

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

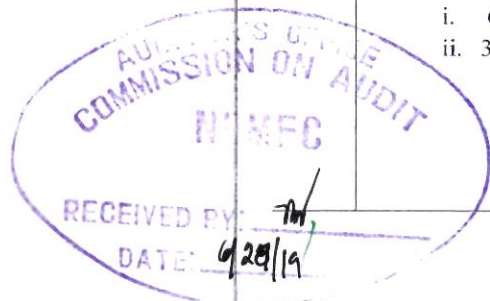
AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION


Audit Observations and Recommendations

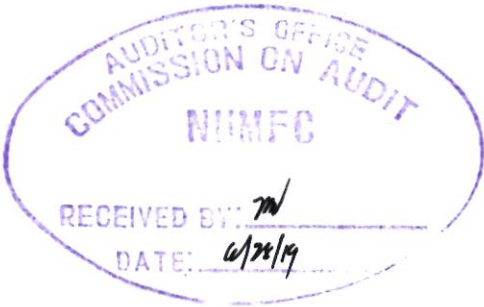
For the Calendar Year 2018

As at 25 June 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			
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 is on-going UC to be reversed amounts to P17M. Tagging of about 1,500 approved applications is on-going; and Estimated UC to be reversed amounts to P27.5M

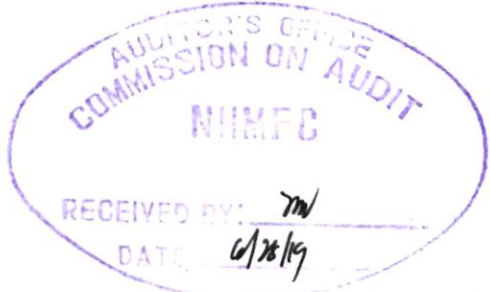


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		<ul style="list-style-type: none"> Hire programmers to create the HDH system 	ICTD; FCD; Operations-HDH	September 2019 (Activities to reverse the UC, such as ledgering, collating copies of CMRs and AoCs for posting are on-going)	Partially Implemented	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"> The TWG who will assist the BAC in the procurement process has been created. (Attachment 1). FCD will process the reversal of UC.
		<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 and continuing	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 and continuing	Partially Implemented	-	<ul style="list-style-type: none"> Reversed a total of P 1.524 million UCs under this category
		<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 	Operations FCD	July 2019	Partially Implemented	-	<ul style="list-style-type: none"> Reversal of UC amounting to P3.649 million done.

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		<ul style="list-style-type: none"> reversal 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
		<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	-	<ul style="list-style-type: none"> The FCD has previously coordinated with NHMFC regarding these accounts (Attachment 2). The FCD has assigned a dedicated personnel to handle the coordination with NHMFC (reconciliation, identification of receipts and posting) – Attachment 3.
		<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	-	<p>The FCD has assigned a dedicated personnel to handle UC categorization and reconciliation activities (Attachment 3).</p> <p>IN TOTAL, UC ACCOUNT WILL BE REDUCED BY</p>

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	e. Oblige the CAs to remit amortizations of MBs with accompanying Remittance Report and Abstract of Collection reflecting the individual monthly payments by the MBs in accordance with the Collection Agreement.	ICTD's implementation of the CAIS Kiosk and SHFC Portal to generate Statement of Account (SOA) and Abstract of Collection (AOC) online. This will provide all relevant and necessary information pertaining to CMP loans.	ICTD, Operations	2 May 2019	Implemented	-	P68M OR 15.80% FROM P430M (2018 Balance)
	f. Require the Information and Communication technology Department (ICTD) to enhance the database to include the HDH projects and all other accounts not yet in the database.	Implementation of ZEUS.	ICTD		Implemented	-	-
	g. Require the NHMFC to submit to database listing of MBs relative to the transferred accounts amounting to P83.570 million.						
	h. Formulate the policy on the number of days within which to distribute/allocate payments made by MBs to avoid the accumulation of UC.	ICTD's implementation of the CAIS Kiosk and SHFC Portal	FCD, Treasury, ICTD	May 2019	Implemented	-	With the implementation of Kiosk and Portal, processing of payments reduced to 2-3 days.
	i. Improve and update guidelines on substitution of MBs to avoid further accumulation of UC every year.	Amendments to the substitution guidelines.	Operations/ Management	May 2017	Implemented	-	Amendments to the substitution guidelines were already implemented through Corporate Circular Nos 16-046 and 48, series of 2017 (Attachment 4).

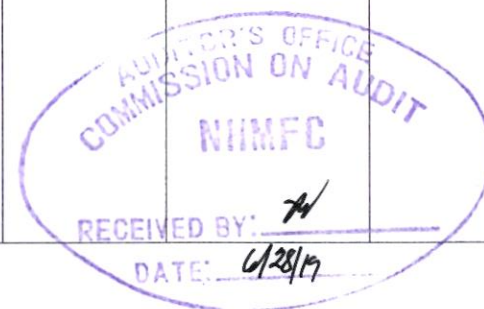


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							The Credit Committee has also been tasked to scrutinize while fast-tracking the substitution process. A new accreditation and substitution committee was formed and approved by the Board on 13 June 2019.
AOM NO. IMPA IRME NT - 2018-13	<p>OBSERVATION: Assets of SHFC amounting to P19.189 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> 	In its previous reply, SHFC explained and manifested that SHFC intends to hire a consultant. However, COAs advice was to seek approval from them before proceeding with the consultancy procurement. In conformity, SHFC management sent a letter-request to COA GAS on July 17, 2018 requesting for a directive on the matter. The same letter was reiterated on Nov.06 of the same year.	FCD, Facilities and Administrative Support Division (FASD), Engineering Department	December 2019	Partially Implemented	-	<p><i>Action Taken:</i> SHFC has received the COA-CGS, Cluster 2 reply on 24 June 2019 stating that: it is the responsibility of Management to formulate the internal guidelines and; advice on hiring of the Consultant is not within COA's function (Attachment 5).</p> <p><i>Actions to be Taken:</i></p> <ul style="list-style-type: none"> In view of the response from COA which does not

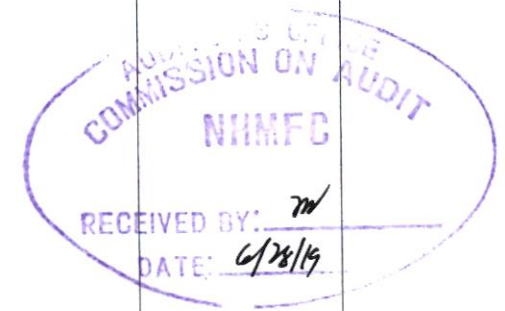
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							prohibit the hiring of a Consultant, our FCD-General Accounting Division will proceed with the procurement of a Consultant to help in the formulation of policies and will propose for the creation of a TWG to draft the TOR.
AOM No. MCR-2018-012	<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

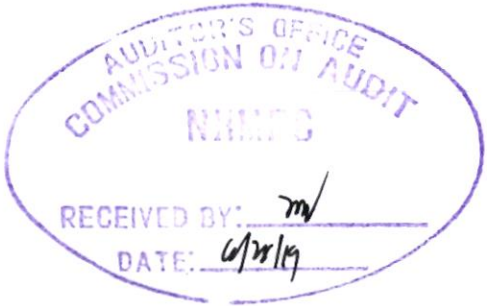


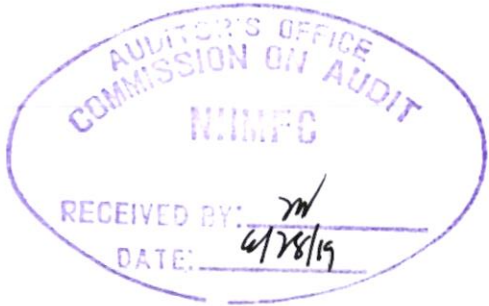
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							summary of balances as of June 30, 2019 for all MBs <ul style="list-style-type: none"> Reconcile and effect the variances between the transferred CA balances and actual MB balances Reconcile and adjust the GL balances based on the actual SL balances.
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><i>*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.</i></p> <p><i>*On 20 March 2019, the HOA issued "Notice of Contract Termination" terminating the services of RDCC (Attachment 6).</i></p>	N/A	N/A	N/A	N/A	N/A



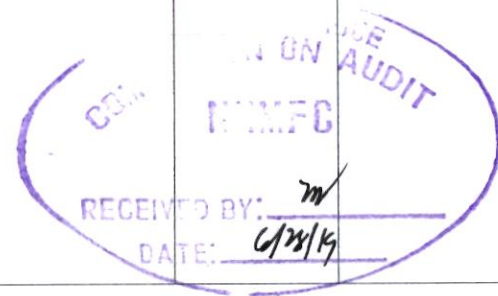
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	c. As part of due diligence in future projects, ensure that SHFC undertake assessment of the contractor/developer and that loan releases are made only on the basis of duly validated Statement of Work Accomplishment pursuant to Sections 8 and 9 of Corporate Circular HDH No. 14-002 dated March 31, 2014.	Subject the chosen Contractor to accreditation requirements of SHFC.	Partner Relations Department (PRD)	June 2019	Implemented	-	SHFC has subjected the HOA's chosen Contractor (CDJ Construction) to PRD's accreditation requirements and a Notice of findings to CDJ has been issued on 21 June 2019 (Attachment 7). Created the Engineering Department to monitor and validate projects accomplishment (Office Order No. 18-0925). (Attachment 8)
AOM No. MOO E-2018-002	<p>OBSERVATION:</p> <p>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> <p>a. Immediately subject the janitorial and security services to the procurement process through competitive bidding.</p> <p>b. Strictly comply with RA No. 9184 on the rules and regulations on the procurement of support services.</p>	<p>Undergo procurement process through competitive bidding for the janitorial and security services</p> <p>a. Manpower and General Services which include janitorial</p>	End user/TWG/BAC		Implemented	-	Contract agreement was signed and



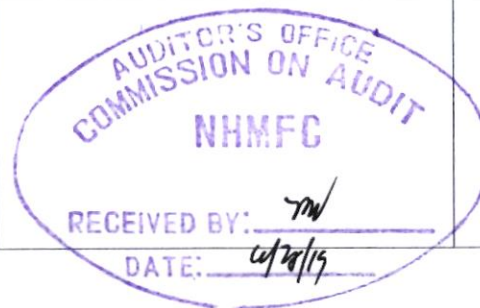
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		b. Security Services	End user/ TWG/BAC		On-going	<p>Changes in the schedule of requirements and technical specifications and; reconstitution of the BAC</p> <p>08 February 2019 – received the revised technical specification from the TWG.</p> <p>11 March 2019 – Approved Memo endorsing the schedule of requirements and technical specifications from the TWG approved by the HOPE</p> <p>19 March 2019 – the submitted schedule of requirements and technical specifications was endorsed to the previous BAC and returned to the TWG for</p>	<p>notarized on 16 April 2019 between SHFC and DBPSC (Attachment 9”).</p> <ul style="list-style-type: none"> Constituted a new BAC to handle the bidding for the security services (Attachment 10) The revised technical specifications have been submitted by the TWG for approval of the President.

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						<p>compliance</p> <p>27 March 2019 – The 1st pre-procurement of security services</p> <p>28 March 2019 – issuance of Office Order No. 19-0979: Reconstitution of the BAC</p> <p>3 April to 3 May 2019 – preparation, review and revision of the bidding documents</p> <p>10 May 2019 – issuance of Office Order No. 19-0096: reconstitution of BAC</p> <p>28 May 2019 – The BAC Secretariat issued a memo to the BAC Chair on security services</p> <p>7 June 2019 – BAC meeting for consultancy, manpower and security services and series of meetings for</p>	

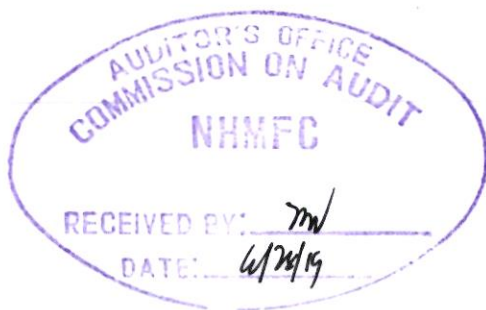
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						clarification of issues	
AOM NO. CNA-2018-21	<p>OBSERVATION: Collective Negotiation Agreement (CNA) incentive amounting to P5.658 million was granted by SHFC to its 230 officers and employees despite having fallen by below the required accomplishment 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.</p> <p>RECOMMENDATION: Make representation with the GCG for the final score of the Corporation based on the GCG-approved Performance Scorecard.</p>	Concerned department will follow-up on the result of the GCG Validation on SHFC's 2018 Performance	Compliance Office	June-July 2019	Partially Implemented	<ul style="list-style-type: none"> The last communication received from GCG was in 27 September 2018 wherein they stated that they will take into consideration the justifications cited by SHFC regarding performance concerns. 	<ul style="list-style-type: none"> Persistent verbal follow-ups were done since the latter part of 2018 but no feedback from GCG We have sent our follow-up letter to GCG (Attachment 11).
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>Six (6) Final Demand Letters were sent by the Legal Department on 30 April 2019 (Attachment 12)</p> <p>Three (3) out of the 6 avalees have updated and/or fully paid their accounts.</p> <p>One has fully paid her obligations on</p>



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							<p>25 June 2019 (Attachment 13).</p> <p>One has informed that her obligations will be settled immediately through full payment while I has no response as of this date. These avalees will again be referred to the Legal Department for further legal remedies.</p> <p>Monitoring of amortization payments is being implemented (Attachment 14).</p>
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	Partially Implemented	-	<p>Data is being collated based on the Checklist provided by COA.</p> <p>Members of the Disposal Committee will attend seminar on updated guidelines and procedure on the disposal of</p>



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							unserviceable properties in Q3, 2019.
AOM NO. CE-2018-003	<p>OBSERVATION:</p> <p>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, exposing the Corporation to the risk of non-replacement/recovery of government funds in case of shortages, defalcations and unrelieved losses.</p> <p>RECOMMENDATION:</p> <p>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>	The Treasury Group (TG) officers will request for additional plantilla personnel (cashiers/tellers).	HR – Training and Development Division/ Facilities and Administrative Support Division (FASD)	-	Implemented	Awaiting approval of additional plantilla positions for Cashiers/Tellers	The request for plantilla personnel was relayed to Management. As much as possible, only bonded plantilla personnel will be doing cashiering duties. During the few unavoidable heavy volume situations, the accountability is retained and being assumed by the Authorized Bonded Officers whenever (if ever) outsourced employees are utilized to mitigate the risk of non-replacement /



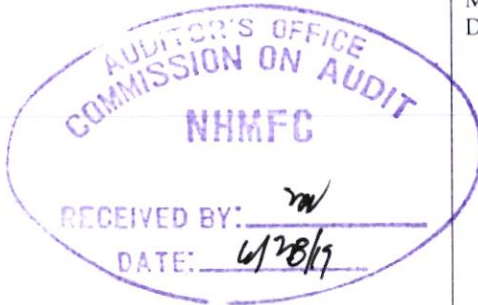
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	<p>OBSERVATION: Fidelity bonds of two former Accountable Officers of the Treasury Department were still renewed, despite their having transferred to other departments and whose functions do not require the possession, custody or control of funds or 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> <p>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</p> <p>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.</p> <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> <p>a. Stop the practice of detaching CMRs/ORs from the booklet if not for immediate issuance.</p> <p>b. Exercise due care and keep the accountable forms intact and attached to the booklet.</p> <p>OBSERVATION: One piece of CMP and one piece of OR were pre-signed by one</p>	<p>The TG officers will coordinate with FASD to strictly monitor the effectivity of Fidelity Bonds of Accountable Officers. Moreover, the Fidelity Bond will not be renewed upon expiry date.</p> <p>The TG Officers will remind the Treasury staff to strictly observe the policy and will ensure non recurrence in the future.</p>	<p>FASD</p> <p>Cashiers/Accounts Examiner/Cashier IV</p>	<p>Fidelity Bond expired last 4 June 2019</p> <p>Immediately</p>	<p>Implemented (Bond not renewed)</p> <p>Implemented</p>	<p>-</p> <p>-</p>	<p>non-recovery of government funds in case of shortages, defalcations and unrelieved losses.</p> <p>The TG officers coordinated with FASD to strictly monitor the effectivity of Fidelity Bonds of Accountable Officer. Fidelity Bond expired on 4 June 2019 (Attachment 15).</p> <p>Regular monitoring by the Head Cashier that the policy is strictly observed.</p>

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	<p>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:</p> <p>a. Immediately discontinue the practice of pre-signing CMRs and ORs.</p> <p>b. Strictly implement sound internal control, especially on the issuance of accountable forms.</p> <p>OBSERVATION:</p> <p>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:</p> <p>Exercise due care in scrutinizing the checks presented for payment to ensure completeness and correctness of information on the face of the check.</p> <p>OBSERVATION:</p> <p>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:</p> <p>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.</p> <p>b. Require the tellers of the Cash Management Department to submit monthly report of cancelled accountable forms</p>	<p>The TG Officers will remind the Treasury staff to strictly observe the policy and will ensure non recurrence in the future.</p> <p>The TG Officers will remind the Treasury staff to strictly observe the policy and ensure the completeness and correctness of the checks presented before accepting it for payment. In addition, doubts if any will be communicated to the Head Cashier in-charge prior to check acceptance.</p> <p>The TG officers will coordinate with the department in-charge of the processing of Order of Payment, as well as remind the Tellers/Cashiers to exercise due care in the preparation and printing of receipts.</p>	<p>Cashiers/ Accounts Examiner/ Cashier IV</p> <p>Cashiers/ Accounts Examiner/ Cashier IV</p> <p>Account Officers – Regional Operations Group/ Cashiers/ Accounts Examiner/</p>	<p>Immediately</p> <p>Immediately</p> <p>Immediately</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>-</p> <p>-</p> <p>-</p>	<p>Regular monitoring by the Head Cashier that the policy is strictly observed.</p> <p>Regular monitoring by the Head Cashier that the policy is strictly observed.</p> <p>Most of the errors were due to the transition new IT program installed by ICTD which were rectified thereafter. The</p>

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DATE: *6/28/19*

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	<p>stating the reasons for cancellation, including the complete set of all the cancelled accountable forms.</p> <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> <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: a. Segregate the functions of the Head Cashier and Petty</p>	<p>The TG Officers will remind/inform all Accountable Officers to strictly observe the deadlines for the Reports.</p>  <p>The TG will immediately implement as soon as new plantilla/regular positions will</p>	<p>Cashier IV</p> <p>Cashiers/ Account Examiner/ Cashier IV- Cash Management Department</p> <p>Management/ FASD/</p>	<p>Immediately</p> <p>Upon hiring of additional plantilla</p>	<p>Implemented</p> <p>On-going</p>	<p>-</p> <p>Awaiting approval of</p>	<p>TG Officers coordinated with the department in-charge of the processing of Order of Payment and reminded the Tellers/Cashiers to exercise due care in the preparation and printing of receipts. Moreover, submission of report to COA on cancelled accountable forms is monitored regularly.</p> <p>Regular monitoring of the monthly submission of MRAAF to COA on due dates is strictly observed.</p> <p>The TG will immediately</p>

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	<p>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> <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>	<p>be available. In the meantime, the Head Cashier as Authorized Bonded Officer will retain accountability for the Petty Cash Fund. The COA recommended procedure in posting in the cash book will be implemented.</p> <p>All checks in the old format will be immediately submitted to COA Auditor for proper disposal.</p>	<p>Managers/ Cashier IV/ Account Examiner</p> <p>Managers/ Cashier IV/ Account Examiner</p>	<p>positions.</p> <p>Request was made on 5 March 2019 and destruction of checks was executed on 7 May 2019 as witnessed by COA, FCD, IAD and Procurement Division (Attachment 16)</p>	Implemented	-	<p>implement as soon as new plantilla/regular positions will be available. In the meantime, the Head Cashier as Authorized Bonded Officer retains accountability for the Petty Cash Fund. Moreover, the recommended procedure in posting in the cash book was implemented.</p> <p>Immediately submitted to COA Auditor all checks in the old format for proper disposal. All checks in the old format were destroyed on 7 May 2019 as witnessed by COA, FCD, IAD and Procurement Division.</p>
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,</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 	Insurance Division/ Legal Department/ Treasury	Within 6 months from release of Notice of Termination	Partially Implemented	-	TWG was created (Attachment 17); TOR (Attachment 18).

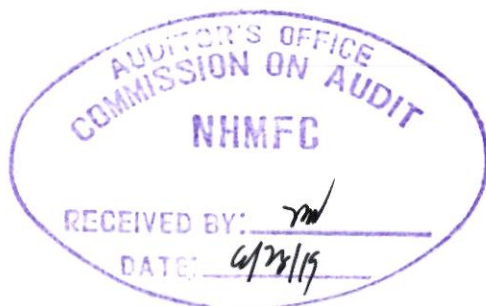
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	thus, defeating the principles of transparency, accountability, equity, efficiency and economy. RECOMMENDATION: Strictly comply with the provision of RA No. 9184 to conduct of public bidding for the provisions of the group MRI to loan borrowers.	processing 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.	Group/OEVP/OP				process flow (Attachment 19) were drafted; Setting up of Trust Fund is in process.
AOM NO. SHFC - 2018-16	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. RECOMMENDATIONS: a. Immediately submit the 161 DVs with complete supporting documents for the conduct of mandatory post-audit. b. Strictly adhere to the provisions of PD No. 1445, COA Circular Nos. 2009-06 and 95-006 on the submission of DVs to COA.	The TG will submit to COA Auditor as soon as possible. The TG also coordinated with Regional Coordination Division (RCD) and they agreed to come up with transmittal guidelines for regional offices to ensure compliance.	Accounts Examiner/ Cashiers	Immediately	Implemented. (Required DVs were submitted last 27 February 2019; 13 and 21 March 2019) – Attachment 20	-	The TG has submitted to COA Auditor the required DVs and coordinated with RCD to ensure transmittal to the Head Office.
AOM NO. SHFC - MOOE 2018-20	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. RECOMMENDATIONS: a. 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. b. Issue the equipment to the concerned unit for the immediate use in accordance with the intended purpose.	Submit justifications, including specifications and intended benefits of the equipment purchased (Attachment 21). Conduct training on how to use the equipment to employees (Attachment 22). Issue equipment to concerned units	FASD/OP/ HR- Training and Development Division FASD/OP	20 March 2019 10-11 April 2019 15-16 April 2019	Implemented Implemented Implemented	- - -	- - -

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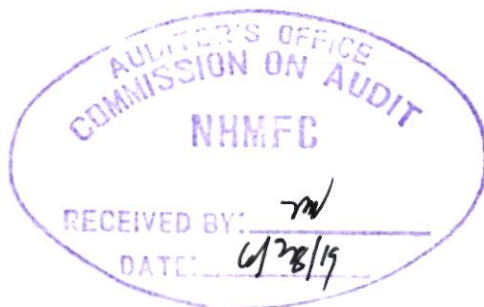
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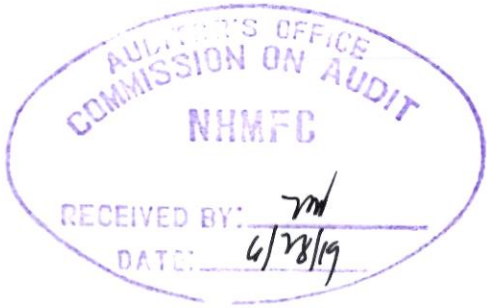
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Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
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		(Attachment 23).					
AOM No. 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, otherwise, the disbursement shall be disallowed in audit.</p>	Refer to letter request for reconsideration (Attachment 24.)					
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>	Formulate policies on the operationalization of GFA	FASD	July 2019	Partially Implemented	-	The representatives of OVP-MSD and Admin Dept. attended the orientation of PS-DBM on GFA on 19 June 2019. This aided the Admin Dept. in formulating policies on the operationalization of GFA at SHFC Head Office and Regional Offices. Said guidelines have been submitted for approval (Attachment 25).



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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: a. 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.</p>	<ul style="list-style-type: none"> Utilization rate of 2.36% for CY 2017, SHFC was able to increase its utilization rate to 38% for CY 2018 (increase of 35.64%). Continuously conduct gender sensitivity trainings to newly hired employees. Conduct gender sensitivity training for SHFC member beneficiaries. Quarterly GAD meetings and evaluation will be held among the focal point system committee and gender champions. 	GAD/ Community Enhancement Division	January to December 2019	On-going	-	<p><i>Completed Activities:</i></p> <ul style="list-style-type: none"> Gender Sensitivity Training for newly hired employees last 12 March 2019 GFPS Gender Sensitivity Training last 16-17 May 2019 GFPS Orientation on HGDG last 23-25 April 2019 Gender Sensitivity for the 106 communities associations in Palawan last 24 May 2019

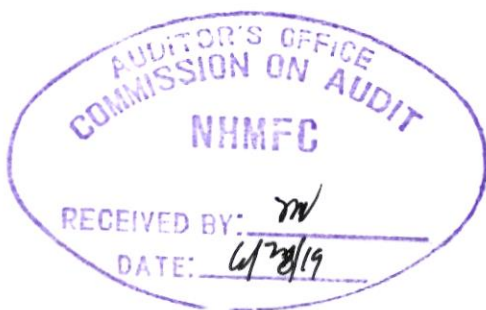


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	<p>b. Monitor properly the implementation of the planned GAD PPAs, which should be done as per schedule within the budget year, as approved by PCW.</p> 	<ul style="list-style-type: none"> Reconstituted GAD Focal Point System Committee to regularly review SHFC mandate, objectives, budget, policies and programs to ensure its GAD responsiveness. All groups to designate their focal person to lead and fast-track GAD implementation by the corporation and improve budget utilization Require all group heads to incorporate GAD activities in their Department Action Plan Hire personnel to be fulltime technical staff, specifically focusing on GAD program implementation, monitoring and evaluation 	GAD/Community Enhancement Division	January to December 2019	On-going	-	<p><i>To be undertaken:</i></p> <ul style="list-style-type: none"> Upgrading of day care center in Laguna, GAD 2020 Planning in July 2019 GST for CMP-Ms (Cebu) in August 2019; NCR in September 2019, etc. Office Order on the reconstitution of GFPS last 9 Feb 2019 Corporate wide memo on the integration of GAD activities on DAP last 28 Feb 2018 Hired Margeline Kate Moncada to be full time in GAD program implementation last 21 July 2018.

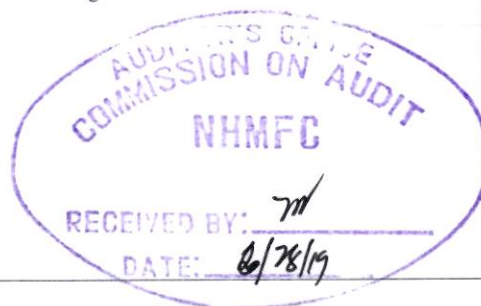
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AOM No. AKPF - Impairment - 2018-006	OBSERVATION: Assets of AKPF amounting to P260.219 million were not stated at their fair value for CY 2018 due to absence of policy on the assessment, measurement and recording of impairment losses as required under 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	-	<ul style="list-style-type: none"> As of this date, the TAD is coordinating with FCD and other concerned departments on the updates for the guidelines on assessment, measurement and recording of impairment losses. According to FCD, COA suggested to invite Mr. Jekell Solasagkol (COA's consultant) or other expert to conduct training and eventually becomes SHFC's consultant.
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:	Reclassify the Other Non-Current Assets composed of Foreclosed and Dacion en Pago Properties to Investment Property in compliance with IAS 40.	TAD	Done	Implemented	-	Reclassified to Investment Property per JV No. 2019-021 dated 31 January 2019.

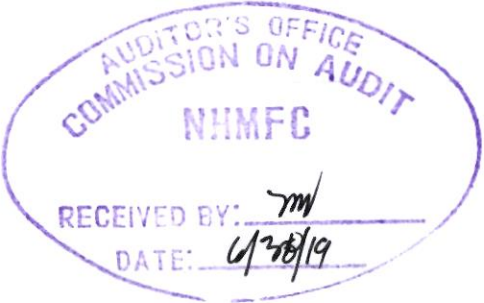


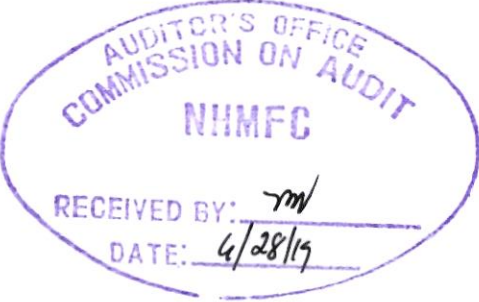
Ref.	Audit Observations and Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial/Delay/Non-Implementation	Action Taken/Action To Be Taken
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	Properly classify the Other Non-Current Assets composed of Foreclosed and Dacion en Pago Properties to Investment Property, in compliance with IAS 40.						
AOM No. AKPF - Insurance-2018-007	<p>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 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: a. 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 b. Adhere strictly to the provisions of RA 656, MC 634 and COA Circular 2018-002.</p>	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).	TAD	Q2 to Q4, 2019	On-going	-	<p>Activities to be undertaken:</p> <p>1. Validation of the extent of development of house and building structures to ensure insurability - done.</p> <p>- For preparation of inventory report.</p> <p>2. Coordinate with GSIS on the requirements and processes to facilitate the insurance of the projects – within 3rd Qtr</p> <p>- Inquiry was made with the Insurance Department of GSIS on the requirements and processes of</p>




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							insuring the housing structures to FAPI but we were advised to go back to them when the inventory of house and building structures are ready. 3. Enrollment for FAPI with GSIS – within 4 th Qtr
AOM No. AKPF - TCTs - 2018-010	<p>OBSERVATION: 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: a. Prioritize the transfer of the TCTs of the Foreclosed and Dacion en Pago Properties in the name of the SHFC. b. Facilitate disposal of the properties to recover the funds invested into housing.</p>	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. 	<p>Updates on the transfer process as of 15 June 2019:</p> <ol style="list-style-type: none"> 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



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						<p>3. Redundant requirements being asked by different agencies (BIR, RD, Assessor's & Provincial Government for the transfer tax.</p>	<p>(SCTEX) is still pending with the Court hence, the same cannot be disposed of at this time.</p> <p>2. Cristina Homes 1 – Payment of Registration fee/issuance of Certificate of Titles in subsequent Registration was delivered on 31 May 2019.</p> <p>3. Olympia Village – Awaiting for the release of Certificate Authorizing Registration (CAR)</p> <p>4. Cristina Homes 2 – For filing of reconstitution of 4 titles (including the mother title) which owner's copies cannot be located in RD Has secured</p>

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							<p>assessment of CGT/EWT but subject to renegotiation as per instruction of the Board.</p> <p>5. Villa Rita Subdivision – Paid 2019 RPT, has secured complete Tax Dec. and Certificate of No Improvement (CNI), and Certified true copy of 90 titles out of 313.</p> <p>6. Juel Country Homes – Paid 2019 RPT, has secured complete Tax Dec. and CNI, and 43 out of 320 Certified true copies of titles.</p> <p>7. Plainville Homes – Paid 2019 RPT. Segregated Tax Declaration-ready for pick up. For securing of certified true</p>

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							<p>copies of titles and CNI.</p> <p>8. UPLB-ONAPUP Village – Paid 2019 RPT. Has secured 100 Certified true copies of titles out of 165, 70 Tax Declaration and 70 CNI.</p> <p>9. Catbalogan City Homes – For payment of 2019 RPT. Has secured 100 certified true copies of titles out of 466.</p> <p>10. Villa Felipe Heights Subdivision – Paid 2019 RPT. Segregation of tax declaration is on-going.</p> <p>11. Malinville Subdivision – For payment of Basic EWT and Documentary Stamp Tax.</p>

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							12. Villa Aguila Subdivision (Has paid 51 amortizations out of 60) 13. Villa Victoria Subdivision (Fully Paid in June 2018) The transfer process for the last 2 projects will not be done by SHFC-AKPF but the buyer, Brakass Property Development.
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: a. Immediately pay the required RPT to avoid: i. Accumulation of interests and penalties. ii. Losing the property if LGU avails of remedies by administrative action thru levy on real property or by judicial action. iii. Delay in the consolidation of titles in the name of SHFC to facilitate disposal.</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> <ol style="list-style-type: none"> 1. Secure the certified true copy of the titles. 2. Determine if the REM is carried over to the new titles, if not, SHFC will annotate. 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. 	TAD/Legal/TWG	<p>For La Vista Cruz – done</p> <p>For Palao Country Homes – 3rd week of July 2019</p>	On-going	<p>For Palao Country Homes – We filed our request for updated assessment in January 2019. According to LGU, they started preparing the assessment of 632 TCTs only in April 2019 after the validation of payments made by the developer in 2005 had been done.</p>	<p>Status of the 3 projects under the “Due to LGUs” account:</p> <ol style="list-style-type: none"> 1. La Vista Cruz Subd (payments of RPT as of June 2019 was delivered on 6 June 2019. 2. Palao Country Homes (Awaiting the assessment of RPT. The assessment

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	<p>b. Follow up status of the ongoing cases filed for speed disposition of the properties.</p> <div data-bbox="441 1156 927 1466" data-label="Image"> <p>AUDITOR'S OFFICE COMMISSION ON AUDIT NHMFC RECEIVED BY: <u>[Signature]</u> DATE: <u>6/28/19</u></p> </div>						<p>is not yet available as of this date despite series of follow-ups.</p> <p>3. Rivera Heights Subdivision On the first action plan, we were not allowed by RD to get a copy of the title and we were advised to seek approval from their superior.</p> <p>We were allowed to check the new titles and fortunately, the annotation of the REM is carried over in the new titles, but we were not allowed to get a copy of the new titles. TAD report on this undertaking</p>

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							was already forwarded to the members of the TWG.

Agency Sign Off:

ATTY. RONALDO SAGO
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: _____

