the practice of assigning allocation to few traders; and</p> <p>c) impact of the program to the overall distribution effects of NFA.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p>

NATIONAL FOOD AUTHORITY
Legal Affairs Department
Quezon City

FILE COPY

12 August 2011

IDM 2011
LAD - A - H - 221

TO : LUDOVICO J. JARINA
Deputy Administrator and
Chairman, Asset Rationalization Committee

We are submitting for the Committee's reference the updated case profiles of NFA real estate properties nationwide as of June 15, 2011.

Our evaluation dwells on the following:

1. Area of the Property
2. Location and Improvement
3. Date/Mode of Acquisition
4. Documents on File
5. Issues arising from available documents
6. Actions to be taken/documents required
7. Remarks portion for the status

All LAD lawyers are given assignments to work on the properties assigned to them.

ORIGINAL SIGNED
ATTY. RAFAEL T. FLORES
Director, L A D

NATIONAL FOOD AUTHORITY
Legal Affairs Department
Quezon City

November 23, 2011

Memorandum

LAD - A-K-326

F O R **ATTY. ELENITA DV. LUMONGSOD**
Corporate Auditor

We are, pursuant to your Office's request, submitting our evaluation of untitled NFA lots, as of August 2011. The list was given to us by the Office of Deputy Administrator Pedro S. Hernando, Jr., after the function of having the untitled lots titled in the name of NFA, was transferred to us from the defunct Asset Management Office after NFA was reorganized under EO 366.

As an aside, the Asset Rationalization Program Committee, chaired by Deputy Administrator Ludovico J. Jarina, after a series of conferences, has directed the Corporate Planning and Management Services Department (CPMSD) to prepare an integrated report on NFA real properties. A portion of that report would dwell on untitled NFA Lots, which are not part of the list turned over to our Department.

Please be guided accordingly


RAFAEL T. FLORES
Department Manager

Cc: Dep. Adm. Ludovico J. Jarina

NATIONAL FOOD AUTHORITY

Legal Affairs Department

Quezon City

LIST OF NFA REAL PROPERTIES AND THEIR STATUS

As of June 15, 2011

PROPERTY AREA	LOCATION/ IMPROVEMENT	DATE/MODE OF ACQUISITION	DOCUMENTS ON FILE	ISSUES	ACTION TO BE TAKEN/ DOCUMENTS REQUIRED	REMARKS
5, 128 sq. m.	Caridad, Culasi, Antique. Improvements: 1. Warehouse Bldg.; 2. Office Bldg.; 3. Guard House; and 4. Perimeter Fence.	· Deed of Donation dated March 11, 1977 covering 5,000 sqms; ·Deed of Donation dated January 5, 1979 covering 128 sqms.	1. Xerox copy of the Deed of Donation executed by Ms. Maura Tamba on March 11, 1977. 2. Original copy of the Deed of Donation executed by Ms. Maura Tamba dated January 5, 1979. 3. CERTIFIED copy of the OCT No. N-2849 covering an area of 1 hectare and 15 Ares. 4. Original Copy of the Subdivision Plan of Lot 4103 as prepared for NGA but without the approval of the Bureau of Lands. 5. Duplicate Original Copy of the Preliminary Land Survey Report. 6. Xerox copy of the Tax Declarations and Official Receipts for payment of realty tax.	1. The Deed of Donation that was executed on March 11, 1977, covering a parcel of land with an area of 5,000 is missing; 2. The Subdivision Plan that was prepared for NGA does not bear the approval of the Bureau of Lands; and 3. All other documents are mere photocopies.	1. Wire NFA Region VI to secure the certified copies of the documents needed for registration with the Register of Deeds, Antique; and 2. File petition with the Court for the segregation of the 5, 128 sqms. and titling of the property.	·We received documents from NFA Antique. However, the original copy of the Deed of Donation dated March 11, 1977 is missing. Assessment - for survey to include 128 sq. ms. in the Subd. Plan.

<p>14,149 sq. m. and 6,293 sq. m.</p>	<p>Brgy. Poblacion 1, Banisilan, North Cotabato.</p>	<p>Deed of Donation executed on March 19, 2000 covering 14,149 sq. ms.; and Deed of Donation executed on March 19, 2000 covering 6,293 sq. ms.</p>	<p>1. Xerox copy of the Deed of Donation duly executed on March 19, 2000 covering a parcel of land with an area of 14,149 sq. ms.;</p> <p>2. Xerox copy of the Deed of Donation executed on March 19, 2000 covering an area of 6,293 sqms.;</p> <p>3. Xerox copy of the Topographic Plan of Lot 553, 554 and 555; and</p> <p>4. Xerox copy of Sangguniang Bayan Resolution No. 2000-26.</p>	<p>1. No OCT/TCT on file;</p> <p>2. No. Subdivision Plan on file;</p> <p>3. All documents are mere photocopies; and</p> <p>4. No statement of improvements or whether NFA is in possession of the property.</p>	<p>Wire NFA-Region XII/Manager Fernando S. Nuñez for the status of the lots donated.</p>	<p>Memorandum No. ODAFA-2K11-F-29 dated June 15, 2011, reiterating our previous request was sent to NFA North Cotabato.</p>
<p>3,000 sq.m.</p>	<p>Namillangan, Alfonso Lista, Ifugao. Improvements: 1. FLGC Warehouse; and 2. Perimeter fence.</p>	<p>Deed of Donation executed by Dante S. Dirige covering a parcel of land with an area of 3,000 sqms.</p>	<p>1. Xerox copy of the Deed of Donation executed by Dante S. Dirige but the acknowledgement portion is missing ;</p> <p>2. Xerox copy of the TCT No. T-1553 covering an area of 3,000 sqms, registered in the name of Dante S. Dirige;</p> <p>3. Xerox copy of the Subdivision Plan of Lot 23021 as surveyed for Dante S. Dirige et. al.;</p> <p>4. Certified copies of Tax Declarations for the year 1994, 1996 and 2003 in the name of NFA.</p>	<p>1. The xerox copy of the Deed of Donation is not clear;</p> <p>2. The Last page or acknowledgement portion of the Deed of Donation is missing; and</p> <p>3. The Donor is now in the United States;</p>	<p>1. Wire NFA-Region II/ Manager Isagani T. Nicandro to secure from the Notarial Register or Register of Deeds of Ifugao, the original copy of the Deed of Donation, if possible, considering that the last page of the donation is missing.</p>	<p>Memorandum No. ODAFA-2K11-F-30 dated June 15, 2011, reiterating our previous request was sent to NFA Ifugao.</p>

<p>TCT No. 16089 with an area of 7,021 sq.m; and TCT No. 16090 with an area of 1,390 sq.m.</p>	<p>Sta. Cruz, Dumalag, Capiz.</p> <p>Improvements: 1. Warehouse; 2. Mill house; 3. Drier House; and 4. Guard house</p>	<p>Deed of Absolute Sale.</p>	<p>1. Xerox copy of TCT No. 16089 in the name of NGA; 2. Xerox copy of TCT No. 16090 in the name of NGA; and 3. Xerox copies of Tax Declarations</p>	<p>No issue.</p>	<p>1. Wire Fax Message with NFA-Region VI to secure certified copies of TCTs with the Register of Deeds; and 2. Secure copies of Affidavit of Loss from the Assets Management Office (AMO).</p>	<p>-Memorandum No. ODAFA-2K11-F-28 dated June 15, 2011, reiterating our previous request was sent to NFA Capiz.</p>
<p>1,122 sq. m.</p>	<p>Bo. Bagacay, Romblon, Romblon</p>	<p>2 Deeds of Donation 1st - 12 May 1975 2nd - 09 March 1976</p>	<p>(1) 1st Deed of Donation (original) (2) 2nd Deed of Donation (photocopy) (3) Land Survey Plan (original)</p>	<p>None</p>	<p>Secure from/ via the field offices the original copies (if possible) of the following documents: (1) 2nd Deed of Donation dated 09 March 1976 (2) Tax Declaration (latest) (3) Municipal Council Resolution No. 141 series of 1975.</p>	<p>The above documents are to be secured in preparation of the filling of the application for original registration.</p>

20,000 sq. m.	Bo. Guilawa, Zamboanga Del Sur	Deed of Donation 26 January 1978	1) Deed of Donation (2) Tax Declaration (last)	The donated lot is within the area of mining reservation	Await for a Presidential Proclamation declaring the subject land to be part of the alienable and disposable public land. Thereafter, proceed with the registration of the property under P.D. 1529.	As of present registration of the property in the name of NFA is still not possible.
15,358 sq. m.	Taway, Ipil, Zamboanga Del Sur	Deed of Donation 28 June 1978	1. Deed of Donation (Original) 2. Affidavit of non-tenancy (Original) 3. Affidavit of Aggregate Landholdings (Original) 4. Certification from the Office of the Municipal Assessor that NFA is the owner of the various Buildings, Machineries and other structures constructed in the subject property (original) 5. Certificate of Cancellation of Mortgage from the Development Bank of the Philippines (original).	The donated lot is still subject of an on-going civil case filed by the adjacent owners for alleged encroachment.	Await for the resolution of the civil case involving the subject property. Thereafter, proceed with the registration of the property under P.D. 1529	In this regard, Registration of the property in favor of NFA is possible at this time but is not recommended for being non cost- effective due to the on-going litigation of the subject property

2.000 sq. m.	Tudela, Cebu	Deed of Donation 21 October 1975	<ul style="list-style-type: none"> (1) Deed of Donation (photocopy) (2) Tax Declaration (last) (3) Land Survey Plan (photocopy) (4) Resolution No. 801 (photocopy) 	The previous application for original registration under P.D. 1529 was already dismissed on the ground that the subject property is considered as land of public dominion which is not alienable and disposable.	Secure from the municipality of Tudela a Land Classification map showing that the land lies within the alienable and disposable portion of public lands.	In this regard, as of the writing of this matrix, the subject land cannot be registered in the name of NFA.
2.827 sq. m.	Centro West, Palanan, Isabela Commercial lot	<p>May 20, 1987 - Deed of Donation by original Crispolo P. Villena</p> <p>Nov. 10, 2008 - Deed of Donation by Danilo I. Pastrana</p>	<ul style="list-style-type: none"> 1. Photocopy of Katibayan ng Orihinal na Titulo Blg. P-73783 in the name of Danilo Pastrana registered on Sept. 10, 2008 2. Photocopy of Transfer Certificate of Title No. T-371208 in the name of NFA registered on April 3, 2009, Province of Isabela. 3. Photocopy of Deed of Donation executed by Danilo Pastrana on Nov. 10, 2008. 4. Photocopy of various communication and explanation by Danilo Pastrana on the process of titling the property. 5. Photocopy of various tax assessments, Declaration of Property, receipt of payment of real property tax dated July 14, 2003. 	None. Records show that title of the property was transferred and registered in the name of NFA per TCT No. T-371208.	None.	<p>On March 22, 2011, we wrote DBTFM for them to confirm if they have custody of Owner's Duplicate Copy forwarded by AMO to them on 22 April 2009.</p> <p>On March 24, 2011, we received a Memorandum from DBTFM confirming custody of the original Owner's Duplicate Copy of the title in NFA's name.</p>

			6. Photocopy of Deed of Donation executed by the original owner, Crispolo P. Villena, in favor of NFA on May 20, 1987. (Records show that Mr. Villena died sometime in 2000.			
5,000 sq. m.	Brgy. Barucboc, Mallig, Isabela	July 5, 1988 - Deed of Donation by Amado S. Joson (conditional donation - to erect dryer and warehouse)	1. Photocopy of the Deed of Donation executed by Amado S. Joson on July 5, 1988 (annotated in the title on April 18, 1989) 2. Photocopy of the Declaration of Real Property 3. Photocopy of the TCT No. T-173560 in the name of Armando Joson 4. Photocopy of the Affidavit of Armando S. Joson executed in September 1994 5. Photocopy of the Official Receipt dated March 24, 2003 re payment of real property tax for the year 2003 by NFA 6. Photocopy of the Order of payment dated Jan. 15, 2003	Deed of Donation was already annotated in the title, but not yet transferred in the name of NFA. Records show that the owner's duplicate copy of TCT was lost/misplaced.	For registration of the Deed of Donation with the Registry of Deeds for the Province of Isabela to effect transfer of title to NFA. To secure certified true copies of Deed of Donation, oldest Tax Declaration. Furnish copy of the deed of donation and surrender the TCT to the Register of Deeds so that the old title can be cancelled and a new title issued in the name of NFA. If required to present the Owner's Duplicate of TCT, will ask the donor to execute Affidavit of Loss.	On April 11, 2011, LAD wrote Isabela PM Rocky Valdez requesting various documents necessary to transfer the title of property in NFA's name. On April 25, 2011, LAD received various documents from NFA-Isabela. However, on April 28, 2011, our Department made another request since the documents submitted were not originals or certified copies.

5,000 sq. m.	Sta. Fe, Bantayan Island, Cebu Commercial lot with warehouse	March 7, 1977 - Deed of Donation by Alfredo C. Salve	<ol style="list-style-type: none"> 1. Photocopy of Affidavit of the donor executed for the purpose of registering the Deed of Donation executed on September 28, 1983. 2. Photocopy of Computation of Real Property Tax from the Municipal Treasurer of Sta. Fe 3. Photocopy of Resolution No. 96-162 granting real property tax exemption, approved on Oct. 23, 1996 4. Photocopy of Resolution No. 61-2001 dated <u>July 23, 2001</u> withdrawing tax exemption privileges granted to NFA in 1996 5. Photocopy of Declaration of Real Property in the name of NFA and various communications regarding remittance and payment of real property tax. 	No original/ certified copy of Deed of Donation and other documents. The property is not registered.	To file Petition/Judicial Application for Original Registration. To secure certified true copies of Deed of Donation, oldest Tax Declaration and Survey Plan.	On April 11, 2011, LAD wrote Cebu PM Nestor Rey Alcosoba requesting the to secure certified copies of documents needed in filing the Petition for Registration. On June 15, 2011, we sent a fax message reiterating our earlier request.
146,883 sq. m. (5 TCTs)	SPGC, Tacurong, Sultan Kudarat Industrial lot with: various buildings Oil refinery Oil extraction plant	March 22, 1979 - Contract to Sell on Installments	1. Copy of the Contract to Sell in Installments* involving 5 parcels of land (TCT Nos. T-7905, T-7970, T-24679, T-24043 and T-25251) executed by NFA and Development Bank of the Philippines on March 22, 1979 for a consideration of P127,000,000.00 - certified duplicate copy by NFA-SPGC. *Contract to sell	Balance payable to DBP as of April 30, 2008 is P91.2M	Awaiting Management's decision.	Referred to the Management for appropriate action.

	Power plant Fence Ricemill Silo Tennis court Training center Drier		<p><i>also includes 5 parcels of land situated in Quezon City</i></p> <p>2. Photocopy of TCT Nos. T-0050, T-21201, T-21204, T-21203, T-21202, Registry of Deeds for the Province of Sultan Kudarat in the name of <i>DBP</i> all registered on July 15, 1988.</p> <p>3. Photocopy of TCT Nos. TCT No. T-7905/T-245, TCT No. T-7970/T-258, T-24043/T-2705, TCT No. T-24679/T-2875, TCT No. T-25251/T-2921, Registry of Deeds for the Province of Cotabato in the name of <i>Roberto A. Tulio</i>.</p> <p>4. Photocopy of TCT No. T-15245 involving 50,017 sqm., Registry of Deeds for the Province of Sultan Kudarat in the name of Philippine National Bank.</p> <p>5. Photocopy of Vicinity Map, tax assessment and receipt of real property tax payment dated 3-12-2004.</p> <p>6. Photocopy of Notice of Tax Due dated January 6, 2006 issued by the City Treasurer of Tacurong amounting to P1,373,655.25</p>			
TCT No. N-45716	Valle, Talavera, Nueva Ecija	Not specified but the land is registered in	Photocopy of TCT in NFA's name	To seek reconstitution or replacement of owner's	To instruct Provincial Office to have the said	The Original Title was neither lost or

Area: 5,000 sqm.	Improvement: Lot	NFA's name.		duplicate title.	TCT certified by the Register of Deeds.	need reconstitution but was deposited in the Treasury.
Lot No. 2640, Card 354-D Area: 6,207 sqm.	Caagdaan, Cantilan, Surigao del sur Improvement: Lot	Deed of Donation Date: June 16, 2004	1. Original Copy of the Deed; 2. Photocopy of Sangguniang Bayan Resolution; 3. Original Copy of Consolidation and Subd. Plan;	To file a petition for the issuance of Original Title in Court.	Before filing the Petition, to direct Provincial Office to secure the Original or Certified Copies of the ff. docs: 1. S.B. Resolution No. 25-2003; 2. Latest Tax Declaration in NFA's name; and 3. Tax Declaration No. A 05 06.	Waiting for the certified copies of documents requested from the Provincial office.
Lot Nos. a. 583 b. 589 c. 588 d. 593-A Areas: 13,858 sqm. 1,246 sqm. 57 sqm	Burol I st , Balagtas, Bulacan Improvements: 1. Warehouse; 2. Commercial Lot; and 3. Office	Not specified but the Tax Declaration of Lot No. 583 is in the name of NFA	1. Photocopy of O.R of real property tax; 2. Photocopy of Approved Plan; 3. Photocopy of Cadastral Maps of Lot Nos. 583, 588 and 589 4. Photocopy of Tax Declaration of Lot No. 583; and	To verify and establish NFA's ownership over the said Lots	To direct the provincial Office to secure the Tax Declarations of the said Lots and to determine NFA's right over the said properties	Received the requested document, for evaluation and filing.

859 sqm			5. Photocopy of Notice of Assessment			
TCT No. 61939 Area: 2.892sqm.	San Bartolome, Novaliches, Quezon City Improvement: Lot	Deed of Absolute Sale Date: 1982 Confirmed in 2009	1. Photocopy of TCT No. 61939; 2. Original Copy of Deed of Sale with Affidavits; 3. Original Copy of Tax Payments; 4. Original Copy of Certificate of Redemption; and 5. Original Copy of Release of Warrant of Levy.	To file Petition for Reconstitution and Transfer of Title simultaneously if possible	To secure Affidavit of Loss from the NFA Custodian of Titles	Ready for Filing
TCT Nos. 363054; 363055; 363056; 363057; and 36058 Combined Area: 2.929 sqm.	San Fransisco del Monte, Quezon City Improvement: Warehouse	Contract to Sell on Installments Date: March 22, 1979	1. Photocopy of Contract to Sell on Installments; 2. Photocopy of 5 TCTs in DBP's name; and 3. Photocopy of the invalid Deed of Sale	To seek transfer of Title to NFA's name after the full payment of the remaining balance of the purchase price	To inquire with the EXCOM as to the ongoing negotiation regarding the payment of balance with the Privatization and Management Office (PMO).	The action depends on the decision of the EXCOM to proceed with the negotiation with the PMO on Contract to Sell on Installment.
8,776 sq. m.	Centro Luna, Isabela FLGC	Sometime 1987 Deed of Donation by the Municipality of Isabela	1. Deed of Donation (1 st page only) 2. Tax Declaration 16-391 (Municipal Government of Luna) 3. Tax Declaration No. 13-17-4970	Subject lot is a Friar Land according to BLM.	Coordinate with the DENR-LMB Central Office for the process of titling of friar land.	Wrote the P.O. and inquired regarding the status of the property and they suggested to coordinate with the

			(National Food Authority)			DENR for procedures in titling of Friar Land.
✓ 6,588 sq. m.	Zone II, Bantay, Ilocos Sur Fence, pavements	Sale Acquired on March 04, 1978	<ol style="list-style-type: none"> 1. Deed of Sale dated March 04, 1978 2. Decision dated September 10, 2004 3. Decision dated April 20, 2009 4. Orders of the Court 5. Certificate of Finality dated June 3, 2009 6. Other pleadings 7. Tax Declarations 4. Location Map 5. And others 	Petition for Registration granted by the Court.	Execute the judgment which ordered the LRA to issue a Certificate of Title. Coordinate with LRA for the issuance of the Title = Secure Certified True Copies of the Court Order and Decision.	Coordinated with the LRA.
6,721 sq. m.	Brgy. Alac, San Quintin, Pangasinan No improvements	Succession (from NARIC) Naric purchased it from Chio Sik Giok Date of Acquisition: no reference	<ol style="list-style-type: none"> 1. Tax Declaration No. 4969 in the name of NARIC 2. Tax Declaration No. 298 in the name of NARIC 3. Affidavit for Transfer of Tax Declaration executed by N.T. Rupisan, manager of NARIC, Pangasinan Branch. 	No deed of Sale by Chio Sik Giok Petition for titling before the Register of Deeds was filed.	Request for New Tax Declaration in the name of NFA. Secure Land Classification Map before the DENR. Subject the property for	Request for New Tax Declaration. LAD was furnished a copy of Tax Declaration but is still in the name of Naric.

			<p>4. Council Resolution No. 119-95 (authorizing the NFA Admin. Or representative to file the petition for registration)</p> <p>5. Sangguniang Bayan of San Quintin Resolution dated November 25, 1978</p> <p>6. Sangguniang Bayan of San Quintin Resolution dated January 30, 1979</p>		relocation/segregation/survey by a private geodetic engineer.	
<p>508 sq.m and 509 sq.m</p> <p>(Covered by TCTs in the name of Spouses Villegas)</p>	<p>Pengue, Tuguegarao</p> <p>.....</p> <p>Residential House</p>	<p>Auction Sale conducted by the Sheriff as a result of the Civil Case against spouses Mabilou Villegas</p> <p>Acquired: March 13, 1995</p>	<p>1. Photocopy of TCT 13787</p> <p>2. Tax Declaration of TCT 13788</p> <p>3. Certification (of payment of Capital Gains Tax)</p> <p>4. Documentary Stamp Tax Declaration</p> <p>5. Certificate of Sheriff's Sale</p> <p>6. Notice of Levy</p> <p>7. Writ of Execution</p> <p>8. And others</p>	Whether the title can be consolidated in favor of NFA.	Secure certified photocopies of the attachments of the Motion.	A Motion for Consolidation of Title was prepared.
2,000 sq. m.	Brgy. Asuncion.	Deed of Donation by	1. Deed of Donation dated July 8, 1976	Petition for Registration	Follow-up at LRA for	Already on file with

	<p>Maasin Leyte =====</p> <ul style="list-style-type: none"> - 30,000 capacity warehouse - Storage Room - Drier Shed - Concrete pavement - Perimeter Fence - Drainage System 	<p>the Province of Southern Leyte</p> <p>Acquired: July 8, 1976</p>	<ol style="list-style-type: none"> 2. Sketch Plan of Proposed site for NGA Warehouse dated March 18, 1976 3. Tax Declaration 20644 4. Tax Declaration 20645 5. Tax Declaration 23024 6. Location and Development Plan 7. LRA Letter to Regional Director for Forestry (LR Case No. N-190, LRA Record No. N-66180) dated March 17, 2009 8. Reply-Letter of Regional Director -FMS dated April 19, 2009 9. Progress report of Real Properties for Titling 	<p>granted by the Court.</p>	<p>the issuance of the title.</p>	<p>the LRA for the issuance of new title. Continuous coordination with the LRA is required.</p>
<p>8,776 sq. m.</p>	<p>Brgy. Hipusngo, Baybay, Leyte NFA office, warehouse, staff house, drier shed</p>	<p>December 19, 1975 Absolute Donation from the Municipality of Baybay, Leyte</p>	<p>Certified photocopies of :</p> <ol style="list-style-type: none"> 1. Tax Declaration No. 28626 of the 8,776 sq.m. lot in the name of the Municipal Government of Baybay. 2. Deed of Absolute Donation dated December 19, 1975. 3. Sangguniang Panlalawigan Resolution No. 37 	<p>Donation was formally sufficient but the property is still unregistered</p>	<p>For Judicial Application for registration under PD 1529 (OCT). Secure Land Classification Map from the DENR. For geodetic survey</p>	<p>Have requested original copies of documents necessary for the filing of the petition for original registration per LAD Memo LAD-B-D-089 dated March 31, 2011.</p>

			<p>dated April 1, 1976 approving the donation to NGA.</p> <p>4. Sangguniang Panlalawigan Resolution No. 39 dated Feb. 20, 1975 donating 1 hectare municipal lot to NGA (PD 76, TD 10253).</p> <p>5. Sworn Statement of the True Current and Fair Market Value of Real Properties.</p> <p>6. Location and Development plan.</p>		<p>before filing of petition with court.</p> <p>Secure the original copies of the documents.</p>	
3,500 sq. m.	<p>Brgy. Bonifacio, Diffun, Quirino NFA Satellite Grains Center</p>	<p>January 12, 1987 Absolute Donation from the Municipality of Diffun, Quirino</p>	<p>Certified photocopies of :</p> <p>1. Certification stating that property is actually occupied by Mr. Danilo Pastrana dated Mar. 4, 2008 issued by Brgy. Apt. Tongcol.</p> <p>2. Certification dated March 4, 2008 issued by MTC of Diffun, Quirino stating that property is not involved in any pending civil and/or criminal cases.</p> <p>3. Joint Affidavit in support of a free patent application of Farida C. Macalino.</p> <p>4. Affidavit of Farida C. Macalino stating that she is an applicant of a free patent over the subject lot.</p> <p>5. Notice of application for free patent by</p>	<p>Donation was formally sufficient but the property is still unregistered</p>	<p>For Judicial Application for registration under PD 1529 (OCT).</p> <p>Secure Land Classification Map before the DENR.</p> <p>Awaiting processing of geodetic survey the Bureau of Lands, Tuguegarao, Cagayan.</p> <p>Secure the original copies of documents.</p>	<p>Have requested original copies of documents necessary for the filing of the petition for original registration per LAD Memo LAD.B-D-149 dated April 29, 2011.</p>

			<p>Farida c. Macalino.</p> <p>6. Deed of Donation between the Mun. of Diffun, Quirino and the NFA.</p> <p>7. Tax Declaration DQ-10466 in the name of the NFA.</p> <p>8. Application for Free Patent with Farida C. Macalino.</p> <p>9. Sangguniang Bayan Resolution No. 88-86 dated December 15, 1986 donating five thousand (5,000) sq.m. prop.</p> <p>10. Zoning Clearance issued by Mun. Mayor of Diffun, Quirino.</p> <p>11. Tax Dec. DQ-906 in the name of the Mun.</p> <p>12. Tax Dec. DQ-10466 in the name of the NFA.</p>			
5,000 sq. m.	Brgy. Samonte, Quezon, Isabela NFA warehouse	March 20, 1985 Absolute Donation	<p>1. Original copy of Deed of Donation of a 2 hectare parcel of land (Block No. 113) between the Mun. of Quezon, Isabela and NFA</p> <p>2. Duplicate copy of Deed of Donation of a 1 hectare parcel of land (Block No. 110) between the Mun. of Quezon, Isabela and the NFA</p>	No new deed of donation executed covering the property. Also, property is not registered.	Coordinate with the local government for the execution of a council resolution and new deed of donation. For Judicial Application	Per communication with NFA Reg. 2, it appears that the local sanggunian is not amenable to the execution of a new deed of donation as allegedly, the NFA

		<p>3. Photocopy of Municipal Council Resolution No. 02 s. 1987 of the Mun. of Quezon, Isabela donating a 5,000 sq.m. parcel of land to the NFA.</p> <p>4. Photocopy of Municipal Council Resolution No. 18 s. 1987 of the Municipality of Quezon, Isabela donating a 5,000 sq.m. parcel of land (portion of Block 110) to the NFA</p> <p>5. Photocopy of Tax Declaration No. 22-6192 in the name of the NFA for the 5,000 sq.m. parcel of land (portion of Block 110)</p> <p>6. Photocopy of Municipal Council Resolution No. 35 s. 1987 seeking for the cancellation of the Deed of Donation of two hectares lot to the NFA</p> <p>7. Photocopy of the Development Plan of Block 110 by Geodetic Engr. Jose F. Rena.</p> <p>8. Photocopy of Certification dated March 1, 1985 issued by Mayor Tabangcura re proposed location of the Quezon SGC conformed with the municipality's zoning ordinance.</p> <p>9. Photocopy of Real Estate Tax OR No. 8308397 for the year 2003 (lot)</p> <p>10. Photocopy of Real Estate Tax OR No. 8308398 for the year 2003 (commercial</p>		<p>for registration under PD 1529 OCT).</p> <p>Secure Land Classification Map before the DENR.</p> <p>For geodetic survey before filing of petition with court.</p> <p>Secure the original copies of the documents on file.</p>	<p>structure is in violation of existing zoning ordinance.</p> <p>Issued LAD Memo LAD-B-D-129 dated April 25, 2011 addressed to Dir. Reside, NFA-Reg. 2, asking for copy of the said ordinance.</p>
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3,000 sq. m.	Delfin Albano, Isabela warehouse	1998 Absolute Donation	<p>Photocopies of:</p> <ol style="list-style-type: none"> 1. Municipal Council Resolution No. 95-26 for the session on June 5, 1995 resolving that a lot be donated to the NFA. 2. Deed of Donation bet. the Mun. of Delfin, Albano, Isabela & NFA (unsigned by Administrator Joemari Gerochi in the acceptance portion). 3. Tax Declaration No. 99-10-001-00561 in the name of the NFA (warehouse) 4. Tax Declaration No. 99-10-001-00560 in the name of the NFA (lot) 5. OR No. 8313670 for the tax due on the lot for the year 2003. 6. OR No. 8313671 for the tax due on the warehouse for the year 2003. 7. Notice of Real Estate Tax Assessment for the year 2003. 8. Deed of Donation of a lot covered by TCT 122358 signed by Municipal Mayor Arnold Edward Co but unsigned by then Administrator Gregorio Y. Tan, Jr. 	<p>Property is registered but no valid deed of donation was executed covering the subject land as no acceptance by the donee was made.</p>	<p>Verify first whether there are any impediments as to why the previous donations were not accepted under the administrations of Adms. Gerochi and Tan.</p> <p>If there are none, make the proper acceptance of the donation in a public document.</p> <p>Secure from the donor the original of the owner's duplicate copy of the TCT.</p> <p>Furnish copy of the deed of donation and surrender the TCT to the Register of Deeds so that the old title can be cancelled and a new title issued in the name of NFA.</p>	<p>Issued LAD Memo No. LAD-B-E-151 dtd April 29, 2011 to NFA Reg. 2 to verify whether there are any known impediments that would guide NFA whether to accept the donation or not. Per reply of NFA Reg. 2 dtd May 11, 2011, they recommended that the donation be accepted as the property is being currently utilized for various NFA operations.</p>
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10,000 sq. m.	Brgy. Liberty, Hilongos, Southern Leyte warehouse	October 7, 1981 Absolute Donation from Inocentes Villaflor	<p>Certified photocopies of:</p> <ol style="list-style-type: none"> 1. Deed of Absolute Donation dated October 7, 1981 bet. Inocentes Villaflor and NFA. 2. Subdivision Plan of Lot No. 1827, Case No. 8, CAD No. 566 D. 3. Certification dated July 5, 1985 issued by ROD, stating that per records, Lot No. 1827-B was not titled under a Cadastral Registrations Proceedings. 4. Certification issued by Mun. of Hilongos stating NFA compliance to Municipal Ordinance No. 84-03 re Zoning Regulations 5. Declaration of Real Property in the name of the NFA of Lot 1827-A (Tax Declaration No. 07728). 6. Survey of Lots 1827-A (10,000 sq.m./NFA) and 1827-B (9,152 sq.m./Inocentes Villaflor). 7. Request for reservation of Lot No. 1827-A dated Sept. 17, 1990 addressed to the CENR Office, Ormoc City. 8. Request for reservation dated October 31, 1990 issued by DENR-Region 8 Office addressed to the DENR Secretary favorably recommending the reservation of Lot 1827-A for the exclusive use of the NFA. 	None. Order granting NFA's petition for original registration has already been favorably granted by virtue of the Order issued by Judge Ephraim S. Abando of RTC Br. 18.	Follow up from LRA status of request for the issuance of decree of registration. Once decree of registration is already issued, forward the same to the local registry of deeds so that a new TCT may be issued in the name of NFA.	Have verified with the DTBFM whether there have been any title issued by the Registry of Deeds pursuant to the Court Order stated herein. Original owner's duplicate copy of OCT No. 2624 is already with the DTBFM.
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10,000	Brgy. Poblacion, Compostela Valley	-	Photocopy of: 1. Complete Staff Work issued by DENR – Reg'l. Executive Director 2. Indorsement by the DPWH Sec. Ebdane re interposing no objection to special patent application 3. Letter from DPWH Reg. XI RD Ali re interposing no objection to special patent application.	NFA application for free patent already endorsed by the Reg'l. Exec. Dir. Of DENR-XI to the DENR SEC. thru the LMB.		Sent a letter dated April 7, 2011 signed by Admin. Banayo to the LMB re request for follow-up and copy of process flow of special patent applications.
Lot 54 – 14,720 sq.m.	FTI, Bicutan, Taguig City	Acquired by NFA from FTI THRU Dacion En Pago documents.	1. Dacion En Pago 2. Tax Declaration 3. Receipts of payment of capital gains tax, doc. Stamp & transfer taxes	None	For Segregation from FTI's mother title	Liasoning with the Register of Deeds, the Bureau of Internal Revenue (BIR) and the Office of City Council of Taguig City
Lot 51 – 21,202sq.m.	FTI, Bicutan, Taguig City	Acquired by NFA from FTI THRU Dacion En Pago documents.	1. Dacion En Pago 2. Tax Declaration	Waiting for the approval of waiver of penalty in the payment of transfer tax from Taguig City.	Upon approval of the waiver payment of capital gains tax, doc. Stamps tax and filing fee to the Register of Deeds of Taguig will be done to effect the segregation from the mother title	Regular follow-up to the City Council of Taguig

Lot 51 - 21.202sq.m.	FTI, Bicutan, Taguig City	Acquired by NFA from FTI THRU Dacion En Pago documents.	1. Dacion En Pago 2. Tax Declaration	Waiting for the approval of waiver of penalty in the payment of transfer tax from Taguig City.	Upon approval of the waiver payment of capital gains tax, doc. Stamps tax and filing fee to the Register of Deeds of Taguig will be done to effect the segregation from the mother title	Regular follow-up to the City Council of Taguig
Lot No. 1852 1,996.34 sq.m.	Sitio Cagonongan, Bo. San Rafael, Itbayat, Batanes Improvement: -Warehouse	Deed of Donation June 28, 2001	Deed of Donation	The Deed of Donation was not annotated at the back of the title nor recorded in the Boo/Entry of Memorandum in the Register of Deeds of Batanes.	1. Inquire from the Municipality of Itbayat, Batanes through the NFA-Provincial Office, if the donated lot is a titled property. -If yes, transfer of ownership and/or segregation of title will follow on the basis of the Deed of Donation. -If not titled, NFA will file an Application for the original registration of the said property. 2. Prepare a Memo addressed to the OIC.	Sent Memorandum to PM Francisco M. Escalona on March 7, 2011 to make representation to the Municipality of Itbayat, but todate, PM Escalona has no reply yet. Prepared a follow-up Memorandum for signature of the Deputy Admin. (ODAFA)

					NFA Batanes office directing him to secure a copy of Tax Declaration.	
Lot No. 1671 1,568.29 sq.m.	Barangay Kaychanarianan, Basco, Batanes Improvements: 1. Office 2. Warehouse	Donation June 3, 1974 Dec. 7, 1977	Deed of Donation and 5 TDs 1. TD No. B-0819-R-02 2. TD No. B-0818-R-02 3. TD No. B-0816-R-02 4. TD No. B-0815-R-02 5. TD No. B-6820-02	The Deed of Donation was not annotated at the back of the title nor recorded in the Book/Entry of Memorandum in the Register of Deeds of Batanes.	On the basis of Tax Declaration and other proof of ownership like possession/occupation of the property and the construction of improvements thereon, NFA can file in court an application for the original registration of these parcels of land. The TRSD should be instructed to conduct the survey, prepare the survey plan and have it approved by the Bureau of Lands.	Sent Memorandum to PM Francisco M. Escalona on March 7, 2011 to make representation to the Municipality of Basco, Batanes todote, PM Escalona has yet no reply.
TCT No. 5100 6,367 sq. m.	Gapan, Nueva Ecija	No record	Certified true copies of TCT Nos. 5100 and 5101 and Affidavit of Loss.	Lost Owner's Duplicate Copy	The immediate filing of a Petition for Judicial Reconstitution for the issuance of owner's duplicate copy of TCT Nos. 5100 and 5101 is hereby recommended to	Petition for Judicial Reconstitution of lost owner's duplicate copies of TCT Nos. 5100 and 5101 were already filed to the RTC of Gapan.

<p>TCT No. 5101 1,656 sq. m.</p>	<p>Gapan, Nueva Ecija</p>	<p>No record</p>	<p>Certified true copies of TCT Nos. 5100 and 5101 and Affidavit of Loss.</p>	<p>Lost Owner's Duplicate Copy</p>	<p>protect the property rights of NFA. Instruct the Provincial Manager to secure copies of Tax Declaration from the Municipal Assessor's Office, and to conduct an ocular inspection of the lots to verify as to whether or not, the lots are tenanted. Thereafter, make a report to our Department.</p>	<p>Nueva Ecija on June 1, 2011.</p>
<p>LOT NO. 166 CAD 37 2,232 sq. m.</p>	<p>Brgy. Liwanag, Puerto Princesa, Palawan</p>	<p>Presidential grant thru the Issuance of Special Patent by Department of Environment and Natural Resources (DENR)</p>	<p>Proposed draft of amendment to EO 46.</p>	<p>The DENR has yet to issue the Special Patent in the name of NFA.</p>	<p>Make a follow up letter to the Regional Director of DENR to check the status of NFA's application for the issuance of Special Patent.</p>	<p>✓ Sent memorandum to PM Roberto C. Gonzales on March 10, 2011. In his reply fax message, PM Gonzales reported that NFA's application for the issuance of Special Patent is still pending for approval in the OP.</p>

<p>LOT NO. 3649 25,414 sq. m.</p>	<p>Municipality of Narra, Palawan With existing improvements - 2 warehouses - Office Building - Solar Drier - Guard House/Garage</p>	<p>Purchase</p>	<p>1. Photocopy of Deed of Sale 2. Tax Declaration No. 001-0227-9</p>	<p>No original copy of Deed of Sale. The sale is not recorded or annotated at the back of the title in the Register of Deeds.</p>	<p>With available documents such as Tax Declaration, possession and introduction of improvements on the lot, NFA can file in court an application for the original registration of the parcel of land. The TRSD should be instructed to conduct the lot survey, prepare the survey plan and have it approved by the Bureau of Lands, as one of the requirements in the application for original registration.</p>	<p>According to PM Gonzales, already titled in the name of NFA on December 12, 23003, as per TCT No. S-475.</p>
<p>✓ TCT No. 4569 25,000 sq. mts.</p>	<p>Cebu Port Centre, Cebu City</p>	<p>Purchase from then PEA, now PRA, thru Contract to Sell in 1980 and fully paid in 1991.</p>	<p>Certificate of Full Payment</p>	<p>Deed of Absolute Sale cannot be executed between the NFA and PRA because both parties could not agree who will pay for the capital gains tax and documentary stamp tax.</p>	<p>1. Prepare a follow up letter to Atty. Parras for the execution of Affidavit of Loss of TCT No. 4569 which is a requirement in the filing of a Petition for Judicial Reconstitution and the issuance of second owner's duplicate copy.</p>	<p>Prepared Memorandum to PM Nestor Rey E. Alcoceba of NFA-Cebu City, copy furnished Dep. Adm. Ludovico J. Jarina and Dir. Danilo L. Bonabon.</p>

					<p>2. Follow up to the BIR-Head Office, the status of request for exemption from the payment of Capital Gains Tax (CGT) and Documentary stamps tax (DST) for the immediate execution of the Deed of Absolute Sale.</p> <p>3. In the alternative, if exemption will not be granted by the BIR, then NFA ought to pay the CGT and DST to effect the transfer of ownership to NFA. NFA stands to lose ownership of Php1.25 B worth of property if it does not take the necessary action.</p>	
TCT No. 9042 Not indicated	Barangay Pulangtubig, Dumaguete City		No record on file except for Affidavit of Loss		Prepare a memorandum to the Provincial Manager of Dumaguete City and ask for a copy of the TCT No. 9042, Affidavit of Loss and	Resolved

					other related documents that will be needed in the filing of Petition for Judicial reconstitution of the lost title.	
19, 475 sq. m.	Culo, Molave, Zamboanga Del Sur	Deed of Donation executed by David Carag on April 10, 1976	<ol style="list-style-type: none"> 1. Deed of Donation (page 2 of 3 of which is missing) 2. Transfer Certificate Title No. T-16743 3. Subdivision Plan of Lot. 3229-B 4. Several Tax Declaration on the said property. 	<p>The original copy of the Deed of Donation executed by David Curayag sometime on 1976 is missing and cannot be located by NFA. NFA, thru its Dipolog Office, requested the wife of the donor and she submitted a copy of the said deed of donation page 2 of which was not included.</p> <p>The heirs of David Curayag now refuse to execute another Deed of Donation and in fact they are now demanding that NFA purchase the lot with payment of back rentals.</p> <p>Flordeliza Curayag alleged encroachment of</p>	<p>Check Provincial Office if the Tax Declaration is in the name of NFA.</p> <p>Coordinate with the BAJ whether or not it has interest with the subject property.</p>	<p>Sent letter to NFA XI requesting documents pertaining to the subject land. No reply as of this time. It was requested to find the complete deed of donation</p>

				NFA in her property.		
5,345 sq. m.	Poblacion, Kalilangan, Bukidnon	DEED OF SALE (previously owned by the Department of Agrarian reform)	1. Deed of Sale 2. Memorandum of Agreement between DAR and NFA 3. Several Tax Declarations	No legal issues except is there is an opposition to the petition	For preparation of petition.	
12,0007 sq. m.	Tiguma, Pagadian City, Zamboanga del Sur	DEED OF DONATION executed by the Provincial government of Zamboanga del Sur in favor of NGA.	1. Deed of Donation in favor of NFA 2. TCT in the name of Bureau of Animal Industry	The lot donated to NFA is in the name of Bureau Animal Industry.	Contact Pagadian City to inquire with provincial government of Zamboanga Del Sur regarding the resolution donating and revocation of the donation to the Bureau of Animal Industry. Check with the Register of Deeds concerning the title of BAI. Check the tax declarations of the subject lot.	Sent letter to NFA XI requesting documents pertaining to the subject land. It was also requested to secure a copy of resolutions concerning the donation to NFA and revocation of the same from BAI.
3,000 sq. m.	Nonoc, Larena, Siquijor	DEED OF SALE	1. Deed of Sale 2. Several Tax Declarations		For preparation of the petition.	

<p>10,000 sq. m. with additional area of 1,000 square meters right of way.</p>	<p>Bangar, Nagbayto in Castillejos, Zambales.</p>	<p>(Absolute Donation) Donated on February 8, 1977 by spouses Jesus and Miguela Magsaysay (both deceased).</p>	<ol style="list-style-type: none"> 1. Original Deed of Donation. 2. Photocopy of Tax Declaration No. 6270, in the name of Jesus Magsaysay. 3. Photocopy of Tax Declaration No. 005-0165 in the name of NFA. 4. Photocopy of Tax Declaration No. 005-0165 in the name of NFA. 5. Survey plan (unapproved) 	<p>Whether the property is feasible for future use after it was destroyed by the eruption of Mt. Pinatubo. If in the negative, is NFA still interested in keeping the same?</p> <p>Half of the entire area was occupied by PNP Castillejos.</p>	<ol style="list-style-type: none"> 1. Informed Provincial Office thru a fax message to secure latest tax declarations in the name of NFA. 2. Informed Provincial Office thru a fax message to secure approved survey plan of the property. 3. Sent demand letter addressed to PNP Provincial Director Arrazad Panuelo Subong, requesting the PNP to vacate the portion being occupied by PNP Castillejos. 	<p>There is no document on file that will indicate that the property is titled in the name of the donors. Hence, a petition for the issuance of OCT is recommended.</p> <p>However, since there is yet an approved survey plan over the property, it is recommended that the Provincial Office cause the property to be surveyed first.</p> <p>Also, the Provincial Office should see to it that the PNP Castillejos vacate the portion of the property being occupied by them.</p> <p>After the PNP vacate the property in the question, the Provincial Office</p>
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						should cause the entire area to surveyed and secure Approved Survey Plan.
10,000 sq. m.	Binongto-an, Oras, Eastern Samar.	(Absolute Donation) Donated on September 5, 1975 by the Municipality of Oras.	<ol style="list-style-type: none"> 1. Photocopy of the Deed of Donation. 2. Photocopy of the Deed of Acceptance 	<ol style="list-style-type: none"> 1. Whether the original copies of the Deed of Donation and Acceptance still exist? 2. There is a pending question before the DENR Legal Department, Central Office, whether the lot occupied by NFA could be classified from Timber Land to A&D Land thru Presidential Proclamation and via Executive Order. 	<ol style="list-style-type: none"> 1. Informed Provincial Office thru a fax message to secure original copy of the Deed of Donation. 2. Informed Provincial Office thru a fax message to secure original copy of the Deed of Acceptance. 3. Informed Provincial Office thru a fax message to secure latest Tax Declaration. 4. Informed Provincial Office thru a fax message to secure Approved Survey Plan of the property. 5. Informed Provincial Office thru a fax 	There is no document on file that will indicate that the property is titled in the name of the donor. Hence, a petition for the issuance of OCT is recommended.

					message to secure original copy of Resolution No. 12 of the Municipality of Oras, dated August 28, 1975.	
8,000 sq. m.	Inatopilan, Catubig, Eastern Samar	(Absolute Donation) Donated on July 6, 1987 by Monina C. Tenedero.	<ol style="list-style-type: none"> 1. Photocopy of the Deed of Donation. 2. Photocopy of Real Property Tax Order of Payment. 3. Photocopy Subdivision Plan 08-000375. 	NONE	<ol style="list-style-type: none"> 1. Informed Provincial Office thru a fax message to secure original copy of the Deed of Donation. 2. Informed Provincial Office thru a fax message to secure latest Tax Declaration. 4. Informed Provincial Office thru a fax message to secure Approved Survey Plan of the property. 	<p>The lot still forms part of the mother title, that is, Lot 1885-A and 1885-B of the subdivision PSD-08-000375 has not been separated yet from the mother title. It is still in the name of Isabel Lucero under Lot 1885 OCT No. 5673. Therefore, There is a need to facilitate the segregation of property title from the mother title and cause the filing of Petition for Issuance of TCT.</p> <p>However, since there is yet an approved</p>

						survey plan over the property, it is recommended that the Provincial Office cause the property to be surveyed first and secure Approved Survey Plan.
10,000 sq. m.	Rawis, Laoang, Northern Samar	(Absolute Sale) Purchased in 1975 from Cecilio Muncada.	<ol style="list-style-type: none"> 1. Photocopy of Declaration of Real Property. 2. Photocopy of Real Property Tax Order of Payment. 3. Photocopy of Tax Declaration No. 00279 in the name of NFA. 	Whether the original copies of the Deed of Absolute Sale still exist?	<ol style="list-style-type: none"> 1. Informed Provincial Office thru a fax message to secure original copy of the Deed of Absolute Sale at Registry of Deeds or if still possible from the Notary Public.. 2. Informed Provincial Office thru a fax message to secure latest Tax Declaration. 4. Informed Provincial Office thru a fax message to secure Approved Survey Plan of the property. 	<p>There is a need to facilitate the segregation of property title. It is still form part of TCT No. 2729 in the name of Cecilio A. Muncada (deceased). Also, there is a need to secure original/certified true copy of the Deed of Absolute Sale.</p> <p>However, since there is yet an approved survey plan over the property, it is recommended that the Provincial Office cause the property to</p>

						be surveyed first and secure Approved Survey Plan.
8,000 sq. m.	Bidcor Bayugan Agusan Del Sur	Deed of Donation dated March 28, 1978	<ol style="list-style-type: none"> 1. Fax Transmission of Dep.Admin. Pedro Hernando Dated July 28, 2009. 2. Copy of the letter of Atty. Efren J. Sabong dated May 16, 2001. 3. Legal Opinion of DLA per Morandum DLA-E-190 4. Deed of Donation Dated March 28, 1978 5. Message of PM Rey Salvatierra Jan 23, 2001 6. Memorandum of Dir. Dansal dated August 30, 2000 7. Copy of the land inventory dated July 31, 1998 8. Copies of the Tax Declarations Nos. 96-02001-00364,C-01-1227 and B-01-3634 in the name of NFA. 	Land is untitled	Requested for certified true copies of File a petition for issuance of land latest tax declaration and deed of donation. In addition, the handling lawyer asked NFA CARAGA if the land is being utilized in accordance with the conditions of the deed of donation.	No reply
13,000 sq. m.	Poblacion Trento, Agusan Del Sur	Deed of Donation notarized on June 6, 1994	<ol style="list-style-type: none"> 1. Letter of Dep. Admin. Hernando the RD of Caraga dated July 28, 2009 2. Memorandum of Atty. Sabong. Department 	Land is untitled and there is a pending controversy before the	Requested for certified true copies of File a petition for issuance of	Determine first the result of the controversy pending

			<p>Manager of ARMD dated May 23, 2001.</p> <p>3. Letter of FIDA administrator to NFA dated May 28, 2001</p> <p>4. Letter of DENR to FIDA in connection to the controversy pending before their office which was dated February 20, 1996.</p> <p>5. Letter of Atty. Sabong to FIDA administrator dated April 25, 2001.</p> <p>6. Copies of Tax declaration No.96-12001-03239, GRC-01-1408-1, B-01-2676-1 in the name of NFA</p> <p>7. Deed of Donation notarized on June 6 1994.</p> <p>8. Inventory of Land dated June 30, 1997.</p> <p>9. Memorandum and its attachment regarding the request for the issuance of deed of donation dated January 11, 1994.</p>	DENR that the land was surveyed for the Prov. of Agusan	land latest tax declaration and deed of donation. In addition, we have asked NFA CARAGA to update us on surveyed for the Prov. Of Agusan.	<p>before the DENR because there is a possibility that the land is already titled in the name of the Province.</p> <p>No reply</p>
20,605 sq. m.	Babah, Prosperida, Agusan Del Sur	Deed of Donation dated March 3, 1975	<p>1. Letter of Dep. Admin Hernando dated July 28, 2009.</p> <p>2. Letter of Sanggunian Secretary Atty. Caupayan dated October 17, 1997 furnishing us a copy of resolution 443 revoking the deed of donation in favor of NFA.</p>	<p>1. The Land is titled.</p> <p>2. The Prov. Govt. of Agusan revoked the Deed of donation through a resolution</p>	Requested several documents and inquired if NFA is using the land in accordance with the conditions of the deed of donation. If not, do we still need the land?	No reply

			<p>3. Letter of Sanggunian Secretary Atty. Caupayan dated August 11, 1998 furnishing us a copy of resolution 293 revoking the deed of donation in favor of NFA.</p> <p>4. Tax Declaration No. C18-1378-A in the name of NFA.</p> <p>5. Tax Declaration No. 491 in the name of Luciana Huiso.</p> <p>6. Tax declaration No. 12933 in the name of NFA</p> <p>7. Tax declaration No. 12932 in the name of NFA</p> <p>8. Deed of Donation dated March 3, 1975</p> <p>9. Letter of the provincial manager dated July 30 1980</p> <p>10. Letter of the real Estate tiling committee dated June 23 1975</p> <p>11. Realty Tax clearance April 15, 1975</p> <p>12. Letter of the Provincial Governor to NFA dated July 21, 1980</p> <p>13. Photo copy of OCT No. P-6706</p>			
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5,000 sq. m.	Caliguian Burgos, Isabela Province	Deed of Donation March 2 1987	<ol style="list-style-type: none"> 1. FAX Message of Dep.Admin. Hernado RD. Reside dated July 28, 2009. 2. Deed of Donation Dated March 2, 1987 photo copy. 3. Sketch of the Land 4. Memorandum 2004 ISA-J-03 informing NFA central office regarding the status of the Land in Isabela occupied by NFA. 5. Narrative report of the titling process in Isabela 6. Segregation survey of Burgos SGC Lot. 7. Sketch of the land in blue print 8. Tax Declarations in the name of the Heirs of Zacarias Malbas donor of NFA 	Land remained untitled and some of the NFA structures traverse the land of a certain Mr. Bruno	Requested certified true copies of several documents	<p>NFA-Isabela submitted the document.</p> <p>Return of some documents due to the reason that they were not stamped as certified true copies and request of additional documents.</p> <p>For preparation of petition for issuance of original certificate of title.</p>
5,000 sq. m.	Camarag, San Isidro, Province	Deed of donation dated December 16, 1986	<ol style="list-style-type: none"> 1. FAX Message of Dep. Admin Pedro Hernando 2. Letter of former PM of Isabela, Carlito Go to Dir. Lucman former director of AMO dated January 13, 2005 	The land is occupied by NFA through an FLGC warehouse however the title of the land is still in the name of the original owner	Requested several documents.	NFA-Isabela forwarded