

RC

Social Housing Finance Corporation
BDO Plaza, 8737 Paseo De Roxas, Makati City

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION

Audit Observations and Recommendations

For the Calendar Year 2018

As at 31 December 2019

Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
		Action Plan	Person/Dept Responsible	Target Implementation Date			
2018 (1) AOM No. UC- 2018- 009	<p>OBSERVATION: Undistributed Collections (UC) totalling P430.326 million remain unposted to Loan Installments Receivable (LIR) due to the absence of a policy on the proper and timely distribution of UC to the appropriate individual ledgers of the member-borrowers (MBs). Thus, the UC and the LIR accounts were overstated and understated, respectively, by the same amount. Moreover, the General Ledger (GL) or controlling account for UC was not reconciled with the Subsidiary Ledger (SL) balances, resulting in a variance of P67.213 million, 84 percent of the GL balance. Both the over/understatement and variance affect the fair presentation of the account balances in the financial statements, contrary to Paragraph 15 of Philippine Accounting Standards (PAS) 1.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Prioritize allocation of payments of MBs who availed of the one-year updating and remedial accounts to MCR; Require the responsible/concerned operating unit/department to coordinate and reconcile the individual MBs with the CA account under the FCD. Submit work breakdown schedule to post and allocate UC for CY 2018 by at least: <ol style="list-style-type: none"> 65 percent of the UC by CY 2019 35 percent of the UC by CY 2020 Reconcile the variance between the SL and GL balances by at least: <ol style="list-style-type: none"> 65% of the UC by CY 2019 35% of the UC by 2020 	<ul style="list-style-type: none"> Reclassify UC on Remedial accounts to "Customers Deposits/Advances" account. Reclassify accounts under 'one year updating' to "Deferred Credits" and send out list of receipts to branches/collection unit for compliance 	<p>Remedial Division; Finance and Comptrollership Department (FCD)</p> <p>Operations Branches; FCD</p>	<p>December 2019</p> <p>December 2019</p>	<p>Partially Implemented</p> <p>Partially Implemented</p>	<p>Reclassification is not an option per COAs rejoinder based on AAR 2018</p> <p>Reclassification is not an option per COAs rejoinder based on AAR 2018</p>	<ul style="list-style-type: none"> Tagging of about 1,012 approved application has been completed UC to be reversed amounts to P17M. Tagging of about 1,500 approved applications has been completed. Estimated UC to be reversed amounts to P30.037M.

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		<ul style="list-style-type: none"> Hire programmers to create the HDH system 	ICTD; FCD; Operations-HDH	September 2019 <i>(Activities to reverse the UC, such as ledgering, collating copies of CMRs and AoCs for posting are on-going)</i>	Partially Implemented	Per suggestion of the Audit Committee. Management has decided to procure the collection monitoring program/system for these accounts through a third party. One of the options being considered is through Agency-to-Agency arrangement with DOST.	<ul style="list-style-type: none"> There is an on-going discussion between the SHFC-TWG and DOST.
		<ul style="list-style-type: none"> Send out list of receipts to Cagayan De Oro office for express lane accounts; Continuous reversal 	FCD: CDO Office	June 2019	Partially Implemented	-	<ul style="list-style-type: none"> Reversal of UC amounting to P 1.406 million already done
		<ul style="list-style-type: none"> Send out list of receipts to branches/collection unit for CAs compliance for AOC related accounts; Continuous reversal 	Operations FCD	March 2019	Partially Implemented	-	<ul style="list-style-type: none"> Reversed a total of P 8.031 M UCs under this category. Monthly UC has been reduced from an average of 20% to 11% since the implementation of the new program in March 2019.

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		<ul style="list-style-type: none"> For accounts with MBs not in masterlist, send out list of names and receipts to branches; and inform branches to advise community associations or would-be-substitute to use original MBs account number in paying amortizations so that their payment can be posted; Continuous reversal 	Operations FCD	July 2019	Partially Implemented	-	<ul style="list-style-type: none"> Reversal of UC amounting to P3.649 million done. Payments of MBs not yet in the database are not accepted in the OSIS.
		<ul style="list-style-type: none"> Make a periodic reversal to prevent accumulation or possible elimination for restructured accounts 	FCD	February 2019	Implemented	-	Reversed a total of P16.889 million from Jan 2019 to February 2019. Monthly reversal is being done; hence, accumulation is prevented.
		<ul style="list-style-type: none"> For NHMFC accounts, coordinate with NHMFC to continue with the reconciliation as we did before; Require NHMFC to submit electronic or photo copy of DCR which will be used in the reconciliation activity 	Operations, FCD	November 2019	Partially Implemented	-	The FCD has assigned a dedicated personnel to handle the coordination with NHMFC (reconciliation, identification of receipts and posting).
		<ul style="list-style-type: none"> For uncategorized accounts, assign a dedicated staff to do the reconciliation activity so that this account may be reduced or eradicated once categorized; 	FCD	November 2019	Partially Implemented	-	IN TOTAL, the 2018 UC balance has been reduced by P77M.

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	<p>e. Oblige the CAs to remit amortizations of MBs with the accompanying Remittance Report and Abstract of Collection reflecting the individual monthly payments by the MBs in accordance with the Collection Agreement</p> <p>f. Require the ICTD to enhance the database to include the HDH projects and all other accounts not yet in the database</p>	Fully Implemented					
	<p>e. Require the NHMFC to submit listing of MBs relative to the transferred accounts amounting to P83.570 million</p>	For NHMFC accounts, coordinate with NHMFC to continue with the reconciliation as we did before; Require NHMFC to submit electronic or photo copy of DCR which will be used in the reconciliation activity	Operations, FCD	November 2019	Partially Implemented	-	The FCD has assigned a dedicated personnel to handle the coordination with NHMFC (reconciliation, identification of receipts and posting).
	<p>f. Formulate policy on number of days within which to distribute/allocate payments made by MBs to avoid the accumulation of UC</p> <p>g. Improve and update guidelines on substitution of MBs to avoid further accumulation of UC every year.</p>	Fully Implemented					
(2) AOM NO. IMPA IRME NT - 2018-13	<p>OBSERVATION: Assets of SHFC amounting to P21.031 billion were not stated at their fair value due to the absence of policy on the assessment, measurement and recording of the impairment losses as required under Philippine Accounting Standards (PAS) 36 and 39 for CY 2018, thus, casting doubt on the reliability and valuation of the corporate assets.</p> <p>RECOMMENDATION: Formulate policy/guidelines on the assessment, measurement and recording of impairment losses of its recorded assets as required under PAS 36 and 39 for CY 2018.</p>	Hire a Consultant to assist SHFC.	FCD, Facilities and Administrative Support Division (FASD), Engineering Department	December 2019	Partially Implemented	-	The procurement process for the hiring of the Consultant has already commenced. The Terms of Reference was signed by the President on 15 November 2019 and submitted to the Bids and

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							Awards Committee (BAC) on the same day.
(3) AOM No. MCR-2018-012	<p>OBSERVATION: A variance of P608.73 million between the General Ledger (GL) and Subsidiary Ledger (SL) balances of the Mortgage Contracts Receivable – Community Mortgage Program (MCR-CMP) account as at December 31, 2018 casts doubt on the accuracy, reliability and validity of the account, contrary to Section 111 of Presidential Decree (PD) 1445 and Paragraph 15 of Philippine Accounting Standard (PAS) 1.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Require the responsible/concerned operating unit/department to coordinate and reconcile the individual MBs with the CA account under the FCD. Reconcile the variances between the SL per CA and SL per MBs as well as SL and GL balances of P608,772,920 by at least: <ol style="list-style-type: none"> 65 percent of the variance by CY 2019 35 percent of the variance by CY 2020 Require the Information and Communication Technology Department (ICTD) to assist the Finance and Comptrollership Department (FCD) in enhancing and developing efficient and effective database. 	Conduct a one-time reconciliation and adjustments of balances using the figures generated from the newly developed system (OSIS)	FCD, ICTD	December 2019 <i>(Preliminary activities, such as batch processing of MB ledgers and generation of balances are on-going)</i>	Partially Implemented	-	<ul style="list-style-type: none"> ▪ Conduct a batch processing of MB ledgers using the newly developed system (OSIS) ▪ Generate summary of balances as of September 30, 2005 and Dec. 31, 2009 for 1994-2005 taken out projects and 1989-1993 taken out projects; ▪ Generate summary of balances as of June 30, 2019 for all MBs ▪ Reconcile and effect the variances between the transferred CA balances and actual MB balances ▪ Reconcile and adjust the GL balances based on the

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							actual SL balances.
(4) AOM No. LR-HDH-2018-005	<p>OBSERVATION: A High Density Housing Project (HDHP) amounting to P725.379 million was not completed within the period as stipulated in the Building Construction and Site Development Agreement and Notice to Proceed with a slippage of 857 days, or almost two and a half years, as of December 31, 2018, depriving the Informal Settler Family (ISF)-beneficiaries living in waterways and danger areas with affordable and decent housing, resulting in the non—attainment of the objectives of the Program and even non-recovery of the Corporate investment in housing projects.</p> <p>RECOMMENDATIONS:</p> <p>a. Compute for and demand the payment of liquidated damages from the Contractor, pursuant to Article XI of Building Construction and Site Development Agreement.</p> <p>b. Implement the following remedies provided in the Agreement against the Contractor:</p> <ul style="list-style-type: none"> - Give written notice to the Contractor to proceed with such work and to perform such agreement. - If the Contractor fails to do so within 7 days from receipt thereof, the HOA and SHFC shall have the option to proceed against the bond and enter the premises and to employ any other contractor to complete the work at the expense of the Contractor. <p>c. As part of due diligence in future projects, ensure that SHFC undertake assessment of the contractor/developer and that loan releases are made only on the basis of duly validated Statement of Work Accomplishment pursuant to Sections 8 and 9 of Corporate Circular HDH No. 14-002 dated March 31, 2014.</p>	<p style="text-align: center;">Not Applicable</p> <p>SHFC has no direct contract/arrangement with the Contractor engaged by the HOA, thus, we cannot enforce the COA recommendation. Contractual obligations are between the HOA and their Contractor which is the RDCC. On 20 March 2019, the HOA issued "Notice of Contract Termination" terminating the services of RDCC.</p>					
(5) AOM No. MOO E-2018-002	<p>OBSERVATION: Absence of month-to-month contract extension for janitorial and security services with expired contracts in CYs 2017 and 2018 is contrary to the contrary to the Revised Guidelines on the Extension of Contracts for General Support Services issued by the General Procurement and Policy Board (GPPB) and Republic Act (RA) 9184,. Payments amounting to P98.219 million were made for the services rendered.</p> <p>RECOMMENDATIONS:</p>						

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	a. Immediately subject the janitorial and security services to the procurement process through competitive bidding. b. Strictly comply with RA No. 9184 on the rules and regulations on the procurement of support services.	Undergo procurement process through competitive bidding for the janitorial and security services a. Manpower and General Services which include janitorial b. Security Services	End user/ TWG/BAC End user/ TWG/BAC	- -	Fully Implemented Fully Implemented	- -	Contract with DBPSC was signed on 16 April 2019. Contract with DBPSC was signed on 14 November 2019.
(6) AOM NO. CNA- 2018- 21	OBSERVATION: Collective Negotiation Agreement (CNA) incentive amounting to P5.658 million was granted by SHFC to its 230 officers and employees despite having fallen by below the required accomplishment of targets based on SHFC's Performance Scorecard on Key Performance Indicators as approved by the Governance Commission for GOCCs (GCG), contrary to DBM Budget Circular No. 2018-05. RECOMMENDATION: Make representation with the GCG for the final score of the Corporation based on the GCG-approved Performance Scorecard.	Concerned department will follow-up on the result of the GCG Validation on SHFC's 2018 Performance	Compliance Office	January 2019	Partially Implemented	Continuing negotiation with GCG.	The meetings with GCG took place on 1 August 2019 and on 22 November 2019. The GCG and SHFC settled on some of the issues pertaining to the accomplishment of SHFC for SM1 (<i>which is being contested by SHFC because the GCG imposed its own target</i>), provided that a stronger justification will be submitted by Management and substantiated by its Board. The SHFC Board on its 09

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							December 2019 meeting approved the Management proposal. The SHFC will again push for the GCG reconsideration of its appeal which will now be supported by a Board Resolution.
(7) AOM NO. REC- 2018- 15	<p>OBSERVATION: Past due/in-default car loan amortizations amounting to P2.225 million of eight retired officers and former members of the Board of Directors remain uncollected as of December 31, 2018, contrary to the Implementing Rules and Regulations (IRR) of the SHFC Officers Vehicle Acquisition Assistance Program (VAAP), resulting in the non-recovery or loss of the funds expended for the car loan program.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Immediately collect the total car loan obligation from the retired officers and former members of the Board. Extra judicially enforce the Deed of Reconveyance or Deed of Sale and/or Chattel Mortgage Agreement and immediately repossess the motor vehicle from the Officer concerned. Exercise immediately the legal remedies provided under the IRR of the SHFC Officers VAAP. 	<p>Pursue the immediate implementation of legal remedies stipulated in the IRR of the VAAP which is initially to issue final demand letter/s to the six (6) Officer-availee/s who are in default and to implement strict monitoring of amortizations/payments.</p> <p>Enforce the signed Deeds of Reconveyance to repossess the motor vehicles in favor of the SHFC.</p>	HRSB	March 2019	Partially Implemented	-	<p>Of the six former SHFC employees/officers, 4 have already fully paid. These are:</p> <ol style="list-style-type: none"> Mr. Rene Carreon (Member of the Board) Ms. Joyce Daniel Ms. Emilia Lanuza Ms. Avemar Tan <p>The other two employees/officers who have balances are:</p> <ol style="list-style-type: none"> Ms. Maripy

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							<p>Marcos (with balance of P5,000.00) ; and</p> <p>2. Ms. Apolonio Tolentino (delinquent with demand letter)</p> <p>Additionally, our HRSB has started to implement full deduction of the outstanding balance from the last salary of the retiring or resigned officers.</p>
(8) AOM No. PPE-2018-004	<p>OBSERVATION: Unserviceable equipment items with an acquisition of P1.567 million which have long been stored and occupying space in the office, remain un-disposed, contrary to Section 79 of PD No. 1445 and COA Circular Nos. 89-296 and 2004-008, resulting in further deterioration.</p> <p>RECOMMENDATION: Gather/restructure available data required for the immediate disposal of all unserviceable property and equipment in accordance with the modes prescribed under COA Circular No. 89-296.</p>	Comply with the COA recommendation.	FASD/ FCD	Q3 2019	Fully Implemented	-	<p>On 26 November 2019, our Admin and FCD officers personally inquired with DENR and TESDA for possible donation. Said offices informed our officers that they no longer accept unserviceable properties/items. Instead, they advised that we</p>

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							<p>look for junkshops (at least 3) who are interested to buy the properties/items by lot as additional income for SHFC.</p> <p>We have already invited two junkshops to visit our warehouse, namely: Myrna's Junkshop - Pasay C/o Elmer del Rosario CP# 09076249975; Form Trading - c/o Ann tel #834134235; and AB Marquez Trading - 7533-A Santillan St., Brgy. Pio del Pilar, Makati City.</p> <p>We will furnish COA of our disposal report upon completion in January 2020.</p>
(9)	OBSERVATION:						
AOM NO. CE-2018-	The two Collecting Tellers were outsourced personnel, not officially designated and not accordingly bonded, contrary to Sections 101 of Presidential Decree (PD) No. 1445 and Sections 4.1 and 6.2 of Treasury Circular No. 02-2009,	Fully Implemented					

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003	<p>exposing the Corporation to the risk of non-replacement/recovery of government funds in case of shortages, defalcations and unrelieved losses.</p> <p>RECOMMENDATION: Properly designate and secure approved bond from the Bureau of the Treasury for employees whose duties require the possession or custody and control of government funds or property.</p>						
	<p>OBSERVATION: Fidelity bonds of two former Accountable Officers of the Treasury Department were still renewed, despite their having transferred to other departments and whose functions do not require the possession, custody or control of funds or properties, contrary to Section 7.4 of Treasury Circular No. 02-2009, thus, entailing unnecessary expenses in the form of premium payments.</p> <p>RECOMMENDATIONS:</p> <ul style="list-style-type: none"> a. Submit the request for the cancellation of the Fidelity Bond of the Two Accountable Officers who no longer function as such pursuant to Section 7.4 of Treasury Circular No. 02-2009 b. Strictly monitor the period of effectivity of the Fidelity Bonds of Accountable Officers and do not renew the bond on its expiration of those whose function no longer require the possession, custody and control of government funds. 				Fully Implemented		
	<p>OBSERVATION: Eight pieces/set of unused CMRs and two pieces/set of unused ORs were detached from the booklet being currently used by the Tellers during the cash count, contrary to Section 123 of PD No. 1445 which may result in the possible misplacement or loss of unused CMRs/ORs or even unauthorized/fraudulent collection of funds.</p> <p>RECOMMENDATIONS:</p> <ul style="list-style-type: none"> a. Stop the practice of detaching CMRs/ORs from the booklet if not for immediate issuance. b. Exercise due care and keep the accountable forms intact and attached to the booklet. 				Fully Implemented		

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	<p>OBSERVATION: One piece of CMP and one piece of OR were pre-signed by one Teller who was on leave of absence for the period July 3, 2018 up to July 29, 2018, defeating the objectives of internal control, thus, exposing the Corporation to the risk of unauthorized or fraudulent collection and possible loss of public funds.</p> <p>RECOMMENDATIONS: a. Immediately discontinue the practice of pre-signing CMRs and ORs. b. Strictly implement sound internal control, especially on the issuance of accountable forms.</p>	Fully Implemented					
	<p>OBSERVATION: There were 28 CMRs cancelled due to various deficiencies of information on the checks received by the Tellers/Cashiers for payment, contrary to the Clearing House Operation Memorandum (CHOM) No. 15-460A issued by the Philippine Clearing House Corporation, resulting in the accumulation of unpaid housing loan amortizations and additional cost of the Corporation for cancelled CMRs.</p> <p>RECOMMEDATION: Exercise due care in scrutinizing the checks presented for payment to ensure completeness and correctness of information on the face of the check.</p>	Fully Implemented					
	<p>OBSERVATION: A total of 155 ORs and CMRs were due to laxity in the preparation of Order of Payment and the preparation and printing of the receipts, resulting in the incurrence of additional cost to the Corporation due to the accumulation of spoiled accountable forms.</p> <p>RECOMMENDATIONS: a. Require the Accounts Management Department to exercise utmost due care in the preparation of Order of Payment and in the printing of CMRs and ORs and to verify correctness of information in the Order or Payment to avoid spoilage. b. Require the tellers of the Cash Management Department to submit monthly report of cancelled accountable forms stating the reasons for cancellation, including the complete set of all the cancelled accountable forms.</p>	Fully Implemented					

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	<p>OBSERVATION: Monthly reports of Accountability for Accountable Forms (MRAAF) Without Money Value by each Cashier were not prepared and submitted to COA, contrary to Section 100 of PD No. 1445, resulting in the delay in the conduct of the mandatory audit and difficulty in the reconciliation and monitoring of accountable forms received and issued at any given month.</p> <p>RECOMMENDATION: Immediately require all Cashiers to prepare the MRAAF every fifth of the following month and submit to COA for the mandatory audit.</p>	Fully Implemented					
	<p>OBSERVATION: The Head Cashier also acts as the Petty Cash Custodian, contrary to Section 123 of PD No. 1445, defeating the purpose of internal control on the proper segregation of duties and responsibilities to reduce the risk of error or fraud. Likewise, replenishments were not properly recorded in the petty cash book, resulting in incomplete recording of transactions details for easy monitoring and reconciliation.</p> <p>RECOMMENDATIONS:</p> <p>a. Segregate the functions of the Head Cashier and Petty Cash Custodian to two employees for sound internal control.</p> <p>b. Require the accountable Officer to properly accomplish the cashbook by recording transactions chronologically, showing in the Particulars column the details of the transactions and posting the corresponding amounts in the debit and credit columns before showing the balance.</p>	Fully Implemented Please see Office Order No. (Annex "A")					
	<p>OBSERVATION: There were 380 General Fund 1 (LBP) checks with covering serial numbers 468921 to 469300 which were printed in the old format and no longer acceptable to banks based on memo Circular Nos. 3126 of the Philippine Clearing House Corporation (PCHC).</p> <p>RECOMMENDATION: Cancel all checks in the old format and submit to the Office of the Auditor with proper report as corroborating evidence for proper disposal.</p>	Fully Implemented					

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(10) AOM NO. IR- 2018- 17	<p>OBSERVATION: Public bidding was not conducted on the acquisition of insurance provider to manage the Group Mortgage Redemption Insurance (MRI) of loan borrowers of the Community Mortgage Program (CMP) and other similar home financing programs of SHFC, contrary to republic Act (RA) No. 9184, otherwise known as the Government Procurement Reform Act, thus, defeating the principles of transparency, accountability, equity, efficiency and economy.</p> <p>RECOMMENDATION: Strictly comply with the provision of RA No. 9184 to conduct of public bidding for the provisions of the group MRI to loan borrowers.</p>	<p>As instructed by the Board, the following are to be undertaken by the Management:</p> <ul style="list-style-type: none"> Creation of a Technical Working Group (TWG) on the acquisition of new insurance provider Development of process flow in the processing of insurance claims pending the procurement of new insurer The Legal Department will send notice of Termination of services of the present insurer Drafting of the Terms of Reference (TOR) Putting up of a Trust Fund pending the procurement of a new insurer. 	Insurance Division/ Legal Department/ Treasury Group/OEVP/ OP	Within 6 months from release of Notice of Termination	Partially Implemented	-	<p>Our Board has approved the opening of the Trust Account with Landbank of the Philippines (LBP) as interim arrangement and we have complied with the requirements of the latter. We are awaiting the reply of OGCC to our request for review (27 November 2019) of the Trust Agreement prepared by LBP.</p> <p>Our officers have also consulted the Insurance Commission on 18 December 2019 and they recommended that we explore the option of getting the services of GSGS as interim insurer.</p> <p>Only then can we proceed with actual bidding.</p>

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(11) AOM NO. SHFC - 2018-16	<p>OBSERVATION: A total of 161 Disbursement Vouchers (DVs) amounting to P76.963 million for CY 2018 remained un-submitted as of audit date, contrary to Section 107 of PD No. 1445, Sections 7.1.1 and 7.2.1 (a) of COA Circular No. 2009-006 and Section 6.5 of COA Circular No. 95-006, delaying the conduct of mandatory post-audit and the timely implementation of audit recommendations should there be audit observations noted.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Immediately submit the 161 DVs with complete supporting documents for the conduct of mandatory post-audit. Strictly adhere to the provisions of PD No. 1445, COA Circular Nos. 2009-06 and 95-006 on the submission of DVs to COA. 	Fully Implemented					
(12) AOM NO. SHFC - MOOE 2018-20	<p>OBSERVATION: Acquisition of four Drones, or remote-controlled system aircraft, amounting to P260,000 intended for its Regional Operations Offices for the survey of project sites was not supported with proper documentation, contrary the Philippine Drone Regulations and the Manual of Standards of Aerodromes by the Civil Aviation Authority of the Philippines (CAAP). Moreover, in addition to the Environment Compliance Permit (ECC), DENR requires all project proponents to undertake an Engineering Geological and Geohazard Assessment.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Submit the documents on the planning for the purchase of the drones including the specifications and intended benefits of the equipment purchased to justify its necessity. Issue the equipment to the concerned unit for the immediate use in accordance with the intended purpose. 	Fully Implemented					
(13) AOM No. Travel 1-2018-22	<p>OBSERVATION: Travel expenses amounting to P70,884 incurred for the Learning Exchange Program were not in accordance with the mandate of SHFC as provided under Executive Order No. 272. Moreover, airline ticket rebooking and other fees amounting to P13,212 were charged to travel expenses.</p> <p>RECOMMENDATION: Demand for the refund of the travel expenses totalling P84,096,</p>	<p>Fully Implemented</p> <p>In its letter dated 03 July 2019, COA considered the justification presented by SHFC for the expenses incurred in the Learning Exchange Program. Only the following amounts will be refunded by SHFC: P24,000 (penalty fee for double booking) and P8,596.00 (travelling expenses for missed flight). SHFC has already paid the said amounts. Attached are photocopies of the receipts (Annex 'B').</p>					

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	otherwise, the disbursement shall be disallowed in audit.						
(14) AOM No. 1-2018-23	<p>OBSERVATION: Procurement of airfare tickets was still made through direct booking or travel agencies, instead of procuring them from the Department of Budget and Management-Procurement Service (DBM-PS) under the Government Fares Agreement (GFA) using the Philippine Electronic Procurement System (PhilGEPS), contrary to the Government Procurement Policy Board (GPPB) Resolution No. 11-2017 and Sections 1, 2 and 6(b) of Administrative Order (AO) No. 17, series of 2011.</p> <p>RECOMMENDATION: Comply with the requirements of PhilGEPS in adopting GFA.</p>	<p>Not Applicable</p> <p>Pursuant to GPPB Resolution No. 21-2019 (Annex "C"), procuring entities are no longer mandated to purchase their airline tickets from the Government Fares Agreement of the Procurement Service (PS).</p>					
(15) AOM No. GAD-2018-001	<p>OBSERVATION: The amount allocated for Gender and Development (GAD) programs, projects, and activities (PPAs) was only P7.716 million or .003 percent, instead of P138.068 million which is five percent (5%) of the approved Corporate Operating Budget (COB) amounting to P2.761 billion, contrary to the Joint Circular No. 2012-01 issued by the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA) and Department of Budget (DBM). Out of this total allocation, only P2.931 million or 37 percent (37%) was utilized, reducing the opportunity of women and other concerned parties to participate and benefit from the GAD PPAs. Moreover, two out of the 12 planned GAD activities were not implemented.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Properly allocate or attribute GAD-related expenses to maximize the use of the budget required to be allocated for GAD activities to conform strictly with the provisions under Paragraph 2.3 of Joint Circular No. 2012-01 issued by PCW-NEDA-DBM. Monitor properly the implementation of the planned GAD PPAs, which should be done as per schedule within the budget year, as approved by PCW. 	<p>Fully Implemented</p> <p>Please see attached Accomplishment Report of GAD for 2018 (Annex "D")</p>					

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Abot Kaya Pabahay Fund (AKPF)							
AOM No. AKPF - Impairment - 2018-006	OBSERVATION: Assets of AKPF amounting to P260.219 million were not stated at their fair value for CY 2018 due to absence of policy on the assessment, measurement and recording of impairment losses as required under PAS 36 and 39, thus, casting doubt on the reliability and valuation of the Fund's assets. RECOMMENDATION: Formulate policy/guidelines on the assessment, measurement and recording of impairment losses of its recorded assets as required under PAS Nos. 36 and 39 for CY 2018.	The AKPF Division in tandem with the FCD is proposing to hire a consultant.	TAD, FCD	December 2019	Partially Implemented	-	The procurement process for the hiring of the Consultant has already commenced. The Terms of Reference was signed by the President on 15 November 2019 and submitted to the Bids and Awards Committee (BAC) on the same day.
AOM No. AKPF -IP- 2018-011	OBSERVATION: Other Non-Current Assets composed of Foreclosed and Dacion en Pago Properties totaling to P180.870 million were presented in the Statement of Financial Position under the line item on Non-Current Assets instead of a separate line item of Investment Property, contrary to the International Accounting Standards (IAS 40), which may lead to misinterpretation of financial information relevant to economic decision of stakeholders. RECOMMENDATION: Properly classify the Other Non-Current Assets composed of Foreclosed and Dacion en Pago Properties to Investment Property, in compliance with IAS 40.	Reclassify the Other Non-Current Assets composed of Foreclosed and Dacion en Pago Properties to Investment Property in compliance with IAS 40.	Fully Implemented Reclassified to Investment Property per JV No. 2019-021 dated 31 January 2019.				
AOM No. AKPF - Insurance- 2018-007	OBSERVATION: The House and Building Structures with Appraised value of P20.789 million lodged under the Other Non-Current Assets account of the Abot-Kaya pabahay Fund (AKPF) were not enrolled for Fire and Other Allied Perils Insurance (FAPI) coverage with the Government Service Insurance System (GSIS), contrary to Section 5 of Republic Act (RA) No. 656, Memorandum Circular No. 634, s.1973 of the Office of the	The SHFC-AKPF will enrol the house and building structures of the AKPF projects for Fire and Other Allied Perils Insurance (PAFI) with the Government Service Insurance System (GSIS).	Fully Implemented The Insurance Premium for Fire and Other Allied Perils Insurance (FAPI) of the AKPF Projects in the amount of Eighty One Thousand One Hundred Forty Four & 48/100 (Php81,144.48) was paid on December 10, 2019 per OR# 8450003786.				

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	<p>president, and Section 3 of COA Circular No. 2018-002, thus, exposing SHFC to the risk of non-indemnification of insurable assets in case of loss arising from fire, theft, earthquake, storm and other fortuitous events.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Immediately enrol the House and Building Structures component of the Foreclosed Properties and Other Assets and Other Allied Perils Insurance Coverage with the GSIS; and Adhere strictly to the provisions of RA 656, MC 634 and COA Circular 2018-002. 						
AOM No. AKPF - TCTs - 2018-010	<p>OBSERVATION:</p> <p>A total of 2,205 Transfer Certificates of Title (TCTs) of the Foreclosed and Dacion en Pago Properties booked under Other Non-Current Assets were not yet consolidated in the name of SHFC, considering that foreclosure proceedings and settlements in kind had been undertaken as early as 2002, or more than 16 years, causing delay in the disposal of the property and exposing the housing structures to further deterioration.</p> <p>RECOMMENDATIONS:</p> <ol style="list-style-type: none"> Prioritize the transfer of the TCTs of the Foreclosed and Dacion en Pago Properties in the name of the SHFC. Facilitate disposal of the properties to recover the funds invested into housing. 	The SHFC-AKPF has been prioritizing the transfer of titles to SHFC's name and will facilitate the disposal of the properties to recover the exposure of the Corporation.	TAD/GSD	2020	Partially Implemented	<p>Reasons for delay which are beyond SHFC-AKPF's control:</p> <ol style="list-style-type: none"> Slow processes in other agencies like RD, BIR and Assessor's Office. Request for certified true copies of titles as one of the requirements for the assessment of CGT/EWT is limited only to at most 20 titles per day. Redundant requirements being asked by different agencies (BIR, RD, Assessor's & Provincial 	<p>Updates on the transfer process as of 31 December 2019:</p> <p>A. Transferred to SHFC's name</p> <p>1. Evergreen Subdivision – titles were already consolidated in the name of SHFC as of July 2018, however, the expropriation case involving some lots in this subdivision affected by the Subic-Clark-Tarlac Expressway (SCTEX) is still pending with the</p>

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						Government for the transfer tax.	<p>Court hence, the same cannot be disposed of at this time.</p> <p>2. Cristina Homes 1 – titles were already consolidated in the name of SHFC as of November 14, 2019.</p> <p>B. With RD for issuance of new titles</p> <p>1. Olympia Village</p> <p>C. For submission to BIR/for payment of CGT/EWT</p> <p>1. Villa Rita Subdivision</p> <p>2. Juel Country Homes</p> <p>3. Plainville Homes</p> <p>4. Cristina</p>

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							<p>Homes 2</p> <p>D. For securing of remaining of remaining requirements (Certified True copy of titles, Certificate of No Improvement, Tax Declaration & Tax Clearance</p> <p>1. UPLB-ONAP UP Village</p> <p>2. CATbalogan City Homes</p> <p>E. For application of abatement</p> <p>1. Malinoville Subdivision</p> <p>2. Villa Felipe Heights Subdivi</p>

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							sion
AOM NO. AKPF -RPT-2018-18	<p>OBSERVATION: Real Property Taxes (RPT) amounting to P4.735 million under the Due to Local Government Units (LGUs) account remain unpaid as of December 31, 2018 despite having been accrued for one year to over seven years, contrary to Republic Act No. 7160, or the Local Government Code of 1991. This may result in the delay of consolidation of titles in the name of SHFC as this constitutes lien on the property, or may even lose the property if the LGU concerned avails of the remedies by administrative action thru levy on real property or by judicial action.</p> <p>RECOMMENDATIONS:</p> <p>a. Immediately pay the required RPT to avoid:</p> <p>i. Accumulation of interests and penalties.</p> <p>ii. Losing the property if LGU avails of remedies by administrative action thru levy on real property or by judicial action.</p> <p>iii. Delay in the consolidation of titles in the name of SHFC to facilitate disposal.</p> <p>b. Follow up status of the ongoing cases filed for speed disposition of the properties.</p>	<p>For the 2 projects, Palao Country Homes and La Vista Cruz Subdivision, SHFC-AKPF will pay the RPT while Rivera Heights Subdivision, the issue on ownership should be resolved first prior to payment of RPT.</p> <p>The action plans as discussed during the TWG meeting held on 23 August 2018:</p> <p>1. Secure the certified true copy of the titles.</p> <p>2. Determine if the REM is carried over to the new titles, if not, SHFC will annotate.</p> <p>3. Based on the result of the first two activities, determine the appropriate action/complaint to be filed against the LGU for the recovery of the titles.</p>	TAD/Legal/TWG	<p>For La Vista Cruz – done</p> <p>For Palao Country Homes – Done</p>	Partially implemented	<p>Status of the 3 projects under the “Due to LGUs” account:</p> <p>1. La Vista Cruz Subdivision – payments of RPT as of June 2019 was delivered on June 6, 2019.</p> <p>2. Palao Country Homes – Payment of RPT for the years 2005-2019 amounting to Php2.5M was delivered on December 23, 2019.</p> <p>3. Rivera Heights Subdivision</p> <p>On the first action plan, we were able to</p>	

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							<p>secure a copy of one of the new titles under the name of the LGU/Province and fortunately, the annotation of the REM are carried over in the new titles.</p> <p>TAD report on this undertaking was already forwarded to the members of the TWG.</p>

Agency Sign Off:

ATTY. RONALDO SACO

OIC-SVP for Corporate and Governance

ATTY. LEO DEOCAMPO

OIC-SVP for Operations

RUBEN LASET

OIC-SVP for People, Partners, Policy and Enforcement

Noted By:

ATTY. JUNEFE G. PAYOT

Executive Vice President

Date: _____