

# President's office fails COA audit

## Travel, 'donations' top Palace expenses

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Unliquidated cash advances, "loans" without records, donations diverted to uses not prescribed by donors, understated expenses and overstated accounts in the hundreds of millions of pesos, all sourced from taxpayers' money.

These irregular transactions in clear breach of government accounting and auditing rules mark financial transactions in the Office of the President (OP) under Gloria Macapagal Arroyo in 2007, according to a Commission on Audit (COA) report, a copy of which was obtained by the Philippine Center for Investigative Journalism (PCIJ).

The report on the presidency for 2007 contained 11 qualified comments and observations on these erroneous entries – mostly the same errors COA had noted in its 2006 audit of the same office.

COA also pointed out that of the 11 audit recommendations it made in the 2006 audit, only four were fully implemented, three partially implemented, and four not implemented at all by Malacañang.

Thus, for the second year in a row, COA rendered "a qualified opinion on the fairness of the presentation of the financial statements of the OP."

The OP Proper consists of "the Private Offices, the Presidential Assistant System, the Executive Offices, the General Government Administration Staff, the Internal Audit Service Unit, the Locally Funded/Foreign Assisted Projects, and the Other Executive Offices." The OP also "directly supervises 58 other executive offices, agencies, commissions, and committees that warrant the special attention of the President."

The OP kitty is obviously substantial. In 2007, the OP received total cash inflows of P3.38 billion, or 13 percent more than the P2.99 billion it got in

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2006. Of the 2007 figure, P2.31 billion came from notices of cash allocation from the Department of Budget and Management. The OP collected another P1.06 billion as its share in the net earnings of the Philippine Amusement and Gaming Corp. (Pagcor) and the Philippine Charity Sweepstakes Office (PCSO).

The OP likewise raised service income of P9.3 billion, interest income of P4.05 million, and miscellaneous income of P3.3 million.

COA said that the OP's total cash outflows reported in 2007 amounted to P2.67 billion, or 13 percent more than the P2.36 billion in 2006.

### Non-employees got money

Where those monies went can be gleaned from the COA audit - somewhat. In its latest audit of the presidency signed by COA Director IV Bato Alji Jr., the agency said that as of Dec. 31, 2007, Arroyo's Malacañang had:

- Failed to liquidate a total of P632.9 million of cash advances and receivables from officers, employees and other persons, on account of foreign and domestic travels that the President made, typically with a large retinue of political deputies and allies. Of the total, P594 million represented "cash advances granted to persons who are not employees of the OP"

- Diverted "donations" totaling P37.3 million to expenses "outside of intended purposes," contrary to provisions of the General Appropriations Act of 2007.

- Erroneously remitted and deposited collections on income from OP Bus Service Fares (P1.86 million collected from Malacañang employees) and entrance fees to the Presidential Museum (P1.74 million) for the Presidential Bureau of the Treasury (BTr), and not in the unappropriated surplus of the General Fund.

- Granted "loans" from the President's Social Fund (PSF) using money from Pagcor in CY 2003 and January 2004 totaling P269.5 million without complete records.

- Erroneously classified collections and disbursements on electricity and water expenses of other agencies and government-owned and -controlled corporations in the books of accounts, resulting in the understatement of Other Payables account by P4.1 million, and overstatement of the Due to Other NGAs and Due to GOCCs accounts by P4.1 million and P21,422.23, respectively. (NGAs are national government agencies and GOCCs are government-owned and -controlled corporations.)

- Failed to reconcile physical count of office supplies, as well as of property and plant equipment, with balances per books, resulting in "the overstatement/understatement of var-

ious supplies" and "casting doubt on their reliability."

- Failed to provide property, plant and equipment worth a total of P914.8 million with depreciation, "thus understating both the accumulated depreciation and depreciation expense accounts."

- Enrolled balances of P186.7 million as "Due to Other NGAs" and P42.07 million as "Due to Other GOCCs" accounts that remain "doubtful" because of "unreconciled beginning balance" of P181.9 million, and P42.05 million, respectively.

### Money changed hands

Of the P632.9 million in unliquidated cash advances and receivables, COA said P375.66 million was granted to various disbursing officers, including P222.98 million granted for foreign travels to just one Cashier.

Further verification by COA showed that the Cashier who was granted such cash advances had not been a member or party to such foreign travels. "The practice, the report stressed, "is an indirect violation" of COA Circular 97-002, which says the "transfer of cash advance from one accountable officer to another shall not be allowed."

The COA report added, "The cash advances on foreign travel granted to the Cashier who was not a party to the said travel could not directly or partially perform an act such as making disbursements and taking care of receipts where he/she is not present to such travel. This indicates that a person other than the one who was granted such cash advance made the disbursements abroad."

### Unbooked loans

Apart from unliquidated cash advances, COA for the second year in a row took issue with the unbooked "loans" that the president granted in 2003 and January 2004 under the so-called "Isang Bayan, Isang Produkto, Isang Milyong Piso" Program.

Mrs. Arroyo institutionalized the program under Executive Order 176 in 2002, supposedly "to stimulate local economic activity and growth of small and medium enterprises (SMEs)."

Under the program, the President allocated a million pesos each to every city or municipality in the country. The amount went to individual "borrowers" who were reportedly granted not a doleout but a "loan" with six-percent interest, payable every three months to the Land Bank of the Philippines, across a four-year period.

Mrs. Arroyo's EO listed, among others, the Land Bank and the Small Business Guarantee and Finance Corp. (SBGFC) as funding source-

es, and the Department of Trade and Industry (DTI) as the lead agency.

The funds were in truth sourced from the President's Social Fund (PSF), a discretionary account Arroyo controls, and which is funded by the presidency's share in the net earnings of Pagcor and PCSO.

But the COA audit of the PSF showed deficiencies in the Fund. These include P216.5 million "loans" granted in 2003, and P52.9 million granted in January 2004 - all not recorded in the books.

No subsidiary records were maintained for each "borrower," and neither were accomplishment and financial and terminal reports required and submitted, the COA revealed.

When COA requested records on the "loans," Malacañang's Director of Finance gave a peculiar explanation. According to the report, "(the) Finance Director...stated that all these documents are being stored in the Office of the Special Projects at the Presidential Management Staff and which were not submitted/attached along with the Dvs (disbursement vouchers) due to the bulkiness of such documents but can be available for verification anytime."

### Bus, museum fees

Another unusual error that COA discerned was the remittance or deposit of collections on income from OP Bus Service Fares (P1,856,218.88), entrance fees for the Presidential Museum (P1,742,261.88), and other miscellaneous income (full payments of sale of unseizable properties and 10-percent bid bond of winning bidders) in the Bureau of the Treasury (BTr) as a Special Account (Fund 184) in the General Fund.

COA said that in the absence of any authorized law, these amounts should have been deposited in the unappropriated surplus of the General Fund, and remitted to the National Treasury.

When sought for an explanation, Mrs. Arroyo's deputies said the Palace maintains several buses to service the employees in going to their office and vice-versa. For the maintenance needs of the buses, fares are collected from the riding employees.

COA found out though that Malacañang had billed the repair and maintenance of the buses from the General Fund, and "not from this Special Account."

Yet what might seem embarrassing and irregular at the same time is another COA finding: Mrs. Arroyo had used P37.3 million in "donations" her office received for reasons "outside of intended purposes," again in violation of the General Appropriations Act.

For the whole of 2007, the presidency received donations totaling P66 million:

- P90 million from the Manila Economic Cooperation Office in Taiwan;
- P5 million, with no particular purpose stated;
- P1 million for typhoon "Reming"; and
- P5,500 refund of financial assistance.

Of this total, COA said Mrs. Arroyo disbursed P68 million, including P37.3 million for the following unintended purposes of the donations:

| Purpose                   | Amount                |
|---------------------------|-----------------------|
| 1. Medical Assistance     | P13,433,078.35        |
| 2. Conferences/Seminars   | P2,761,800.00         |
| 3. Legal Assistance       | P1,214,103.91         |
| 4. Burial Assistance      | P1,104,500.00         |
| 5. Educational Assistance | P443,000.00           |
| 6. Others                 | P18,353,926.86        |
| <b>Total</b>              | <b>P37,310,409.12</b> |

It must be noted that years ago, a COA circular had disallowed using public funds as donations for burial assistance.

Why Mrs. Arroyo had to use these donations for purposes other than that prescribed by donors is a puzzle. Her presidency has, in fact, functioned like a virtual social welfare agency: in 2007, it disbursed "donations" totaling P618.6 million, or an average of P51.5 million a month, using her own agency budget and cash inflows.

This amount is a significant increase from the P427.7 million in "donations" that the Palace disbursed in 2006, or an average of just P35.6 million a month.

- With research by Isa Lorenzo