

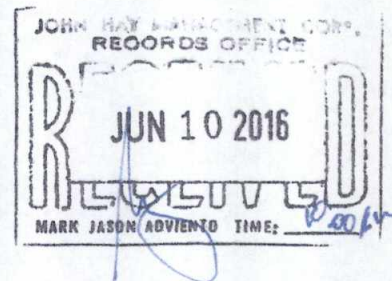


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue
Quezon City

John Hay Management Corporation
a member of the BCDA Group
OPCEO-IN-2016-0480

May 2, 2016

Ms. JAMIE ELOISE M. AGBAYANI, M.D.
President and Chief Executive Officer
John Hay Management Corporation
Camp John Hay
Baguio City



Madam:

We are pleased to transmit the Annual Audit Report of the John Hay Management Corporation for the year ended December 31, 2015 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided reasonable basis for the results of our audit.

A financial audit was conducted and was aimed at ascertaining the propriety of financial transactions, the accuracy of financial reports, the adequacy of accounting records, as well as the fairness of the presentation of the financial statements. Likewise, it was conducted to ascertain compliance with applicable laws, rules and regulations.

A qualified opinion was rendered on the fairness of the presentation of the financial statements of the Corporation.

The audit report consists of four parts. Part I contains the audited Financial Statements; Part II contains the Observations and Recommendations; Part III contains the Status of Implementation of Prior Years' Audit Recommendations; and Part IV is the Annex.

The audit observations and recommendations were discussed with concerned officials of the Corporation in an exit conference held on March 30, 2016. Management's comments were incorporated in the report, where appropriate. The following are the most significant audit observations and recommendations which are discussed in detail in Part II of this report:

- Accuracy of the balance of Accounts Payable of ₱17,786,847.75 could not be ascertained in view of their being outstanding from one to eighteen years and

the presence of negative balances totaling ₱1,557,080.01, contrary to Sections 98, 111 and 112 of Presidential Decree (P.D.) No. 1445.

We recommended that Management:

- a. institute or enhance the policy on accounts payable regarding its recognition with complete documentation, settlement, and reversion in accordance with the above-cited provisions of Section 98 of P.D. No. 1445;
 - b. verify and revert to retained earnings those payable accounts and long term liabilities that have been outstanding for two years or more and without valid documents. Adjust negative balances, when warranted;
 - c. consider the possibility of offsetting the payable accounts of persons who, at the same time, have receivable accounts;
 - d. consider hiring additional job order/contractual personnel to help in the validation of payables;
 - e. strictly comply with the provisions of Sections 111 and 112 of P.D. No. 1445 in order to have a better presentation of this account in the financial statements; and
 - f. stop the practice of setting-up payables without valid supporting documents.
- Disbursement vouchers totaling ₱516,887.53, representing payments for the salaries of an employee who has not been reporting for work, were processed and paid without supporting documents, contrary to the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (P.D. No. 1445) dated June 11, 1978, thereby, rendering said disbursements to be irregular and which might result in the loss of government funds, hence, were disallowed in audit.

We recommended that Management:

- a. Strictly comply with the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (P.D. No. 1445) dated June 11, 1978, as well as COA Circular No. 2012-001 in order to avoid the incurrence of unsupported disbursements; and
- b. Direct the persons liable to settle immediately the said disallowance or file an appeal within six months from receipt of the Notice of Disallowance, otherwise, the same shall become final and executory as prescribed under Sections 48 and 51 of P.D. No. 1445.

- The consultancy services entered into by the Corporation with the Benguet State University on the Prevention and/or Control of Pest and Disease Infestation/Infection within Camp John Hay's Forest Watershed Area in the amount of P220,000.00 remained not fully completed by the consultant, as of year-end, despite the lapse of two years from the Notice to Proceed. This resulted in the loss of the funds paid and the non-completion of the project which is detrimental to the preservation of the Camp John Hay's forest watershed area.

We recommended that Management require the concerned personnel to require the submission of the Terminal Report and assess and evaluate the same as to full compliance with the terms embodied in the said MOA, with recommendations also with regard to the completion of the project.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form, hereto attached, within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act for FY 2015 (Republic Act No. 10651).

We acknowledge the cooperation extended to the Audit Team by the officials and staff of the Corporation.

Very truly yours,



JOSEPH B. ANACAY

Director IV

Regional Director

