



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

# **ANNUAL AUDIT REPORT**

on the

# **BUREAU OF CUSTOMS**

**For the Year Ended December 31, 2021**



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

**National Government Audit Sector**  
**Cluster 2 - Oversight and Public Debt Management Agencies**

July 13, 2022

**Mr. REY LEONARDO B. GUERRERO**  
Commissioner  
Bureau of Customs  
Port Area, Manila

**Dear Commissioner Guerrero:**



We are pleased to transmit the Annual Audit Report on the **Bureau of Customs** for Calendar Year 2021 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 to: (a) ascertain the level of assurance that may be placed on the Management's assertion on the financial statements (FSs); (b) determine the propriety of transactions, as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency's improvement opportunities; and (d) determine the extent of the implementation of prior years' audit recommendations. Moreover, the audit was conducted in accordance with the International Standards of Supreme Audit Institutions. We believe that our audit provides a reasonable basis for rendering a qualified opinion on the fairness of the presentation of the FSs.

The report consists of the Independent Auditor's Report, the audited FSs, the Observations and Recommendations, the Status of Implementation of Prior Years' Audit Recommendations, and the Appendices.

We request a status report on the actions taken on the audit recommendations within 60 days from the date of receipt hereof pursuant to Section 91 of the General Provisions of the General Appropriations Act of FY 2021 (Republic Act No. 11518), using the attached Agency Action Plan and Status of Implementation, copy furnished the Department of Budget and Management, the Speaker of the House of Representatives, the President of the Senate of the Philippines, the House Committee on Appropriations and the Senate Committee on Finance.

We express our appreciation for the valuable support and cooperation extended by the officials and staff of the Agency.

Very truly yours,

  
**DARIA B. SISON**  
Director IV 

## **EXECUTIVE SUMMARY**

### **A. Introduction**

The Ministry of Finance, now Department of Finance (DOF), was reorganized under Executive Order (EO) No. 127 dated January 30, 1987. The Bureau of Customs (BOC), being one of the agencies under the DOF, also underwent reorganization. EO No. 46, signed on October 20, 2017, revived the Post Entry Audit Group in the BOC and renamed it as Post-Clearance Audit Group.

The BOC is the second largest revenue collecting agency of the government after the Bureau of Internal Revenue (BIR, and is mandated with the tri-mission of revenue collection, trade facilitation, and trade border protection. Section 202 of the Customs Modernization and Tariff Act (CMTA) mandated the BOC to perform, among others, the following functions:

- 1) Assess and collect lawful revenue;
- 2) Simplify and harmonize procedures to facilitate movement of goods in international trade;
- 3) Border control to prevent entry of smuggled goods;
- 4) Prevent and suppress smuggling and other frauds;
- 5) Facilitate and secure international trade and commerce through an informed compliance program; and
- 6) Enforce this Act and all other laws, rules, and regulations related to customs administration.

The BOC is headed by Customs Commissioner Reynaldo Leonardo B. Guerrero and assisted by six Deputy Commissioners and one Assistant Commissioner who supervise the groups as follows: (1) Internal Administration, (2) Assessment and Operations Coordinating, (3) Revenue Collection Monitoring, (4) Post-Clearance Audit, (5) Intelligence, (6) Enforcement, and (7) Management Information System and Technology, and has 17 Customs Collection Districts under the supervision of the Customs Commissioner.

As at December 31, 2021, it has 6,264 authorized plantilla positions, of which a total of 3,505 was filled up, and 801 Contract of Service personnel.

### **B. Financial Highlights**

The financial position, financial performance, and the sources and application of funds of the BOC for Calendar Year (CY) 2021, with comparative figures for CY 2020, are summarized in the next page.

Particulars	2021	2020 (As Restated) (in ₱)	(Increase/ (Decrease)
<b>Financial Position</b>			
Assets	28,281,123,660.86	20,560,636,222.95	7,720,487,437.91
Liabilities	13,927,626,416.14	9,975,180,048.00	3,952,446,368.14
Net Assets/Equity	14,353,497,244.72	10,585,456,174.95	3,768,041,069.77
<b>Financial Performance</b>			
Revenue	651,970,792,200.30	537,608,728,429.02	114,362,063,771.28
Net Subsidy	3,006,497,399.23	5,074,373,422.29	(2,067,876,023.06)
Non-Operating Income	433,882,928.34	583,191,717.58	(149,308,789.24)
Expenses	3,590,407,944.78	5,291,221,852.05	(1,700,813,907.27)
Surplus for the Period	651,820,764,583.09	537,975,071,716.84	113,845,692,866.25
<b>Sources and Application of Funds</b>			
Appropriations	2,985,420,280.00	2,932,878,009.11	52,542,270.89
Allotment Received	2,972,697,280.00	4,872,202,115.82	(1,899,504,835.82)
Obligations	2,775,167,916.70	4,669,938,942.98	(1,894,771,026.28)
Unobligated Balance	197,529,363.30	202,263,172.84	(4,733,809.54)

### C. Scope and Objectives of Audit

The audit covered the financial audit of the accounts and operations of the BOC for the year ended December 31, 2021. The audit was conducted to: (a) verify the level of assurance that maybe placed on Management’s assertions on the financial statements (FSs); (b) determine the propriety of transactions, as well as the extent of compliance with pertinent laws, rules and regulations; (c) recommend agency’s improvement opportunities; and, (d) determine the extent of implementation of prior years’ audit recommendations.

### D. Audit Methodology

We adopted a risk-based audit approach in the audit of the BOC’s FSs and in the review of compliance with laws, rules and regulations. The Audit Team which carried out the audit, among others, (i) examined financial and accounting procedures adopted by the BOC and other relevant documentation; (ii) assessed internal controls regulating financial operations and carried out compliance testing for determining the extent of control in operation; (iii) conducted substantive testing of a representative sample of selected transactions; (iv) carried out review, on test check basis, of a number of contracts and transactions related to movements in balances of assets, liabilities, revenues and expenses; and (v) conducted interviews and held discussions with the concerned officials and staff of the BOC-Central and Ports.

The results of the audit were communicated to the Head of the Agency and the concerned officials through the issuance of Audit Observation Memoranda.

#### **E. Independent Auditor's Report on the Financial Statements**

The Auditor rendered a qualified opinion on the fairness of presentation of the BOC's FSs as at December 31, 2021 due to material accounting errors that affected the balances of *Cash in Bank-Local Currency, Current Account, Cash-Treasury/Agency Deposit, Trust, Other Payables, Confiscated Property/ Assets, Tax Refund Payable, Miscellaneous Income and Accumulated Surplus/(Deficit)* accounts, as discussed in as discussed in *Part I - Independent Auditor's Report*, and in detail in *Part II - Observations and Recommendations* of this report.

#### **F. Summary of Significant Audit Observations and Recommendations**

The significant audit observations and corresponding recommendations discussed in *Part II* of this report are summarized as follows:

1. Various accounting errors and deficiencies in keeping the accounts of the BOC had affected the fair presentation of account balances reported in the FSs.

##### *Accounting Errors*

**We recommended and Management agreed to instruct the Accountant to analyze the related transactions and prepare the necessary adjusting entries to correct the aforementioned errors; and henceforth, observe the proper/correct recording of accounts and transactions in accordance with the Government Accounting Manual (GAM) for National Government Agencies (NGAs) and other applicable rules and regulations.**

##### *Accounting Deficiencies*

**We recommended and Management agreed to require the Accounting Division to correct the accounting deficiencies noted, in accordance with the relevant provisions of the GAM for NGAs.**

2. Lapses in the processing and monitoring of all imported items resulted in deficiencies in Customs Bond Warehouse (CBW) Entries, thus defeating the purpose of the posting of the bond as a financial guarantee in case the importer fails to comply with CBW requirements provided under the Customs Modernization and Tariff Act (CMTA).

**We recommended and Management agreed that the District Collector: (a) establish an adequate and effective internal control mechanism to ensure**

**that all CBW importers posted sufficient bonds for all their importations lodged under warehousing entry to protect the interest of the government; and (b) recommend to the Commissioner thru the Legal Service, a course of action to ensure payment, such as filing a collection case and suspension/cancellation of the accreditation of the delinquent importer as provided per CAO No. 01-2021, in case the CBW importer fails to perform his obligation.**

3. Lack of specific timelines in the disposition of abandoned/seized and forfeited goods/articles resulted in their delayed disposal ranging from 1 to 310 months, thus exposing these goods/articles to the risk of further spoilage/deterioration and forgone government revenues.

**We recommended and Management agreed to: (a) provide specific timelines for disposal of goods/articles subject to disposition under Section 1139 of the CMTA; and (b) require the ports to immediately dispose the goods/ articles subject to disposition to prevent further deterioration and loss of value.**

4. Absence of proper coordination and monitoring in the claims and utilization of Tax Credit Certificates (TCCs) and Value Added Tax (VAT) cash refund resulted in the: (a) non-submission of original documentary requirements such as import documents and certification from the Bureau of Internal Revenue (BIR); and (b) unwarranted issuance of a certificate of no outstanding obligations, thus, exposing the government funds from possible loss due to double payment and ineligible claim.

*a. Non-submission of the original import documents and certification from the BIR*

**We recommended and Management agreed to: (a) prepare proper monitoring reports for all claimed TCC/VAT cash refund containing all claimed importations of each claimant to avoid duplication of payment; (b) ensure that the subsequent claims are duly supported with complete documentation; and (c) strengthen coordination on all ports/divisions/offices involved in processing TCC and VAT cash refund and properly submit all the required original documents needed for the claim such as original BOC Official Receipt, bill of lading, commercial invoice, packing list, certificate of origin, and certification from the BIR of the processed TCC/VAT cash refund claims in CY 2021.**

*b. Non-submission of the original documentary requirements through the issuance of Tax Debit Memo (TDM) in CY 2021 totaling ₱1.082 billion*

**We recommended and Management agreed to submit all the documentary requirements of the processed TDM in CY 2021 and to prospectively submit all the supporting documents in every utilization of TCC thereof.**

- c. *Certification of No Outstanding Obligations issued to the claimant with outstanding liabilities amounting to ₱10.515 million*

**We recommended and Management agreed to: (a) investigate further all the claimants/importers with approved TCC and VAT cash refund claims and make the necessary actions based on the result of the investigation, to correct and collect double payments and to prevent the occurrence in the future; and (b) require the Collection Service to coordinate with other BOC offices in the preparation of the Certification of No Outstanding Obligations to avoid issuing certification to the claimant with outstanding obligations in the Bureau.**

5. The delayed implementation of the full automation in the computation of the assessment of automobiles in the e2m system has allowed the examiners and appraisers to manually compute and encode the excise/ad valorem tax resulting in a revenue loss estimated at ₱1.378 billion, based on sampled transactions in the Port of Manila (POM) and Manila International Container Port (MICP).

**We recommended and Management agreed to require the: (a) Management Information System and Technology Group (MISTG) to fully automate the e2m system and enable the automatic calculation of the excise/ad valorem tax for automobiles pursuant to Section 45 of the TRAIN Law, as amended, and pursuant to Sections 109 and 301 of the CMTA; (b) MISTG to include the Collection Districts to actively participate and coordinate in the development and user acceptance testing in the full automation of the e2m system in the calculation of excise/ad valorem tax for automobiles; (c) Office of the Commissioner/Post Clearance Audit Group to send demand letters to the concerned importers of MICP and POM for the under-assessment of excise tax and VAT; (d) LBD to submit original copies of Authority to Release Imported Goods (ATRIG) with the Manufacturer's/ Assembler's & Importer's Sworn Statement of Net Selling Price of the 663 entries; (e) MICP and POM to verify the 602 entries not found in the BIR database and determine the discrepancies with BIR records to enable reconciliation for final determination of entries released without ATRIG and computation of under-assessment, if any; (f) MICP and POM to make representation, coordinate and reconcile with BIR to determine the rationale for the discrepancies in the records of BOC and BIR for issued and processed ATRIG; and (g) examiners and appraisers to: (i) ensure that all importation of automobiles shall not be released from customs custody without payment of excise/ad valorem tax, and presentation of the original copy of the appropriate ATRIG duly issued by the BIR; and (ii) strictly comply with Customs Memorandum Order (CMO) No. 25-2010 dated February 1, 2010, regarding the BOC Function-Specific Code of Conduct in the performance of assessment functions.**

6. Duties and taxes for the importation of 765 commodities were understated by ₱105.108 million due to deficient computation of insurance, customs duty, VAT, and Container Security Fee, thus, resulting in possible loss of revenue.

**We recommended and Management agreed to instruct the POM and MICP to issue demand letters to the concerned importers on the deficient amounts with appropriate legal interests and surcharges, and henceforth, to strictly comply with Sections 3.1 and 3.2 of CMO No. 22-007, CMO No. 7-2014, CAO No. 4-2007 and CMO No. 30-2019.**

7. A total of 100,944 consumption entries with assessed duties and taxes of ₱122.146 billion had inconsistent and inappropriate tagging in the e2m system, contrary to the prescribed and provided fixed criteria, due to limited manpower and facility, thus affecting the BOC's efforts in fulfilling its mandate on revenue generation, border protection, and trade facilitation.

**We recommended and Management agreed to: (a) review the inconsistencies noted amounting to ₱122.146 billion and provide risk parameters used as the basis in the selectivity system; (b) coordinate with General Service Division on providing a secured and spacious facility with comprehensive dashboards to Risk Management Office; and (c) study the current parameters settings in the selectivity system of the e2m and ensure that it is regularly updated and conforms with the applicable laws, rules, and regulations.**

8. Lack of effective/strict monitoring and coordination in the process of accreditation of importers, which signifies lack of internal control, resulted in 974 importers who were not suspended/revoked appropriately by the BOC and were allowed to import 77,049 consumption entries with assessed duties and taxes amounting to ₱28.954 billion despite violations of laws, rules, and regulations.

**We recommended and Management agreed to: (a) instruct the Collection Districts to ensure that Account Management Office (AMO) is furnished of all the Warrant of Seizure and Detention/Abandonment Cases or any other notice involving violation of the CMTA and other customs laws, rules or regulations at the ports; (b) establish that all seizure/abandonment, smuggling cases and other violations are incorporated in the Offense Management System (OMS) to ensure that all offenses committed by importers are captured for proper monitoring; (c) provide AMO access to OMS as an aide in its monitoring of activities and compliance of importers/customs brokers; and (d) require AMO to: (i) maintain an organized and effective monitoring system of all violations of importers and ensure that proper actions are taken, as warranted; and (ii) strengthen coordination among concerned BOC offices to ensure that activities of importers/brokers are duly and strictly monitored.**



The aforementioned observations and the corresponding recommendations were discussed with concerned BOC officials and personnel in an exit conference on April 29, 2022. Management's views and comments were incorporated in the report, where appropriate.

#### **G. Status of Audit Suspensions, Disallowances and Charges**

For CY 2021, the Audit Teams issued Notices of Suspension (NSs), Notices of Disallowance (NDs), and Notices of Charge (NCs) totaling ₱1.546 million, ₱4.615 million, and ₱103,348.27, respectively. Total settlements made during the year were ₱20.960 billion, ₱88,206.81 and ₱356,712.17 for NS, ND and NC, respectively. The balances of NSs, NDs and NCs by port as at December 31, 2021, are presented in the table below.

Particulars	Balance January 1, 2021	This Period (January to December 2021)		Balance December 31, 2021
		Issued	Settlement	
(in ₱)				
NS	48,465,310,715.79	1,545,674.29	20,960,159,941.72	27,506,696,448.36
ND	427,745,629.65	4,615,021.88	88,206.81	432,272,444.72
NC	12,669,277,957.47	103,348.27	356,712.17	12,669,024,593.57
<b>Total</b>	<b>61,562,334,302.91</b>	<b>6,264,044.44</b>	<b>20,960,604,860.70</b>	<b>40,607,993,486.65</b>

#### **H. Status of Implementation of Prior Years' Audit Recommendation**

Of the 72 prior years' audit recommendations, 32 were fully implemented and 40 were not implemented, the details of which are presented in *Part III* of this report.

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**AUDITED FINANCIAL STATEMENTS**

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

**National Government Audit Sector**  
**Cluster 2 - Oversight and Public Debt Management Agencies**

**INDEPENDENT AUDITOR'S REPORT**

**The Commissioner**  
Bureau of Customs  
Port Area, Manila

*Report on the Audit of Financial Statements*

**Qualified Opinion**

We have audited the financial statements of the **Bureau of Customs (BOC)**, which comprise the statement of financial position as at December 31, 2021, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, , except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the **BOC** as at December 31, 2021, and its financial performance, changes in net assets/equity, cash flows, comparison of budget and actual amounts for the year then ended, and notes to the financial statements, in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Qualified Opinion**

The following accounting errors in the recording of transactions affected the reported balances of the accounts in the financial statements:

- 1) Unrecognized reconciling items overstating the *Cash in Bank-Local Currency, Current Account* balance by ₱102.456 million and understating the *Cash-Treasury Deposit Trust, Other Payables, and Accumulated Surplus/(Deficit)* by ₱2.025 million, ₱82,677.36, and ₱100.348 million, respectively;
- 2) Various confiscated assets were not recognized in the books of BOC resulting in the understatement of *Confiscated Property/Assets, Accumulated Surplus/(Deficit), and Miscellaneous Income* totaling ₱826.539 million, ₱11.693 million, and ₱814.846 million, respectively; and

- 3) Unrecognized Tax Credit Certificate (TCC), reversal of Tax Debit Memo (TDM) and expired TCCs in the books of BOC resulted in the net understatement of the *Tax Refund Payable* and *Accumulated Surplus/(Deficit)* by ₱56.776 million.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of the financial statements in accordance with the IPSASs, and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.




- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- Evaluate the overall presentation structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**COMMISSION ON AUDIT**

By:

  
**Atty. ARNEL P. BACARRA**  
Supervising Auditor  
May 5, 2022



# BUREAU OF CUSTOMS

MAKABAGONG ADUANA, MATATAG NA EKONOMIYA



PROFESSIONALISM

INTEGRITY

ACCOUNTABILITY

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the **Bureau of Customs (BOC)** is responsible for all information and representations contained in the accompanying Statement of Financial Position as at December 31, 2021 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the International Public Sector Accounting Standards and generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

**REY LEONARDO B. GUERRERO**

Head of Agency/  
Authorized Representative

\_\_\_\_\_  
Date Signed

**MARILOU A. CABIGON**

OIC- Financial Management Office

\_\_\_\_\_  
Date Signed

**CECILLE MARIE C. SORIANO**

OIC, Financial Service

\_\_\_\_\_  
Date Signed

*A Modernized and Credible Customs Administration That is Among the World's Best*

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**BUREAU OF CUSTOMS**  
**STATEMENT OF FINANCIAL POSITION**  
**ALL FUNDS**  
**AS AT DECEMBER 31,2021**  
(In Philippine Peso)

	<u>Note</u>	<u>2021</u>	<u>2020</u> (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	5	17,160,275,988.53	9,536,305,733.27
Receivables	6	1,003,017,339.23	100,739,512.59
Inventories	7	389,903,066.47	376,057,521.71
Other Current Assets	8	32,775,513.23	538,312.59
<b>Total Current Assets</b>		<b>18,585,971,907.46</b>	10,013,641,080.16
<b>Non-Current Assets</b>			
Receivables	6	4,419,461,998.07	5,834,284,092.42
Property, Plant and Equipment	9	4,307,130,056.18	3,781,574,493.87
Intangible Assets	10	729,227,008.62	690,141,349.14
Other Non-Current Assets	11	239,332,690.53	240,995,207.36
<b>Total Non-Current Assets</b>		<b>9,695,151,753.40</b>	10,546,995,142.79
<b>Total Assets</b>		<b>28,281,123,660.86</b>	20,560,636,222.95
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities Payables	12.1	632,478,079.11	914,746,954.42
Inter-Agency Payables	12.2	93,410,206.96	59,367,312.53
Trust Liabilities	12.3	5,718,979,602.04	962,615,909.66
Other Payables	12.4	9,788.96	533,800.05
<b>Total Current Liabilities</b>		<b>6,444,877,677.07</b>	1,937,263,976.66
<b>Non-Current Liabilities</b>			
Financial Liabilities Payables	12.1	2,999,469,383.08	4,296,573,289.31
Inter-Agency Payables	12.2	59,915,290.39	6,241,672.52
Trust Liabilities	12.3	4,423,364,065.60	3,735,101,109.51
<b>Total Non-Current Liabilities</b>		<b>7,482,748,739.07</b>	8,037,916,071.34
<b>Total Liabilities</b>		<b>13,927,626,416.14</b>	9,975,180,048.00
<b>Total Assets Less Total Liabilities</b>		<b>14,353,497,244.72</b>	10,585,456,174.95
<b>NET ASSETS/EQUITY</b>			
Accumulated Surplus/(Deficit)		14,353,497,244.72	10,585,456,174.95
<b>Total Net Assets/Equity</b>		<b>14,353,497,244.72</b>	10,585,456,174.95

*This statement should be read in conjunction with the accompanying notes.*

**BUREAU OF CUSTOMS**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Philippine Peso)

	<u>Note</u>	<u>2021</u>	<u>2020</u> (As Restated)
<b>Revenue</b>			
Revenue	13	647,829,338,249.97	535,069,575,561.84
Service and Business Income	14	4,131,571,804.36	2,539,152,866.72
Miscellaneous Income	15	9,882,145.97	0.46
<b>Total Revenue</b>		<u>651,970,792,200.30</u>	<u>537,608,728,429.02</u>
<b>Less: Current Operating Expenses</b>			
Personnel Services	16.1	1,804,276,847.87	1,705,632,307.45
Maintenance and Other Operating Expenses	16.2	1,431,839,755.57	3,336,782,806.83
Non-Cash Expenses	17	354,291,341.34	248,806,737.77
<b>Total Current Operating Expenses</b>		<u>3,590,407,944.78</u>	<u>5,291,221,852.05</u>
<b>Surplus (Deficit) from Current Operations</b>		<u>648,380,384,255.52</u>	<u>532,317,506,576.97</u>
Net Assistance/Subsidy	18	3,006,497,399.23	5,074,373,422.29
Non-Operating Income	19	433,882,928.34	583,191,717.58
Losses		0.00	0.00
<b>Surplus (Deficit) for the Period</b>		<u>651,820,764,583.09</u>	<u>537,975,071,716.84</u>

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*This statement should be read in conjunction with the accompanying notes.*

**BUREAU OF CUSTOMS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Philippine Peso)

	<b>Accumulated Surplus/(Deficit)</b>	
	<u>2021</u>	<u>2020</u> (As Restated)
<b>Balance at January 1, 2021</b>	<b>11,644,997,043.47</b>	10,637,573,250.81
<b>Add/Deduct:</b>		
Prior Period Adjustments/Unrecorded		
Income and Expenses	<b>308,059,131.48</b>	0.00
Other Adjustments	<b>(1,367,600,000.00)</b>	0.00
<b>Restated Balances</b>	<b><u>10,585,456,174.95</u></b>	<b><u>10,637,573,250.81</u></b>
<b>Add/Deduct:</b>		
<b>Changes in Net Assets/Equity for Calendar Year</b>		
Surplus/(Deficit) for the Period	<b>651,820,764,583.09</b>	537,975,071,716.84
Closing of Cash - Treasury/Agency Deposit - Regular	<b>(643,994,678,141.07)</b>	(533,901,333,435.37)
Closing of Cash-Constructive Income and Other Remittances	<b>(4,067,295,650.70)</b>	(4,125,855,357.33)
Closing of Cash-Constructive Disbursements	<b>9,250,278.45</b>	0.00
<b>Balance at December 31, 2021</b>	<b><u>14,353,497,244.72</u></b>	<b><u>10,585,456,174.95</u></b>

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*This statement should be read in conjunction with the accompanying notes.*

**BUREAU OF CUSTOMS**  
**STATEMENT OF CASH FLOWS**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Philippine Peso)

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	14,062,400,484.54	14,060,422,630.78
Collection of Income/Revenues	652,395,307,689.18	538,091,411,326.18
Collection of Receivables	0.00	4,664,301.52
Receipt of Inter-Agency Fund Transfers	400,000.00	0.00
Receipt of Intra-Agency Fund Transfers	1,768,179,711.01	1,756,907,020.03
Receipt of Trust Liabilities	7,146,116,116.53	1,478,815,971.15
Other Receipts	13,437,762.32	3,317,548.14
Adjustments	688,340,024,588.74	583,572,016,195.95
<b>Total Cash Inflows</b>	<u>1,363,725,866,352.32</u>	<u>1,138,967,554,993.75</u>
<b>Cash Outflows</b>		
Remittance to National Treasury	657,040,686,127.46	538,256,993,952.81
Payment of operating expenses	2,246,586,893.13	2,228,008,272.13
Purchase of Inventories	13,371,755.27	5,985,796.71
Purchase of Semi-Expendable Supplies	2,349,466.04	0.00
Grant of Cash Advances	17,786,773.00	18,154,823.38
Prepayments	18,401,078.54	2,988,952.31
Payment of Deposits	15,056,047.71	17,078,263.18
Payment of Prior Year's Accounts Payable	188,424,189.17	206,199,588.72
Remittance of Personnel Benefit Contributions and Mandatory Deductions	445,378,808.77	462,247,657.44
Release of inter-agency fund transfers	76,311,226.72	98,989,311.54
Release of intra-agency fund transfers	1,577,660,286.43	1,755,862,020.03
Payment from Trust Liabilities/Fund Transfers	7,339,275,355.56	4,113,367,679.04
Other Disbursements	1,373,383,757.15	548,135,215.08
Adjustments	685,489,364,297.39	589,835,107,145.96
<b>Total Cash Outflows</b>	<u>1,355,844,036,062.34</u>	<u>1,137,549,118,678.33</u>
<b>Net Cash Provided by (Used in) Operating</b>	<u>7,881,830,289.98</u>	<u>1,418,436,315.42</u>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	205,141,534.72	340,832,756.14
Purchase of Intangible Assets	52,718,500.00	116,811,000.00
<b>Total Cash Outflows</b>	<u>257,860,034.72</u>	<u>457,643,756.14</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>(257,860,034.72)</u>	<u>(457,643,756.14)</u>

	<u>2021</u>	<u>2020</u> <u>(As Restated)</u>
<b>Increase(Decrease) in Cash and Cash Equivalents</b>	<u>7,623,970,255.26</u>	<u>960,792,559.28</u>
<b>Add: Cash and Cash Equivalents, January 1</b>	<u>9,536,305,733.27</u>	<u>8,575,513,173.99</u>
<b>Cash and Cash Equivalents, December 31</b>	<u><u>17,160,275,988.53</u></u>	<u><u>9,536,305,733.27</u></u>

**BUREAU OF CUSTOMS**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**  
**ALL FUNDS**  
**For the Year Ended December 31, 2021**  
(In Philippine Peso)

PARTICULARS	Notes	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
<b>RECEIPTS</b>					
Tax Revenue	13	619,513,000,000.00	619,513,000,000.00	647,829,338,249.97	(28,316,338,249.97)
Services and Business Income	14	5,656,715,000.00	5,656,715,000.00	4,131,571,804.36	1,525,143,195.64
Miscellaneous Income	15	0.00	0.00	9,882,145.97	(9,882,145.97)
Others	19	1,162,761,000.00	1,162,761,000.00	433,882,928.34	728,878,071.66
<b>Total Receipts</b>		<b>626,332,476,000.00</b>	<b>626,332,476,000.00</b>	<b>652,404,675,128.64</b>	<b>(26,072,199,128.64)</b>
<b>PAYMENTS</b>					
Personnel Services	20	1,552,770,000.00	1,917,675,164.25	1,826,392,293.00	91,282,871.25
Maintenance and Other Operating Expenses	20	1,504,677,895.72	1,084,830,068.47	1,042,662,857.35	42,167,211.12
Capital Outlay	20	118,568,000.00	877,471,360.00	60,311,132.32	817,160,227.68
<b>Total Payments</b>		<b>3,176,015,895.72</b>	<b>3,879,976,592.72</b>	<b>2,929,366,282.67</b>	<b>950,610,310.05</b>
<b>NET RECEIPTS/PAYMENTS</b>		<b>623,156,460,104.28</b>	<b>622,452,499,407.28</b>	<b>649,475,308,845.97</b>	<b>(27,022,809,438.69)</b>

*This statement should be read in conjunction with the accompanying notes.*



**BUREAU OF CUSTOMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**1. General Information/Agency Profile**

The financial statements of Bureau of Customs (BOC) were authorized for issue on February 14, 2022 as shown in the Statement of Management Responsibility for Financial Statements signed by Rey Leonardo B. Guerrero, Commissioner, Bureau of Customs.

The BOC is an agency created on February 6, 1902 upon the passage of Act No. 355. It was reorganized on July 1, 1947 by virtue of Executive Order (EO) No. 94 and Republic Act (RA) No. 51. It also underwent re-organization when the Ministry of Finance, now Department of Finance was reorganized under EO No. 127 dated January 30, 1987.

The BOC operates primarily by means of the supervision of import and export operations, starting from the discharge of imported goods, storage, documentation, examination and appraisal, collections of duties and taxes, cargo movement, and export of products. Its service, also in part, meets the demands of airline passengers. The primary clients, as well as beneficiaries are the importers, exporters and brokers who, through their day to day transactions with the Bureau have to pay the corresponding duties and taxes levied on their cargoes and spend time and effort to have such cargoes cleared from Customs custody. The BOC provides them with assistance in bringing their goods in and out of the country.

**2. Statement of Compliance and Basis of Preparation of Financial Statements**

The accompanying financial statements have been prepared in accordance with the Government Accounting Manual (GAM) for National Government Agencies (NGAs) and the Revised Chart of Accounts per Commission on Audit (COA) Circular No. 2020-001 dated January 8, 2020 and complies with the Philippine Public Sector Accounting Standards (PPSAS) per COA Resolution No. 2014-003 dated January 24, 2014, renamed to International Public Sector Accounting Standards (IPSAS) under COA Resolution No. 2020-001 dated January 9, 2020.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

**3. Summary of Significant Accounting Policies**

**3.1 Basis of accounting**

The financial statements are prepared on an accrual basis in accordance with the IPSAS.

### **3.2 Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Petty Cash Fund (PCF) account is maintained under the Imprest System. All replenishments are directly charged to the expense account. The PCF is used for emergency purchases and not to purchase regular inventory items for stock.

### **3.3 Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the BOC.

### **3.4 Property, Plant and Equipment**

#### *Recognition*

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost or fair value of the item can be measured reliably.

#### *Measurement at Recognition*

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

#### *Measurement After Recognition*

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the BOC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

#### *Depreciation*

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

#### *Initial Recognition of Depreciation*

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation starts on the succeeding month.

#### *Depreciation Method*

The straight-line method of depreciation is adopted.

### *Estimated Useful Life*

The BOC uses the Schedule on the Estimated Useful Life of PPE by classification in accordance with COA Circular No. 2003-007 dated December 11, 2003.

Effective January 1, 2015, the residual value will be adjusted to at least five per cent of the cost of the PPE. The corresponding depreciation will be adjusted accordingly.

### *Impairment*

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

### *Derecognition*

The BOC derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

## **3.5 Provisions**

Provisions are recognized when the BOC has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the BOC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

### *Contingent liabilities*

The BOC does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### *Contingent assets*

The BOC does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the BOC in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

### **3.6 Changes in accounting policies and estimates**

The BOC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The BOC recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The BOC corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

### **3.7 Revenue from non-exchange transactions**

#### *Recognition and Measurement of Assets from Non-Exchange Transactions*

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

### *Recognition Revenue from Non-Exchange Transactions*

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As BOC satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

### *Measurement of Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

### *Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions*

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

### *Taxes*

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

### *Fees and fines not related to taxes*

The BOC recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

### *Gifts and Donations*

The BOC recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached,

a liability is recognized, which is reduced, and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value is ascertained by reference to quoted prices in an active and liquid market.

#### *Transfers*

The BOC recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

#### *Services in-Kind*

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

#### *Transfers from other government entities*

Revenues from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the BOC and can be measured reliably.

### **3.8 Revenue from Exchange transactions**

#### *Measurement of Revenue*

Revenue shall be measured at the fair value of the consideration received or receivable.

#### *Rendering of Services*

The BOC recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

### *Sale of Goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the BOC.

### *Interest Income*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

### *Dividends*

Dividends or similar distributions are recognized when the BOC's right to receive payments is established.

### *Rental Income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### *Royalties*

Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.

## **3.9 Budget Information**

The annual budget is prepared on a cash basis and is published in the government website.

As a result of the adoption of the cash basis for budgeting purposes, a separate Statement of Comparison of Budget and Actual Amounts is presented showing the basis, timing or entity differences. Explanatory comments are provided in the notes to the annual financial statements; first, the reason for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

## **3.10 Employee benefits**

The employees of BOC are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The BOC recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as



a liability after deducting the amount paid.

The BOC recognizes expenses for accumulating compensated absences when these are paid (commuted or paid as terminal leave benefits). Unused entitlements that has accumulated at the reporting date are not recognized as expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

#### 4. Prior Period Adjustments

Shown below is the calendar year (CY) 2021 Statement of Changes in Net Assets/Equity, prior to restatement:

Particulars	Amount (in ₱)
Balance as at January 1, 2021	11,644,997,043.47
Add/Deduct:	
Prior Period Adjustment/ Unrecorded Income	308,059,131.48
Other Adjustments	(1,367,600,000.00)
Restated Balances (Pre-Closing Trial Balance)	10,585,456,174.95
Add/Deduct:	
Changes for Net Assets/Equity for Calendar Year	
Adjustment of Net Revenue recognized in Net Asset/Equity	
Closing of <i>Cash-Treasury/Agency Deposit, Regular</i>	(643,994,678,141.07)
Closing of Cash-Constructive Income and Other Remittances	(4,067,295,650.70)
Closing of <i>Cash – Constructive Disbursements</i>	9,250,278.45
Surplus/Deficit for the Period	651,820,764,583.09
<b>Balance as at December 31, 2021</b>	<b>14,353,497,244.72</b>

#### 5. Cash and Cash Equivalents

Account	2021	2020 (As Restated)
	(in ₱)	
<i>Cash on Hand</i>	189,664,514.89	36,779,968.27
<i>Cash in Bank - Local Currency</i>	924,993,794.32	1,262,475,827.75
<i>Treasury/Agency Cash Accounts</i>	16,045,617,679.32	8,237,049,937.25
<b>Total</b>	<b>17,160,275,988.53</b>	<b>9,536,305,733.27</b>

*Cash on Hand* includes *Cash – Collecting Officer and Petty Cash*. *Cash-Collecting Officer* is used to recognize the amount of collections with the Collecting Officers while the *Petty Cash* is used to recognize the amount granted to duly designated Petty Cash Fund Custodian for payment of authorized petty or miscellaneous expenses which cannot be conveniently paid through checks.

*Cash in Bank - Local Currency, Current Account* is used to recognize the release of funds to various ports/sub-ports for the implementation of programs and projects. The account is credited upon liquidation of fund transfers to ports and sub-ports thru submission of Reports of Checks Issued and Report of Disbursements. It also includes collections of Trust Liabilities deposited in banks maintained by the BOC.

The BOC Payroll Fund account was discontinued effective August 2018 upon the recommendation of Bureau of the Treasury (BTr). The remaining balance of ₱24,814,171.94 as at December 31, 2021 was reverted to the BTr account on January 5, 2022.

*Treasury/Agency Cash Accounts* includes *Cash - Treasury/Agency Deposit, Special Account and Cash - Treasury/Agency Deposit, Trust* which are used to recognize the amount of collections remitted to the BTr under the Special Account in the General Fund which refers to Container Security Fees (CSF) and Super Green Lane (SGL), respectively. The account is credited to recognize receipt of Notice of Cash Allocation (NCA).

## 6. Receivables

Account	2021			2020 (As restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
	(in ₱)					
<i>Loans and Receivable Accounts</i>	406,306,453.77	142,497,799.05	548,804,252.82	100,739,512.59	41,758,286.46	142,497,799.05
<i>Inter-Agency Receivables</i>	596,710,885.46	2,341,776,961.86	2,938,487,847.32	0.00	3,855,562,668.69	3,855,562,668.69
<i>Other Receivables</i>	0.00	1,935,187,237.16	1,935,187,237.16	0.00	1,936,963,137.27	1,936,963,137.27
<b>Total</b>	<b>1,003,017,339.23</b>	<b>4,419,461,998.07</b>	<b>5,422,479,337.30</b>	<b>100,739,512.59</b>	<b>5,834,284,092.42</b>	<b>5,935,023,605.01</b>

### 6.1 Loans and Receivable Accounts

Account	2021		2020 (As restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Accounts Receivable</i>	0.00	750,000.00	0.00	750,000.00
<i>Tax Receivable</i>	406,306,453.77	141,747,799.05	100,739,512.59	41,008,286.46
<b>Total</b>	<b>406,306,453.77</b>	<b>142,497,799.05</b>	<b>100,739,512.59</b>	<b>41,758,286.46</b>

*Accounts Receivable* consists of returned checks issued by Fully Filipino Enterprises in the amount of ₱750,000.00.

*Tax Receivable* is used to recognize the receivable brought by the uncollected unpaid duties and taxes arising from Post Modification of SAD.

### 6.2 Inter-Agency Receivables

Account	2021		2020 (As Restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Due from National Government Agencies</i>	596,710,885.46	945,365,244.89	0.00	1,498,023,564.67

Account	2021		2020 (As Restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Due from Government Owned or Controlled Corporations</i>	0.00	1,396,411,716.97	0.00	2,357,539,104.02
<b>Total</b>	<b>596,710,885.46</b>	<b>2,341,776,961.86</b>	<b>0.00</b>	<b>3,855,562,668.69</b>

The *Due from National Government Agencies* includes fund transfer to Procurement Service and National Printing Office in the total amount of ₱850,279,562.78 and ₱8,856,960.00, respectively, as at December 31, 2021.

The *Due from Government-Owned or Controlled Corporations* represents transfer to Philippine International Trading Corporation (PITC) pertaining to unliquidated funds transferred as procurement agent of the BOC to facilitate the purchase of various goods, services and infrastructure projects

### 6.3 Other Receivables

Account	2021		2020 (As Restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Receivables</i>	0.00	1,902,827,606.72	0.00	1,904,545,506.72
<i>Disallowances/Charges</i>				
<i>Due from Officers and Employees</i>	0.00	10,011,354.81	0.00	10,069,354.92
<i>Other Receivables</i>	0.00	22,348,275.63	0.00	22,348,275.63
<b>Total</b>	<b>0.00</b>	<b>1,935,187,237.16</b>	<b>0.00</b>	<b>1,936,963,137.27</b>

*Receivables-Disallowances/Charges* is used to recognize the amount of disallowances/charges in audit due from public/private individuals/entities which have become final and executory.

Both the *Due from Officers and Employees* and *Other Receivables* are for the request for write off. The beginning balance of accounts has been non-moving since CY 2002.

*Other Receivables* include accounts that are already over three years and a request for write-off is being prepared/awaiting submission of documents broken down as follows:

Particulars	Amount (in ₱)
Claims for dishonored checks (CY 2002 and prior years)	7,668,681.20
Customs Management Committee (CY 1973)	1,397,877.13
Balances from CY 2002 and prior years	13,241,717.30
Payment of honoraria (CY 2019)	40,000.00
<b>Total</b>	<b>22,348,275.63</b>

## 7. Inventories

Inventories consist of the following:

Account	2021	2020
	(in ₱)	
		(As Restated)
<b><i>Inventory Held for Consumption</i></b>	<b>365,907,501.01</b>	<b>352,620,720.10</b>
<i>Office Supplies Inventory</i>	10,543,520.60	10,436,433.73
<i>Accountable Forms, Plates and Stickers Inventory</i>	271,602,710.66	296,506,721.37
<i>Non-Accountable Forms Inventory</i>	76,974,551.62	43,658,349.47
<i>Drugs and Medicines Inventory</i>	209,210.14	794,226.92
<i>Medical, Dental and Laboratory Supplies Inventory</i>	1,085,631.68	550,630.00
<i>Fuel, Oil and Lubricants Inventory</i>	4,534,716.27	0.00
<i>Other Supplies and Materials Inventory</i>	957,160.04	674,358.61
<b><i>Semi-Expendable Machinery and Equipment</i></b>	<b>6,691,607.63</b>	<b>6,041,842.82</b>
<i>Semi Expendable Machinery</i>	36,000.00	36,000.00
<i>Semi-Expendable Office Equipment</i>	3,303,342.89	3,215,624.81
<i>Semi-Expendable Information and Communications Technology Equipment</i>	1,349,945.98	1,504,324.25
<i>Semi-Expendable Communications Equipment</i>	21,320.00	21,320.00
<i>Semi-Expendable Disaster Response and Rescue Equipment</i>	1,005,773.76	1,005,773.76
<i>Semi-Expendable Other Machinery and Equipment</i>	876,425.00	160,000.00
<i>Semi-Expendable Other Equipment</i>	98,800.00	98,800.00
<b><i>Semi-Expendable Furniture, Fixture and Books</i></b>	<b>17,303,957.83</b>	<b>17,394,958.79</b>
<i>Semi-Expendable Furniture and Fixtures</i>	17,248,457.83	17,339,458.79
<i>Semi-Expendable Books</i>	55,500.00	55,500.00
<b>Total</b>	<b>389,903,066.47</b>	<b>376,057,521.71</b>

*Accountable Forms, Plates and Stickers* are forms issued to accountable officers for sale, i.e.: Form A - Certificate of Origin; Import Entry Declaration; Ninoy Aquino International Airport (NAIA) Gate Pass, Form 177 Informal Import Declaration entry.

Increases in the account *Inventory Held for Consumption* were due to an increase in the cost and quantity of procured *Accountable Forms, Plates and Stickers Inventory*.

Increases in the *Semi-Expendable Machinery and Equipment* were due to acquisitions of *Semi-Expendable Other Machinery and Equipment* to be used in various offices of the BOC.

## 8. Other Current Assets

*Other Current Assets* consist of the following:

Account	2021	2020
	(in ₱)	
		(As Restated)
<i>Advances</i>	17,783,673.00	538,312.59
<i>Prepayments</i>	14,434,671.31	0.00
<i>Deposits</i>	557,168.92	0.00
<b>Total</b>	<b>32,775,513.23</b>	<b>538,312.59</b>

8.1 *Advances* consist of *Special Disbursing Officer* which includes unliquidated Confidential Fund for the fourth quarter of CY 2020.

Account	2021	2020
	(in ₱)	
<i>Advances to Special Disbursing Officer</i>	17,783,673.00	538,312.59
<b>Total</b>	<b>17,783,673.00</b>	<b>538,312.59</b>

8.2 *Prepayments* account includes *Advances to Contractors*, *Prepaid Rent*, *Prepaid Insurance* and *Prepaid Subscription*.

Account	2021	2020
	(in ₱)	
<i>Advances to Contractors</i>	6,113,195.01	0.00
<i>Prepaid Rent</i>	923,438.94	0.00
<i>Prepaid Insurance</i>	980,227.36	0.00
<i>Prepaid Subscription</i>	6,417,810.00	0.00
<b>Total</b>	<b>14,434,671.31</b>	<b>0.00</b>

8.3 *Deposits* are refundable deposits from Meralco and others.

Account	2021	2020
	(in ₱)	
<i>Guaranty Deposits</i>	<b>557,168.92</b>	<b>0.00</b>

## 9. Property, Plant and Equipment

*Property, Plant and Equipment* account is composed of the following:

Particulars	2021						Total
	<i>Buildings and Other Structures</i>	<i>Machinery and Equipment</i>	<i>Transportation Equipment</i>	<i>Furniture, Fixtures and Books</i>	<i>Construction in Progress</i>	<i>Other Property, Plant and Equipment</i>	
	(in ₱)						
Carrying Amount, January 1, 2021	303,647,765.80	3,192,358,236.80	98,794,499.34	163,482,223.14	23,287,821.29	3,947.50	3,781,574,493.87
Adjustment due to restatement	0.00	163,660,960.66	7,666,343.04	81,450.63	0.00	0.00	171,408,754.33
Additions/Acquisitions	0.00	864,085,113.65	0.00	1,211,800.00	0.00	0.00	865,296,913.65
<b>Sub-Total</b>	<b>303,647,765.80</b>	<b>4,220,104,311.11</b>	<b>106,460,842.38</b>	<b>164,775,473.77</b>	<b>23,287,821.29</b>	<b>3,947.50</b>	<b>4,818,280,161.85</b>
Adjustments		(94,324.97)	(472,410.80)	0.00	0.00	0.00	(566,735.77)
Disposals	0.00		0.00	0.00	0.00	0.00	0.00
Depreciation	(4,445,001.48)	(486,302,034.19)	(17,843,116.60)	(1,993,217.63)	0.00	0.00	(510,583,369.90)
<b>Carrying Amount, December 31, 2021</b>	<b>299,202,764.32</b>	<b>3,733,707,951.95</b>	<b>88,145,314.98</b>	<b>162,782,256.14</b>	<b>23,287,821.29</b>	<b>3,947.50</b>	<b>4,307,130,056.18</b>
Gross Cost	349,281,043.79	12,497,881,099.98	122,749,390.42	391,331,420.48	23,287,821.29	78,950.00	13,384,609,725.96
Less: Accumulated Depreciation	50,078,279.47	8,764,173,148.03	34,604,075.44	228,549,164.34	0.00	75,002.50	9,077,479,669.78
<b>Carrying Amount, December 31, 2021</b>	<b>299,202,764.32</b>	<b>3,733,707,951.95</b>	<b>88,145,314.98</b>	<b>162,782,256.14</b>	<b>23,287,821.29</b>	<b>3,947.50</b>	<b>4,307,130,056.18</b>

Particulars	2020 (as restated)						Total
	<i>Buildings and Other Structures</i>	<i>Machinery and Equipment</i>	<i>Transportation Equipment</i>	<i>Furniture, Fixtures and Books</i>	<i>Construction in Progress</i>	<i>Other Property, Plant and Equipment</i>	
<b>Carrying Amount, January 1, 2020</b>	<b>221,640,277.18</b>	<b>3,026,342,644.92</b>	<b>34,901,917.85</b>	<b>159,842,640.92</b>	<b>580,923,104.09</b>	<b>3,947.50</b>	<b>4,023,654,532.46</b>
Adjustment due to restatement	25,894,438.95	(766,601,290.16)	(7,945,070.30)	0.00	74,338,636.80	0.00	(674,313,284.71)
Additions/Acquisitions	28,621,018.30	1,359,060,817.13	79,947,086.30	₱5,562,683.00	23,287,821.29	0.00	1,496,479,426.02
<b>Sub-Total</b>	<b>276,155,734.43</b>	<b>3,618,802,171.89</b>	<b>106,903,933.85</b>	<b>165,405,323.92</b>	<b>678,549,562.18</b>	<b>3,947.50</b>	<b>4,845,820,673.77</b>
Adjustments	32,143,454.41	(55,007,785.00)	0.00	0.00	(655,261,740.89)	0.00	(678,126,071.48)
Disposals	0.00	(4,367.70)	(962,000.00)	(481.48)	0.00	0.00	(966,849.18)
Depreciation	(4,651,423.04)	(371,431,782.39)	(7,147,434.51)	(1,922,619.30)	0.00	0.00	(385,153,259.24)
Impairment Loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Carrying Amount, December 31, 2020</b>	<b>303,647,765.80</b>	<b>3,192,358,236.80</b>	<b>98,794,499.34</b>	<b>163,482,223.14</b>	<b>23,287,821.29</b>	<b>3,947.50</b>	<b>3,781,574,493.87</b>
Gross Cost	349,281,043.79	11,639,873,201.33	122,749,390.42	390,119,620.48	23,287,821.29	78,950.00	12,525,390,027.31
Less: Accumulated Depreciation	45,633,277.99	8,447,514,964.53	23,954,891.08	226,637,397.34	0.00	75,002.50	8,743,815,533.44
<b>Carrying Amount, December 31, 2020</b>	<b>303,647,765.80</b>	<b>3,192,358,236.80</b>	<b>98,794,499.34</b>	<b>163,482,223.14</b>	<b>23,287,821.29</b>	<b>3,947.50</b>	<b>3,781,574,493.87</b>

9.1 The significant increase in *Accumulated Depreciation* is due the recording of prior year's depreciation expenses.

9.2 The Accounting Division is still in process of reconciling the *Property, Plant and Equipment* accounts, hence, various ports and sub-ports are required to submit their inventory of PPE.

## 10. Intangible Assets

*Intangible assets* consist of the BOC E- Manifest System, Formal Entry System and Selectivity and Warehousing System paid to Unisys Philippines. These also include payment for Cyber Security Enhancement and Maintenance of e2m (Electronic to Mobile).

Account	2021	2020 (As Restated)
	(in ₱)	
<i>Computer Software</i>	614,703,388.62	607,709,024.14
<i>Accumulated Amortization - Computer Software</i>	(55,005,880.00)	(34,378,675.00)
<i>Development in Progress- Computer Software</i>	169,529,500.00	116,811,000.00
<b>Total</b>	<b>729,227,008.62</b>	<b>690,141,349.14</b>

## 11. Other Non-Current Assets

*Other Non-Current Assets* consist of *Advances, Prepayments, Deposits, Other Assets* and *Contingent Assets*.

Account	2021	2020 (As Restated)
	(in ₱)	
<i>Advances</i>	1,554,860.30	2,166,256.30
<i>Prepayments</i>	0.00	1,051,120.83
<i>Deposits</i>	1,674,595.73	1,674,595.73

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Confiscated Property/Assets</i>	236,103,234.50	236,103,234.50
<b>Total</b>	<b>239,332,690.53</b>	<b>240,995,207.36</b>

11.1 *Advances* include *Advances for Operating Expenses* balances from prior years

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Advances for Operating Expenses</i>	1,554,860.30	2,166,256.30
<b>Total</b>	<b>1,554,860.30</b>	<b>2,166,256.30</b>

11.2 *Prepayments* account includes *Advances to Contractors and Prepaid Insurance*

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Advances to Contractors</i>	0.00	15,555.83
<i>Prepaid Insurance</i>	0.00	1,035,565.00
<b>Total</b>	<b>0.00</b>	<b>1,051,120.83</b>

11.3 *Deposits* are refundable deposits from Meralco and others.

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Guaranty Deposits</i>	1,674,595.73	1,674,595.73

11.4 *Other Assets*

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Confiscated Property/Assets</i>	236,103,234.50	236,103,234.50

*Confiscated Property/Assets* is used to recognize appraised value of Roumeliotes Jewelry Collection.

11.5 *Contingent assets*

*Contingent Assets* consist of abandoned and seized cargoes in the process of auction and due and demandable bonds awaiting the decision of courts and the Insurance Commission.

11.5.1 Data on Overstaying Containers at the following ports:

Port	No. of Overstaying Container	
	2021	2020
Manila International Container Port (MICP)	480	1,322
Port of Manila (POM)	293	1,020
Subic	64	33

Port	No. of Overstaying Container	
	2021	2020
Cagayan de Oro	100	76
Davao	22	123
Batangas	62	96
Cebu	115	272
<b>Total</b>	<b>1,136</b>	<b>2,942</b>

#### 11.5.2 Outstanding Due and Demandable Bonds per Port

Port	2021	2020
	(in ₱)	
POM	4,032,141,471.03	4,308,675,001.64
MICP	2,126,329,906.24	1,766,815,186.03
NAIA	521,591,786.87	519,831,786.87
Batangas	111,061,823.50	177,530,648.50
Cebu	0.00	363,436,107.64
San Fernando	4,226,433.00	4,226,433.00
Subic	0.00	48,168,436.98
<b>Total</b>	<b>6,795,351,420.64</b>	<b>7,188,683,600.66</b>

The consolidated report of due and demandable bonds as at December 31, 2021 is based on the report submitted by the Collection Districts/Ports which is subject to audit and reconciliation of account. The list reflects bonds that expired without deducting the actual action taken such as those placed under liquidation, receivership, conservatorship with filed cases in Court and with Court resolution, bonds that are settled/paid duties, and taxes abatement. The status of said due and demandable bonds as at December 31, 2021 is as follows:

Particulars	Amount (in ₱)
Total Bonds as at December 31, 2021	6,795,351,420.64
Less: With Filed Civil Cases in Court	2,318,001,159.61
Placed under Liquidation, Receivership, Conservatorship by the IC	1,686,864,156.80
<b>Balance for further Liquidation</b>	<b>2,790,487,104.23</b>

## 12. Liabilities

Total Liabilities consist of the following:

Account	2021	2020 (As Restated)
	(in ₱)	
<i>Financial Liabilities</i>	3,631,947,462.19	5,211,320,243.73
<i>Inter-Agency Payables</i>	153,325,497.35	65,608,985.05
<i>Trust Liabilities</i>	10,142,343,667.64	4,697,717,019.17
<i>Other Payables</i>	9,788.96	533,800.05
<b>Total</b>	<b>13,927,626,416.14</b>	<b>9,975,180,048.00</b>



## 12.1 Financial Liabilities

This account consists of the following:

Account	2021		2020 (As Restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Accounts Payable</i>	0.00	120,769,835.63	77,959,011.20	132,403,228.38
<i>Due to Officers and Employees</i>	0.00	85,612,842.57	11,113,712.80	85,672,541.66
<i>Awards and Rewards Payable</i>	0.00	2,225,355,814.68	0.00	2,225,355,814.68
<i>Tax Refunds Payable</i>	632,478,079.11	567,730,890.20	825,674,230.42	1,853,141,704.59
<b>Total</b>	<b>632,478,079.11</b>	<b>2,999,469,383.08</b>	<b>914,746,954.42</b>	<b>4,296,573,289.31</b>

*Accounts Payable* consists of payables to various suppliers with valid claims as at December 31, 2021.

*Due to Officers and Employees* pertains to liabilities to officers and employees for salaries, allowances, and other personnel benefits.

*Awards and Rewards Payable* is used for the setup of *Informers Reward Payable* to identified importers.

*Tax Refund Payable* is used to recognize amount refundable to taxpayers for excess amount paid/withheld.

## 12.2 Inter-Agency Payables

This account consists of the following:

Account	2021		2020 (As Restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Due to BIR</i>	82,408,930.03	0.00	1,478,896.42	0.00
<i>Due to GSIS</i>	7,067,249.58	52,178,547.99	55,051,539.29	0.00
<i>Due to Pag-IBIG</i>	2,833,111.49	0.00	915,356.59	0.00
<i>Due to PhilHealth</i>	641,091.49	4,388,383.14	1,848,115.88	2,522,867.35
<i>Due to NGAs</i>	459,824.37	0.00	0.00	40,839.00
<i>Due to GOCCs</i>	0.00	3,348,359.26	73,404.35	3,677,966.17
<b>Total</b>	<b>93,410,206.96</b>	<b>59,915,290.39</b>	<b>59,367,312.53</b>	<b>6,241,672.52</b>

## 12.3 Trust Liabilities

Account	2021		2020 (As Restated)	
	Current	Non-Current	Current	Non-Current
	(in ₱)			
<i>Trust Liabilities</i>	5,686,243,119.84	4,291,324,699.92	918,348,144.24	3,632,783,181.81
<i>Guaranty/Security Deposits Payable</i>	32,736,482.20	132,039,365.68	44,267,765.42	102,317,927.70
<b>Total</b>	<b>5,718,979,602.04</b>	<b>4,423,364,065.60</b>	<b>962,615,909.66</b>	<b>3,735,101,109.51</b>

*Trust Liabilities* pertains to the receipt of amount held in trust for specific purpose.

This includes the following:

Particulars	2021	2020
	(in ₱)	
<i>Cash Bond</i>	924,320,216.78	1,292,882,193.53
<i>Auction</i>	1,597,820,284.15	1,513,309,246.58
<i>Confiscated Currencies</i>	57,116,510.79	57,116,510.79
<i>Extra Services</i>	186,492,684.65	121,620,233.65
<i>Bid Docs</i>	16,637,490.16	16,136,390.16
<i>Remuneration</i>	49,353.64	49,353.64
<i>Former's Reward</i>	620,930,800.62	584,516,761.69
<i>Provision on Safeguard Duties</i>	5,728,912,469.80	668,545,208.25
<i>Fuel Marking Fee</i>	813,930,843.49	270,683,462.08
<i>Negotiated Sale</i>	5,128,400.00	43,200.00
<i>Others</i>	26,228,765.68	26,228,765.68
<b>Total</b>	<b>9,977,567,819.76</b>	<b>4,551,131,326.05</b>

*Guaranty/Security Deposits Payable* represents the retention money from contractors. Retention money is released upon compliance of the requirements per COA Circular No. 2012-001 dated June 14, 2012.

#### 12.4 Other Payables

The *Other Payables* include payables to BOC Provident Fund Inc, BOC-Employees Association, Inc, Samahang Nagkakaisang Pulis Aduana Inc, Private Insurances, Health Maintenance Organization, banks and others. The Accounting Division is in the process of analyzing prior year transactions to determine causes of the negative balances, and eventually prepare adjusting entries to correct the balance of the account.

Account	2021	2020
	(in ₱)	
<i>Other Payables- BOCPFI-Contributions</i>	(2,592,759.34)	(2,523,191.26)
<i>Other Payables- BOCPFI-Loan</i>	690,775.54	800,364.92
<i>Other Payables- BOCEA</i>	(920,407.05)	(87,066.25)
<i>Other Payables- TSNPA</i>	329,921.73	327,375.43
<i>Other Payables- Private Insurance</i>	(3,825,522.65)	(3,855,212.45)
<i>Other Payables- HMO</i>	(2,125,203.27)	(2,296,984.19)
<i>Other Payables- Banks</i>	(930,180.87)	(2,165,365.85)
<i>Other Payables- Cooperative</i>	2,003,056.38	3,136,951.43
<i>Other Payables- Interest</i>	156,647.14	(29,033.08)
<i>Other Payables- Others</i>	7,223,461.35	7,225,961.35
<b>Total</b>	<b>9,788.96</b>	<b>533,800.05</b>

### 13. Tax Revenue

*Tax Revenue* consists of the following income remitted to the BTr or deposited in the bank either under Local Currency Current Account/Savings Account maintained by the BOC.

Account	2021	2020
	(in ₱)	
<b><i>Tax Revenue - Goods and Services</i></b>	<b>647,064,517,656.86</b>	<b>534,381,825,424.62</b>
<i>Import Duties</i>	78,207,329,039.13	70,027,012,935.66
<i>Excise Tax</i>	161,362,867,684.89	130,703,360,035.07
<i>Business Tax</i>	407,494,320,932.84	333,651,452,453.89
<b><i>Tax Revenue – Others</i></b>	<b>595,439,798.00</b>	<b>489,088,287.00</b>
<i>Documentary Stamp Tax</i>	595,439,798.00	489,088,287.00
<b><i>Tax Revenue - Fines and Penalties</i></b>	<b>169,380,795.11</b>	<b>198,661,850.22</b>
<i>Tax Revenue - Fines and Penalties - Taxes on Goods and Services</i>	169,380,795.11	198,661,850.22
<b>Total</b>	<b>647,829,338,249.97</b>	<b>535,069,575,561.84</b>

### 14. Service and Business Income

Service and Business Income consist of the following:

Account	2021	2020
	(in ₱)	
<b><i>Service Income</i></b>	<b>3,399,155,041.64</b>	<b>2,184,816,155.62</b>
<i>Permit Fees</i>	14,491,250.00	15,842,000.00
<i>Registration Fees</i>	24,251,250.00	23,402,520.00
<i>Clearance and Certification Fees</i>	3,890,500.00	3,479,050.00
<i>Legal Fees</i>	13,619,380.00	3,013,970.00
<i>Inspection Fees</i>	241,181.45	57,695.40
<i>Verification and Authentication Fees</i>	21,597,800.00	3,065,400.00
<i>Processing Fees</i>	742,495,839.00	660,289,082.00
<i>Other Service Income</i>	2,578,567,841.19	1,475,666,438.22
<b><i>Business Income</i></b>	<b>732,416,762.72</b>	<b>354,336,711.10</b>
<i>Rent/Lease Income</i>	1,582,244.58	1,575,261.38
<i>Dividend Income</i>	27,971,725.57	0.00
<i>Interest Income</i>	317,241,422.95	160,575,361.74
<i>Fines and Penalties - Business Income</i>	278,701,741.86	51,069,060.93
<i>Other Business Income</i>	106,919,627.76	141,117,027.05
<b>Total</b>	<b>4,131,571,804.36</b>	<b>2,539,152,866.72</b>

All revenues collected were covered by a Customs Administrative Order (CAO) and Customs Memorandum Order (CMO) as its legal basis based on the new Customs Modernization and Tariff Act.

*Legal Fees* are anchored under CAO No. 2-2001 regarding Protest Cases.

*Rent/Lease Income* was generated through the rental from Globe Satellite, Offices of Land Bank of the Philippines and Philippine National Bank.

*Dividend Income* represents royalty payments remitted by importers to its suppliers abroad which are treated as adjustment to the transaction value as provided under Section 701 (e) of the CMTA.

For the Regular Agency Books, *Other Service Income* pertains to revenue generated from the collections of CSF and SGL while *Other Business Income* pertains to the sale of accountable forms.

## 15. Non-Operating Income

Non-Operating Income represents *Miscellaneous Income*.

Account	2021	2020
	(in ₱)	
<i>Miscellaneous Income</i>	9,882,145.97	0.46

*Miscellaneous Income* is composed of the liquidated damages received from Astrophysics of ₱8,527,146.00, PITC of ₱1,348,501.56 and EMKM Construction Supplies of ₱331.00. The remaining balance of ₱6,167.41 pertains to the miscellaneous receipts by the Bureau.

## 16. Current Operating Expenses

Current Operating Expenses consist of the following:

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Personnel Services</i>	1,804,276,847.87	1,705,632,307.45
<i>Maintenance and Other Operating Expenses</i>	1,431,839,755.57	3,336,782,806.83
<i>Non-Cash Expenses</i>	354,291,341.34	248,806,737.77
<b>Total</b>	<b>3,590,407,944.78</b>	<b>5,291,221,852.05</b>

### 16.1 Personnel Services

Personnel Services consist of the following:

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Salaries and Wages</i>	1,208,274,848.00	1,119,205,188.73
<i>Other Compensation</i>	349,773,268.18	402,684,851.58
<i>Personnel Benefit Contributions</i>	150,491,023.91	64,635,270.74
<i>Other Personnel Benefits</i>	95,737,707.78	119,106,996.40
<b>Total</b>	<b>1,804,276,847.87</b>	<b>1,705,632,307.45</b>

### 16.1.1 Salaries and Wages

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Salaries and Wages – Regular</i>	1,203,899,038.17	1,114,704,127.40
<i>Salaries and Wages - Casual/Contractual</i>	4,375,809.83	4,501,061.33
<b>Total</b>	<b>1,208,274,848.00</b>	<b>1,119,205,188.73</b>

The BOC has a total of 3,508 filled plantilla of personnel as at December 31, 2021. The increase was due to hiring of 92 new employees and the promotion of 245 personnel, as well as the implementation of the Salary Standardization Law Tranche V in CY 2021.

### 16.1.2 Other Compensation

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Personal Economic Relief Allowance (PERA)</i>	82,901,219.59	78,230,815.05
<i>Representation Allowance (RA)</i>	11,568,327.19	11,776,000.00
<i>Transportation Allowance (TA)</i>	10,099,193.19	9,476,000.00
<i>Clothing/Uniform Allowance</i>	19,703,716.00	19,736,332.00
<i>Subsistence Allowance</i>	16,500.00	76,230.00
<i>Laundry Allowance</i>	2,250.03	9,413.63
<i>Hazard Pay</i>	0.00	39,063,927.16
<i>Overtime and Night Pay</i>	0.00	3,074,801.20
<i>Year End Bonus</i>	98,208,825.05	93,111,898.44
<i>Cash Gift</i>	17,313,750.00	16,443,296.10
<i>Mid-year Bonus Civilian</i>	92,559,487.13	87,496,682.00
<i>Other Bonuses and Allowances</i>	17,400,000.00	44,189,456.00
<b>Total</b>	<b>349,773,268.18</b>	<b>402,684,851.58</b>

### 16.1.3 Personnel Benefit Contributions

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Retirement and Life Insurance Premiums</i>	126,826,431.54	41,800,348.55
<i>Pag-IBIG Contributions</i>	3,771,297.03	3,622,681.66
<i>PhilHealth Contributions</i>	15,278,435.51	15,278,692.95
<i>Employees Compensation Insurance Premiums</i>	4,614,859.83	3,933,547.58
<b>Total</b>	<b>150,491,023.91</b>	<b>64,635,270.74</b>

*Retirement and Life Insurance Premiums (RLIP)* pertain to the remittances made to the GSIS for Life and Retirement Premium government's share and other payables.

*Pag-IBIG Contributions* represent remittances to the Home Development Mutual Fund and PAG-IBIG premiums pertaining to government share.

*PhilHealth Contributions* represent payment of PhilHealth premium for government share.

*Employees Compensation Insurance Premiums* refer to the remittances made to recognize the government's share in premium contributions to the Employees' Compensation Commission.

#### 16.1.4 Other Personnel Benefit

Account	2021	2020
	(in ₱)	
<i>Retirement Gratuity</i>	0.00	2,011,803.85
<i>Terminal Leave Benefits</i>	95,325,658.07	84,805,670.49
<i>Other Personnel Benefits</i>	412,049.71	32,289,522.06
<b>Total</b>	<b>95,737,707.78</b>	<b>119,106,996.40</b>

There were no retirees in CY 2021, hence no payment was made for the year.

The decrease in *Other Personnel Benefits* can be attributed to the grant of Service Recognition Incentive under Administrative Order No. 37 series of 2020 which was not disbursed in the current year due to non-compliance on some requirements of the Department of Budget and Management (DBM). Hence, disbursement was made in January 2022.

## 16.2 Maintenance and Other Operating Expenses

Maintenance and Other Operating Expenses consist of the following:

Account	2021	2020
	(in ₱)	
<i>Traveling Expenses</i>	6,895,531.08	10,028,801.26
<i>Training and Scholarship Expenses</i>	6,853,101.54	13,838,461.37
<i>Supplies and Materials Expenses</i>	135,174,299.05	133,537,254.45
<i>Utility Expenses</i>	81,601,134.52	72,785,313.16
<i>Communication Expenses</i>	52,132,027.49	55,484,675.38
<i>Confidential, Intelligence and Extraordinary Expenses</i>	61,781,390.11	78,114,587.67
<i>Professional Services</i>	152,184,813.36	172,809,201.62
<i>General Services</i>	65,195,072.52	60,227,383.73
<i>Repairs and Maintenance</i>	294,148,456.68	292,827,514.32
<i>Taxes, Insurance Premiums and Other Fees</i>	5,284,567.96	2,176,045,204.41
<i>Other Maintenance and Operating Expenses</i>	570,589,361.26	271,084,409.46
<b>Total</b>	<b>1,431,839,755.57</b>	<b>3,336,782,806.83</b>

### 16.2.1 Traveling Expenses

Account	2021	2020
	(in ₱)	
<i>Traveling Expenses – Local</i>	6,895,531.08	8,649,111.32
<i>Traveling Expenses – Foreign</i>	0.00	1,379,689.94
<b>Total</b>	<b>6,895,531.08</b>	<b>10,028,801.26</b>

*Traveling Expenses - Local* include airfare, travel per diems and other related traveling expenses of the BOC officials and employees on official business to attend various activities within the country for the period January to December 2021 per EO No. 77.

*Traveling Expenses - Foreign* include airfare, pre-travel allowance, accommodation and daily subsistence allowance of BOC officials and employees for their attendance to international conferences/seminars/membership/representing the Philippines in international customs organizations for CY 2021.

The decrease in *Travelling Expenses* was due to the travel restrictions brought by the Coronavirus Disease 2019 (COVID-19) pandemic.

### 16.2.2 Training and Scholarship Expenses

*Training Expenses* pertain to payment of BOC for the conduct of in-house training/workshop to fully equipped employees in the conduct of their duties and responsibilities. These also include a three-month course for newly hired employees. The decrease in the *Training Expense* is mainly caused by COVID-19 restrictions. Most of the training and seminars are done through various online platforms like Zoom and MS Teams.

### 16.2.3 Supplies and Materials Expenses

Account	2021	2020
	(in ₱)	
<i>Office Supplies Expenses</i>	40,623,805.72	42,554,242.70
<i>Accountable Forms Expenses</i>	6,543,636.00	39,150,593.82
<i>Non-Accountable Forms Expenses</i>	38,964,062.56	5,379,918.23
<i>Drugs and Medicines Expenses</i>	55,727.64	76,685.37
<i>Medical, Dental and Laboratory Supplies Expenses</i>	81,787.46	48,750.00
<i>Fuel, Oil and Lubricants Expenses</i>	22,415,328.07	16,737,570.70
<i>Semi Expendable Machinery and Equipment Expenses</i>	6,460,124.16	3,922,787.77
<i>Semi Expendable Furniture, Fixtures and Books Expenses</i>	15,375,523.89	10,728,340.64
<i>Other Supplies and Materials Expenses</i>	4,654,303.55	14,938,365.22
<b>Total</b>	<b>135,174,299.05</b>	<b>133,537,254.45</b>

The decreases in the accounts *Office Supplies Expenses*, *Accountable Forms Expenses* were due to the lockdowns implemented by the government which resulted in the lesser consumption of supplies and materials expenses.

### 16.2.4 Utility Expenses

Account	2021	2020
	(in ₱)	
<i>Water Expenses</i>	14,851,447.20	18,182,640.00
<i>Electricity Expenses</i>	66,749,687.32	54,602,673.16
<b>Total</b>	<b>81,601,134.52</b>	<b>72,785,313.16</b>

*Water Expenses* are payments made to Maynilad Water Services, Inc. for the water consumption at the Office of the Commissioner (OCOM) and Groups (Internal Administration Group, Revenue Collection Monitoring Group, Assessment and Operations Coordinating Group, Intelligence Group, Enforcement Group, Management Information System and Technology Group, Post Clearance Audit Group). These also include payment of various Collection Districts and sub-ports for water services.

*Electricity Expenses* are payments made to Manila Electric Company for the electricity consumption at the OCOM and Groups. These also include payment to electric companies at the Collection Districts and sub-ports for their power consumption.

### 16.2.5 Communication Expenses

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Postage and Courier Services</i>	3,684,496.92	2,835,105.08
<i>Telephone Expenses</i>	8,692,558.93	7,678,292.01
<i>Internet Subscription Expenses</i>	39,691,255.64	44,921,326.94
<i>Cable, Satellite, Telegraph and Radio Expenses</i>	63,716.00	49,951.35
<b>Total</b>	<b>52,132,027.49</b>	<b>55,484,675.38</b>

*Postage and Courier Services* represent payment made to the Philippine Postal Corporation, for mailing services of various communications, door-to-door delivery of the BOC.

*Telephone Expenses* are payments made to the Philippine Long Distance Telephone Company for current charges of BOC telephone lines. These also include mobile allowances given to authorized personnel.

*Internet Subscription Expenses* are payments made to Globe Telecommunications, Inc. and Smart Communications, Inc. for the Wireless Internet Service with Wifi Technology for use of BOC and for wireless internet subscription of BOC OCOM and Field Offices.

### 16.2.6 Confidential, Intelligence and Extraordinary Expenses

Account	2021	2020
	(As Restated)	
	(in ₱)	
<i>Confidential Expenses</i>	52,125,000.00	69,500,000.00
<i>Extraordinary and Miscellaneous Expenses</i>	9,656,390.11	8,614,587.67
<b>Total</b>	<b>61,781,390.11</b>	<b>78,114,587.67</b>

*Confidential Expenses* are payment for expenses related to surveillance activities that are intended to support the mandate or operations of the Bureau.



*Extraordinary and Miscellaneous Expenses* pertain to the annual extraordinary expenses of the BOC officials based on the General Provisions of the General Appropriations Act (GAA), and letter from the DBM. These also include payment for expenses incidental to the performance of official functions, such as meetings, seminars and conferences.

### 16.2.7 Professional Services

Account	2021	2020
	(in ₱)	
<i>Auditing Services</i>	0.00	156,800.00
<i>Other Professional Services</i>	152,184,813.36	172,652,401.62
<b>Total</b>	<b>152,184,813.36</b>	<b>172,809,201.62</b>

*Other Professional Services* pertain to payment to consultants for special projects and services contracted thru Contract of Services plus their five per cent premium and gratuity.

### 16.2.8 General Services

Account	2021	2020
	(in ₱)	
<i>Environment/Sanitary Services</i>	1,102,778.82	859,871.22
<i>Janitorial Services</i>	45,458,869.75	45,250,703.58
<i>Security Services</i>	3,007,618.07	1,566,095.65
<i>Other General Services</i>	15,625,805.88	12,550,713.28
<b>Total</b>	<b>65,195,072.52</b>	<b>60,227,383.73</b>

*Environment/Sanitary Services* are payments for the disinfection of BOC offices and facilities, general pest control services and garbage fees.

*Janitorial Services* are payments made to LBP Service Corporation for janitorial services rendered at BOC OCOM, POM, Manila International Container Port and Ninoy Aquino International Airport including ports/sub-ports payment of utility worker.

*Security Services* are expenses for the payment of security services provided to various ports.

*Other General Services* are expenses for payment of consultants, stripping/stuffing costs in the examination of goods and hauling services for confiscated goods.

### 16.2.9 Repairs and Maintenance

Account	2021	2020
	(in ₱)	
<i>Repairs and Maintenance - Buildings and Other Structures</i>	46,365,062.53	62,435,380.97

Account	2021	2020
	(in ₱)	
<i>Repairs and Maintenance - Machinery and Equipment</i>	244,625,676.75	228,488,011.08
<i>Repairs and Maintenance - Transportation Equipment</i>	2,961,605.40	1,735,207.27
<i>Repairs and Maintenance - Furniture and Fixtures</i>	196,112.00	168,915.00
<b>Total</b>	<b>294,148,456.68</b>	<b>292,827,514.32</b>

#### 16.2.10 Taxes, Insurance Premiums and Other Fees

Account	2021	2020
	(in ₱)	
<i>Taxes, Duties and Licenses</i>	109,126.68	2,172,246,652.53
<i>Fidelity Bond Premiums</i>	2,911,312.50	3,183,727.96
<i>Insurance Expenses</i>	2,264,128.78	614,823.92
<b>Total</b>	<b>5,284,567.96</b>	<b>2,176,045,204.41</b>

These expenditures pertain to payment of licenses, vehicle registration, bond premiums for accountable officers and GSIS premiums for insurable assets.

The decrease of ₱2,172,107,491.00 in *Taxes of Duties and Licenses* was due to the payment of the outstanding tax obligation for CYs 2009 and 2015 to the BIR in CY 2020.

#### 16.2.11 Other Maintenance and Operating Expenses

Account	2021	2020
	(in ₱)	
<i>Advertising, Promotional and Marketing Expenses</i>	65,155.20	300,156.00
<i>Printing and Publication Expenses</i>	2,891,837.34	3,822,900.80
<i>Representation Expenses</i>	904,630.80	0.00
<i>Transportation and Delivery Expenses</i>	1,581,540.46	1,564,410.24
<i>Rent/Lease Expenses</i>	27,723,770.49	10,876,656.49
<i>Subscription Expenses</i>	74,342,538.77	30,009,964.93
<i>Bank Transaction Fee</i>	126,440.84	3,965.00
<i>Other Maintenance and Operating Expenses</i>	462,953,447.36	224,506,356.00
<b>Total</b>	<b>570,589,361.26</b>	<b>271,084,409.46</b>

*Advertising Expenses* pertain to the media relations to build positive image of the BOC which include printing of annual reports, publications, newsletter and other media coverage.

*Representation Expense* pertain to expenses incurred for official meetings/conferences and other official functions.

*Rent/Lease Expenses* increase was due to the payment made to Port Net Logistics, Inc. for the lease of warehouse.

*Subscription Expenses* pertain to BOC subscription to index prices for reference value pertaining to rice, steel, motor vehicles and other commodities. The increase was due to the subscription of Microsoft Azure Monetary Commitment, Office 365 Enterprise User and Power BI Pro.

*Other Maintenance and Operating Expenses* increase was due to the Fuel Marking Program delivered by PS.

## 17. Non-Cash Expenses

Non-cash expenses consist of the following accounts:

Account	2021	2020
	(in ₱)	
<i>Depreciation - Buildings and Other Structures</i>	4,445,001.48	3,191,529.68
<i>Depreciation - Machinery and Equipment</i>	316,658,183.50	208,552,625.08
<i>Depreciation - Transportation Equipment</i>	10,649,184.36	7,637,023.71
<i>Depreciation - Furniture, Fixtures and Books</i>	1,911,767.00	1,922,619.30
<i>Amortization - Intangible Assets</i>	20,627,205.00	27,502,940.00
<b>Total</b>	<b>354,291,341.34</b>	<b>248,806,737.77</b>

All PPE were provided depreciation except PPEs for prior years that are still for verification.

The increase in the *Depreciation - Machinery and Equipment* can be attributed to the depreciation of various x-ray machines.

## 18. Net Assistance/Subsidy

Particulars	2021	2020
	(in ₱)	
Subsidy from National Government Agencies	3,006,497,399.23	5,074,373,422.29
Less: Assistance/Subsidy to NGAs, LGUs, GOCCs	0.00	0.00
<b>Net Assistance/Subsidy</b>	<b>3,006,497,399.23</b>	<b>5,074,373,422.29</b>

## 19. Non-Operating Income

Account	2021	2020
	(in ₱)	
<i>Sale of Garnished/ Confiscated/Abandoned/ Seized Goods and Property</i>	433,882,928.34	583,191,717.58

The *Non-Operating Income/Gain* refers to increased effort to collect lawful revenues through the non-traditional source like public auction of confiscated goods.

## 20. Statement of Comparison of Budget and Actual Amount Payments

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared as shown below:

The Original Budgeted amount refers to the authorized appropriations of the BOC as reflected in the GAA while the Final Budgeted amount pertains to Appropriations for Fiscal Year (FY) 2021, Special Allotment and Release Order releases FY 2021, Continuing Appropriation and Special Account in the General Fund. The Actual Amount on Comparable Basis refers to the current year disbursements based on the Statement of Appropriations, Allotments, Obligations and Disbursements and Balances. The difference between the Final Budgeted Amount and Actual disbursements represents the unobligated and unpaid obligations for the current year, as shown in the table.

Particulars	2021	2020
	(in ₱)	
Personnel Services	91,282,871.25	89,818,613.00
MOOE	42,167,211.12	175,580,392.00
Capital Outlay	817,160,227.68	561,930,650.00
<b>Total</b>	<b>950,610,310.05</b>	<b>827,329,655.00</b>

## OBSERVATIONS AND RECOMMENDATIONS

### Financial Audit

#### *Accounting errors and deficiencies*

**1. Various accounting errors and deficiencies in keeping the accounts of the BOC had affected the fair presentation of account balances reported in the FSs.**

#### *Accounting Errors*

Section 15, Chapter 2 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I requires the fair presentation of the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions by the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in the accounting standards.

Moreover, Section 111 of Presidential Decree (PD) No. 1445 requires the keeping of the accounts of the agency in such details as necessary to meet the needs of the agency and, at the same time, be adequate to furnish the information needed by the fiscal or control agencies of the government.

Review and verification of the accounts of the Bureau of Customs (BOC) disclosed various errors and deficiencies that affected the fair presentation of the year-end account balances reflected in the Agency’s financial statements (FSs) for Calendar Year (CY) 2021, as summarized in *Table 1*.

**Table 1 - Summary of Accounting Errors**

Nature of Errors	Affected Accounts	Amount (Overstatement)/ Understatement (in ₱)	Criteria
a. Unrecognized reconciling items	<i>Cash in Back - Local Currency, Current Account</i>	(102,456,249.34)	Section 6, Chapter 21, GAM for NGAs, Volume I
	<i>Cash-Treasury/Agency Deposit, Trust</i>	2,025,423.54	
	<i>Other Payables</i>	82,677.36	
	<i>Accumulated Surplus/(Deficit)</i>	100,348,148.44	
b. Unrecognized seized/confiscated assets from CYs 2019 to 2021	<i>Confiscated Property/Assets</i>	826,538,968.09	Chapter 3 of the Revised Chart of Accounts (RCA), GAM for NGAs, Volume III (Updated 2019)
	<i>Accumulated Surplus/(Deficit)</i>	11,693,255.67	
	<i>Miscellaneous Income</i>	814,845,712.42	

<b>Nature of Errors</b>	<b>Affected Accounts</b>	<b>Amount (Overstatement)/ Understatement (in ₱)</b>	<b>Criteria</b>
c. Unrecognized Tax Credit Certificate (TCC)	<i>Tax Refund Payable Accumulated Surplus/(Deficit)</i>	11,891,217.01 11,891,217.01	Chapter 3, RCA, GAM for NGAs, Volume III (Updated 2019)
d. Unrecognized Tax Debit Memo (TDM)	<i>Tax Refund Payable Accumulated Surplus/(Deficit)</i>	60,211,709.20 60,211,709.20	Chapter 3, RCA, GAM for NGAs, Volume III (Updated 2019)
e. Expired TCC not derecognized	<i>Tax Refund Payable Accumulated Surplus/(Deficit)</i>	(15,326,535.07) (15,326,535.07)	Chapter 3 of the RCA, GAM for NGAs, Volume III (Updated 2019)
<b>Total</b>		<b>2,032,849,357.42</b>	

**We recommended and Management agreed to instruct the Accountant to analyze the related transactions and prepare the necessary adjusting entries to correct the aforementioned errors; and henceforth, observe the proper/correct recording of accounts and transactions in accordance with the GAM for NGAs and other applicable rules and regulations.**

#### *Accounting Deficiencies*

Paragraph (e), Section 6, Chapter 19, GAM for NGAs, Volume I, on Qualitative Characteristics of Financial Reporting, requires an entity to present information including accounting policies in a manner that meets reliable information which is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

Audit of the accounts disclosed various accounting deficiencies that the Accounting Division (AD) had not rectified to establish the correct balances of the accounts, as enumerated in *Table 2*.

**Table 2 - Summary of Accounting Deficiencies**

<b>Nature of Deficiency</b>	<b>Accounts Affected</b>	<b>Amount (in ₱)</b>	<b>Criteria</b>
a. Delayed and incomplete preparation of Bank Reconciliation Statements (BRSs)	<i>Cash in Bank Local Currency, Current Account (LCCA)</i>	423,866,160.38	Section 5, Chapter 21, GAM for NGAs, Volume I
b. Dormant and/or closed bank accounts without documentation	<i>Cash in Bank- Local Currency, Current Account</i>	6,185,073.35	Commission on Audit (COA) Circular No. 2015-001 dated January 29, 2015

<b>Nature of Deficiency</b>	<b>Accounts Affected</b>	<b>Amount (in ₱)</b>	<b>Criteria</b>
c. Accounts with negative balances	<i>Cash in Bank- Local Currency, Current Account</i>	26,181,570.03	Section 5, Chapter 21, GAM for NGAs, Volume I
d. Non-conduct of physical count of Property, Plant, and Equipment (PPE) in BOC-CO and in Ports of Davao, Tawi-Tawi and Zamboanga International Airport.	PPE	4,307,130,056.18	Section 5 of COA Circular No. 2020-006 dated January 31, 2020
e. Incomplete/non-maintenance of Property Cards (PC) in BOC-CO	PPE	Undetermined amounts	Section 42, Chapter 10, GAM for NGAs, Volume I
f. Undisposed Unserviceable Properties in Port of Puerto Princesa and Port of San Fernando, La Union.	PPE	Undetermined amounts	Section 79 of PD No. 1445
g. Non-conduct of appraisal of the confiscated assets	<i>Confiscated Property/Assets</i>	Undetermined amounts	Chapter 3 of the RCA, GAM for NGAs, Volume III (Updated 2019)
<b>Total</b>		<b>4,763,362,859.94</b>	

**We recommended and Management agreed to require the AD to correct the accounting deficiencies noted, in accordance with the relevant provisions of the GAM for NGAs.**

## **Compliance Issues**

*Lapses in the processing and monitoring of all imported items*

- Lapses in the processing and monitoring of all imported items resulted in deficiencies in CBW Entries, thus defeating the purpose of the posting of the bond as a financial guarantee in case the importer fails to comply with CBW requirements provided under the CMTA.**

Section 808 of the Customs Modernization and Tariff Act (CMTA) and Section 5.5 of Customs Administrative Order (CAO) No. 01-2021 dated January 13, 2021, provide that:

*Warehousing Security on Goods Stored in Customs Bond Warehouse (CBW). For goods declared in the entry for warehousing in CBWs, the District Collector shall require the importer to post a sufficient security equivalent to the computed duties, taxes and other charges, conditioned upon the withdrawal of the goods within the period prescribed by Section 811 of this Act or the payment of duties, taxes and other charges and compliance with all importation requirements.*

Importation of goods for storage to be manufactured into finished products in CBW is lodged with a goods declaration for warehousing in the e2m system. Under the CBW scheme, the importers are exempted from paying the corresponding duties and taxes. However, they are required to post a security bond adequate to cover the assessed duties, taxes, and other charges, with the condition for storage and withdrawal of the bonded goods within the period prescribed in the CMTA and CAO No. 13-2019 dated August 5, 2019, or payment of the duties and taxes if withdrawn for domestic consumption, among others.

Verification of the warehousing entries lodged for CY 2021 showed that out of 6,752 warehousing entries lodged, 6,377 entries have posted security bonds, and 113 entries were paid in cash, 5 bonds partially applied, while 257 entries have no security bonds posted or cash paid. The details are shown in *Table 3*.

**Table 3 - Summary Warehousing Entries**

Description	No. of Entries		Total Entries	Total Amount (in ₱)
	NAIA	MICP		
With Posted Bonds	6,377	0	6,377	2,242,110,246.70
With Cash Payment	113	0	113	146,813,187.57
No security bonds or cash payment	255	2	257	356,973,114.51
Bonds partially applied	0	5	5	11,958,133.52
<b>Total</b>	<b>6,745</b>	<b>7</b>	<b>6,752</b>	<b>2,757,854,682.30</b>

In the Ninoy Aquino International Airport (NAIA), inquiry with the concerned personnel of the Warehousing Assessment Unit, Bonds Division and Customs Bonded Warehouse Division (CBWD) disclosed that some imported goods for consumption were lodged under warehousing entry and the duties and taxes assessed for these goods were paid outright in cash, thus no security bonds were posted. They specifically mentioned one importer presently having difficulties lodging under consumption entry; that's why some of his importations for consumption were lodged under warehousing.

While the Audit Team in Manila International Container Port (MICP) extracted the samples from the e2m database (in excel) for all processed warehousing entries at the MICP for the 1st semester of CY 2021 and obtained them from the Management



Information System and Technology Group (MISTG) at the Central Office (CO). All entries beyond the threshold were tested for compliance with the above CBW procedures. Since the Automated Bonds Management System (ABMS) was only implemented at the MICP in September 2021, the records from the Bonds Division and the various documents such as the Goods Declarations from the CBWD were used to carry out the audit. Results of the audit revealed that two entries with assessed duties and taxes amounting to ₱4.186 million were not charged against the applicable bonds, while five entries with assessed duties and taxes totaling ₱11.958 million were partially charged against various bonds totaling ₱9.710 million, or a difference of ₱2.248 million as the under-application to the bond balances.

The under-application and/or non-charging of a particular bond against a warehousing entry will overstate the available balance of the said bond in the record. If the same bond is to be applied to succeeding entries, it may be insufficient to cover these entries' assessed duties and taxes. The Bonds Division may not require the additional posting of bonds since it has inadvertently deemed the bond balance sufficient.

It must be noted that there is no actual monitoring as to whether all warehousing entries lodged have posted security bonds, which is essential for internal control, especially since the ABMS was not yet implemented in CY 2021.

The non-posting of security bonds by the importer may expose the government to foregone revenues if the importer fails to perform his obligation to the Bureau within the prescribed period.

**We recommended and Management agreed that the District Collector: (a) establish an adequate and effective internal control mechanism to ensure that all CBW importers posted sufficient bonds for all their importations lodged under warehousing entry to protect the interest of the government; and (b) recommend to the Commissioner thru the Legal Service, a course of action to ensure payment, such as filing a collection case and suspension/cancellation of the accreditation of the delinquent importer as provided per CAO No. 01-2021, in case the CBW importer fails to perform his obligation.**

*Unsubmitted disbursement vouchers (DVs) and supporting documents (SDs)*

- 3. Non-submission of CReg and required SDs by various ports to BOC-CO as the basis for reviewing and recording the disbursements totaling ₱738.880 million as of December 31, 2021, rendered the expense and other related accounts unreliable.**

Section 11, Chapter 6 of GAM for NGAs, Volume I, on the Recording of Check Disbursements by Field Offices without Complete Set of Books states that Field offices (FOs) without complete set of books shall record chronologically in the Cash

in Bank Register (CBReg) (Appendix 37) all checks issued/charged to deposits with the AGDB. The certified copy of the CBReg together with the required SDs shall be submitted within five days after the end of each month to the concerned mother unit (central, regional/division office) for review and recording of the transactions in the books of accounts.

Review of the disbursements from various ports amounting to ₱738.880 million disclosed that these were recorded in the books by the AD without the required SDs, contrary to the above provisions of the GAM for NGAs.

Interview with the accounting personnel disclosed that the BOC-CO will transfer funds thru *Cash in Bank- Local Currency, Current Account* to the respective ports/sub-ports upon receipt of the list of documents for their respective disbursements. They confirmed that the basis for recording in the books of BOC-CO for the disbursements was only the Report of Checks Issued (RCI) or the List of Due and Demandable Accounts Payable (LDDAP) instead of the CBReg together with the required SDs.

Although the RCI or LDDAP and DVs, together with the required SDs were submitted to the concerned Audit Teams Leaders (ATLs) of every port as confirmed with the ATLs of the Ports in the National Capital Regions (NCR), it cannot be considered compliant with the above-cited procedure under the GAM for NGAs.

As the basis for recording the disbursements of ₱738.880 million in the BOC-CO books was only the RCI or LDDAP, the recorded expense and other related accounts were unreliable.

**We recommended and Management agreed to: (a) comply with the GAM for NGAs on the recording of disbursements of various ports/sub-ports without complete set of books of accounts; (b) require all ports to submit the certified copy of the CBReg together with the required SDs within five days after the end of each month to the Accounting Division for review and recording; and (c) refrain from recording the disbursements from various ports in the books of accounts without certified copy of the CBReg and the required original SDs.**

*Petty Cash Fund (PCF)/Advances were not replenished/liquidated at year-end, and not supported with complete and necessary documents*

- 4. PCFs, advances to SDOs and advances for operating expenses were not replenished and liquidated at year-end, and liquidation reports were not supported with complete and necessary documents, thus, exposed the government funds to risk of possible loss and misappropriation, and affected the propriety and validity of the PCF expenses.**

a. *Non-liquidation of cash advances - ₱19.339 million*

COA Circular Nos. 97-002 and 2012-001 dated February 10, 1997, and June 14, 2012, respectively, provide, among others, that:

- All cash advances shall be fully liquidated at the end of each year;
- A cash advance shall be reported as soon as the purpose for which it was given has been served; and
- Special purpose time-bound undertaking within one month from the date the purpose of the cash advance was accomplished.

As of December 31, 2021, the reported balance of *Advances for Operating Expenses and Advances to Special Disbursing Officer* amounted to ₱1.555 million and ₱17.784 million, respectively. These year-end balances represent advances granted from January 31, 2014 to December 28, 2021.

Review of accounting records showed that cash advances for operating expenses and advances to Special Disbursing Officers (SDOs) have a beginning balance of ₱19.710 million, cash advances granted amounting to ₱73.607 million during the year, and liquidations totaling ₱73.978 million, leaving unliquidated balances of ₱1.555 million (7.89 percent) and ₱17.784 million (24.16 percent), respectively, at year-end, as presented in *Table 4*.

**Table 4 - Schedule of Advances and Liquidations**

Account	Cash advances		Liquidations		Balance as of December 31, 2021	
	Beginning Balance	CY 2021	Prior Years (PYs)	Current Year	PYs	Current Year
	(in ₱)					
<i>Advances for Operating Expenses</i>	1,554,860.30	250,000.00	0.00	250,000.00	1,554,860.30	0.00
<i>Advances to Special Disbursing Officer</i>	18,154,823.38	73,356,784.00	18,154,823.38	55,573,111.00	0.00	17,783,673.00
<b>Total</b>	<b>19,709,683.68</b>	<b>73,606,784.00</b>	<b>18,154,823.38</b>	<b>55,823,111.00</b>	<b>1,554,860.30</b>	<b>17,783,673.00</b>
	<b>93,316,467.68</b>		<b>73,977,934.38</b>		<b>19,338,533.30</b>	
<b>% to Total</b>	<b>100</b>		<b>92.11</b>	<b>75.84</b>	<b>7.89</b>	<b>24.16</b>
			<b>79.28</b>		<b>20.72</b>	

Scrutiny of the subsidiary ledgers (SLs) revealed that as of December 31, 2021, the balances for *Advances for Operating Expenses* pertain to: (a) cash advance for a deceased Accountable Officer (AO) and with a request for write-off on September 16, 2021, which COA subsequently denied the request for write-off due to deficiency on documentary requirements amounting to ₱21,000.00; cash advances amounting to ₱1.228 million liquidated on January 31, 2022; and (b) cash advances due for liquidation from various AOs of ports totaling ₱306,079.30.

Management disclosed that it has reconstructed the unliquidated balances of each AO from PYs and is currently coordinating with appropriate persons to comply with COA's requirement for the write-off of ₱21,000.00 cash advance. Notices were also recently sent to AOs for the liquidation of the remaining ₱306,079.30.

On the other hand, the ₱17.784 million balance for the *Advances to Special Disbursing Officer* pertain to cash advance/s: (a) of four AOs for the BOC year-end celebration; (b) for confidential funds for 4th quarter of CY 2021; and (c) for bank charges for November and December 2021, in the amounts of ₱308,673.00, ₱17.375 million and ₱100,000.00, respectively.

The accounting personnel assigned to monitor cash advances disclosed that verbal communications to SDOs are only done when the cash advance schedules are about to be updated during the preparation of quarterly reports. The accounting personnel added that the delayed liquidation of cash advances was overlooked and unnoticed until these were overdue. The AD informed the SDOs of the need to liquidate but did not enforce further appropriate actions to settle the cash advances. The AOs reasoned that the delay in the liquidation of the cash advances was due to the several lockdowns in the NCR during CY 2021.

Laxity in the monitoring of cash advances resulted in the delayed recognition of liquidation in the books and exposed the government funds to the risk of possible loss and misappropriation.

**We recommended and Management agreed to closely monitor the liquidation of cash advances to ensure that these are liquidated within the prescribed period.**

*b. Non-replenishment of PCFs*

Section 1.2 and Section 1.2.2 of COA Circular No. 2012-001 dated June 14, 2012, enumerate the documentary requirements for the liquidation of cash advance and replenishment of PCF, respectively. The same Circular also provides that PCF shall be replenished when the disbursement reaches 75 per cent or as needed.

The audit of PCFs for CY 2021 disclosed that these were not replenished as soon as disbursement reached 75 percent. Also, the unreplenished expenses were not submitted to the AD at the end of the year.

Management was not able to monitor the replenishments during the year and the decrease in the disbursements from PCF during the work from home arrangements due to the Coronavirus Disease 2019 (COVID-19) pandemic has caused the infrequent replenishments in CY 2021. It was also noted the

existence of directives requiring PCF Custodians (PCFCs) to liquidate their PCFs at the end of the year. Demand letters were sent to PCFCs on December 29, 2021, but only four PCFCs complied in February 2022. Management did not enforce further action.

Lack of monitoring of PCF replenishments and poor enforcement of the directives to PCFCs exposed government funds to the risk of possible loss and delayed recognition of expenses.

**We recommended and Management agreed to strictly monitor the replenishment of PCFCs and enforce supplementary issuance of memoranda in compliance with existing PCF directives.**

*c. Not properly supported liquidations/replenishments*

It was also noted that the liquidations/replenishments of advances granted to SDOs and PCFCs during the year for various purchases totaling ₱1.155 million were not supported with necessary documents, such as the Certificate of Inspection and Acceptance (IAR) and Abstract of Canvass. According to the AD, official receipts (ORs) were marked “inspected” as delivered and it did not require the IAR and submission of the Abstract of Canvass.

Validation of the AD’s applied procedures showed that several ORs were not inspected, which denotes the absence of controls to detect the deficiency. In addition, marking the ORs does not substantiate the receipt and acceptance of the requesting end user.

The deviation from the existing rules on documentary requirements and the inability to provide controls for substitute procedures affected the propriety and validity of the PCF expenses.

**We recommended and Management agreed to strictly comply with the documentary requirements of COA Circular No. 2012-001.**

*Non-disposal of confiscated assets*

**5. Lack of specific timelines in the disposition of abandoned/seized and forfeited goods/articles resulted in their delayed disposal ranging from 1 to 310 months, thus exposing these goods/articles to the risk of further spoilage/deterioration and forgone government revenues.**

Section 1139 of Republic Act (RA) No. 10863, otherwise known as the CMTA, provides that goods in customs custody that are in the following conditions and status shall be subject to disposition:

- a. Abandoned goods;
- b. Goods entered under warehousing entry but not withdrawn, or those whose duties and taxes have not been paid within the period prescribed under Section 811 of this Act;
- c. Forfeited goods, other than prohibited, restricted, and regulated goods; after liability have been established by the proper administrative or judicial proceedings in conformity with the provisions of this Act; and
- d. Goods subject to a valid lien for customs duties, taxes, and other charges collectible by the Bureau, after of the period allowed for payment thereof. (Underscoring supplied)

Moreover, Section 1141 of the same RA provides that “the goods subject to disposition may be donated to another government agency or declared for official use of the Bureau, after the approval of the Secretary of Finance, or sold at a public auction within 30 days after a 10-day notice posted at a public place at the port where the goods are located and published electronically or in newspaper of general circulation.”

As mandated under Section 124 of PD No. 1445, it shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

The Audit Team reviewed the BOC’s issuances/memoranda/administrative orders regarding timelines for the disposition of goods/articles. Although there are timelines for seizure and forfeiture proceedings and disposal thru condemnation, CAO No. 10-2020 dated May 11, 2020, and CMO No. 24-2021 dated July 29, 2021, have no specific provisions on the timeline for the disposal after the goods/articles have been determined abandoned or forfeited in favor of the government for the majority of modes of disposal.

Likewise, analysis of the list of abandoned/seized and forfeited articles/goods from various ports as of December 31, 2021, showed that 2,107 goods/articles have not been disposed ranging from 1 to 310 months from the date of seizure/abandonment and forfeiture. Considering that some of these forfeited or abandoned goods are perishable, it is imperative to dispose these goods immediately. Of the goods/articles specified in the list of confiscated assets, three entries totaling ₱10.841 million were already classified by the Port of San Fernando as junk or scrap.

The absence of timelines on the disposition and the inability of the ports to conduct the necessary disposal proceedings resulted in the loss of government revenues representing proceeds from disposal or collection of assessed duties and taxes due from these cargoes, possible loss through theft and deterioration, additional storage fees, and will further contribute to port congestion due to overstaying.

**We recommended and Management agreed to: (a) provide specific timelines for disposal of goods/articles subject to disposition under Section 1139 of the CMTA; and (b) require the ports to immediately dispose the goods/articles subject to disposition to prevent further deterioration and loss of value.**

*Management comment:*

Management commented that the Project Management Office (PMO) would draft regulation/s relative to the timeline on the disposal of goods after being determined as abandoned or forfeited. Memorandum to all ports reiterating the directive to dispose goods/articles subject to disposition will be issued.

*Haphazard fund transfers to Philippine International Trading Corporation (PITC)*

- 6. The prior years' haphazard fund transfers to the PITC resulted in: (a) unremitted balances from discontinued projects, savings from completed projects, and unauthorized cancellation fee amounting to ₱207.840 million, ₱137.181 million, ₱2.209 million, respectively; and (b) unsubmitted documents for the liquidated damages and interest earned of ₱38,522.00 and ₱370,558.73 respectively, which ballooned the *Due from Government-Owned or Controlled Corporations* account to ₱1.396 billion as of December 31, 2021.**

Section 7.3.3 of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184 states that the agencies that may not have the proficiency or capability to undertake a particular procurement, as determined by the head of the procuring entity concerned, may outsource the procurement task by: (a) requesting other Government of the Philippines agencies to undertake such procurement for them to hasten project implementation, through the execution of a memorandum of agreement containing specific arrangements, stipulations and covenants, in accordance with government budgeting, accounting and auditing rules.

Section 83, General Provisions of the General Appropriations Act (GAA) for FY 2018 provides that unexpended balances of appropriation authorized in this Act shall revert to the General Fund at the end of the validity of appropriation provided under Section 61 hereof and shall not be available for expenditure except by the subsequent legislative enactment.

Review of the *Due from Government-Owned or Controlled Corporations* account with balance of ₱1.396 billion as of December 31, 2021, disclosed the following:

- a. Transferred funds remained unliquidated for more than two years*

Records showed that the balance of the *Due from Government-Owned or Controlled Corporations* account amounting to ₱1.396 billion as of December

31, 2021, represents fund transfers to PITC intended for the procurement of various outsourcing projects which remained unliquidated for more than two years, as presented in *Table 5*.

**Table 5 - Status of Funds Transferred to PITC as of December 31, 2021**

Year	Total Amount Transferred to PITC	Liquidation/Deliveries		Remittance to BTr	Cancellation Fee Deducted from Transfer	Unliquidated Fund Transfer as of Dec. 31, 2021	Age/Delay in Liquidation
		Completed Projects	Partially Completed				
(a)	(b)	(c)	(d)	(e)	(f)	(g=b-c-d-e-f)	(h)
(in ₱)							
2017	749,500,000.00	0.00	0.00	306,940,240.59	59,759.41	442,500,000.00	4 yrs., 7 mos.
2018	1,343,300,640.00	214,163,859.79	76,660,172.67	268,220,950.61	2,115,756.65	782,144,951.48	3 yrs., 7 mos.
2019	870,161,220.00	669,740,427.95	0.00	28,615,722.00	33,253.36	171,766,765.49	2 yrs., 10 mos.
<b>Total</b>	<b>2,962,961,860.00</b>	<b>883,904,287.74</b>	<b>76,660,172.67</b>	<b>603,776,913.20</b>	<b>2,208,769.42</b>	<b>1,396,411,716.97</b>	
<b>% to Total</b>	<b>100</b>	<b>29.83</b>	<b>2.59</b>	<b>20.38</b>	<b>0.07</b>	<b>47.13</b>	

Analysis of funds transferred to PITC as of December 31, 2021 revealed that 29.83 per cent was liquidated for completed projects and 2.59 per cent for partially completed projects amounting to ₱883.904 million and ₱76.660 million, respectively. Moreover, the savings of ₱603.777 million from completed and cancelled projects were remitted to the Bureau of the Treasury (BTr) in CYs 2020 and 2021.

Interview with the General Services Division (GSD) personnel disclosed that details of discontinued projects were sent to them by the PITC on December 4, 2021. The latter was asking for BOC to issue written notice to cancel the projects. The GSD endorsed the request to the BOC Legal Service on February 9, 2022, but has not received an update as of date. The BOC's written notice to cancel is necessary for BOC to be charged with cancellation fee per Section 4.3 of the Memorandum of Agreement (MOA) dated January 18, 2021 between the BOC and PITC. The GSD personnel further stated that they received a letter dated January 28, 2022 from PITC, regarding the return of funds to the BTr of the savings from four completed projects totaling ₱137.181 million. In BOC's response dated February 7, 2022, it requested to use the savings of one of the completed projects (four units brand new mobile computer) amounting to ₱134.200 million be utilized for the (a) upgrade of two portal x-ray machines or (b) procure additional latest technology scanning and detection machines.

On the other hand, the Audit Team was informed that the projects under implementation of ₱794.283 million are being monitored and weekly reports were prepared. Further, the GSD personnel added that delays in the completion of projects under procurement totaling ₱257.108 million could be attributed to: (a) incomplete documentation of projects when the funds were transferred in CYs 2017 and 2018; (b) preparation of Terms of Reference (TOR) for Infrastructure Projects took time; and (c) rebidding of projects which undergone failed biddings.



b. *Unauthorized charging of cancellation fee*

Section 4.3 of the MOA between BOC and PITC dated January 18, 2021, provides that in case the MOA or Agency Outsourcing Request (AOR) is cancelled by the client for justifiable reason (i.e., project is no longer necessary; funds for the project had been withheld or reduced) and after the procurement process has already commenced, PITC shall be entitled to payment of service fee equivalent to 50 per cent of the service fee due plus 12 per cent value added tax (VAT) thereon, which PITC shall deduct from the funds transferred to it upon receipt of written notice to cancel from client.

Further verification showed that PITC charged BOC cancellation fee of ₱2.209 million for six projects cancelled, as shown in *Table 6*.

**Table 6 - Schedule of Cancelled Projects**

Project Description	Amount Transferred	Cancellation Fee*	Unexpended Balance Returned to the BTr
		(in ₱)	
1. Supply and Delivery of Medicines, Medical and Dental Supplies	4,000,000.00	59,759.41	3,940,240.59
2. ICT Consultancy	9,100,000.00	159,803.16	8,940,196.84
3. Various BOC Projects (Purchase of Toners and Office Supplies)	117,929,744.86	5,051.20	100,412,269.60
4. Repair and Renovation of Port of Davao	7,967,168.35	108,502.29	7,858,666.06
5. Repair and Renovation of OCOM Building	135,284,800.00	1,842,400.00	133,442,400.00
6. Procurement of Heavy Duty Paper Shredder	1,650,000.00	33,253.36	1,616,746.64
<b>Total</b>	<b>275,931,713.21</b>	<b>2,208,769.42</b>	<b>256,210,519.73</b>

\* Pertains to 50 percent of service fee plus VAT.

On December 3, 2021, and February 28, 2022, PITC wrote a letter to BOC to issue “Notice to Cancel” for the discontinued BOC outsourced projects totaling ₱275.932 million, which includes those already charged with cancellation fees, but BOC did not reply. On the other hand, PITC remitted the amount of ₱256.211 million to the BTr, net of the cancellation fee of ₱2.209 million, even with the absence of cancellation notice from BOC. The cancellation fees charged by PITC to the six projects were not in accordance with Section 4.3 of the MOA.

Interview with AD personnel who inquired with PITC on the details of cancellation fees revealed that the cancellation fees of ₱2.209 million for the six projects had to be imposed since procurement activities have commenced/undertaken already and the non-submission of BOC of the required TOR and revised AOR hampered PITC to complete the procurement within the required timelines.

In the audit of the BOC for CYs 2018 to 2020, the Audit Team observed that ₱275.932 million were transferred in CYs 2017 and 2018 without

submission of the required TOR. The Audit Team recommended then to coordinate with PITC and submit the required TOR. However, since majority of the transferred funds are without TOR, the BOC was not able to comply with the timeline set by PITC.

c. *Non-recognition of interest earned and liquidated damages*

Section 2.2.7 of Article II of the MOA between the BOC and PITC dated January 18, 2021, provides that all damages, liquidated or otherwise, and other penalties imposed by PITC in relation to the implementation of procurement contracts awarded shall be for the benefit of the BOC. Also, Section 3.2 of Article III of the same MOA states that interest earned from funds transferred by BOC to PITC shall accrue to the BOC.

On February 3, 2022, a confirmation letter was sent to PITC for the outstanding balance due to BOC as of December 31, 2021. The Audit Team noted that the difference between BOC and PITC records, pertains to the interest earned for the 4th quarter of CY 2021, liquidated damages for the late deliveries imposed by PITC, and the unliquidated transfer of funds for the projects/procurement. Details are shown in *Table 7*.

**Table 7 - Difference between BOC and PITC Balance**

Particulars	Amount (in ₱)
<b>BOC Ending Balance, December 31, 2021</b>	<b>1,396,411,716.97</b>
Add: Interest income for the 4th Quarter of CY 2021	370,558.73
Liquidated damages imposed for Body Worn Camera	38,522.00
Less: Billings of PITC for Ongoing and Unliquidated projects with BOC	66,693,328.77
<b>PITC Ending Balance, December 31, 2021</b>	<b>1,330,127,468.93</b>

Further, the non-submission of documents by PITC for the 4th quarter interest earned and liquidated damages for the late deliveries for the procurement of body worn camera, resulted in the non-recognition of the said transactions by BOC AD.

Interview with the AD personnel disclosed that they received the same confirmation balance of ₱1.330 billion from PITC on January 31, 2022, but since they were already closing the books at that time, they were not able to record the related accrued income totaling ₱409,080.73. They also added that in CY 2021, original copies of liquidation reports were not submitted by PITC, pending the preparation of project completion report, but soft copies were sent to them last January 20, 2022.

Finally, it can be gleaned from the discussion above that the haphazard transfers of funds to the PITC in prior years have resulted in the accumulation of significant balance of *Due from Government-Owned or Controlled Corporations* amounting to ₱1.396 billion as at year-end.

**We recommended and Management agreed to: (a) require the GSD to coordinate with PITC relative to the remittance by the latter directly to the BTr of the following: (i) the unexpended balance from the discontinued projects; (ii) the savings from completed projects; and (iii) the unauthorized cancellation fee; (b) submit to the AD documents related to recommendation (a) including the interest earned and liquidated damages, if any; and, (c) recognize the interest earned and liquidated damages.**

*Management comments:*

Management explained that the savings from completed projects totaling ₱137.181 million were remitted by the PITC to the BTr in March 2022. Also, the interest earned and the liquidated damages were already recognized in the books in CY 2022. On the other hand, the Notice to Cancel on the discontinued project totaling ₱207.840 million was sent to PITC in accordance with the MOA. The cancellation fee for the six discontinued projects amounting to ₱2.209 million was deducted by PITC even without Notice to Cancel due to the consecutive failures of bidding and late submission of TOR by BOC within the target deadlines.

*Auditor's rejoinder:*

We commend Management's action on the remittance to the BTr of the savings on the completed projects and recognition of interest earned and liquidated damages. However, the Audit Team maintains its stand for Management to remit immediately to the BTr the amount related to the discontinued projects and unauthorized cancellation fees amounting to ₱207.840 million and ₱2.209 million, respectively.

*Unrecorded and unaccounted motor vehicles*

**7. Lack of reconciliation between the records of GSD and AD resulted in 9 unrecorded MVs without cost in the books and 29 unaccounted PPEs.**

Section 42, Chapter 10, GAM for NGAs, Volume I provides that accounting and property records shall be maintained for PPE. The balance of Property Custodian's record and Property Acknowledgement Receipt (PAR) shall be reconciled with Property Plant and Equipment Ledger Card maintained by the AD.

The Audit Team's ocular inspection in CY 2019 audit showed that there were 11 motor vehicles (MVs) listed in the Inventory Report of the GSD that were not recorded in the books of the AD. The Audit Team recommended to Management to record the MVs owned by the Bureau and supply the necessary cost/value of the vehicles as listed in the Inventory Report of the GSD. However, as of December 31, 2021, only 2 out of the 11 vehicles were recognized in the books.

Based on the inquiry and comments received from the Management, the costs of these MVs were not disbursed from the government funds and thus, it assumed that these are seized/confiscated properties deposited to the GSD for safekeeping.

Review of the official receipt and certificate of registration (OR/CR) showed that the above MVs were under the name of the BOC. It must be noted that if the MVs were really confiscated assets they can only be declared for official use of the Bureau, after the approval of the Secretary of Finance. Since there is no evidence manifesting that the MVs were confiscated assets and the MVs were registered under the name of the BOC, the same must be appraised to determine the fair value so that these can be completely recognized in the books.

On the other hand, we also noted that there were 75 MVs amounting to ₱10.268 million that were recognized in the books but were not found in the station and were not included in the Inventory Report of the GSD in CY 2019. However, review of records showed that there were still 29 MVs recorded in the books totaling ₱7.743 million that were not yet accounted for and not found in the station as of December 31, 2021. The lack of reconciliation between the GSD and AD resulted in the non-recognition of MVs in the books of accounts.

Considering that these MVs were procured in CYs 1994 to 2010, it is likely that these vehicles were already disposed of or, if not, were already deteriorated due to the passage of time. Discrepancies like this in the PPE balances between accounting and property records have become a perennial issue. If not properly addressed, such conditions would always affect the reliability of the PPE account balances at year-end.

**We recommended and Management agreed to require the AD and GSD to: (a) conduct reconciliation of their records to ensure that adjustments are immediately reflected in their respective records; and (b) conduct appraisal for the current market value of the MVs and prepare JEV to recognize the MVs with corresponding depreciation.**

**We also recommended and Management agreed to direct the Property Officer and Accountant to comply with COA Circular No. 2020-006 dated January 31, 2020, or the one-time cleansing of PPE accounts to come up with reliable PPE balances that are verifiable as to the existence, condition, and accountability.**

*Deficiencies in the utilization and payment of claims for refund of duties and taxes*

**8. Absence of proper coordination and monitoring in the claims and utilization of TCCs and VAT cash refund resulted in the: (a) non-submission of original documentary requirements such as import documents and certification from the BIR; and (b) unwarranted issuance of a certificate of no outstanding obligations, thus, exposing the government funds from possible loss due to double payment and ineligible claim.**

It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy has faithfully adhered to rests directly with the chief or head of the government agency concerned.

Pursuant to Section 3 (ii) of the Special Provisions for BOC in the GAA for FY 2021, all tax refund payments shall be subject to the audit of COA.

The Audit Team reviewed the tax refunds for CY 2021 with an aggregate amount of ₱8.539 billion from (a) 9 approved claims of TCC and its corresponding utilization amounting to ₱1.200 billion; and (b) 104 checks/DVs for VAT cash refunds amounting to ₱7.339 billion, and the following deficiencies were observed:

*a. Non-submission of the original import documents and certification from the Bureau of Internal Revenue (BIR)*

COA Circular No. 2012-001 dated June 14, 2012, requires that all claims against the government funds shall be supported with complete documentation.

To be able to apply for claims and refunds of duties and taxes, the claimant shall apply using a standard application form, duly sworn to before a notary public to the Office of the District Collector (ODC) of the Port where duties and taxes were paid and pay the imposed refund processing fee based on the schedule.

The notarized application form shall be supported by the following documentary requirements:

1. Single Administrative Document (SAD) or original Import Entry Declaration (IERD), as the case may be;
2. Statement of Settlement of Duties and Taxes (SSDT) and/or Original Bureau of Customs Official Receipt (BCOR), as applicable;
3. Original Bill of Lading;
4. Original Commercial Invoice;

5. Original Packing List;
6. Original Certificate of Origin, whenever applicable;
7. Original Official Receipt for the payment of Refund Processing Fees;
8. If the application for refund of duties includes a refund of internal revenue taxes, Certification from BIR that the same has not been claimed as creditable input tax or has been the subject of a similar claim for refund with the BIR; and
9. Other documents to prove the basis of a claim for refund

The submission of these import documents is necessary as they are the primary evidentiary documents to substantiate the existence of importations and the validity of the claim for a refund for the payment of duties and taxes while the submission of original documents is to establish the validity of the claim and serves as an internal control for disbursements.

Further, sound internal control system also requires paid vouchers, including their supporting documents, to be perforated and conspicuously stamped “PAID” to avoid the use of the same documents in future claims.

Verification of the supporting documents for approved TCCs and DVs of VAT cash refund from January 1 to December 31, 2021, totaling ₱8.539 billion revealed that the submitted mandatory documentary requirements such as BCOR, bill of lading, commercial invoice, packing list, and certificate of origin (whenever applicable) were only photocopies or certified copies of the original document for those refund claims filed.

To test the control in place and determine if there was a double payment from the claimed tax refunds from CY 2021 and below, the Audit Team selected the top three out of 61 importers who have the largest approved and claimed VAT cash refund in CY 2021. To verify the claims, the Audit Team requested a copy of evaluation reports prepared by the AD containing importations for CYs 2009 to 2021 that were claimed in CY 2021 and below. Verification of the evaluation reports of the top three importers revealed that three out of three or 100 per cent of the samples selected contained payment of VAT cash refund of the same importation twice, which exceeded the allowable cash refund for the payment of VAT, as shown in *Table 8*.

**Table 8 - Sample VAT Cash Refund of Top Three Importers with Double Payment**

Entry		Period Covered of the Claim	Total Duties and Taxes Paid (in ₱)	VAT Amount Paid (a)	VAT Refund		Excess Payment (c = a-b)
No.	Date				Date	Amount (b)	
2019P13 C3879	April 5, 2019	January 1 to March 31, 2019	898,039.00	582,872.00	September 7, 2021	582,872.00	582,872.00
		April 01 to June 30, 2019			November 23, 2021	582,872.00	

Entry		Period Covered of the Claim	Total Duties and Taxes Paid	VAT Amount Paid (a)	VAT Refund		Excess Payment (c = a-b)
No.	Date				(in ₱)	Date	
2018P03 C109616	August 1, 2018	January 1 to December 31, 2018	400,748.00	335,789.00	August 16, 2019	25,655.00	25,655.00
		January 1 to December 31, 2019			September 13, 2021	335,789.00	
2018P03 C116647	August 14, 2018	January 1 to December 31, 2018	40,730.00	28,441.00	August 16, 2019	7,410.00	7,410.00
		January 1 to December 31, 2019			September 13, 2021	28,441.00	
2018P03 C122806	August 30, 2018	January 1 to December 31, 2018	43,497.00	41,275.00	August 16, 2019	1,212.00	1,212.00
	August 29, 2018	January 1 to December 31, 2019			September 13, 2021	41,275.00	
2018P03 C126114	September 6, 2018	January 1 to December 31, 2018	74,289.00	59,648.00	August 16, 2019	3,435.00	3,435.00
		January 1 to December 31, 2019			September 13, 2021	59,648.00	
101363 796	No available data	April 2009 to March 2010	785,475.00*	631,782.00	March 15, 2021	631,782.00	710,961.00
		April 2009 to March 2010		864,654.00	March 15, 2021	864,654.00	
<b>Total</b>							<b>1,331,545.00</b>

\*Evaluation report for OR No. 101363796. reported a VAT amount paid of ₱1,496,436.00 which is greater than the specified total duties and taxes paid of ₱785,475.00, resulting in excess payment on claimed VAT cash refund amounting to ₱710,961.00.

It can be gleaned from the above sample transactions that the control mechanism is not working effectively, resulting in disorganized monitoring/evaluation reports, thus posing a high risk of double payments in the tax refunds claimed in CY 2021 and below.

**We recommended and Management agreed to: (a) prepare proper monitoring reports for all claimed TCC/VAT cash refund containing all claimed importations of each claimant to avoid duplication of payment; (b) ensure that the subsequent claims are duly supported with complete documentation; and (c) strengthen coordination on all ports/divisions/offices involved in processing TCC and VAT cash refund and properly submit all the required original documents needed for the claim such as original BCOR, bill of lading, commercial invoice, packing list, certificate of origin, and certification from the BIR of the processed TCC/VAT cash refund claims in CY 2021.**

- b. *Non-submission of the original documentary requirements through the issuance of TDM in CY 2021 totaling ₱1.082 billion*

Under Section 6.1 of CMO No. 25-2020 dated September 4, 2020, the claimant with the approved TCC shall file to the Tax Credit Secretariat a notarized request for utilization of TCC supported by the following documents:

1. Original TCC/s;
2. Original Previous TDMs, if any;
3. IEIRD/SAD;
4. Bill of Lading/Airway Bill;
5. Packing List;
6. Commercial Invoice; and
7. Other pertinent documents, as may be required.

Request for utilization of TCC shall only be processed once all the mandatory documentary requirements are complete and duly submitted to the Tax Credit Secretariat.

Verification of the supporting documents for the submitted utilized TDM amounting to ₱1.082 billion in CY 2021 revealed that the supporting documents such as original TCC, previous TDM (if any), IEIRD/SAD, bill of lading/airway bill, packing list, and commercial invoice were not submitted for all utilized TDM in CY 2021. Thus, the authenticity and the remaining balance of the TCC cannot be ascertained.

In addition, the “Certification of No Outstanding Obligations” to be issued by the Collection Service, for verifying the outstanding liabilities of a claimant was not also submitted. As a result, the claim was processed despite having outstanding obligation amounting to ₱0.629 million. Nonetheless, the claimant received and utilized a TDM amounting to ₱440.786 million. However, Section 6.8 of CMO No. 25-2020 provides that no TDM shall be issued if the applicant has outstanding obligations, thus rendering the claimant ineligible for the utilized TDM as payment for the duties and taxes in CY 2021.

Interview with the AD personnel disclosed that they only submit the whole docket of the TDM and its supporting documents upon full utilization of the TCC as they maintain this to monitor the claim and utilization of every TCC. However, the said practice is not in consonance with the above regulation and poses difficulty in validating the utilization of TCC through TDM.

Thus, premises considered, the propriety and occurrence of the tax refund for TCC and VAT cash refunds could not be reasonably established due to the non-submission of the original documentary requirements to support the claims and utilization, exposing the government funds to possible loss due to double payment and ineligible claim.



We recommended and Management agreed to submit all the documentary requirements of the processed TDM in CY 2021 and to prospectively submit all the supporting documents in every utilization of TCC thereof.

- c. *Certification of No Outstanding Obligations issued to the claimant with outstanding liabilities amounting to ₱10.515 million*

The ODC, upon receipt of the application form with original supporting documents shall perform simultaneously the following: (a) transmit the application form with original supporting documents to the Law Division for evaluation and disposition; (b) forward the request to the RAD to verify if the duties and taxes were paid and remitted to the BTr; and (c) forward the request for Certification of No Outstanding Obligations to the Collection Service, for verification of outstanding liabilities of the claimant, if any.

The certificate of no outstanding obligation certifies that based on the record, the claimant who filed a claim for TCC/VAT cash refund is cleared on all duties and taxes due as of the date of the certification. Once cleared, the Collection Service will issue the certificate and forward the same to the Law Division for review.

Upon verification of the issued Certification of No Outstanding Obligations by the Collection Service to all claimants who claimed TCC or VAT cash refund in CY 2021, the Audit Team noted that two importer-claimants with claims amounting to ₱1.142 billion have outstanding obligations from post modification of entries as of issuance date of the certification totaling ₱10.515 million, thus rendering the certification invalid. Details are shown in Table 9.

**Table 9 - Importers with Outstanding Obligations as of Date of Certification**

Mode	TCC/Check No./Date	Amount of Claim (in ₱)	Certification Control No./Date	Total Outstanding Liability as of Certification Date (in ₱)	Remarks
Cash Refund	CK820225 July 21, 2021	1,131,225,960.20	2021-118 July 16, 2021	628,852.99	Paid on July 19 and September 10, 2021
<b>Subtotal</b>		<b>1,131,225,960.20</b>		<b>628,852.99</b>	
TCC	TCC001386 January 29, 2021	4,933,062.50	2021-013 January 27, 2021	9,886,571.00	No payment of outstanding liability
	TCC001387 January 29, 2021	5,494,314.50	2021-013 January 27, 2021		
<b>Subtotal</b>		<b>10,427,377.00</b>		<b>9,886,571.00</b>	
<b>Grand Total</b>		<b>1,141,653,337.20</b>		<b>10,515,423.99</b>	

On March 30, 2022, a confirmation letter was sent to the RAD to verify the status of payments of the importers. Results of confirmation disclosed that the first importer-claimant settled all its outstanding liabilities only on July 19 and September 10, 2021, after the issuance of the Certification as to No

Outstanding Obligation. On the other hand, the second importer-claimant was issued a certification despite having unsettled obligations.

Inquiry with the Collection Service on April 12, 2022, disclosed that the certification issued to the claimant was based only on reports received from the Liquidation and Billing Division (LBD) and Bonds Division from all ports. Thus, the outstanding balance resulting from the post modifications of entries as identified in the above claimants/importers was not included in the verification before the issuance of the certificate by the Collection Service.

Moreover, the Audit Team took note during the said interview that the Collection Service has no access in the e2m system to see any outstanding balance resulting from the post modification of entries and no coordination was done with RAD that maintains the record pursuant to Section 7, Chapter 7 of GAM for NGAs, Volume 1 on Tax Receivable from post modified entries.

The non-coordination of the Collection Service with the appropriate office and the sole reliance on the port's data denote weakness in the process of issuance of Certification of No Outstanding Obligations which is evidenced by the existence of certificates issued to importers with outstanding liability as of the issuance date.

Management informed that the RAD will coordinate with the MISTG to provide the Collection Service access in the e2m Post Entry Modification balances. All updates made by all ports must be addressed to the Collection Service and periodically submit updated balances to the RAD.

**We recommended and Management agreed to: (a) investigate further all the claimants/importers with approved TCC and VAT cash refund claims and make the necessary actions based on the result of the investigation, to correct and collect double payments and to prevent the occurrence in the future; and (b) require the Collection Service to coordinate with other BOC offices in the preparation of the Certification of No Outstanding Obligations to avoid issuing certification to the claimant with outstanding obligations in the Bureau.**

*Non-submission of goods declarations and SDs*

- 9. The goods declarations and SDs for 438,679 importation entries amounting to ₱127.213 billion for CYs 2020 to 2021 were not submitted to the Audit Teams due to lack of allocated/available and secured storage for all the lodged entries at the Ports, thereby precluding them from conducting an objective examination/evaluation of the Bureau's revenue transactions.**

Section 401 of the CMTA provides that unless otherwise provided for in this Act, all imported goods shall be subject to the lodgement of a goods declaration. A goods declaration may be for consumption, for customs bonded warehousing, for admission, for conditional importation, or for customs transit. As stated in Section 205 of the CMTA, the Bureau shall maintain electronic records of goods declaration and other documents supporting the declaration.

Paragraph 4 of Section 43 of PD No. 1445 provides, among others, that the auditors in all auditing units shall have the custody, be responsible for safekeeping and preservation of paid expenses vouchers, journal vouchers, stubs of treasury warrants or checks, reports of collections and disbursements, together with their respective supporting papers, under regulations of the Commission.

Due to the lack of allocated/available and secured storage for all the lodged entries at the Ports in NCR and the limitation of the Audit Teams to conduct 100 percent audit on such, it has been customary that the Audit Teams simply resort to selection of specific items for audit through sampling method based on materiality and risks involved. They requested only the selected goods declaration from the Ports' LBD for sampling audit. However, of the requested samples of 44,588 entries amounting to ₱61.780 billion, only 9,727 entries amounting to ₱19.794 billion were submitted.

For CYs 2020 and 2021, considering the sample entries submitted, the total lodged goods declarations and their SDs that were not submitted to the Audit Teams in NCR was 438,679 importation entries amounting to ₱127.213 billion. Details are presented in *Table 10*.

**Table 10 - Schedule of Goods Declarations with SDs**

CY	Port	Total Goods Declarations/ Entries		Sample Entries		Total Unsubmitted Goods/Entries	
		Qty.	Amount (in ₱)	Submitted	Amount (in ₱)	Qty.	Amount (in ₱)
2020	NAIA	138,269	29,484,681,888.06	5,515	12,426,067,668.80	132,754	17,058,614,219.26
2021	MICP	198,120	75,124,818,950.97	2,927	4,605,130,902.51	195,193	70,519,688,048.46
	POM	29,805	26,390,172,760.48	527	227,512,494.50	29,278	26,162,660,265.98
	NAIA	82,212	16,007,166,761.90	758	2,534,966,862.22	81,454	13,472,199,899.68
<b>Total</b>		<b>448,406</b>	<b>147,006,840,361.41</b>	<b>9,727</b>	<b>19,793,677,928.03</b>	<b>438,679</b>	<b>127,213,162,433.38</b>

The hard copies submitted by the LBD from PYs at MICP were filed in sacks and it was observed that some were unorganized and the transmittal letters together with the list of the goods declarations do not match the stored entries in the sacks.

Nevertheless, the soft copies of the import documents are already being submitted gradually in some ports during CY 2021 though they can possibly be accessed thru the Customer Care Portal System (CCPS) of the BOC ticketing system. Yet, despite requests, the Audit Teams have no access to this system and can only view the SAD using the BOC's e2m systems. Due to the lack of appropriate and secured storage room allocated for COA, it is impracticable to provide all the goods declarations together with the SDs for the year.

The delayed and partial submission of the total lodged and/or requested sample import entries/goods declaration, unorganized filing and lack of secured storage area, deprived the Audit Teams from conducting an objective examination/ evaluation of the Bureau's revenue transactions.

**We recommended and Management agreed to: (a) provide an appropriately safe and secure storage room exclusively accessible to COA personnel; (b) require LBD and other concerned officials/offices to submit immediately all the samples requested unsubmitted entries to the Audit Teams; (c) organize the submissions of goods declarations and the supporting documents by: (i) providing view and download access on the ticketing system of the BOC CCPS for the Auditors to access the soft copies of the Goods Declarations and SDs; and (ii) ensuring that the list of the goods declarations submitted together with the sacks totally matches the stored entries found in them; and (d) henceforth, submit all the goods declarations and the SDs pursuant to Paragraph 4 of Section 43 of PD No. 1445.**

*Delayed implementation of the full automation of the computation of excise tax/ad valorem tax for automobiles*

- 10. The delayed implementation of the full automation in the computation of the assessment of automobiles in the e2m system has allowed the examiners and appraisers to manually compute and encode the excise/ad valorem tax resulting in a revenue loss estimated at ₱1.378 billion, based on sampled transactions in the POM and MICP.**

Section 149, Chapter VI, Title VI of RA No. 8424 or the National Internal Revenue Code (NIRC) of 1997, as amended by Section 45 of RA No. 10863 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law imposes excise tax on automobiles and provides that they shall be levied, assessed, and collected an ad valorem tax on automobiles based on manufacturer or importer's selling price, net of excise and VAT, in accordance with the provided schedule, effective January 1, 2018.

Section 109, Chapter 2, Title I of the CMTA specifies that in accordance with the international standards, the Bureau shall utilize information and communications technology to enhance customs control and support cost-effective and efficient customs operations geared to a paperless customs environment.

Additionally, Section 301, Chapter 2, Title III of the same Act provides that in the application of customs control, the Bureau shall employ audit-based controls and risk management systems, use automation to the fullest extent possible and adopt a compliance measurement strategy to support risk management.

In CY 2018, the Information Technology Audit Office (ITAO) of the COA issued and transmitted an audit report on the Information System/Technology (IS/IT)

audit of the e2m system. One of the audit observations was that the e2m system does not automatically compute the excise/ad valorem tax for automobiles, resulting in a revenue loss.

In response thereto, the MISTG embedded in the e2m system the automatic calculation of excise/ad valorem tax for automobile importations using artificial intelligence (AI) code which was implemented through MISTG Memorandum No. 07-2020 dated August 6, 2020.

However, walkthrough of the system by the Audit Teams in the POM and MICP revealed that the excise/ad valorem tax calculation was based on the total landed cost due to the absence of the manufacturer's price/importer's selling price field/box in the SAD. As a result, the examiners and appraisers were forced to manually compute and encode the excise/ad valorem tax and VAT not captured in the total landed cost and VAT base in the fines and penalties field.

Moreover, the e2m has no built-in-analytics to automatically classify the AI code/tax rate based on the declared manufacturer's price/importer's selling price of the importation, which the examiners appraisers manually verify, and also lacks the functionality that will allow the system to choose the appropriate value pursuant to BIR Revenue Regulation (RR) No. 25-2003, as amended, which governs the imposition of excise tax on automobiles.

The enhancement in the e2m system through the AI code was not utilized/implemented by the port examiners by using the Procedure Code "*025: Exemption on Excise Duty/Ad Valorem Tax*" in Box 37b of the SAD to disable the automatic calculation, instead of the Procedure Code "*000: Normal Procedure, Duties and Taxes subject for Payment*". This is despite the fact that the former Procedure Code was not built for that purpose and even the involved automobiles were not exempted from excise/ad valorem tax contrary to Section 45 of the TRAIN Law.

It was also noted that in CY 2021, the MICP and POM had not completely submitted various entries involving importation of automobiles since CY 2019, which were communicated to them through various letters and audit observation memoranda. This posed difficulty in the verification of the accuracy of assessment of duties and taxes and compliance with laws, rules and regulations due to the absence of documents such as original Authority to Release Imported Goods (ATRIG) and Manufacturer's/Assembler's & Importer's Sworn Statement of Net Selling Price for 663 entries involving importation of automobiles.

In view of the non-submission of the required documents, the MICP and POM Audit Teams requested from the COA-BIR Audit Team, the ATRIG details of the importations at the ports per letter dated October 8, 2021. A Summary of ATRIG Processed and Issued for Automobiles for the period January 2019 to September 2021 database was provided by the Excise Large Taxpayers Regulatory Division of the

BIR per its email dated October 22, 2021 and forwarded by COA-BIR per email dated November 8, 2021.

The POM and MICP Audit Teams compared and matched each entry of automobiles using the common details of information from the BIR and BOC, against the Summary of ATRIG database from the BIR to verify the accuracy of excise tax assessed, and collected by the BOC and if all shipments at the port have corresponding ATRIG. Verification of the assessment of duties and taxes of 696 entries by the POM and MICP Audit Teams for the period January 2019 to March 2021 and January 2019 to June 2021, respectively, revealed that the manual computation and encoding have an estimated conservative discrepancy of ₱1.378 billion, resulting in a loss of revenue for the same amount, as presented in *Table 12*.

The 91 entries involving importation of automobiles were found to have corresponding ATRIG, but BOC-POM and MICP applied lower values of excise tax as verified in the SSDT in the e2m against the database of BIR, resulting in a loss of revenue amounting to ₱121.194 million representing excise/ad valorem tax. This also understated the assessment of VAT amounting to ₱14.543 million, as prescribed by Section 107 of the NIRC of 1997 and resulting in a total under-assessment/collection of ₱135.737 million as computed. Additionally, only two out of the 52 entries have submitted ATRIG to the Audit Teams.

Section 5, Chapter II of RR No. 25-2003 dated September 16, 2003 specifies provisions on the Manufacturer's or Importer's Selling Price as basis for the calculation of excise tax. It provides that in no case shall the manufacturer's/ assembler's or importer's selling price be less than the amount computed as per the following formula:

$$80 \text{ per cent } \times (\text{Suggested Retail Price} - \text{Excise Tax} - \text{Value-Added Tax})$$

This specifies furthermore, that the manufacturer/assembler's or importer's selling price shall in no case be less than the cost of manufacture/assembly/importation plus the industry profit margin of ten per cent (10%) and other expenses incurred before the automobiles are sold to the market, provided, finally that the suggested retail price shall not be less than the actual selling price of the automobiles when sold to the market.

The computation of excise tax was then conservatively calculated based on the minimum net selling price with no other expenses considered due to unavailability of data. The non-existence in the database provided by the BIR and the absence of the hard copies of ATRIG and Manufacturer's/Assembler's & Importer's Sworn Statement of Net Selling Price of these entries casted doubt on the regularity of the transactions and accuracy of the assessment made by the port.

Verification of each shipment/importation of automobiles at BOC-POM and MICP against the provided Summary of ATRIG database, to validate if all shipments

at the port have corresponding ATRIG, showed that the ATRIG for 602 entries involving the importation of automobiles were not found in the Summary of ATRIG Processed and Issued for Automobiles database provided by the BIR. Computation of duties and taxes showed a discrepancy in excise tax estimated at ₱1.106 billion and VAT approximately at ₱132.729 million, as prescribed in Section 107 of the NIRC of 1997 resulting in a total under-assessment/collection amounting to ₱1.239 billion to the disadvantage of the government.

Examination/evaluation of the ATRIG attached to three entries submitted to the Audit Teams revealed that details indicated therein, such as Importer/Consignee, Broker, Name of Vessel, Goods Description, Country of Origin, Bill of Lading No. and Chassis No. are similar and identical with the information likewise stated in the Summary of ATRIG Processed and Issued for Automobiles database provided by the BIR, except for the details presented in *Table 11*.

**Table 11- Comparison of Details of Submitted ATRIG against BIR Database**

Comparison	ATRIG Control/NSW No.	Date of ATRIG	Excise Tax (in ₱)
<b>1) Entry No. C113312-19/BL No. HDMUTOML3674531</b>			
Per BIR database	ELTRDAUT153529	September 3, 2019	2,292,209.88
Per Submitted ATRIG Attached to Entries of Port	ELTRDAUT163296	August 28, 2019	289,415.08
<b>2) Entry No. C115582-19/BL No. INC2814618</b>			
Per BIR database	ELTRDAUT153519	September 3, 2019	798,269.14
Per Submitted ATRIG Attached to Entries of Port	ELTRDAUT163564 (Blurred)	September 2, 2019	396,377.64
<b>3) Entry No. C113117-19/BL No. INC2813408</b>			
Per BIR database	ELTRDAUT153540	September 3, 2019	685,329.54
Per Submitted ATRIG Attached to Entries of Port	ELTRDAUT162937	August 28, 2019	398,417.73

Verification of the assessment made by the port in the SSdT of e2m showed that the BOC used almost the same excise tax amount specified in the submitted ATRIG, resulting in under-assessment/collection of excise tax amounting to ₱2.692 million and corresponding VAT amounting to ₱322,873.67, totaling to ₱3.015 million.

It is also worthy to note that the said submitted ATRIG were not original and merely certified true copies reconstructed from the declarants, casting doubt on the accuracy/authenticity of the submitted documents as verified against the Summary of ATRIG Processed and Issued for Automobiles database provided by the BIR.

Overall, verification of the assessment of duties and taxes of 696 entries in POM and MICP for the period January 2019 to March 2021 and January 2019 to June 2021, respectively, revealed that the manual computation and encoding have estimated discrepancies of ₱1.378 billion, resulting in a loss of revenue of the same amount, as presented in *Table 12*.

**Table 12 - Summary of Deficiency in Excise Tax and Corresponding VAT of Automobile Importations for CYs 2019-2021**

Observations	Port	No. of Entries	Deficiency in Excise Tax and VAT (in ₱)
1. Deficiency in the assessed and collected Excise/Ad Valorem Tax and VAT by the Ports due to application of lower values of Excise Tax as verified in the SSDT in e2m against the Summary of ATRIG Processed and Issued for Automobiles database provided by the BIR	POM	52	94,716,216.12
	MICP	39	41,020,631.12
<b>Subtotal</b>		<b>91</b>	<b>135,736,847.24</b>
2. Importations processed and released by the Ports which shipments were not found in the Summary of ATRIG Processed and Issued for Automobiles database and applied relatively low Excise/Ad Valorem Tax	POM	311	749,630,548.07
	MICP	291	489,171,895.23
<b>Subtotal</b>		<b>602</b>	<b>1,238,802,443.30</b>
3. Total under-assessment/collection due to discrepancies and lower Excise Tax in reconstructed copies of ATRIG of three entries submitted to the AT against the Summary of ATRIG Processed and Issued for Automobiles database	POM	3	3,013,487.59
<b>Subtotal</b>		<b>3</b>	<b>3,013,487.59</b>
<b>Grand Total</b>		<b>696</b>	<b>1,377,552,778.13</b>

The limitation on the field of SAD in the e2m and the practice of examiners and appraisers to manually calculate and encode the excise/ad valorem tax in the Fines and Penalties field are susceptible to inaccurate calculation/encoding which may affect the revenue collection of the Bureau. The lack of transparency in the risk management criteria and selectivity system coupled with inability to implement full automation of calculation of excise and VAT in the assessment of automobiles contributed to the under-assessment/collection of revenues.

**We recommended and Management agreed to require the:**

- a) **MISTG to fully automate the e2m system and enable the automatic calculation of the excise/ad valorem tax for automobiles pursuant to Section 45 of the TRAIN Law, as amended, and pursuant to Sections 109 and 301 of the CMTA;**
- b) **MISTG to include the Collection Districts to actively participate and coordinate in the development and user acceptance testing in the full automation of the e2m system in the calculation of excise/ad valorem tax for automobiles;**
- c) **Office of the Commissioner (OCOM)/Post Clearance Audit Group (PCAG) to send demand letters to the concerned importers of MICP and POM for the under-assessment of excise tax and VAT;**
- d) **LBD to submit original copies of ATRIG with the Manufacturer's/Assembler's & Importer's Sworn Statement of Net Selling Price of the 663 entries;**



- e) **MICP and POM to verify the 602 entries not found in the BIR database and determine the discrepancies with BIR records to enable reconciliation for final determination of entries released without ATRIG and computation of under-assessment, if any;**
- f) **MICP and POM to make representation, coordinate and reconcile with BIR to determine the rationale for the discrepancies in the records of BOC and BIR for issued and processed ATRIG; and**
- g) **examiners and appraisers to: (i) ensure that all importation of automobiles shall not be released from customs custody without payment of excise/ad valorem tax, and presentation of the original copy of the appropriate ATRIG duly issued by the BIR; and (ii) strictly comply with CMO No. 25-2010 dated February 1, 2010, regarding the BOC Function-Specific Code of Conduct in the performance of assessment functions.**

*Management comments:*

A memorandum was issued for the inclusion of the Manufacturer's Selling Price (MSP) field in the SAD in the e2m system and to implement the full automation in the computation of Ad Valorem Tax for automobiles.

*Auditor's rejoinder:*

Management's immediate action on the full automation on March 15, 2022, in the computation of the assessment of automobiles in the e2m system on the MSP field is recognized. However, we maintain our recommendation to send demand letters to the concerned importers of POM and MICP for the under-assessment of excise tax and VAT and to submit original copies of ATRIG with the Manufacturer's/ Assembler's & Importer's Sworn Statement of Net Selling Price of the 663 entries. Also, we will continue to monitor the implementation of the other recommendations particularly in the POM and MICP.

*Import entries with discrepancy in other factors*

- 11. Duties and taxes for the importation of 765 commodities were understated by ₱105.108 million due to deficient computation of insurance, customs duty, VAT, and CSF, thus, resulting in possible loss of revenue.**

Total duties and taxes are composed of customs duty, VAT, excise tax and other fees and charges. Insurance and freight charges are part of the computation of customs duty while wharfage dues, arrastre charges and Container Security Fee (CSF) are part of calculation of VAT.

The computation of insurance and freight charges are provided in Sections 3.1 and 3.2 respectively, of CMO No. 22–2007 dated September 6, 2007, while the schedule of wharfage dues and arrastre charges used in the calculation of VAT is cited in CMO No. 07-2014 dated February 18, 2014. Likewise, CSF is imposed based on CAO No. 4-2007 dated March 28, 2007, and CMO No. 30-2019 dated June 18, 2019.

Review of the importations covered by the selected sample goods declarations revealed that 765 importations that were already released in the customs territory have underdeclared duties and taxes of ₱105.108 million, as shown in *Table 13*.

**Table 13 - Discrepancies in the Computation of Duties and Taxes**

Ports	No. of Entries	Assessed and Collected Duties and Taxes (in ₱)		Amount of Discrepancy (in ₱)
		Actual	Should be	
POM	623	2,124,252,210.54	2,216,012,594.72	91,760,384.18
MICP	142	330,332,619.91	343,680,597.12	13,347,977.21
<b>Total</b>	<b>765</b>	<b>2,454,584,830.45</b>	<b>2,559,693,191.84</b>	<b>105,108,361.39</b>

These discrepancies were caused by the non-submission of supporting documents for declared insurance lower than two per cent of invoice value for general cargo and four per cent for inflammable/dangerous goods, non-imposition of wharfage dues and arrastre charges in the calculation of VAT, difference in the application of tariff rate and non-imposition of CSF for containerized (full container load) shipments.

The non-compliance by the BOC with the prescribed computations could affect the collection of total duties and taxes accruing from the importations, thus, a possible loss of revenue.

**We recommended and Management agreed to instruct the POM and MICP to issue demand letters to the concerned importers on the deficient amounts with appropriate legal interests and surcharges, and henceforth, to strictly comply with Sections 3.1 and 3.2 of CMO No. 22-007, CMO No. 7-2014, CAO No. 4-2007 and CMO No. 30-2019.**

*Inconsistent and inappropriate tagging*

- 12. A total of 100,944 consumption entries with assessed duties and taxes of ₱122.146 billion had inconsistent and inappropriate tagging in the e2m system, contrary to the prescribed and provided fixed criteria, due to limited manpower and facility, thus affecting the BOC’s efforts in fulfilling its mandate on revenue generation, border protection, and trade facilitation.**

The World Customs Organization (WCO) is an independent intergovernmental body with a mission to enhance the effectiveness and efficiency of Customs

administrations and which the Philippines became a member on October 1, 1980. The WCO developed the Revised Kyoto Convention (RKC) as the main trade facilitation Customs convention which aims to facilitate trade by harmonizing and simplifying Customs procedures and practices, entered into force on February 3, 2006.

Various standards of the said RKC requires that Customs shall use risk management in the application of customs control. Risk management is defined as the systematic application of management procedures and practices which provide Customs with the necessary information to address movements of consignments that present a risk.

The RKC also provides that the Customs shall then use this risk analysis to determine which persons and goods, including means of transport, should be examined and the extent of the examination. In addition, the Customs shall adopt a compliance measurement strategy to support risk management.

Relative thereto, then President Gloria Macapagal-Arroyo issued Executive Order (EO) No. 836 to institutionalize the previous Risk Management Group (RMG) and enhance its power and functions by transforming it into Risk Management Office (RMO) in order to make BOC at par with other customs administration all over the world. Section 4 of the said EO provides the following functions of the RMO:

- a) Review and update parameters of the selectivity screen of the selectivity system of the BOC;
- b) Establish a viable system of setting and changing the said parameters;
- c) Ensure an efficient and secure information pipeline from all sources to the RMO;
- d) Conduct a continuing study/profile of importers, exporters and customs brokers;
- e) Maintain a database of all smuggling cases and related data; and
- f) Recommend to the Commissioner of Customs policies and programs to increase efficiency and effectivity of the BOC’s Selectivity System.

The RMO uses the selectivity system module of the e2m system which contains the built-in set of parameters/criteria necessary to classify the processing of declarations and direct them to the appropriate processing channels, as presented in *Table 14*.

**Table 14 - Selectivity Lane/Color in the e2m System**

<b>Selectivity Lane/Color</b>	<b>Action Required</b>
Green	Release without further inspection
Yellow	Documentary check only
Orange	Non-intrusive examination (x-ray scanning) or if found to be suspicious, subject to physical examination
Red	Non-intrusive examination (x-ray scanning) and physical examination

The key functionalities of the enhanced cargo selectivity system include, but not limited to the following:

- a) Allows the Bureau to allocate its scarce resources to the high-risk areas while increasing the efficiency of the clearance process for low-risk shipments;
- b) Performs shipment selectivity according to parameters set by the BOC-RMO;
- c) Capability to re-route selectivity status; and
- d) Acceptance of examiner’s findings and recommendations.

The Audit Team conducted a walkthrough and interview on the operations of the RMO, and analyzed the e2m database of consumption entries provided by the MISTG. Results of the performed audit procedures disclosed inconsistent and inappropriate tagging in the e2m system for 100,944 consumption entries with assessed duties and taxes amounting to ₱122.146 billion, discussed as follows:

- a. *Consumption entries of 5,989 amounting to ₱1.733 billion which should have been tagged as red were released without conducting 100 per cent physical inspection.*

Section 5.2 of CMO No. 21-2020 dated August 26, 2020, categorized the criteria and parameters used by RMO in the selectivity system, as follows:

5.2.1. *Based on Manner of Creation:*

- a. *Fixed Criteria*
- b. *Specific Criteria*

5.2.2. *Based on Geographic Application:*

- a. *National Criteria*
- b. *Regional Criteria*

Review of the e2m system database provided by the MISTG showed a total of 889,539 lodged and registered consumption entries from January to December 2021, in BOC, as shown in *Table 15*.

**Table 15 - Statistics of Lodged/Registered Consumption Entries per Selectivity Lane/Color for CY 2021 from MISTG Database**

<b>Selectivity Lane/Color</b>	<b>Total No. of Entries</b>	<b>Total Final Assessed Duties and Taxes (in ₱)</b>	<b>Percentage as to No. of Entries</b>
Green	135,757	163,875,957,484	15
Yellow	250,434	227,650,109,972	28
Orange	462,352	227,600,878,548	52
Red	40,996	15,237,325,608	5
<b>Total</b>	<b>889,539</b>	<b>634,364,271,612.00</b>	<b>100</b>

The requested data on risk management operations per letter dated February 15, 2022, were submitted by the RMO on March 8, 2022.

Additionally, it provided 48 active fixed criteria and their corresponding sources/rules and regulations per Trade Engine List as of March 7, 2022. From these criteria, the Audit Team selected 32 fixed criteria and analyzed the e2m database of lodged/registered consumption entries.

Analysis showed that 5,989 consumption entries with assessed duties and taxes of ₱1.733 billion have inappropriate tagging in the selectivity system and the goods were released without conducting the 100 per cent physical inspection. These entries should have been tagged as “red” and therefore subjected to physical inspection in consonance with policies, rules, and regulations as set by the Bureau, Customs Risk Management Steering Committee (CRMSC) or Department of Finance. Details are shown in *Table 16*.

**Table 16 - Lodged/Registered Consumption Entries with Inappropriate/ Inconsistent Tagging, Released without Conducting 100% Physical Inspection**

Particulars	Selectivity Lane/Original Color in e2m System	No. of Entries Involved	Amount of Assessed Duties and Taxes (in ₱)
Should be Red (subject to physical inspection)	Green	596	373,984,430.29
	Yellow	4,047	970,999,374.92
	Orange	1,346	388,205,142.18
<b>Total</b>		<b>5,989</b>	<b>1,733,188,947.39</b>

Further analysis disclosed that of the importations of 95 accredited non-regular importers as provided by the Account Management Office (AMO), 86 were tagged as “orange” and 9 were tagged as “yellow”, contrary to the prescribed fixed criteria on shipments that these should be tagged as “red” and therefore should be subjected to physical inspection.

The tagging of the said importations under the “red” lane category is vital for the Bureau to monitor and perform the required inspection of goods to ensure that no prohibited importations were allowed to enter the country and that duties and taxes were paid correctly. Therefore, inappropriate tagging in the selectivity system poses a risk that misdeclaration/undervaluation of goods, and importation of prohibited goods could not be detected due to non-examination, thereby affecting the revenue generation and border protection functions of the Bureau to the disadvantage of the government.

- b. *Consumption entries of 94,955 amounting to ₱120.413 billion were unnecessarily subjected to physical inspection/scanning and stringent process of cargoes clearance procedures.*

Analysis of the e2m database of consumption entries and validation from active fixed criteria revealed that 94,955 consumption entries with assessed duties and taxes amounting to ₱120.413 billion were found to have inconsistent tagging conflicting with the prescribed and provided fixed criteria, as shown in *Table 17*.

**Table 17 - Consumption Entries with Inconsistent Tagging with High Rate of Inspection and Stringent Process**

Particulars	Selectivity Lane/ Original Color in e2m System	No. of Entries Involved	Amount of Final Assessed Duties and Taxes (in ₱)
1) Should be Green, unless qualified by other specific criteria not provided to the Audit Team	Orange	5,586	32,166,279,228.57
	Red	193	1,109,849,574.93
	Yellow	6,438	44,446,967,110.55
<b>Subtotal</b>		<b>12,217</b>	<b>77,723,095,914.05</b>
2) Should be Yellow or Green, unless qualified by other specific criteria not provided to the Audit Team	Orange	497	3,750,158,890.49
	Red	9	38,371,653.22
<b>Subtotal</b>		<b>506</b>	<b>3,788,530,543.71</b>
3) Should be Yellow, unless qualified by other specific criteria not provided to the Audit Team	Orange	74,045	36,710,329,817.64
	Red	8,187	2,190,552,779.52
<b>Subtotal</b>		<b>82,232</b>	<b>38,900,882,597.16</b>
<b>Grand Total</b>		<b>94,955</b>	<b>120,412,500,054.92</b>

Table 17 shows that these shipments did not fall under any criteria that require physical inspection, x-ray scanning, or document examination but were inconsistently tagged as “yellow”, “orange” and “red”. Those tagged as “red” or “orange” entail that those shipments will be held at the port to undergo the stringent process of x-ray scanning and/or physical inspection. This shall mean that importers will incur costs of time delays or arrastre, wharfage and demurrage charges.

Risk-based selectivity process prescribes targeting potentially high-risk shipments while not impeding the movement of cargoes and increasing the efficiency of the clearance process for low-risk shipments. Considering the scarce resources of the Bureau such as lack of manpower, limited x-ray scanners, inadequate inspection areas, this should be mitigated by effective and efficient risk management to focus these limited resources to higher risk shipments which will also aid in trade facilitation and help to increase the international competitiveness of the Bureau. Assuming arguendo that some other criteria were used to tag these shipments other than to “green” or “yellow”, the same cannot be validated as these were not provided to the Audit Team.

Verification of the e2m system database of lodged/registered consumption entries provided by MISTG in correlation with the list of confiscated assets of BOC from the AD showed that there were 1,539 seizure cases which constitute only one per cent of the total red and orange-tagged shipments. RMO explained that if the seizure is relatively low as to the total red and orange-tagged shipments, it is a good indicator that the compliance track

record of importers is increasing, and risk rating is reduced. However, per data provided by RMO, only 28 per cent of the total orange and red-tagged shipments yielded additional duties and taxes, which connotes that selectivity tagging of red and orange shipments should be evaluated intensively to be at par with international standards to increase trade facilitation.

Additionally, it was expected that seized shipments should be tagged as “red” and “orange” only as this confirms the basis of the risk parameters. However, based on records provided to the BOC CO Audit Team by the NCR Ports’ Audit Teams, 36 of 174 seizure cases were tagged as “yellow” or 21 per cent margin of error. Based on interview and data provided by RMO on April 20, 2022, its records showed that yellow-tagged shipments on seized cases are 47 out of 252 or constitute 18.65 per cent.

Furthermore, the Audit Team also took note of the lack of secured facility of their Office to have a comprehensive dashboard where all information gathered from different sources are integrated and operationally presented and provides support to analysts in qualitative and inductive research as it enables the viewing of the profile of the ports, previous transactions and fraud records of any searched entities. While it is acknowledged that to continue improving the system, the Bureau should also be armed with good facilities suitable for risk analysis and sufficient staff capacity to do analysis and project initiatives to achieve successful risk management results.

Interview with RMO disclosed that it could not provide documentation relative to the other criteria used in the selectivity system as enumerated in CMO No. 25-2020 due to confidentiality issue. Moreover, some criteria are changing, updated, and decided as set upon by the CRMSC or existing national and international policies and on case to case basis based on derogatory information received from intelligence reports. At the minimum, RMO provided an organizational chart and flowchart of processes in RMO and held a walkthrough of its processes.

The preceding scope limitations imposed by Management relative to the risk management operations, particularly those risk parameters on specific and other criteria used in the selectivity system, as a crucial process in the revenue operations of the Bureau, precluded the Audit Team to further analyze and validate the inconsistencies noted in the selectivity system based on the audit procedures performed with the provided fixed criteria.

**We recommended and Management agreed to: (a) review the inconsistencies noted amounting to ₱122.146 billion and provide risk parameters used as the basis in the selectivity system; (b) coordinate with GSD on providing a secured and spacious facility with comprehensive dashboards to RMO; and (c) study the current parameters settings in the**

**selectivity system of the e2m and ensure that it is regularly updated and conforms with the applicable laws, rules, and regulations.**

*Non-suspension/revocation of importers with violations*

- 13. Lack of effective/strict monitoring and coordination in the process of accreditation of importers, which signifies lack of internal control, resulted in 974 importers who were not suspended/revoked appropriately by the BOC and were allowed to import 77,049 consumption entries with assessed duties and taxes amounting to ₱28.954 billion despite violations of laws, rules, and regulations.**

CMO No. 12-2021 dated March 18, 2021 was issued to provide guidelines on the imposition of penalties such as warning, suspension, revocation relative to the customs accreditation of importers and brokers. Said CMO provides that the District Collector shall furnish the AMO, a copy of Warrant of Seizure and Detention (WSD), or any other notice from ports of other offices of the Bureau involving violation of the CMTA and other customs laws, rules or regulations, within 24 hours from issuance thereof, to evaluate and determine possible suspension, cancellation or revocation of the customs accreditation of the importer or broker.

The Audit Team requested the list of accredited, expired, revoked/suspended importers in the BOC as of December 31, 2021, and other data on the accreditation of importers. Examination of the list vis-à-vis the record of seized/abandoned goods provided by AD and the Audit Teams in the Port disclosed the deficiencies presented in *Table 18*.

**Table 18 - Summary of Importers with Violations but not Suspended/ Revoked by BOC**

Particulars	No. of Importers Involved	Status of Accreditation			Transactions with BOC	
		Active	Expired	Accreditation Not Found	No. of Entries	Assessed Duties and Taxes (in ₱)
With record of violations, seizure/ abandonment and smuggling case but not suspended/revoked	644	442	42	160	71,995	27,588,920,617.47
Habitual violator of importation with generic description	330	320	3	7	5,054	1,364,862,876.23
<b>Total</b>	<b>974</b>	<b>762</b>	<b>45</b>	<b>167</b>	<b>77,049</b>	<b>28,953,783,493.70</b>

A total of 644 importers were not suspended/revoked appropriately by the BOC and were allowed to import 71,995 consumption entries with assessed duties and taxes of ₱27.589 billion despite violations of laws, rules, and regulations such as with seizure and abandonment records, unsettled/unpaid duties and taxes, and other grounds as specified.



Additionally, 330 importers who are habitual violators of declaring importation in general/generic manner were allowed to import 5,054 entries with assessed duties and taxes amounting to ₱1.365 billion without being penalized contrary to CMO 12-2021. Analysis likewise revealed that violations on importation with generic/general description range from three to as high as 372 recurring transactions for a single importer, resulting in difficulty in customs valuation and classification.

Moreover, it is worth emphasizing that upon validation from the list of active importers provided by the AMO, 762 of the importers remain in active status and continuously transact with BOC. There were 45 importers included in the list with expired accreditation and not with suspended/revoked status while 167 importers' accreditations were not found in the list provided.

Interview with AMO and verification done revealed that the list of importers with violations maintained by AMO is manually monitored and updated in an excel file with no sufficient details of the grounds violated, details of status/actions taken, and the basis of any lifting and reversion to suspension/accreditation. It was also disclosed that there were instances that the Audit Teams were not furnished immediately by the ports copies of WSD or any other notice from ports or other offices of the Bureau involving violation of the CMTA and other customs laws, rules, or regulations which signifies lack of coordination between the Bureau offices in order to properly monitor all the activities of accredited importers.

Meanwhile, the Audit Team appreciated the rolling out by the Bureau of the new system called Offense Management System (OMS) implemented through CMO No. 05-2022 dated March 8, 2022. This is a system that collects information, including Inspection Acts, and tracks or monitors the status of seized and/or forfeited goods to enhance the risk assessment and risk profiling of the Bureau to support the risk management system thereof. However, AMO has no access to the said system.

The inability of Management to act accordingly and penalize the erring importers/brokers per prescribed laws, rules and regulations due to lack of effective and strict monitoring and proper coordination within the Bureau may cause the recurrence of violations. When left uncorrected, this may cause the breakdown of risk controls, which will significantly affect the efficient implementation of accreditation and defeats the purpose of accreditation.

**We recommended and Management agreed to: (a) instruct the Collection Districts to ensure that AMO is furnished of all the WSD/Abandonment Cases or any other notice involving violation of the CMTA and other customs laws, rules or regulations at the ports; (b) establish that all seizure/abandonment, smuggling cases and other violations are incorporated in the OMS to ensure that all offenses committed by importers are captured for proper monitoring; (c) provide AMO access to OMS as an aide in its monitoring of activities and compliance of importers/customs brokers; and (d) require AMO to: (i) maintain an organized and effective monitoring system of all violations of importers and**

ensure that proper actions are taken, as warranted; and (ii) strengthen coordination among concerned BOC offices to ensure that activities of importers/brokers are duly and strictly monitored.

*Incomplete documentation of importations*

- 14. Importations of 553 regulated commodities costing ₱1.441 billion were processed and released despite the lack of import permits and other supporting documents required under Section 117 of the CMTA and other relevant laws, rules and regulations implementing the CMTA, thus, defeating the purpose for which these rules and regulations were established.**

Section 117, Chapter 3, Title I of RA No. 10863 or the CMTA states that “Goods which are subject to regulation shall be imported or exported only after securing the necessary goods declaration or export declaration, clearances, licenses, and any other requirements, prior to importation or exportation. In case of importation, submission of requirements after arrival of the goods but prior to release from customs custody shall be allowed but only in cases provided for by governing laws or regulations.”

Review of the sample goods declarations submitted to two ports revealed that importations of regulated commodities with total assessed and paid duties and taxes amounting to ₱1.441 billion were processed by the ports despite the absence of the required permits, licenses and clearances as provided in the above provisions, as summarized in *Table 19*.

**Table 19 - Summary List of Entries Released with Lacking Documentation**

<b>Port</b>	<b>Total Entries</b>	<b>Amount of Duties and Taxes Paid (in ₱)</b>	<b>Remarks</b>
MICP	321	757,262,604.20	Importations of regulated commodities with total assessed and paid duties and taxes were released without the required LTO, CPR, e-ATRIG and other required attachments as provided in the CMTA and circularized regulations.
POM	232	684,028,643.71	Importation of luxury vehicles assessed and released without the necessary permits/clearances/certifications and other required supporting documents.
<b>Total</b>	<b>553</b>	<b>1,441,291,247.91</b>	

While the non-submission of the required documents for the 553 regulated importations by the importers has not significantly affected the assessment of the duties and taxes, the processing and release by the port officials without the necessary documentation defeats the purpose for which the above regulations were established.

**We recommended and Management agreed to require the ports to strictly enforce compliance with Section 117 of the CMTA and other relevant laws, rules**

**and regulations to ensure that all required permits/clearances/certifications and other necessary supporting documents are complete and submitted prior to assessment and release of the goods imported.**

*Uncollected outstanding due and demandable bonds*

- 15. Outstanding due and demandable bonds had accumulated to ₱6.049 billion as at December 31, 2021 due to laxity of management to exhaust all appropriate actions on the collection/settlement, liquidation, cancellation and forfeiture of the importer’s matured bonds, thus, depriving the government of additional revenue to finance government operations and projects.**

Surety Bond is a form of security/guaranty that ensures the satisfaction/fulfillment of an obligation to the BOC. To guarantee the payment of duties and taxes and other obligations to the Bureau, the District Collector shall require the importer to post security under certain circumstances.

Section 5 of CAO No. 01-2021 prescribes that a security is required to guarantee the payment of duties and taxes and satisfaction/fulfillment of obligations to the Bureau in cases such as shipment under Warehousing Entries, release of shipment under Provisional goods declaration and pending ascertainment of the accuracy of the declared value and classification, among others.

One of the allowed forms of security in the BOC is surety bond and guidelines for this form of security are set forth in Section 8 of CAO No. 01-2021. This provides that upon failure to settle the bonded obligations despite issuance of demand letters, the Chief of Bonds Division, or its equivalent unit thru the District concerned, shall recommend the immediate issuance of Order of Forfeiture of the Bonds to the Commissioner of Customs through the Director of Legal Service.

As of December 31, 2021, the Bureau had a consolidated balance of due and demandable bonds amounting to ₱6.049 billion, with the breakdown by port presented in *Table 20*.

<b>Port</b>	<b>Amount (in ₱)</b>
POM	4,032,141,471.03
MICP	1,494,820,779.74
NAIA	521,591,786.87
<b>Total</b>	<b>6,048,554,037.64</b>

In CY 2020, we noted that outstanding due and demandable bonds amounted to ₱7.189 billion. It can be gleaned from the balances as at December 31, 2021, that the amount was decreased by ₱1.140 billion or 16 per cent. Moreover, the recommendation by the ports for the forfeiture of all outstanding bonds has been

forwarded to the Director of the Legal Services, however, to date, no decision/judgment has been rendered for their settlement or collection.

The inability of the BOC to collect the amount of due and demandable bonds and institute necessary action caused undue disadvantage to the government in the form of additional revenues from importations.

**We recommended and Management agreed to: (a) expedite the forfeiture of bonds of the Surety Companies recommended by the Ports to the Legal Services; (b) take necessary actions to collect the amounts corresponding to the duties and taxes guaranteed by the securities; (c) make representations with the Insurance Commission (IC) for the status of the surety company; (d) if found to be inactive or under Custodianship, Receivership and Liquidator (CRL), coordinate with IC for the collection of the said amounts; and (e) if the status is active, issue demand letters to the surety companies for the unpaid accounts.**

*Unreleased/not forfeited cash bonds*

**16. Collections from cash bonds for the tentative and regular release of shipments amounting to ₱183.221 million and ₱53.369 million, respectively, remained outstanding for one to more than 16 years as at December 31, 2021, due to lack of monitoring schedules of VCRC cases and non-forfeiture proceedings conducted even after the lapse of the prescribed period, thus, depriving the government of needed revenue to fund its projects.**

*a. Cash bonds for tentative release of shipment*

Section 425 of the CMTA provides for Tentative Assessment of Goods Subject to Dispute Settlement, quoted as follows:

*Assessment shall be deemed tentative if the duties initially assessed are disputed by the importer. Xxx*

*The District Collector may allow the release of the imported goods under tentative assessment upon the posting of sufficient security to cover the applicable duties and taxes equivalent to the amount that is disputed.*

Further, CMO No. 37-2001 provides, among others, that cases referred to the Valuation and Classification Review Committee (VCRC) shall entitle the importer to the tentative release of the concerned shipment upon posting of sufficient guarantee in the form of cash, manager's check, bank guaranty, or surety bond or other alternative forms of guarantee allowed under the law and the regulations which shall suffice to secure recovery in the event of a customs decision adverse to the importer. If no tentative release is availed of, the Head,

VCRC-Technical Supporting Team shall immediately calendar the case for VCRC deliberation. Cases referred to the VCRC shall be resolved within 20 working days from the date the same is calendared. The signed VCRC decision shall be the basis for implementation within the same day the signed decision is made.

A review of the Administrative Division records revealed that the cash bonds collected from the tentative release of shipment amounted to ₱205.298 million as of December 31, 2021, which increased by ₱19.663 million compared to last year's outstanding balance of ₱185.635 million. This is due to the additional 77 cash bonds posted by importers and a refund made in CY 2021. The analysis is shown in *Table 21*.

**Table 21 - Analysis of Cash Bond posted for CY 2020-2021**

<b>Particulars</b>	<b>No. Cash Bonds</b>	<b>Amount (in ₱)</b>
Balance as of December 31, 2020	606	185,635,139.90
Add: Additional in CY 2021	77	22,076,567.52
Total Cash Bonds	683	207,711,707.42
Less: Refund/Forfeiture in CY 2021	1	2,414,146.67
<b>Balance as of December 31, 2021</b>	<b>682</b>	<b>205,297,560.75</b>

Further verification disclosed that the 605 posted cash bonds with an accumulated amount of ₱183.221 million remained idle/dormant for a period ranging from one year to more than 16 years in the BOC Trust Fund Account and BTr under the Trust Fund Account of the BOC as of the end of CY 2021.

Management explained that the port's record keeping has become disrupted due to the constant transfer of customs officials to other ports. No proper turn-over was done with regard to the previous case folder covering CYs 2005 to 2015. Instead, it conducted an inventory of the actual case folders on file from CYs 2016 to 2019 and provided the Audit Team with a schedule of these cases. Moreover, a copy of a correspondence dated June 23, 2021 from the VCRC was furnished to the Audit Team providing the additional VCRC cases that were already decided in favor of the BOC for CY 2021.

Out of 297 cases with posted cash bonds for CYs 2016 to 2021, the Audit Team has identified 117 cases with total cash bonds amounting to ₱25.636 million that have already been resolved. Of these cases, 99 were resolved in favor of the BOC, while 18 were decided in favor of the importer.

The inability of the port to act on the cases for resolution within the period prescribed under CMO No. 37-2001 due to lack of monitoring schedules of VCRC cases, and no proper turnover of documents by the previous officers deprived the importers of the immediate refund of their bonds and the government to generate revenue therefrom.

We recommended and Management agreed to: (a) expedite the review of all cases with a tentative release in accordance with CMO No. 37-2001 dated December 7, 2001; (b) determine the posted cash bond with cases that are already decided in favor of the government and with no appeal from the importer to the Commissioner within the prescribed period and transfer the corresponding amount to the General Fund of the BTr; and (c) inform concerned importers of the cases that were resolved in their favor for them to file for a refund of their posted cash bonds.

b. *Non-forfeiture of expired cash bonds*

Section 800, Chapter 1, Title VIII of the CMTA states that:

*Conditionally Tax and/or Duty-Exempt Importation. - The following goods shall be exempt from the payment of import duties upon compliance with the formalities prescribed in the regulations which shall be promulgated by the Commissioner with the approval of the Secretary of Finance: xxx:*

*(h) Wearing apparel, goods of personal adornment, toilet goods, portable tools and instruments, theatrical costumes and similar effects accompanying travelers, or tourists, or arriving within a reasonable time before or after their arrival in the Philippines. Xxx.*

*Personal and household effects and vehicles belonging to foreign consultants and experts hired by, or rendering service to the government, and their staff or personnel and families accompanying them or arriving within a reasonable time before or after their arrival in the Philippines. Xxx.*

*Provided, however, That the Bureau may require either a written commitment or a security in an amount equal to one hundred percent (100%) of the ascertained duties, taxes and other charges thereon, conditioned for the exportation thereof or payment of the corresponding duties, taxes and other charges within three (3) months from the date of acceptance of the goods declaration. Xxx. (Emphasis ours.)*

Review of the administrative records showed that a total cash bond of ₱54.248 million posted by 319 individuals who were travelers, tourists, foreign consultants, and experts hired by and/or rendering service to the government, purposely for the exemption from payment of duties on their imported goods/items upon compliance with the above provisions.

As of December 31, 2021, collections amounting to ₱0.879 million were deposited to the BOC Trust Fund Account maintained at the Landbank, MICP branch which covered cash bonds posted for CY 2021 while ₱53.370 million were remitted to the BTr under the Trust Account of the BOC which pertained to cash bonds collected for CYs 2005 to 2020.

Total cash bonds deposited to the BTr under the Trust Account of the BOC in the amount of ₱53.370 million remained idle/dormant for a period ranging from two to more than 16 years. This is caused by the non-forfeiture of these by the MICP despite the lapse of time for the importers to comply with the refund of their posted cash bond, thereby, denying the government of the additional resources to fund its projects and programs. It was noted that MICP made remittances to the BTr under the Trust Account of the BOC during CY 2021 totaling ₱2.423 million, which covered cash bonds for CYs 2015 to 2020.

**We recommended and Management agreed to expedite the forfeiture proceedings for the cash bond for failure to comply within the prescribed period pursuant to Section 800 of the CMTA, and thereafter remit to the BTr the amount of cash bonds that had expired for six months and above.**

*Deficiencies in the procurement process*

**17. Various deficiencies were noted in the procurement of various projects contrary to RA No. 9184, thereby exposing government funds to probable loss and misuse.**

It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy has faithfully adhered to rests directly with the chief or head of the government agency concerned.

Table 22 shows several deficiencies in the BOC's procurement process which are not in conformity with the RA No. 9184, its Revised IRR (RIRR), and other related issuances.

<b>Nature of Deficiency</b>	<b>Amount (in ₱)</b>	<b>Criteria</b>
<b>BOC-CO</b>		
- Sole reliance on the quotation in determining ABC	103,208,900.00	Section 36 of RIRR, RA No. 9184
- Changes in the APP not submitted to GPPB	601,445,751.48	Section 7 of RIRR, RA No. 9184
- No warranty security in any form posted in the construction of building	8,667,884.80	Section 62 of RIRR, RA No.9184
- Changes in the period covered of the project in the invitation to bid	7,130,900.00	Section 22 of RIRR, RA No. 9184

Nature of Deficiency	Amount (in ₱)	Criteria
Port of Cebu		
- Contract/purchase order not supported with request of quotation	2,973,117.71	Annex H, IRR of RA 9184
- Splitting of purchase orders for the renovation of Port of Cebu building	1,505,934.00	Section 54.1 of IRR of RA 9184
Sub-Port of Mactan		
- No Bids and Awards Committee (BAC)		Section of 11.2.1 of RA 9184

The uncorrected deficiencies/lapses of the BAC in the procurement process may expose government funds to probable loss and misuse.

**We recommended and Management agreed to strictly comply with the provisions of the RIRR of RA No. 9184 in the procurement process.**

#### *Non-submission of Post Clearance Documents*

#### **18. Non-submission of Post Clearance Documents precluded the examination and objective review of the estimated revenue of ₱13.990 billion for CY 2021.**

PD No. 1445, known as the Government Auditing Code of the Philippines, further provides that:

*Section 60. Audit of revenue accounts. The examination and audit of revenue accounts shall be performed with a view to ascertaining that all earned revenues have been duly recorded; and all recorded revenues have been earned and appropriate classifications of revenues have been consistently followed.*

In line with EO No. 46, series of 2017, the Post Clearance Audit Group (PCAG), formerly Post Entry Audit Group was reactivated and revived under the supervision of the Commissioner of Customs. This specifies that the PCAG shall conduct, within three years from the date of final payment of duties and taxes or customs clearance, an audit examination, inspection, verification, and investigation of records pertaining to any goods declaration, which shall include statements, declarations, documents and electronically generated or machine readable data, for the purpose of ascertaining the correctness of the goods declaration and determining the liability of the importer for duties, taxes and other charges, including any fine or penalty.

In CY 2021, PCAG highlighted in the BOC website and in CY 2021 Annual Report its successful collection of additional revenues from January to December 2021 amounting to ₱1.522 billion as part of the 349 Audit Notification Letters (ANLs) issued. Additionally, there were 55 demand letters amounting to ₱12.468 billion which have become final and executory for the failure of the audited importers to contest the same and were referred to the BOC Legal Service for filing of the necessary collection suit.



Several verbal follow-ups were made to the Office of the Assistant Commissioner of PCAG for the submission of the Post Clearance Documents and a response dated March 8, 2022, was received on March 11, 2022. There were no sufficient details provided in its response necessary to perform audit procedures and this was verbally communicated to PCAG dated March 14, 2022. It was asserted that some details cannot be disclosed to the Audit Team without prior consultation with the Data Privacy Officer of the BOC pursuant to the Data Privacy Act of 2012 or RA No. 10173.

It is worth stressing that the National Privacy Commission (NPC) itself, which is mandated to administer and implement the provisions of the Data Privacy Act of 2012, has stated that the Data Privacy Act does not and should not obstruct the functions of public authorities as part of a constitutional mandate. The Act does not absolutely prohibit the COA from gaining access to information because the law has exceptions, and that the Agency Auditees cannot deny COA State Auditors access to relevant information by simply invoking the data privacy law. The NPC also emphasized that the Data Privacy Act shall not be used to hamper, or interfere with, the performance of the duties and functions of duly constituted public authorities, and the COA in carrying out its mandate, enjoys the presumption of regularity in the performance of its duties.

On March 15, 2022, the Audit Team reiterated its requests for data related to PCAG operations. The latter asserted that it is bound with confidentiality on the information obtained from the audited importers and these cannot be divulged pursuant to Section 3604 (j) of the Tariff and Customs Code of the Philippines.

While the Audit Team recognizes the confidentiality clause of the abovementioned law, it is maintained that the requested revenue data is only limited to the attainment of the specified audit objectives based on transparency, legitimate purpose, and proportionality.

Based on the preliminary audit procedures performed from the available limited data, there were noted inconsistencies in the reported collection of PCAG, as presented in *Table 23*.

**Table 23 - Inconsistencies in the Reported PCAG Collection**

Particulars	As reported in BOC website and 2021 Annual Report	As provided in PCAG response dated March 8, 2022	As audited in the Report of Collection and Deposit by the Collecting Officer of PCAG	
			As recorded in the SL of the Revenue Accounting Division	
(in ₱)				
Collected based on issued 349 ANLs	1,522,216,793.42	1,522,103,108.84	1,517,866,270.28	1,516,662,491.11

Particulars	As reported in BOC website and 2021 Annual Report	As provided in PCAG response dated March 8, 2022	As audited in the Report of Collection and Deposit by the Collecting Officer of PCAG		As recorded in the SL of the Revenue Accounting Division
			(in ₱)		
Demand letters which have become final and executory	12,468,110,546.82*	12,932,258,153.33**	0.00	0.00	

*Notes: \*Reported 55 demand letters    \*\*Reported 54 demand letters*

This was raised to PCAG and a reconciliation for the noted discrepancies was given to the Audit Team per email dated March 16 and 17, 2022, for the collection from issued 349 ANLs. There were no data provided as to the details requested by the Audit Team per letter dated February 14, 2022, regarding the assessed/audited deficiency in duties and taxes. Moreover, there were no details provided for the demand letters which have become final and executory.

The walkthrough also disclosed that PCAG provides demand letters that have become final and executory to the Legal Service for filing of the necessary collection suit. The Audit Team took note that PCAG does not provide to the RAD copies of those demand letters for proper recognition or disclosure in the financial statements as deemed appropriate in accordance with IPSAS. The data provided by PCAG as to 54 demand letters amounting to ₱12.932 billion has no status necessary for the determination of its appropriate recognition in the FSs.

The preceding scope limitations imposed by the Management relative to the revenue from the post-clearance audit hindered the constitutional mandate of COA in its complete, timely, and objective audit and examination of the revenue transactions and operations of the BOC, contrary to the cited pertinent laws, rules, and regulations.

The non-submission of post clearance documents due to laxity of Management to submit the requested data, precluded the examination and objective review of the estimated revenue of ₱13.990 billion for CY 2021.

**We recommended that Management: (a) instruct PCAG on the immediate submission of requested data to the Audit Team; and (b) provide the Audit Team and RAD on a semi-annual basis a monitoring report of those demand letters which have become final and executory and no pending protest to PCAG with their current status for proper recognition or disclosure in the FSs as deemed appropriate by RAD in accordance with IPSAS.**

*Management comment:*

PCAG explained that there could have been possible miscommunications between PCAG and the Audit Team. As to the data requested which include disclosure of confidential information obtained during the audit, the PCAG submits

the summaries for completed audit cases for CY 2021 which it believes complies with the PCAG auditor's ethical responsibility to its auditees and, at the same time meets the audit objectives of the Audit Team.

*Auditor's rejoinder:*

The Audit Team acknowledged the submission given by the PCAG as communicated in various platforms. However, there were no sufficient details provided in its response, hindering the complete and timely attainment of the audit objectives. There were only 20 importers submitted for CY 2021. Thus, the Audit Team maintains its stand on the submission of summaries for all completed audit cases and a copy of the mentioned signed and issued letter to BIR requesting a clarificatory ruling on terminal handling charges.

## **Compliance with Other Mandatory Accounts/Areas**

### **19. COVID-19 Pandemic Response and Recovery Interventions**

For CY 2021, the BOC had not received funds specifically for COVID-19 response and/ or recovery but had utilized its budget for related expenses. The COVID-19 related expenses charged to Maintenance and Other Operating Expenses (MOOE) totaled ₱7.720 million. Further, in coordination with the Department of Health, the Medical and Dental Division of BOC initiated a program for the 100 per cent vaccination of its employees and immediate relatives. The results of the audit of these COVID-related transactions are as follows:

*On the grant of hazard pay to employees during the Enhanced/Modified ECQ (ECQ/MECQ)*

Section 1 of Administrative Order (AO) No. 43 dated June 01, 2021 amending AO No. 26 dated March 23, 2020 authorized the NGAs to grant COVID-19 hazard pay to government personnel who physically report for work during the period of implementation ECQ relative to the COVID-19 outbreak in an amount not exceeding ₱500.00 per day per person.

Moreover, Section 2 of the same AO provides the conditions on the grant of the COVID-19 hazard pay and that the heads of government agencies, upon compliance of certain conditions, may grant the COVID-19 hazard pay to their personnel without the need for further approval by the DBM, provided that certain conditions are met, which include, among others, that the personnel have been authorized to physically report for work at their respective offices or work stations on the prescribed official working hours by the head of agency/office during the period of implementation of ECQ and MECQ measures in the area of such office or work station.

Review of the CY 2021 transactions disclosed that BOC did not make any hazard payments to its personnel as the Agency implemented alternative work arrangements.

*On the COVID-19 related maintenance and other operating expenses*

Items 5.3 of Civil Service Commission (CSC) Memorandum Circular (MC) No. 18 dated October 15, 2020, provides that: (a) disinfection should be part of the regular maintenance and upkeep of agency; (b) conduct of health status survey to ensure that all those reporting to the office are in tip-top shape and that no one is exhibiting any of the symptoms of COVID-19 disease; and (c) modification of the workplace layout to ensure observance of physical distancing requirements of those who will be reporting to the office. Item 5.5 of the same CSC MC provides that agencies shall implement minimum health standards protocol at all times such as wearing of face masks, face shields, taking of body temperature, and presence of sanitation stations and other appropriate personal protective equipment.

For CY 2021, the BOC has spent ₱7.720 million charged against MOOE for the shuttle services expenses and procurement of and various essential and critical supplies and materials to ensure compliance with health protocols. Continued shuttle service programs for the Agency’s personnel increased gasoline, maintenance, and related expenses for the vehicles used. In addition, BOC purchased personal protective equipment and related supplies which include (a) surgical face mask; (b) alcohol and sanitizers; (c) disinfectant sprays; (d) thermal scanners; and (e) antigen swab test kits. Examination of the submitted supporting documents showed that the Agency resorted to negotiated procurement in purchasing these supplies and materials, pursuant to Item 3.0 of COA and Government Procurement Policy Board (GPPB) Joint Memorandum Circular No. 1 dated March 26, 2020. Further, audit revealed that the said expenses were substantiated by the required documents, as provided in Annex H, Appendix A of the 2016 RIRR of RA No. 9184 and Item 9.2.5 of COA Circular No. 2012-001 dated June 14, 2012. *Table 24* shows the expenses incurred per port.

**Table 24 - CY 2021 Breakdown of COVID-19-related Expenses**

<b>Ports/Sub-ports</b>	<b>Amount (in ₱)</b>
Aparri	18,360.00
Batangas	556,795.00
Cagayan De Oro	43,200.00
Cebu	33,350.00
Clark	248,875.00
Davao	1,307,378.96
Dumaguete	161,744.97
Iligan	77,809.06
Legaspi	103,096.39
Limay	4,800.00
Mactan	33,246.00
MICP	28,039.29
NAIA	557,310.65

<b>Ports/Sub-ports</b>	<b>Amount (in ₱)</b>
Port of Manila	949,182.42
San Fernando	199,771.80
Subic	276,167.85
Surigao	45,405.00
Tacloban	23,750.00
Zamboanga	97,875.00
BOC-CO	2,953,792.00
<b>Total</b>	<b>7,719,949.39</b>

*Gender and Development (GAD)*

- 20. While the BOC allotted ₱189.182 million or 7.33 per cent of its annual budget of ₱2.580 billion in implementing GAD for CY 2021, the lack of training of GFPS to implement the PAPs resulted in (a) the non-submission of HGDG PIMME/FIMME Assessment to PCW, and (b) low utilization of ₱2.574 million or only 19.98 percent of the allotted budget.**

Section 32 of the General Provisions of RA No. 11518 requires all agencies of the government to formulate a GAD Plan and Budget (GPB) designed to address gender issues within their concerned sector or mandate. It further provides that the GPB shall be integrated with the regular activities of the agencies which shall be at least five per cent of their budget. Also, utilization of the GAD budget shall be evaluated based on the GAD performance indicators by the agencies.

The Philippine Commission on Women (PCW) MC No. 2021-06 dated December 10, 2021, was issued to provide guidelines for the preparation and submission of 2021 GAD Accomplishment Report (AR). Executive departments and attached agencies including BOC are mandated to submit the consolidated FY 2021 GAD ARs to PCW through the PCW Gender Mainstreaming Monitoring System (GMMS) on or before March 11, 2022.

Moreover, Section 1.5 of the said MC provides that to attribute the expenditure of a major agency program/project to GAD in the FY 2021 GAD AR, agencies shall accomplish the Harmonized Gender and Development Guidelines (HGDG), Project Implementation and Management, and Monitoring and Evaluation (PIMME) checklist (HGDG Boxes 16 and 17) or the Facility Implementation, Management and Monitoring and Evaluation (FIMME) checklist (HGDG Box F2), whichever is applicable, to assess the gender responsiveness of the implementation of the program/project.

The audited agency shall furnish COA Audit Team with the printed copy of GAD AR from GMMS with PCW's final observations and remarks as stated in Section 3.1 of PCW MC No. 2021-06. In BOC, the Collection Districts are directed to submit their respective Offices' Quarterly GAD ARs to the BOC-GAD Focal Point System (GFPS) Secretariat thru the Interim Training and Development Division

(ITDD) and/or HRMD 30 days after the end of each quarter per Internal Administration Group (IAG) Memo 30-2021 dated August 13, 2021.

In CY 2021, BOC complied with the requirement of Section 32 of the General Provisions of RA No. 11518 by allocating 7.33 per cent or at least five per cent of its budget for the GAD programs/activities/projects (PAPs). Details are presented in *Table 25*.

**Table 25 - Schedule of GAD Activities**

<b>PAPs</b>	<b>Approved Budget (in ₱)</b>	<b>Remarks</b>
Client-Focused Activities	3,855,086.00	8 Activities
Organizational-Focused Activities	9,031,670.00	11 Activities
Attributed Program	176,294,959.36	Trade Facilitation Program
<b>Total</b>	<b>189,181,715.36</b>	
<b>Approved BOC Budget per FY 2021 GAA</b>	<b>2,579,578,000.00</b>	
<b>% of GPB to BOC Budget</b>	<b>7.33%</b>	

The attributed program of the approved GPB pertains to the salaries of Customs Operations Officers in POM, MICP, and NAIA assigned to examine the different balikbayan boxes to ensure that there will be lesser number of Honey My Love Scam Victims who are mostly women.

Review of the AR of the approved GPB revealed the following:

*a. Non-submission of HGDG PIMME/FIMME Assessment to PCW*

The GFPS-Technical Working Group (TWG) submitted the BOC AR for CY 2021 to the Audit Team on March 30, 2022. Validation of the AR showed that BOC could not justify the ₱201.078 million expenses attributed to the Trade Facilitation Program since the HGDG PIMME/FIMME Assessment was not prepared, and the related AR was not submitted to PCW contrary to Section 1.5 and 3.1 of PCW MC No. 2021-06.

Inquiry with the member of GFPS who prepared the AR revealed that she is not part of the previous GFPS that conceptualized the HGDG in the GPB of CY 2021. Also, the members of the GFPS have not yet attended any training for the accomplishment of the HGDG PIMME/ FIMME checklist for GAD AR, hence, they were not able to prepare such report. She explained that the related AR was not submitted to PCW because of the late submission by the ports of quarterly GAD AR particularly the Port of NAIA, which was received only on March 07, 2022. They emailed PCW to request an extension of the deadline on March 11, 2022, to have ample time to evaluate and consolidate the submitted GAD AR, but they have not received a reply. However, given that ports are required to submit their quarterly GAD AR by January 31, 2022, and that the

Agency may start encoding the GAD AR in the GMMS as early as January 17, 2022, the on-time submission by the ports may have prevented the non-compliance of the BOC.

Had the BOC GAD AR been submitted to PCW, the comments, observations, and remarks should have served as references or guide in implementing their current GAD PAPs and preparing for succeeding GPB.

**We recommended and Management agreed to instruct the GFPS to: (a) submit the succeeding GAD AR with the results of the HGDG PIMME/FIMME Assessment, if applicable, to PCW on/or before the deadline; and (b) attend PCW GAD Budget Forum to be guided in the preparation of GPB and the use of HGDG Tool.**

*b. Low utilization of ₱2.574 million or only 19.98 per cent of the allotted budget*

Analysis of the submitted AR revealed that the BOC was only able to accomplish 10 out of the 19 planned GAD activities with a total of ₱2.574 million or 19.98 per cent of the allocated budget, as shown in *Table 26*.

**Table 26 - Schedule of Activities and Budget**

GAD Activity	Approved Budget	Actual Cost	Variance
	(in ₱)		
Client-Focused Activities	3,855,086.00	315,020.76	3,540,065.24
Organizational-Focused Activities	9,031,670.00	2,259,300.00	6,772,370.00
<b>Total</b>	<b>12,886,756.00</b>	<b>2,574,320.76</b>	<b>10,312,435.24</b>
<b>Percentage (%)</b>	<b>100.00</b>	<b>19.98</b>	<b>80.02</b>

Explanations for the non-utilization of the approved fund of GAD activity nos. 2-4, 6, 8, 10-12, and 17-18 totaling ₱6.734 million were, however, not provided to the Audit Team.

The low percentage of accomplishment on the implementation of the proposed PAPs indicates that Management was unable to address the gender issues included in the CY 2021 GPB, thereby depriving the intended beneficiaries of the benefits that may be derived from GAD PAPs such as poverty alleviation, economic empowerment of women, protection and promotion of women's human rights and resolution of other gender issues.

**We recommended and Management agreed to instruct the GFPS to: (a) efficiently plan activities that are doable and achievable within the timeframe and budget; and (b) formulate an effective monitoring system/process to ensure that all identified PAPs due for implementation are timely and fully undertaken so that the beneficiaries will enjoy the benefits to be derived therefrom.**

## 21. Senior Citizens (SC) and Persons with Disability (PWD), and Youth

Section 33, General Provisions, GAA for FY 2021 (RA No. 11518) requires that all agencies of the government shall formulate plans, programs, and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions and integrate the same in their regular activities.

Management had addressed the concerns of senior citizens by providing pre-retirement webinars for BOC senior citizen employees on June 30 and September 30, 2021. The two batches of webinars were attended by 52 and 63 personnel, respectively. Topics discussed include: (a) discussion of CMO No. 3-2013: Rules, regulations and procedures in the processing/payment of retirement benefits of BOC employees; (b) retirement modes under the Government Service Insurance System (GSIS); and (c) Financial Literacy and Investment options for retiring employees.

## 22. Tax Laws and Regulations, GSIS and Pag-IBIG Premium Contributions

For CY 2021, the BOC-CO, ports, and sub-ports had deducted from the salaries of personnel the required taxes, premiums, contributions on personal share for Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth), social insurance contributions, and loan payments, withheld taxes from contractors and creditable value-added taxes from suppliers/dealers, and remitted the same, as well as the government share, within the prescribed period, to the respective institutions, BIR, GSIS, Pag-IBIG and PhilHealth, except for premiums withheld from employees, loans, government shares, totaling ₱1.689 million which remained unremitted to the GSIS. The summary of withholding and remittances are shown in *Table 27*.

**Table 27 - Summary of Taxes Withheld/Deductions and Remittance**

Account	Beginning Balance	Total Withholding/ Deductions	Total Remittances	Ending Balance	Remarks
(in ₱)					
<i>Due to BIR</i>	86,909,457.16	280,906,182.84	285,406,709.97	82,408,930.03	The balance at year-end pertains to taxes withheld in December 2021 which was remitted in January 2022
<i>Due to Pag-IBIG</i>	1,737,106.60	29,390,656.61	28,294,651.72	2,833,111.49	
<i>Due to PhilHealth</i>	4,777,224.14	16,789,537.77	16,537,287.28	5,029,474.63	
<i>Due to GSIS</i>	69,817,599.77	174,783,834.69	185,355,636.89	59,245,797.57	The account has still a balance of ₱1.689 million for collections in prior years which remained unremitted as of March 2022.



**Unremitted collections of ₱1.689 million due to failure to update the ARA and lack of coordination between the AAO and the HRMD, thus exposing the employees at risk for not being able to avail the services and benefits upon their retirement from government service.**

Review of exception reports showed that there were premiums withheld to employees, loans, and government shares, totaling ₱1.689 million and ranging from two to 24 months that remained outstanding and unremitted as of December 31, 2021. Inquiry with the electronic remittance file (ERF) handler in the AD disclosed that the unremitted amount was due to the failure of the Agency Authorized Officer (AAO) to update the agency remittance advice (ARA) membership forms in the GSIS Electronic Billing and Collection System (eBCS).

Likewise, confirmation with alternate AAO in the HRMD revealed that the delay in updating the GSIS eBCS was due to the non-submission of supporting documents (i.e. certificate of last payment of salary and clearance) by employees reassigned/transferred from ports and other government agencies. The AAO further informed that he was not immediately notified of the reassignment/transfer of personnel since monitoring of Customs Personnel Order (CPO) is not under his responsibilities.

Moreover, employees transferred from ports to BOC-CO should be removed first from the eBCS account of the AAO in the port, otherwise, those employees cannot be added to the eBCS of BOC-CO. Both the AAO and the ERF personnel said that they have already notified some of the reassigned/transferred employees to submit the required documents, but they have not submitted as of December 31, 2021.

**We recommended and Management agreed to: (a) require the ERF and AAO of CO/Ports to coordinate with each other and address the exception reports pursuant to the GSIS memorandum; (b) require the Human Resource Management to issue a memorandum to those employees concerned who cause the delay in uploading of data in the eBCS; and (c) remit immediately the amount due to GSIS upon implementation of recommendations (a) and (b).**

### **23. Hiring of casuals, job orders, contractual and consultants**

The BOC had hired a total of four casual personnel and 801 Contracts of Service (COS) as of December 31, 2021, of which 455 and 350 were assigned at CO and ports/sub-ports, respectively. The COS represents an additional workforce to provide administrative and technical assistance and other related functions. The Agency paid ₱152.185 million for the services of these contractual employees charged against MOOE.

For the CY 2021 transactions, the Bureau was already compliant to the deficiencies noted in the prior year. The processing time in the approval/renewal of

contracts of COS personnel were already made before its expiration. Also, the BOC had already complied with the timeliness and completeness on the submission of contracts. Contracts were submitted in the succeeding month following their perfection.

## 24. Status of Suspensions/Disallowances/Charges

For CY 2021, the Audit Teams issued Notices of Suspension (NSs), Notices of Disallowance (NDs), and Notices of Charge (NCs) totaling ₱1.546 million, ₱4.615 million, and ₱103,348.27 respectively. Total settlements made during the year were ₱20.960 billion, ₱88,206.81 and ₱356,712.17 for NS, ND and NC, respectively. The balances of NSs, NDs and NCs by port as of December 31, 2021, are presented in *Table 28*.

**Table 28 - Balances of NSs/NDs/NCs as of December 31, 2021**

Particulars	Balance January 1, 2021	This Period (January to December 2021)		Balance December 31, 2021
		Issued	Settlement	
(in ₱)				
<b>NS</b>				
BOC-CO	47,847,342,687.10	0.00	20,429,259,153.69	27,418,083,533.41
POM	2,329,221.00	0.00	2,329,221.00	0.00
MICP	604,881,888.58	0.00	527,737,671.58	77,144,217.00
Port of Davao	18,943.00	0.00	0.00	18,943.00
Port of Aparri, Cagayan	644,787.66	1,107,125.63	381,390.23	1,370,523.06
Port of Cebu	7,557,935.50	0.00	0.00	7,557,935.50
Sub-port of Mactan	2,491,743.39	0.00	0.00	2,491,743.39
Sub-port of ZIA	22,516.56	0.00	13,956.56	8,560.00
Sub-port of Bongao, Tawi-tawi	20,993.00	0.00	0.00	20,993.00
Port of Tacloban	0.00	218,648.66	218,648.66	0.00
Sub-port of Dumaguete	0.00	0.00	0.00	0.00
Sub-Port of Isabel	0.00	145,000.00	145,000.00	0.00
Sub-port of Catbalogan	0.00	74,900.00	74,900.00	0.00
<b>Sub-Total</b>	<b>48,465,310,715.79</b>	<b>1,545,674.29</b>	<b>20,960,159,941.72</b>	<b>27,506,696,448.36</b>
<b>ND</b>				
BOC-CO	413,894,769.71	4,593,289.00		418,488,058.71
POM	2,629,674.78	0.00	0.00	2,629,674.78
MICP	723,270.53	0.00	0.00	723,270.53
NAIA	3,489,896.75	0.00	0.00	3,489,896.75
Port of Legazpi	543,536.14	0.00	39,013.05	504,523.09
Port of Davao	6,401,828.62	0.00	0.00	6,401,828.62
Port of Aparri, Cagayan	51,979.50	10,500.00	29,883.88	32,595.62
Port of Cebu	0.00	0.00	0.00	0.00
Sub-port of Mactan	8,077.00	0.00	8,077.00	0.00
Sub-port of ZIA	0.00	0.00	0.00	0.00
Sub-port of Bongao, Tawi-tawi	2,596.62	0.00	0.00	2,596.62
Port of Tacloban	0.00	4,745.00	4,745.00	0.00
Sub-Port of Catbalogan	0.00	5,850.00	5,850.00	0.00
Port of San Fernando, La Union	0.00	637.88	637.88	0.00
<b>Sub-Total</b>	<b>427,745,629.65</b>	<b>4,615,021.88</b>	<b>88,206.81</b>	<b>432,272,444.72</b>
<b>NC</b>				
BOC-CO	12,644,788,722.62	0.00	0.00	12,644,788,722.62

Particulars	Balance January 1, 2021	This Period (January to December 2021)		Balance December 31, 2021
		Issued	Settlement	
		(in ₱)		
POM	22,789,950.14	0.00	0.00	22,789,950.14
MICP	2,095.00	103,348.27	103,348.27	2,095.00
NAIA	1,253,639.03	0.00	243,363.90	1,010,275.13
Port of Legazpi	443,550.68	0.00	10,000.00	433,550.68
<b>Sub-Total</b>	<b>12,669,277,957.47</b>	<b>103,348.27</b>	<b>356,712.17</b>	<b>12,669,024,593.57</b>
<b>Grand Total</b>	<b>61,562,334,302.91</b>	<b>6,264,044.44</b>	<b>20,960,604,860.70</b>	<b>40,607,993,486.65</b>

The ND/NC/NS issued prior to the effectivity of the 2009 Rules and Regulations on Settlement of Accounts are not included in the reflected balances but are deemed disallowances/charges, which shall continue to be enforced in accordance with these Rules as provided under Section 28 thereof.

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

We made a follow-up on the actions taken by the Bureau of Customs (BOC) on the implementation of prior years' audit recommendations embodied in the Annual Audit Report (AAR) for Calendar Year (CY) 2020 and noted the following:

Status of Recommendations	No. of Recommendations
Implemented	32
Not Implemented	40
<b>Total</b>	<b>72</b>

The results of our validation on the implementation of the audit recommendations are presented below:

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>1. Unadjusted accounting errors amounting to ₱820.237 million, as well as unresolved accounting deficiencies, had materially affected the fair presentation of the Financial Statements (FSs) for CY 2020.</p> <p><b>Management agreed to require the Accounting Division to effect the necessary adjustments on the errors, duly supported with appropriate documents, and correct the accounting deficiencies noted, in accordance with the relevant provisions of the Government Accounting Manuel (GAM) for National Government Agencies (NGAs).</b></p>	<p>2020 AAR Pages 42-44</p>	<p>Prepared the following Journal Entry Vouchers (JEVs):</p> <ul style="list-style-type: none"> <li>• 21-01-0170</li> <li>• 21-01-0171</li> <li>• 21-01-0172</li> <li>• 21-11-1320</li> <li>• 21-11-1321</li> </ul>	<p><i>Not Implemented</i></p>	<p>The remaining one per cent or ₱8.444 million of the accounting errors/ omissions is not yet adjusted.</p> <p>The eight seized currencies were deposited to the Bureau of the Treasury (BTr) on December 3, 2021, but are still unrecognized in BOC Books.</p> <p>The remaining 10 seized currencies have pending criminal cases</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				and may not be disposed of without prior authorization from Department of Justice (DOJ) or courts.
<p>2. The Bureau continued to maintain Cash in Bank-LCCA-Payroll Fund Account [Landbank of the Philippines (LBP)] Current Account No. 0282-1050-63) and Cash in Bank-Local Currency, Current Account-PSF Yolanda Fund Account (LBP Current Account No. 0282-1051-87) with a balance of ₱24.814 million and ₱0.00 respectively, as at December 31, 2020, not in keeping with Section 10 of the General Appropriations Act (GAA) for Fiscal Year (FY) 2020 [Republic Act (RA) No. 11645], thus cash remained idle in the bank depriving the government to maximize its use to finance other projects.</p> <p><b>Management agreed to require the Chief Accountant to close LBP Current Account Nos. 0282-1050-63 and 0282-1051-87 in compliance with Section 10 of GAA for FY 2020 (RA No. 11645).</b></p>	<p>2020 AAR Pages 44-46</p>	<p>The balance of the Payroll Fund Account amounting to ₱24.814 million was already remitted to the BTr thru letter request dated December 17, 2020, validated by the bank on January 5, 2021.</p> <p>As per certification from the LBP issued on July 7, 2021, the BOC payroll fund and Yolanda fund were already closed effective March 25,</p>	<p><i>Implemented</i></p>	<p>The certification issued by LBP disclosed the closure of LBP Current Account Nos. 0282-1050-63 and 0282-1051-87 on March 25, 2021, and March 17, 2021, respectively.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
		2021 and March 17, 2021, respectively.		
<p>3. The Bureau did not remit to the National Treasury trust receipts/collections of ₱1.044 billion and unexpended allocations amounting to ₱14.623 million as at December 31, 2020, thus depriving the government of the much-needed funds to finance government programs and projects.</p> <p><b>Management to strictly adhere to the provisions of Sections 4, 7, and 10 of the General Provisions of the GAA for FY 2020; Executive Order (EO) No. 338, s. 1996; Permanent Committee Joint Circular (JC) No. 4-2012 dated September 11, 2012, implementing EO No. 431 dated May 30, 2005; and Commission on Audit (COA) Circular No. 2015-001 dated January 29, 2015, on the closure and/or remittance of all unnecessary special and trust funds maintained by the agencies of the National Government.</b></p>	2020 AAR Pages 46-50	<p>A total of ₱1.110 million was remitted to the BTr for bid documents unds.</p> <p>Also, accrued expenses in CY 2020 of ₱2.007 million were paid in CY 2021 and ₱2.060 million were remitted to the BTr for unexpended allocations.</p> <p>Further, the Accounting Division prepared the following JEVs to record the adjusting entries for unrecorded issued checks and related disbursement vouchers (DVs):</p> <ul style="list-style-type: none"> <li>• 21-08-0276</li> <li>• 21-08-0277</li> <li>• 21-08-0278</li> <li>• 21-08-0279</li> <li>• 21-08-0281</li> </ul>	<i>Not Implemented</i>	<p>Review of JEV nos. 21-08-276 to 21-08-281 revealed that a net adjustment of ₱155.207 million has been deducted from the <i>Cash in Bank -Local Currency, Current Account Trust Account</i>. The Audit Team is waiting for additional documents to support the said reconciling items.</p> <p>A total of ₱1.055 billion was still unremitted to the BTr or unaccounted as at December 31, 2021.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>4. Fund transfers to the Procurement Service (PS) totaling ₱59.036 million representing balances/savings from the procurement of non-common-used supplies remained idle for two to six years and were not returned/refunded by PS for eventual remittance to the BTr, thus depriving the government of the use of funds in the implementation of its projects/ programs.</p> <p><b>Management to require PS to refund/return the ₱59.036 million unused advances in compliance with Section 6.7 of COA Circular No. 94-013 and thereafter deposit the same to the BTr or remit the amounts directly to the BTr.</b></p>	<p>2020 AAR Pages 50-52</p>	<p>Management prepared letter-request dated May 17, 2021, to the PS for the reversion of the ₱59.039 million unliquidated fund transfer. It was received by PS on June 1, 2021.</p>	<p><i>Not Implemented</i></p>	<p>The ₱58.547 million or 99.17 per cent of the ₱59.036 million of unused advances of non-common-used supplies was included in ₱5.500 billion cash swept by the BTr to PS in March and April 2020 per letter by the Officer-in-Charge-Chief of PS to BOC on June 21, 2021.</p> <p>However, the remaining ₱488,602.40 of unused advances was not yet accounted and remitted to the BTr.</p>
<p>5. Advances to Philippine International Trading Corporation (PITC) amounting to ₱2.417 billion for the procurement of goods, services and infrastructure projects</p>	<p>2020 AAR Pages 52-54</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>remained unliquidated for over 22 to 43 months, thus timely delivery of programmed projects/activities and the purpose for engaging PITC services were not achieved.</p> <p><b>Management to coordinate with PITC and submit the required terms of reference (ToR) to facilitate the timely procurement of the agency procurement requests for immediate delivery and completion of the outsourced projects, as well as the liquidation of fund transfers.</b></p>		<p>General Services Division (GSD) coordinated with PITC requesting the status of BOC procured projects. PITC's response was received on May 11, 2021.</p>	<p><i>Implemented</i></p>	<p>BOC submitted updates on its procurement projects with PITC as of March 31, 2021, and GSD Memorandum dated August 31, 2021.</p> <p>The remaining two ToRs for submission were submitted to PITC, as follows:</p> <ol style="list-style-type: none"> <li>1. Microsoft Business Intelligence (BI) premium - September 30, 2021</li> <li>2. Laboratory Equipment (For Import and Assessment Service (IAS) and Assessment and Operations Coordinating Group (AOCG)- October 4, 2021</li> </ol>
<p>6. Unpaid duties and taxes amounting to ₱210.130 million arising from Post Modification of Single Administrative Document (PMS) for CYs 2018 to 2020, with computed legal interest and surcharges amounting to ₱63.544</p>	<p>2020 AAR, Pages 54-57</p>			



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>million, remained uncollected as at December 31, 2020, depriving the government the much-needed funds to finance its programs and projects.</p> <p><b>Management to require the:</b></p> <p><b>a) District Collectors to ensure that dedicated personnel at the port monitors all unpaid assessment/re-assessments accounts to enable the ports to collect all unpaid accounts;</b></p> <p><b>b) Liquidation and Billing Division (LBD) to designate personnel to issue demand letters for all entries with PMS for the collection of unpaid duties and taxes plus applicable interests and surcharges to the concerned importers;</b></p> <p><b>c) Management Information System and Technology Group (MISTG) to enhance the system to include a facility that would monitor the Import Entry Declaration status to ensure that all unpaid taxes and duties are captured by the Collection Districts; and</b></p>		<p>All ports and sub-ports designated focal persons to monitor all unpaid assessments and to issue demand letters for all entries with PMS.</p> <p>The focal persons assigned were directed to issue demand letters.</p> <p>MISTG has implemented daily refreshable files for all District collectors and all ports that have daily monitoring of duties and taxes. These files can also be obtained with the help of MISTG port managers.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Implemented</i></p>	<p>Management designated focal person per District who will monitor all unpaid assessment and issuance of corresponding demand letters.</p> <p>The Unnumbered memoranda issued by collection districts directed the focal persons to monitor unpaid assessments and issue demand letters.</p> <p>The refreshable files for daily monitoring of unpaid duties and taxes were provided through Power BI to collection districts. This is not an enhancement of the e2m system but a compensating control that MISTG implemented to</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>d) Consider establishing a regulation on the collection of unpaid taxes by the ports before release of succeeding importations.</p>		<p>Weekly Executive Committee meetings were conducted with instructions to District Collectors to collect the unpaid taxes and monitor compliance of importers.</p>	<p><i>Implemented</i></p>	<p>monitor unpaid duties and taxes.  Copies of weekly meetings for the 3<sup>rd</sup> quarter of CY 2021 were submitted to the Audit Team and were reviewed.</p>
<p>7. The increase in Internal Revenue Documentary Stamp (IRS) Tax was not immediately implemented pursuant to Sections 61 and 87 of RA No. 10963, otherwise known as the TRAIN Law and RR No. 4-2018 which resulted in loss of revenue representing IRS estimated at ₱37.959 million.</p> <p><b>Management agreed to:</b></p> <p>a) <b>instruct the issuance of demand letters to concerned importers for the collection of deficient IRS taxes through the LBD and Collection Division, based on the following:</b></p> <p>i. <b>summarized list of importers with deficient IRS taxes on the National Collecting Officers (NCOs)' collections from the Reports of Collections and Deposits from January to November 2018;</b></p> <p>ii. <b>summarized list of importers with deficient IRS taxes for Authorized Agent Banks (AAB) collections from consumption, warehousing export and transshipment entries based</b></p>	<p>2020 AAR, Pages 57-59</p>	<p>Ports and sub-ports issued demand letters for the remaining balances of IRS tax deficiencies.</p> <p>Collected IRS totaled ₱16.335 million, summarized as follows:</p> <p>Manila International Container Port (MICP) -₱0.930 million</p> <p>Ninoy Aquino International Airport (NAIA)- ₱11.099 million</p>	<p><i>Not Implemented</i></p>	<p>Through the issuance of demand letters, BOC was able to collect deficient IRS tax amounting to ₱16.355 million but uncollected IRS as at December 31, 2021 totaled ₱21.585 million, summarized as follows:</p> <p>MICP- ₱10.596 million</p> <p>NAIA- ₱7.199 million</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>in e2m from January to November 2018; and</p> <p>iii. consolidated list of importers with deficient IRS taxes from the NCOs and AAB collections from January to November 2018;</p> <p>b) require ports not included in this observation to review their collections and accordingly demand payment for deficient IRS taxes from concerned importers;</p> <p>c) henceforth, to immediately issue appropriate Memorandum for guidance to concerned offices for the strict compliance with established regulations; and,</p> <p>d) require concerned port offices to submit to COA the documents/entries pertaining</p>		<p>Port of Manila (POM)- ₱2.713 million</p> <p>Batangas- ₱1.552 million</p> <p>Sub-port of Siain, Quezon- ₱14,655.00</p> <p>Sub-port of Puerto Princesa- ₱26,875.00</p> <p>The BOC Commissioner directed all District Collectors to review IRS collection and demand payments for those with deficient IRS per Memorandum dated August 18, 2021.</p> <p>A Memorandum with the subject "Reiteration on the collection of IRS Tax under RA 10963 otherwise known as TRAIN Law" was signed by the BOC Commissioner and was requested for circularization by the Central Records Management Division (CRMD) on August 23, 2021.</p> <p>Documents/entries pertaining to transshipment and export can no longer</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p> <p><i>Not Implemented</i></p>	<p>POM- ₱3.587 million</p> <p>Batangas- ₱201,820.00</p> <p>Memorandum dated August 18, 2021 was issued by the BOC Commissioner instructing all District Collectors to review IRS collection and demand payments for those with deficient IRS.</p> <p>Memorandum dated August 18, 2021 was issued by the BOC Commissioner reiterating the collection of IRS at the new rate per TRAIN Law.</p> <p>The e2m database of export entries was provided to POM Audit Team</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p><b>to transshipment and export to facilitate the review.</b></p>		<p>be provided. The transshipment documents were among those included in the CY 2019 fire that gutted down the POM Building.</p>		<p>on August 26, 2021, however, no database was provided for the transshipment entries to facilitate review. The database requested can be provided by MISTG since the documents destroyed by fire in CY 2019 were hard copies of import entries only.</p>
<p>8. A total of 22,553 overstaying and abandoned containers/cargoes of various articles and 189 containers of perishable goods remained undisposed in various ports for 2 months to 20 years as at December 31, 2020, which is not in accordance with the provisions of Section 1144 of the Customs Modernization and Tariff Act (CMTA), BOC Unnumbered Memorandum dated August 13, 2004 and Customs Memorandum Order (CMO) No. 10-2007, thus depriving the Bureau of additional income representing auction sales.</p> <p><b>Management agreed to require the concerned ports to:</b></p> <p><b>a) conduct regular review of disposal proceedings and ensure that these are strictly followed and monitored to be able to meet defined timelines;</b></p>	<p>2020 AAR Pages 59-61</p>	<p>Accounting Division will provide COA a weekly update on the Status of Disposal of overstaying containers from the Office of the Deputy Commissioner-AOCC</p>	<p><i>Not Implemented</i></p>	<p><i>Implemented</i> <b>AOCC:</b> Weekly update on the status of disposal of overstaying containers is given to the CO Audit Team.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
		notwithstanding the submission of report by the concerned Port to their respective Audit Team Leaders		<p><i>Not Implemented</i></p> <p><b>POM:</b> To date, the port has not yet submitted any proof of periodic review on the disposal proceedings and the establishment of realistic timelines in the disposition of containers.</p> <p>Submitted documents did not show details of the 793 overstaying containers. The format requested by the Audit Team was not complied with.</p> <p><i>Implemented</i></p> <p><b>NAIA:</b> The BOC NAIA - Auction and Cargo Disposal Division commented through Memorandum that a total of 5,831 Air Waybills (AWBs) were already disposed, while 7,081 AWBs were examined and for proper disposition.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>b) <b>conduct immediate inspection of all overstaying containers to determine the existence, condition, and status of the goods inside these containers; and</b></p>		<p>POM Auction and Cargo Disposal Division (ACDD) submitted Weekly Monitoring Report for the Status of Overstaying Containers in CY 2022</p>	<p><i>Not Implemented</i></p>	<p><i>Not Implemented</i>  <b>MICP:</b>  For validation pending the submission of various supporting documents.</p> <p><i>Reiterated in Part II of this report under Observation No. 5, pages 47-49.</i></p> <p><i>Not Implemented</i>  <b>POM:</b>  The submitted report did not include details of inspection conducted.</p> <p><i>Implemented</i>  <b>NAIA:</b>  1,924 AWBs were approved for release and the remaining 4,312 AWBs are still to be located and will be examined as soon as these documents are found for proper disposal of cargoes.</p> <p><i>Not Implemented</i>  <b>MICP:</b>  Pending submission of various supporting documents.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>c) <b>prioritize disposal of perishable goods to maximize revenue collection.</b></p>		<p>POM ACDD disposed a total of 535 overstaying containers including 159 rice shipments.</p> <p>NAIA prioritized the disposal of perishable goods.</p>	<p><i>Not Implemented</i></p>	<p><i>Reiterated in Part II of this report under Observation No. 5, pages 47-49</i></p> <p><i>Implemented</i>  <b>POM:</b>  Memorandum issued by Chief ACDD dated February 22, 2022, disclosed that a significant number of perishable goods were disposed.</p> <p><i>Implemented</i>  <b>NAIA:</b>  The submitted lists of overstaying cargoes as at December 31, 2021, disclosed that 92 per cent were disposed including perishable goods.</p> <p><i>Not Implemented</i>  <b>MICP:</b>  No supporting documents were submitted.</p> <p><i>Reiterated in Part II of this report under Observation No. 5, pages 47-49.</i></p>
<p>9. Revenues amounting to ₱117.069 million were not realized due to non-compliance with various CMTA regulations, thus causing undue disadvantage to the</p>	<p>2020  AAR  Pages  62-63</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>government in terms of foregone revenues.</p> <p><b>Management agreed to direct the concerned ports and offices to strictly comply with the pertinent provisions of the CMTA and guidelines issued for its implementation, specifically on assessment of entries, and auction/disposal of goods forfeited or seized.</b></p>		<p><b>POM:</b> As to disposal of cargoes with lower customs valuation, multiple reductions in floor price, reduction of floor price representing delivery costs, the ACDD has already justified the use of lower rates due to the urgency of disposal and promptly convert the same to revenues.</p> <p><b>MICP:</b> The 114 goods declarations with alleged underpayment due to lower declared insurance value were forwarded to the LBD, this Port, on May 27, 2021, for issuance of demand letter.</p> <p>LBD immediately complied with the recommendation, and demand letters were sent on June 4, 2021 duly received by the Manila Central Post Office.</p>	<p><i>Not Implemented</i></p>	<p><i>Implemented</i></p> <p><b>POM:</b> Recomputation of the floor price in the Appraisal Report indicates that the floor price of auctioned goods is computed in accordance with the prescribed method per Section 5.2 of CAO No. 03-2020 and properly documented, supported, and attached in the Appraisal Report.</p> <p><i>Not Implemented</i></p> <p><b>MICP:</b> The LBD issued demand letters to concerned importers to settle the under-assessed duties and taxes arising from the declaration of a lower insurance cost in the Single Administrative Document of the 114 goods declarations.</p> <p>Status for the 114 goods declarations:</p>



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				<ul style="list-style-type: none"> <li>• 17 - paid for a total of ₱465,994.23</li> <li>• 53 - provided with Marine Cargo Insurance supported with official receipt/ premium certificate</li> <li>• 44 - not paid nor given with Marine Cargo Insurance</li> </ul>
<p>10. Importations of 246 regulated commodities costing ₱394.008 million were processed and released despite the lack of the import permits and other supporting documents required under Section 117 of the CMTA and other relevant laws, rules and regulations implementing the CMTA, thus defeating the purpose for which these rules and regulations were established.</p> <p><b>Management agreed to require the ports to strictly enforce compliance with Section 117 of the CMTA and other relevant laws, rules and regulations to ensure that all required permits/clearances/certifications and other necessary supporting documents are complete and submitted prior to assessment and release of the goods imported.</b></p>	<p>2020 AAR Pages 63-65</p>	<p><b>POM:</b> No Management action.</p> <p><b>MICP:</b> 1. The shipments were classified under Super Green Lane or Green Lane which allows consignees to facilitate immediate release from customs upon</p>	<p style="text-align: center;"><i>Not Implemented</i></p>	<p><i>Not Implemented</i></p> <p><b>POM:</b> Status from Collection District was not provided.</p> <p><i>Not Implemented</i></p> <p><b>MICP:</b> The original copies of the lacking documents for its two importations were submitted by one importer. There was no</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
		<p>payment of duties and taxes.</p> <p>2. The commodities are not subject to government regulatory requirements which allowed the consignees to process the same in accordance with customs laws, rules, and regulations.</p> <p>3. The goods declarations were filed under a provisional goods declaration which allows the submission of certain commodity requirements online within 45 days of filing.</p>		<p>compliance yet from other importers for 219 importations.</p> <p><i>Reiterated in Part II of this report under Observation No. 14, pages 76-77.</i></p>
<p>11. Collections from cash bond for tentative release of shipment amounting to ₱274.569 million were not dispensed within the timeframe set forth under CMO No. 37-2001, thus depriving the importers for the immediate refund of their cash bond and the government of needed revenue to fund its projects. Moreover, three cash bonds amounting to ₱1.745 million were refunded without legal basis, thus propriety of the disbursement is doubtful.</p> <p><b>Management agreed to require the Valuation and Classification Review Committee (VCRC) to:</b></p>	<p>2020 AAR Pages 65-66</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>a) expedite the review of all cases with tentative release in accordance with CMO No. 37-2001 dated December 7, 2001;</p>		<p><b>MICP:</b> The Management adhered to the recommendation to expedite the review on all VCRC cases and the immediate collection of all posted cash bond deposits which have been decided in favor of government.</p> <p><b>NAIA:</b> Dormant/ inactive accounts of cash bonds for CY 2018 with no claims from 11 importers were submitted to the Office of the Deputy Collector for Assessment for the processing of forfeiture proceedings.</p>	<p><i>Not Implemented</i></p>	<p><i>Not Implemented</i> <b>MICP:</b> Status report of all cases for CY 2021 was not submitted by Management.</p> <p><i>Implemented</i> <b>NAIA:</b> The NAIA Collection Division already forwarded to the Office of the Deputy Collector for Assessment the 11 dormant/ inactive cash bond account which have already expired.</p> <p><i>Reiterated in Part II of this report under Observation No. 16, pages 78-80.</i></p>
<p>b) determine posted cash bond with cases which are already decided in favor of the government and with no appeal from the importer within the prescribed period and transfer the corresponding amount to the fund of the BTr;</p>		<p><b>MICP:</b> The balance of the outstanding cash bond amounting to ₱18.633 million was recommended/ approved for forfeiture in favor of the government and was issued check No. 115740 dated March 26, 2021, and remitted/deposited to the BTr.</p>	<p><i>Not Implemented</i></p>	<p><i>Not Implemented</i> <b>MICP:</b> Check No. 115740 for ₱18.633 million was remitted to the BTr on April 5, 2021.</p> <p>However, check Nos. 115741 to 115745 were not remittances to the BTr for cash</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation														
		<p>Cash bond for tentative release was recommended/ approved for forfeiture in favor of the government and was issued.</p> <table border="1" data-bbox="802 569 1068 772"> <thead> <tr> <th>Check No.</th> <th>Amount (in ₱)</th> </tr> </thead> <tbody> <tr> <td>115741</td> <td>161,935.20</td> </tr> <tr> <td>115742</td> <td>488,407.02</td> </tr> <tr> <td>115743</td> <td>1,612,337.57</td> </tr> <tr> <td>115744</td> <td>4,477,668.98</td> </tr> <tr> <td>115745</td> <td>4,236,509.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>10,976,857.77</b></td> </tr> </tbody> </table> <p>However, the balance of cash bonds previously remitted to the BTr amounting to ₱123.473 million was endorsed to the Head of the Formal Entry Division and the District Collector for recommendation/ approval of forfeiture in favor of the government.</p> <p><b>NAIA:</b> On July 28, 2021, the District Collector, this port, issued Notice of Forfeiture of Cash Bonds amounting to ₱3.380 million and a copy of which was sent to the importer/ consignee on August 3, 2021. After 15 days from receipt thereof, said Notice of Forfeiture attains finality and the subject cash bond may now be remitted to the BTr.</p>	Check No.	Amount (in ₱)	115741	161,935.20	115742	488,407.02	115743	1,612,337.57	115744	4,477,668.98	115745	4,236,509.00	<b>Total</b>	<b>10,976,857.77</b>		<p>bonds under tentative release, but refunds to importers of cash bonds for safeguard duties.</p> <p><i>Not Implemented</i> <b>NAIA:</b> As at December 31, 2021, the ₱3.380 million is not yet remitted to the BTr and still deposited to <i>Cash in Bank- Local Currency, Current Account</i> of NAIA.</p> <p><i>Reiterated in Part II of this report under Observation No. 16, pages 78-80.</i></p>
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Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
c) prepare a monitoring schedule of cases filed as to their status and action taken for CYs 2005 to 2015 and implement the necessary actions based on the results of review;		All shipments released under tentative assessment with cash bonds are being monitored by the Office of the Deputy Collector Assessment through the Collection Division.	<i>Not Implemented</i>	<b>MICP:</b> There was no monitoring schedule for cases filed for CYs 2005 to 2015 submitted yet by Management.
d) conduct a regular review and monitoring of the cash bonds and institute necessary actions for all delinquent consignee and thereafter remit to the BTr the amounts due to the government; and		Cash bonds under tentative release are being monitored especially those with dormant accounts and are now being processed for the needed resolutions.	<i>Implemented</i>	<i>Reiterated in Part II of this report under Observation No.16, pages 78-80.</i>  Monitoring of cash bonds under tentative release revealed that NAIA Collection Division already forwarded the 11 expired and dormant/inactive cash bond account to the Office of the Deputy Collector for Assessment.
e) submit documentation of the refunded cash bond totaling ₱1.745 million to support validity of claim.		Documents of the refunded cash bonds were all submitted to COA.	<i>Implemented</i>	The two cash bonds totaling ₱1.630 million was deposited to NAIA's <i>Cash in Bank-Local Currency, Current Account Trust Account</i> in CY 2019 while the ₱115,135.64 issued check was remitted to the BTr on November 23, 2020.

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>12. Collections amounting to ₱53.370 million representing cash bond for items of goods/articles posted by travelers, tourist, foreign consultants and experts hired by and/or rendering service to the government, for the purpose of being exempted from payment of import duties upon compliance with the requirements provided under Sub-section (h), Section 800, Chapter 1 Title VIII of the CMTA, remained outstanding for one to more than 15 years as at December 31, 2020 due to inability to conduct forfeiture proceedings even after the lapse of the prescribed period set in the CMTA.</p> <p><b>Management agreed to conduct forfeiture proceeding for the cash bond for failure to comply within the time prescribed pursuant to Section 800 of the CMTA and thereafter remit to the BTr the amount of cash bonds that had expired for six months and above.</b></p>	<p>2020 AAR Pages 66-68</p>	<p>The balance of the outstanding cash bond amounting to ₱1.001 million was recommended/ approved for forfeiture in favor of the government and was issued check No. 115232 dated March 26, 2021 and was remitted/deposited to the BTr.</p> <p>However, the balance of cash bond previously remitted to the BTr amounting to ₱50.947 million was endorsed to the Head of the Informal Entry Division and the District Collector for recommendation/ approval of forfeiture in favor of the government.</p>	<p><i>Not Implemented</i></p>	<p>The check pertaining to the outstanding cash bond amounting to ₱1.001 million was deposited to the BTr per validation.</p> <p>However, the cash bond balance amounting to ₱50.947 million will be validated upon submission of the status report from Management.</p> <p><i>Reiterated in Part II of this report under Observation No. 16, pages 81-82.</i></p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>13. Ninety-nine entries with tentative assessment subject to dispute settlement were released at POM and Harbour Center, despite the absence of sufficient posted security in the amount of ₱225.731 million, contrary to the provisions of Section 425 of the CMTA, thus the government's interest was not secured and protected, posing risk of non-recovery of duties and taxes due and possible loss of revenue to the disadvantage of the government.</p> <p><b>Management agreed to instruct the ports to:</b></p> <p><b>a) strictly comply with the provisions of CMO No. 37-2001 dated December 7, 2001 on the release of entries under tentative assessment subject to dispute settlement in the absence of sufficient posted security; and</b></p> <p><b>b) require the importers of the 99 entries to post the required security to cover the duties and taxes which is equivalent to the amount disputed and submit proof of compliance to the Audit Team.</b></p>	<p>2020 AAR Pages 68-70</p>	<p><b>POM LBP:</b> Issued action plan to strictly implement CMO No. 37-2001 and established procedures to avoid recurrence. The importers already posted the required bonds.</p> <p>On July 28, 2021, the list of entries/importations released under tentative assessment subject to dispute settlement at BOC-POM with corresponding status and amount of security posted was submitted.</p> <p>Issued Notices to Post Bond to the concerned consignees/importers.</p>	<p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>	<p>The POM Audit Team is still waiting for the submission of the requested posted bond details for entries released under tentative assessment subject to dispute settlement per COA letter dated August 9, 2021 which will be the basis for the validation and monitoring of the compliance for the requirement set forth in the said regulations.</p> <p>The 41 Notices to Post Bond to the concerned importers were prepared by the Deputy Collector for Assessment.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				Validation of posted security of the remaining 58 out of the 99 entries is pending upon submission of POM Collection District of the additional supporting documents that the Audit Team is requesting per letter dated September 13, 2021.
<p>14. Outstanding due and demandable bonds had accumulated to ₱7.189 billion as at December 31, 2020 in view of the inability of the concerned importers to liquidate or cancel the bonds and the BOC ports to take necessary actions on these accounts, thus, depriving the government of additional revenue to finance government operations and projects.</p> <p><b>Management agreed to:</b></p> <p>a) <b>facilitate the forfeiture of bonds of the Surety Companies and take necessary actions to collect the amounts corresponding to the duties and taxes guaranteed by the securities; and</b></p>	2020 AAR, Pages 70-72	<p><b>POM:</b> Per POM Bonds Division, the total balance of ₱4.308 billion is now ₱2.933 billion, a decrease of ₱1.375 billion due to overdue and inactive accounts of 21 surety companies placed under Conservatorship, Receivership and Liquidation by the Insurance Commission.</p>	<i>Not Implemented</i>	<p><i>Not Implemented</i> <b>POM:</b> The requested list of due and demandable bonds was not yet given by the Collection District as basis for validation.</p>



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
		<p><b>MICP:</b> The Bonds Division has expedited the forfeiture of bonds of surety company which failed to liquidate or cancel the same within the prescribed period.</p> <p><b>NAIA:</b> Management recommended the forfeiture of the subject bonds.</p>		<p><i>Not Implemented</i></p> <p><b>MICP:</b> Based on MICP List of Surety Companies with Outstanding Accounts as at December 31, 2021, 19 insurance companies with ₱524.778 million balances were forwarded to the Legal Service on November 12, 2021. However, to date, no decision/ judgement has been rendered for their settlement or collection.</p> <p><i>Not Implemented</i></p> <p><b>NAIA:</b> The outstanding bonds have pending case at the Court of Tax Appeals and are being handled by the prosecution and Litigation Division of the Legal Service and the Office of the Solicitor General.</p> <p><i>Reiterated in Part II of this report under Observation No. 15, pages 77-78.</i></p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>b) strictly follow the procedures in the forfeiture of bonds as provided in CMO No. 8-2007 dated April 10, 2007.</p>		<p>A directive was issued by the Revenue Collection Monitoring Group (RCMG) to the collection Districts for the submission of original copies and /or certified true copies of vital documents to support the claim in accordance with CMO No. 8-2007 and CAO No. 1-2021, respectively.</p>	<p><i>Not Implemented</i></p>	<p><i>Not Implemented</i>  <b>POM:</b>  The Audit Team is precluded to validate Management's compliance with the procedure of CMO No. 8-2007 due to lack of submitted documents to support their claim.</p> <p><i>Implemented</i>  <b>MICP:</b>  On November 12, 2021, the Bonds Division forwarded the documents of due and demandable bonds of the 19 insurance companies to the Legal Service for case filing/ forfeiture proceedings.</p> <p><i>Not Implemented</i>  <b>NAIA:</b>  As at December 31, 2021, 39 surety companies have due and demandable bonds totaling ₱521.592 million. Only one surety company has pending case under CTA, while the 37 companies have no case filed, while one has no status.</p>



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p><i>submitted to the Audit Team for review.</i></p> <p><b>Management agreed to:</b></p> <p>a) <b>ensure strict compliance with the provisions of CAO No. 03-2020 on the submission by the contractor and the Condemnation Committee of the completion reports indicating therein relevant details of the process; and</b></p> <p>b) <b>revisit/review the regulation and consider prescribing a standard format, for uniformity, in the preparation of the completion reports to be used by the contractors and Condemnation Committee to ensure that all important information and data are captured for operational efficiency.</b></p>		<p>POM ACDD will ensure completion of attachment in the gate passes. Also, a checklist is now part of the documentation for the disposal of goods.</p> <p>The Commissioner signed and issued CMO No. 24-2021 prescribing for the uniformity of completion reports.</p>	<p><i>Not Implemented</i></p> <p><i>Implemented</i></p>	<p>The Commissioner signed and issued CMO No. 24-2021. However, no Completion Reports from the Contractor and Condemnation Committee were submitted to the Audit Team for Gate Passes issued for the period covering January to June 2021.</p> <p>Based on CMO No. 24-2021, dated July 29, 2021, a prescribed format for completion report was included.</p>
<p>16. The POM had not fully observed the procedures prescribed under CAO No. 03-2020 on the accreditation of waste disposal contractors, thus exposing the Bureau to undue disadvantage, such as but not limited to: (a) risk that the port will not be compensated accordingly for non-compliance of contractor, (b) capability of contractor to carry out the contract not ascertained, and (c) loss of additional income</p>	<p>2020 AAR Pages 75-76</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>amounting to ₱20,530.00, representing accreditation fees and customs documentary stamps.</p> <p>a. <i>The port granted accreditation to 12 waste disposal contractors despite the non-posting of the annual performance bond of ₱500,000.00 as required under Section 9.7.16 of CAO No. 03-2020.</i></p> <p><b>Management required the concerned active contractors to:</b></p> <p>a) <b>immediately post the required performance bond; and</b></p> <p>b) <b>henceforth, strictly comply with the mandatory posting of performance bond in the amount of ₱0.500 million in accordance with Section 9.7.16 of CAO No. 03-2020, before the approval of the application for accreditation as service provider/waste disposal contractor.</b></p> <p>a. <i>Three contractors with approved provisional accreditation, had not complied with the submission of updated documentary requirements pursuant to Section 9.7 of CAO No. 03-2020, as at December 31, 2020.</i></p>	<p>2020 AAR Pages 76-77</p>	<p>No Management action taken.</p> <p>Continuous reminder in Executive Committee meetings and Memorandum to all ports to comply with Section 9.7.16 of CAO No. 03-2020.</p>	<p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>	<p>POM did not require previously accredited waste disposal contractors to post performance bond per verification of POM Audit Team dated April 28, 2022.</p> <p>Newly accredited waste disposal contractors did not post performance bond per verification of POM Audit Team dated April 28, 2022.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p><b>Management required the concerned contractors to submit the lacking documents and immediately revoke their accreditation in case of non-submission within the timeframe set.</b></p>		<p>Management required the concerned contractors to submit the lacking documents pursuant to CMO No. 24-2021</p>	<p><i>Implemented</i></p>	<p>The lacking documents were submitted to the POM Audit Team.</p>
<p>17. A total of 2,083 importations processed at the POM and Harbour Centre Port Terminal Inc. with general/generic descriptions, assessed at an aggregate amount of ₱484.106 million had inappropriate selectivity tagging and were not subjected to 100 per cent examination for the period January 2019 to June 2020, inconsistent with the provisions of CAO No. 8-2007 and CMO No. 28-2007. This deficiency caused difficulty in undertaking appropriate customs valuation, tariff classification, and posed risk of misdeclaration/ undervaluation of goods to the disadvantage of the government.</p> <p><b>Management agreed to require:</b></p> <p><b>a) Risk Management Office (RMO) to review the current parameter settings in the selectivity system of the e2m and study the possibility of updating the parameters considering the existing regulations on generally described importations;</b></p>	<p>2020 AAR Pages 79-81</p>	<p>An engagement program between the RMO and POM Formal Entry Division (FED) personnel was held on August 13, 2021, to improve its feedback mechanism and to strengthen the selectivity system.</p>	<p><i>Implemented</i></p>	<p>POM Audit Team was furnished with the letter from the RMO addressed to the District Collector requesting for participants who will review the parameters on the implementation of the RMO Engagement Program “in line with the continuous effort to strengthen the</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>b) <b>Examiners to comply with the policy and necessity of the Inspection Act and enforce strictly and effectively the proper accomplishment of the Inspection Act in the e2m system by indicating therein, the examiner's adverse findings and recommendations which can be used and considered in risk assessment; and</b></p>		<p>All POM FED Sections were directed to comply with CMO No. 49-2019 on the mandatory filling-up of Box 41 to ensure the description of goods in terms of quantity.</p> <p>Guidelines in accomplishing the Inspection Act were reiterated last June 15, 2021 signed by the Commissioner.</p>	<p><i>Implemented</i></p>	<p>quality of the Selectivity System and improve its feedback mechanism from all sources to RMO".</p> <p>Memorandum dated July 20, 2021 from the Chief, FED was issued reiterating the guidelines on filling out the Inspection Act to ensure an effective feedback mechanism and to monitor how treatment is carried out in ascertaining the threat and risk after verification of content, authenticity, consistency and validity of declarations by means of examination findings.</p>
<p>c) <b>Ports to monitor importers and brokers who consistently violate the required importation declaration and recommend to the Account Management Office (AMO) the imposition of appropriate sanctions provided in Section VI of CAO No. 8-2007 and CMO No. 28-2007 such as but not limited to warning, suspension of accreditation for</b></p>		<p>No Management action was taken.</p>	<p><i>Not Implemented</i></p>	<p>Monitoring report and proof of recommendation/ representation or communication with the AMO were not furnished to the Audit Team.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
six months or cancellation of accreditation and blacklisting as an importer/broker.				<i>Reiterated in Part II of this report under Observation No. 13, pages 74-76.</i>
<p>18. Import Entry Declaration (Single Administrative Document) amounting to ₱4.709 billion were filed and transacted with the port without valid and proper accreditation from concerned importers or brokers in violation of the provisions of CMO No. 11-2014 and Section IV of CMO 31-2019.</p> <p><b>Management agreed to require:</b></p> <p><b>a) strict compliance with the provisions of CMO No. 31-2019 dated July 3, 2019 and collect the amounts due from the erring importers/brokers as a result of non-compliance; and</b></p> <p><b>b) MISTG to enhance the e2m system so that controls are embedded to check compliance with regulations as well as automatically detect or generate errors and reject transactions from non-accredited importers/brokers</b></p>	2020 AAR Pages 81-84	<p>Per letter-reply dated January 27, 2021, from Management, it was emphasized that the accreditation of importers and brokers are within the jurisdiction of the AMO. It is within the competency of this office to approve/renew/or revoke or suspend the accreditation.</p> <p>The auto-detection capability of the system, whether the stakeholder is accredited or not, was temporarily disabled because of OCOM Memorandum No. 57-2020. Since its revocation, the system is now back in disallowing any transactions from non-</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p>	<p>The AMO was able to submit documents of accreditation of the concerned importers.</p> <p>The e2m system automatically rejects transactions from non-accredited importers/brokers per the Unnumbered Memorandum dated November 2, 2020 of the BOC Commissioner, as</p>



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
		accredited stakeholders.		validated by the Audit Team.
<p>19. Seized and confiscated currencies equivalent to ₱88.777 million remained undeposited to the National Treasury or BOC's Authorized Government Depository Bank (AGDB) as at December 31, 2020, not in accordance with Sections 63 and 65 of Presidential Decree (PD) No. 1445 and posing risk of possible loss and misappropriation.</p> <p><b>Management agreed to deposit the seized/confiscated currencies to the National Treasury for currencies already with decision of finality in favor of the government and those under litigation in any duly AGDB of BOC to ensure that these are safeguarded from loss or misappropriation.</b></p>	2020 AAR Pages 84-85	The eight seized currencies were deposited to the BTr on December 3, 2021.	<i>Implemented</i>	<p>Final inventory was performed on eight seized currencies totaling US\$87,900.00 and these were remitted to the BTr Dollar Account last December 3, 2021 under List of Deposited Collection No. 2021-221.</p> <p>The 10 seized currencies consisting of ₱3.600 million, US\$1.192 million and HK\$3.829 million have pending criminal cases and may not be disposed of without prior authorization from DOJ or courts.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>20. Liquidated damages totaling ₱8.527 million arising from delayed deliveries of x-ray machines were not imposed nor collected by the BOC, contrary to Section IV (19) General Conditions of the Contract Supply, Delivery, Installation and Commissioning of various x-ray machines, thus causing undue disadvantage to the BOC in terms of maximizing the benefits of the project.</p> <p><b>Management agreed to impose the liquidated damages to the concerned contractor totaling ₱8.527 million as a result of the delays incurred based on delivery dates stipulated.</b></p> <p><b>Management agreed to submit additional comments and supporting documents on the restrictions incurred on the installation and commissioning of various x-ray machines to facilitate review of the delays pertaining to installation and commissioning.</b></p>	<p>2020 AAR, Pages 85-88</p>	<p>Liquidated damages totaling ₱8.527 million were deducted in the DV prepared for the payment of the latest claim of Astrophysics.</p> <p>Management submitted comments on June 5, 2020 regarding justifications made by XIP.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p>	<p>DV No. 21-06-2439 dated June 10, 2021 disclosed the payment for the last billing for Astrophysics and it includes the deduction made for the liquidated damages of ₱8.527 million.</p> <p>The comments submitted by Management were sufficient to justify the delays incurred in the installation and commissioning of x-ray machines.</p>
<p>21. The BOC was not able to meet its original collection target set by the Development Budget Coordination Committee (DBCC) of ₱731.255 billion for CY 2020 but exceeded the revised collection target of ₱506.150 billion by ₱34.494 billion or 6.81 per cent. The reduction affected the overall collection goal of the Bureau and contributing lesser</p>				

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>funds to the National Treasury for the implementation of programmed expenditures for the year.</p> <p><b>Management agreed to:</b></p> <p><b>a) continue to develop and adopt strategies that will improve the collection performance of every port in order to ensure correct allocation and achieve the targeted collection; and</b></p>	<p>2020 AAR Pages 88-89</p>	<p>The BOC will continue to implement measures to further improve its collection performance.</p>	<p><i>Implemented</i></p>	<p>The BOC exceeded its CY 2021 collection target by 4.40 per cent, collecting a total of ₱643.560 billion. The DBCC reviewed and approved the macro indicators/assumptions such as the import growth, oil price, exchange rate, and the national government fiscal program (revenue projections and borrowing level) and budget levels and expenditure priorities quarterly or as needed.</p> <p>BOC's target was allocated based on the two years average actual collection by source or general commodities, and type of tax of each collection district.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>b) exert more effort to analyze and examine Management's systems and procedures on assessment, examination and collection, geared towards strengthening these processes and improving the Collection District's performance.</p>		<p>Despite the effects of Coronavirus Disease 2019 (COVID-19) pandemic and restricted movements in National Capital Region plus the overall trading environment, the BOC shall ensure the continuous implementation of its priority programs geared towards a modernized customs administration at par with global standards.</p>	<p><i>Implemented</i></p>	<p>Programs like online payment systems and electronic tracking of containerized cargo were prioritized and implemented which resulted in revenue milestones.</p> <p>The automation of customs processes was the most crucial as it streamlined systems and processes, boosting the effort to modernize operations.</p> <p>For CY 2021, the BOC exceeded its collection target by 4.40 per cent, collecting a total of ₱643.56 billion.</p> <p>In projecting the succeeding years' revenue collection, BOC considered the effects of the pandemic and other factors which will have a greater impact to the Bureau's performance which include but were not limited to the following:</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				a. digital transition; b. post-clearance audit of importers; c. implementation of the fuel marking program and; d. various anti-smuggling activities.
<p>22. Non-submission of relevant documents to support the grant of the COVID-19 hazard pay to BOC officers and employees and Contract of Service (COS) during the enhanced community quarantine in CY 2020, not in keeping with Section 4 (6) of PD No. 1445 and Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009, precluded the Audit Team in the audit of such compensation in accordance with the Department of Budget and Management (DBM) Budget Circular 2020-001 dated March 24, 2020. Moreover, overpayment amounting to ₱124,750.00 was incurred and disallowed in audit.</p> <p><b>Management agreed to:</b></p> <p><b>a) strictly comply with the provision of Section 4(6) of PD No. 1445 and with the requirements prescribed in COA Circular No. 2012-001 dated June 14, 2012, to ensure that all claims are supported with the necessary information and complete documentation to substantiate their validity, regularity and propriety and to</b></p>	<p>2020 AAR Pages 90-92</p>	<p>Concerned office and ports submitted the daily time record (DTR) and the copies of special order from agency/department head covering the assignment of hazardous/difficult areas through the Accounting Division</p>	<p><i>Implemented</i></p>	<p>The following documents, submitted by the Management, were validated by the Audit Team:</p> <p>a. Office Order/ Authority to report for work/ Certification as member of</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>avoid the issuance of Notice of Suspension/Disallowance; and</p> <p>b) require the concerned employees to refund the overpayment of COVID-19 hazard pay.</p>		<p>on June 1, 7 and 9, and September 3, 2021.</p> <p>POM and NAIA refunded the overpayment through payroll deduction to the concerned employees.</p>	<p><i>Not Implemented</i></p>	<p>the designated skeleton workforce;</p> <p>b. DTRs; and</p> <p>c. Schedule of Skeletal Workforce</p> <p><i>Not Implemented</i></p> <p><b>NAIA:</b></p> <p>A total of ₱116,250.00 was refunded through deduction in July and September 2021 payrolls of concerned personnel and bank deposit of ₱1,000.00 on December 14, 2021. The remaining balance of ₱2,000.00 is not yet refunded.</p> <p><i>Implemented</i></p> <p><b>POM:</b></p> <p>Refunded a total of ₱5,500.00 through July 2021 payroll deduction and bank deposit.</p>
<p>23. The Bureau allocated a total of ₱2.065 million representing only 0.08 per cent of the total approved budget for FY 2020 and spent only a total of ₱1.264 million, which was insufficient to fully address its gender issues/concerns, and thus, defeating the intent of the program to pursue women's empowerment and gender equality, contrary to the pertinent provisions of RA No.</p>	<p>2020 AAR Pages 92-93</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>9710 or the Magna Carta for Women, RA No. 11465, otherwise known as the GAA for FY 2020, and Philippine Commission on Women (PCW)-National Economic and Development Authority (NEDA)-DBM JC No. 2012-01.</p> <p><b>Management require the Gender and Development (GAD) Focal Point System (GFPS) to:</b></p> <p>a) <b>strictly comply with the GAD annual budget allocation of at least five per cent of the total appropriation, considering the use of attribution of estimated expenses for each program, project and activity to arrive at the GAD budget;</b></p> <p>b) <b>monitor implementation of budgeted activities to ensure that these are implemented as scheduled and gender issues identified at organizational and client levels are properly and sufficiently addressed; and</b></p>		<p>BOC allotted ₱189.182 million of its annual budget of ₱2.580 billion in implementing the GAD for CY 2021.</p> <p>BOC accomplished 10 out of the 19 planned GAD activities.</p>	<p><i>Implemented</i></p> <p><i>Not Implemented</i></p>	<p>The allotted budget for GAD is 7.33 per cent of the BOC annual budget for CY 2021.</p> <p>Analysis of the submitted Accomplishment Report (AR) revealed that BOC was able to accomplish only 10 out of the 19 planned GAD activities with a total of ₱2.574 million or 19.86 per cent of the allocated budget.</p> <p><i>Reiterated in Part II of this report under Observation No. 20, pages 87-89.</i></p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>c) <b>require the members of the GFPS committee to attend seminars on GAD to enable them to formulate GAD Plan and Budget (GPB) that will address gender issues and in accordance with the PCW-NEDA-DBM JC No. 2012-01.</b></p>		<p>A workshop on the preparation of BOC GPB for CY 2022 was conducted and attended by BOC GFPS members on December 6 to 7, 2021.</p>	<p><i>Implemented</i></p>	<p>The conduct of workshop was included in the GAD AR for CY 2021 submitted to COA.</p>
<p>24. Non-submission of the final GPB with signature of the Head of the Agency to the PCW for review and endorsement which is inconsistent with PCW-NEDA-DBM JC No. 2012-01, had prevented the appropriate government oversight bodies from conducting review of the same.</p> <p><b>Management submit its GPB for the succeeding years with the approval and signature of the agency head to the PCW for review and endorsement to DBM to allow the oversight bodies to ensure compliance with the established laws, rules and regulations.</b></p>	<p>2020 AAR Pages 93-94</p>	<p>The BOC GPB for CY 2021 was endorsed to PCW and approved by BOC Commissioner on July 12, 2021.</p>	<p><i>Implemented</i></p>	<p>Copy of the endorsed GPB with approval from BOC Commissioner was submitted to COA on December 29, 2021.</p>
<p>25. GAD ARs showed expenditures not included in the GBP as the GFPS was not able to prorate and mainstream GAD related activities in accordance with Section 31 of the General Provisions of GAA for FY 2020 or RA No. 11465 and Section 2.3 of PCW-NEDA-DBM JC No. 2012-01</p> <p><b>Management properly plan, identify and mainstream GAD related activities to ensure that the AR rendered will reflect GAD accomplishments which add value to a program.</b></p>	<p>2020 AAR Pages 94-95</p>	<p>A total of ₱2.574 million was utilized in CY 2021 for GAD activities.</p>	<p><i>Not Implemented</i></p>	<p>A total of ₱27,658.00 was utilized for two GAD Activities not included in the GPB for CY 2021.</p>



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				<p>The attributed program, with approved budget of ₱176.295 million was not implemented. The program is intended for the salaries of Customs Operations Officers in POM, MICP, and NAIA assigned to examine the different balikbayan boxes to ensure that there will be a lesser number of Honey My Love (HML) Scam victims who are mostly women.</p> <p><i>Reiterated in Part II of this report under Observation No. 20, pages 87-89.</i></p>
<p>26. The Bureau had not allocated funds nor formulated plans, programs, and projects related to the Senior Citizens, Persons with Disability, and Youth, thus projects were not implemented for the benefit of senior citizens and differently-abled persons</p> <p><b>Management allocate funds and formulate plans, projects and programs that will develop the youth and will benefit the senior citizens and differently-abled persons as prescribed by Sections 32 and 33 of the General Provisions of GAA for FY 2020.</b></p>	<p>2020 AAR Page 95-96</p>	<p>Pre-retirement webinars for BOC senior citizen employees were conducted last June 30 and September 30, 2021</p>	<p><i>Implemented</i></p>	<p>Topics discussed in the webinars include: (a) discussion of CMO No. 3-2013: Rules and regulations and procedures in the</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				processing/ payment of retirement benefits of BOC employees; (b) retirement modes under Government Service Insurance System (GSIS); and (c) Financial literacy and investment options for retiring employees.
<p>27. Tax Laws and Regulations, GSIS and Pag-IBIG Premium Contributions and Loan Amortization, and PhilHealth Premium Contributions.</p> <p><i>a. Unremitted tax withheld in CY 2020 – ₱86.909 million</i></p> <p><b>Management agreed to direct the Accounting Division to remit all taxes withheld in accordance with Revenue Regulation (RR) No. 2-98, as amended by RR No. 11-2018.</b></p> <p><i>b. Unremitted GSIS collections – ₱69.818 million</i></p> <p><b>Management agreed to direct the Accounting to conduct immediate reconciliation of the account and to comply strictly with RA No. 8291 on the timely remittance of GSIS contributions.</b></p>	<p>2020 AAR Pages 96-97</p> <p>2020 AAR Page 97</p>	<p>Accounting Division to update and remit all taxes withheld.</p> <p>The Accounting Division is still in the process of reconciliation.</p>	<p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>	<p>The unremitted amount was reduced to ₱21.538 million. The remaining amount pertains to the timing difference due to the late submission of documents from ports.</p> <p>The unremitted amount for reconciliation was reduced to ₱49.399 million. This amount</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>c. <i>Unremitted PhilHealth contributions - ₱4.777 million</i></p> <p><b>Management agreed to direct the Accounting Division to conduct immediate reconciliation of the account and to remit the balances immediately to PhilHealth.</b></p> <p>d. <i>Unremitted Pag-IBIG contributions – ₱1.737 million</i></p> <p><b>Management agreed to require the Accounting Division and the Cashier to faithfully remit all monthly premiums/contributions withheld from the employees in compliance with existing laws, rules, and regulations and to reconcile their records with the concerned ports.</b></p>	<p>2020 AAR Pages 97-98</p> <p>2020 AAR Page 98</p>	<p>The Accounting Division will update and remit the amount withheld.</p> <p>The Accounting Division will update and remit the amount withheld.</p>	<p><i>Implemented</i></p> <p><i>Implemented</i></p>	<p>pertains to abnormal/negative/dormant balance for reconciliation, late submission of documents from ports and non-updating of employees records in the GSIS system.</p> <p><i>Reiterated in Part II of this report under Observation No. 22, pages 90-91.</i></p> <p>The amount was already remitted in CY 2021.</p> <p>The amount was already remitted in CY 2021.</p>
<p>28. Personnel hired under COS assumed and performed their duties despite the absence of contracts duly approved/signed by the Commissioner which is inconsistent with CMO No. 03-2019, thus posing risks and</p>	<p>2020 AAR Pages 98-101</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>uncertainty on the interests of both the personnel and the Bureau.</p> <p><b>Management agreed to formulate plans and guidelines to streamline contract renewal process; and strictly observe the provisions of Section 4.5 of CMO No. 03-2019 dated February 7, 2019 that each COS personnel must have an approved contract of service before assumption to work.</b></p>		<p>For the subsequent authorized contract periods, as may be defined by competent authorities/ government agencies, the BOC will formulate and implement new policies to ensure compliance to such policies pertaining to engagement of individual services through contracts, with interest of all parties concerned protected.</p>	<p><i>Not Implemented</i></p>	<p>For CY 2021, Internal Administration Group (IAG) issued various memoranda dated January 22, March 05, and July 26, 2021, providing guidelines on the renewal of contracts of COS personnel.</p> <p>Compliance with the said guidelines are yet to be corroborated as there were contracts of service not yet submitted.</p>
<p>29. Non-compliance by the BOC with the maximum authorized monthly salary rate of several COS personnel in violation of CMO No. 22-2019 dated April 24, 2019, thus may affect the budget of the Bureau to the disadvantage of the government or to the COS not receiving equitable compensation for work done.</p> <p><b>Management agreed to:</b></p> <p><b>a) review regularly the salary matrix for COS personnel and adjust the monthly wage/ salary accordingly equivalent to the comparable positions in government and considering other relevant factors; and</b></p>	<p>2020 AAR Pages 101- 102</p>	<p>Following COA recommendations and with the implementation of newly developed Competency-based Human Resource</p>	<p><i>Not Implemented</i></p>	<p>Evaluation of the BOC's current processes revealed that Management has no established policy on the</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>b) henceforth, ensure that the prescribed monthly salary rates are strictly and uniformly applied among contract of service occupying the same position.</p>		<p>Management (CBHRM) tools in BOC, the Human Resource Management Division is set to review relevant issuances to include a policy on the assignment of position titles with corresponding salaries to individuals who will be hired under COS. It will include the competency-based recruitment of COS, with clear definition of tasks/services to bprovided by the individual vis-à-vis comparable government positions. This policy shall be implemented prior to processing of COS for the next contract period in BOC.</p> <p>No Management action was taken.</p>	<p><i>Not Implemented</i></p>	<p>review of salary matrix for COS personnel.</p> <p>Evaluation of the BOC's current processes revealed that the Management has no established policy on the review of salary matrix for COS personnel.</p>
<p>30. Non-compliance with timeliness and completeness of submission of contracts had caused delays in their review and deprived an objective examination/evaluation of transactions which will guide management in its decision making.</p>	<p>2020 AAR Pages 102-103</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p><b>Management agreed to strictly comply with the provisions of COA Circular No. 2009-001 dated February 12, 2009 on the timeline of submission and documentary requirements to enable the Audit Team to conduct timely evaluation of its projects/transactions with the end-view of recommending measures for improved government operations and to avoid the issuance of audit suspensions.</b></p>		<p>For CY 2021, all offices under IAG were reminded during the IAG weekly meeting last August 11, 2021 for the timelines of report submission to COA and ensure compliance thereof.</p> <p>The hard copies of the identified list of COS contracts were received by COA on August 17, 2021. These were initially submitted thru email on May 31,2021.</p>	<p><i>Implemented</i></p>	<p>The contracts submitted last August 17, 2021 were in compliance with the recommendation. Management's compliance with timeliness of submission of contracts was also implemented in CY 2021.</p>
<p>31. Status of Suspensions/ Disallowances/Charges</p> <p><b>Management agreed to require the officials concerned to comply with laws, rules, and regulations to avoid audit suspensions, disallowances, and charges, and to settle the same within the prescribed period to prevent their accumulation to significant amounts.</b></p>	<p>2020 AAR Pages 103-104</p>	<p>The Chief Accountant is closely monitoring the submissions/ compliance of the concerned personnel to settle the NS/ND/NC. A total of ₱20.961 billion NS/ND/NC was settled in CY 2021.</p>	<p><i>Not Implemented</i></p>	<p>A total of ₱40.608 billion of NSs, NDs, and NCs remained unsettled as at December 31, 2021.</p>
<p>32. Unadjusted accounting errors and omissions amounting to ₱1.260 billion as well as unresolved accounting deficiencies had materially affected the fair presentation of the FSs for CY 2019.</p> <p><b>Management agreed to require the Accountants concerned to effect the necessary adjustments on the errors and omissions, duly</b></p>	<p>2019 AAR Pages 39-42</p>	<p>Prepared JEV No. 21-05-0515 dated May 31, 2021</p>	<p><i>Not Implemented</i></p>	<p>Management adjusted stale check for sub-port of Isabel per JEV</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>supported with appropriate documents, and correct the accounting deficiencies noted, in accordance with the relevant provisions of the GAM.</p>				<p>No. 21-05-0515 dated May 31, 2021. However, the remaining one per cent of the accounting errors/omissions are not yet adjusted, as follows:</p> <p>Inexistent motor vehicles listed in the Schedule of Motor Vehicles - OCOM as a result of inspection- ₱7.743 million.</p> <p><i>Reiterated in Part II of this report under Observation No. 7, pages 53-54.</i></p>
<p>33. Revenues from sale through public auction/negotiated sale of 49 containers of rice worth ₱43.333 million were foregone and not realized due to spoilage for failure to conduct proper disposal of the same.</p> <p><b>Management agreed to comply strictly with the provisions of Section 1144 of the CMTA on the immediate disposition of perishable goods and BOC Unnumbered Memorandum dated August 13, 2004 to ensure that revenue generated from such goods are optimized.</b></p>	<p>2019 AAR Pages 64-65</p>	<p>The rice shipments have been sold in public auction as animal feeds on May 31, 2021 and July 23, 2021.</p>	<p><i>Implemented</i></p>	<p>The rice shipments became unsafe for human consumption and no longer feasible for negotiated sale as shown by an issued certification from the Bureau of Plant Industry (BPI)</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				indicating that the shipments were found to be infested with live insect pests. The 49 containers were sold in public auction as animal feeds, generating a revenue of ₱10.177 million on July 23, 2021.
<p>34. A total of 26 goods declarations and their supporting documents were lost within the POM premises without proper investigation and necessary action undertaken by Management, thus accountability and liability of port officials and employees responsible for the lost have not been determined or established.</p> <p><b>Management conduct immediate investigation relative to the incident and institute appropriate actions against erring officials, if warranted.</b></p>	2019 AAR Pages 67-69	The POM collector has conducted investigation and issued reprimand to personnel involved that repeat of the incident will be met with greater penalty. POM LBD has already requested from the importers copy of entries.	<i>Not Implemented</i>	Results of the investigation indicated in disposition form dated November 20, 2020 from the Chief, Law Division, that apparently, the cause of the missing goods declarations was due to the negligence in the handling of the documents by the receiving clerk of the LBD. The Law Division recommended the issuance of a stern



Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
				<p>warning to the said personnel.</p> <p>The Audit Team was not furnished of the said investigation report and proof of Memorandum implementing the recommendation of the Law Division. This was requested by the Audit Team per letter dated September 13, 2021.</p> <p>As at August 31, 2021, the 26 missing goods declarations were not yet reconstructed and not yet submitted to the Audit Team.</p>
<p>35. Existence of negative balances of ₱37.601 million and unidentified <i>Cash-Collecting Officer (CCO)/Accountable Officers' (AOs)</i> accounts in the CCO account of ₱279.253 million.</p> <p><b>Management agreed to direct the Accountant to:</b></p> <p><b>a) analyze and conduct reconciliation of accounts of CCOs/AOs to ascertain validity of recorded balances; and</b></p>	<p>2018 AAR Pages 50-51</p>	<p>Currently, Collecting Officers who are due to retire will not be cleared from their accountabilities unless their account/s are reconciled and the balances are settled.</p>	<p><i>Not Implemented</i></p>	<p>Results of reconciliation were not yet provided to the Audit Team.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>b) <b>exert efforts to trace back and analyze all “unaccounted/for verification” balances in the CCOs’/AOs’ accounts to identify the concerned AOs and to remit the balance to the National Treasury.</b></p>		<p>No Management action was taken.</p>	<p><i>Not Implemented</i></p>	<p>Results of reconciliation were not yet provided to the Audit Team.</p>
<p>36. The accuracy and completeness of recorded balances of ten accounts in the FSs amounting to ₱1.072 billion as at December 31, 2018 cannot be determined due to lack of supporting documents and absence of Subsidiary Ledgers (SLs) to support the recorded balances and have been dormant for more than seven years.</p> <p><b>Management direct the Accountant to:</b></p> <p>a) <b>locate supporting documents and prepare SL for dormant controlling accounts in the FSs to facilitate review; and</b></p> <p>b) <b>review and analyze the accounts and request for write-off the balances following the requirements under COA Circular No. 2016-005 dated December 19, 2016.</b></p>	<p>2018 AAR Pages 64-65</p>	<p>The Accounting Division will exert effort time and again to facilitate the reconstruction of SL.</p> <p>Accounting Division submitted a Position Paper in connection with the request for write-off of dormant accounts with no available SLs on November 5, 2021.</p>	<p><i>Not Implemented</i></p> <p><i>Implemented</i></p>	<p>No SL was provided to the Audit Team for the dormant accounts.</p> <p>The request for write-off from Accounting Division was denied in the NGAS Cluster 2 Decision No. 2022-005 dated April 12, 2022.</p>
<p>37. Collections amounting to ₱49.139 million under the CCOs’ account remained undeposited for a period ranging from one month to 25 years contrary to Section 69 of PD No. 1445 and Section 32, Chapter 2 of the Revised Cash Examination Manual (RCEM).</p>	<p>2018 AAR Page 67</p>			

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p><b>Management agreed to:</b></p> <p>a) <b>Demand from the accountable officers the immediate deposit or remittance to the National Treasury of the cash amounting to ₱49.139 million in the custody of CCOs/AOs; and</b></p> <p>b) <b>Conduct investigation on non-compliance of responsible CCOs and file appropriate charges, if warranted.</b></p>		<p>Currently, Collecting Officers who are due to retire will not be cleared from their accountabilities unless their account/s are reconciled and the balances are settled.</p> <p>No Management action was taken</p>	<p><i>Not Implemented</i></p> <p><i>Not Implemented</i></p>	<p>Proof of remittance of the ₱49.139 million was not yet provided to the Audit Team.</p> <p>Results of the investigation, if any, were not provided to the Audit Team.</p>
<p>38. The PPE, Inventories and Other Insurable Interests of the BOC totaling ₱11.436 billion, were not adequately insured with the General Insurance Fund (GIF) administered by the GSIS contrary to RA 656, as amended by PD No. 245, denying the government adequate and reliable protection against any damage to or loss of its properties or assets and interests due to fire, earthquake, storm, or other fortuitous events/casualty and also deprives the GSIS of substantial premium income that should have formed part of the GIF.</p> <p><b>Management agreed to include in their budget the premiums for all insurable assets, properties and interests of the BOC and thereafter, insure them with the GIF administered by the GSIS as required under RA 656 or the Property Insurance Law, as amended.</b></p>	<p>2018 AAR Pages 91-92</p>	<p><i>Insurance Expense</i> were part of the Project Procurement Management Plan and included in the Annual Procurement Plan for CY 2021.</p>	<p><i>Not Implemented</i></p>	<p>Management has no Report of Physical Count of Property, Plant and Equipment or Report on Physical Count of Inventories as the basis for the cost of insurance.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation	Results of Auditor's Validation
<p>39. At POM, discrepancies of approximately 279 boxes/pieces, 255 of Sperry top sider shoes and 24 Mayo Instrument Table, between the Warrant of Seizure and Detention (WSD) as against the ACDD inventory were due to inadequate control in handling, monitoring and safeguarding of seized goods, thus, resulting in estimated government loss of ₱7.133 million.</p> <p><b>Management conduct investigations to determine the causes of the following: (a) discrepancies between the quantity stated in the WSD and the actual inventory and turned over of seized goods to the ACDD; and (b) the non-inclusion of 24 Mayo Table in the amount of ₱120,000.00 as reported in the Decision, Examination Report and Notice of Public Auction.</b></p>	<p>2016 AAR Page 80</p>	<p>Customs Intelligence and Investigation Service had initiated action thru the issuance of subpoenas to those involved. No report yet since this is an on-going investigation.</p>	<p><i>Not Implemented</i></p>	<p>Results of investigation, if any, were not yet provided to the Audit Team as of the date of this report.</p>

**BUREAU OF CUSTOMS**  
**DETAILED STATEMENT OF FINANCIAL POSITION**  
**ALL FUNDS**  
**AS AT DECEMBER 31, 2021**  
(In Philippine Peso)

	<u>2021</u>	<u>2020</u> (As Restated)
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Cash and Cash Equivalent</b>	<b>17,160,275,988.53</b>	<b>9,536,305,733.27</b>
<b>Cash on Hand</b>	<b>189,664,514.89</b>	<b>36,779,968.27</b>
Cash - Collecting Officer	<b>188,195,659.60</b>	<b>36,104,819.04</b>
Petty Cash	<b>1,468,855.29</b>	<b>675,149.23</b>
<b>Cash in Bank - Local Currency</b>	<b>924,993,794.32</b>	<b>1,262,475,827.75</b>
Cash in Bank - Local Currency, Current Account	<b>924,993,794.32</b>	<b>1,262,475,827.75</b>
<b>Treasury/Agency Cash Accounts</b>	<b>16,045,617,679.32</b>	<b>8,237,049,937.25</b>
Cash - Treasury/Agency Deposit, Special Account	<b>4,321,572,550.57</b>	<b>3,801,010,423.61</b>
Cash - Treasury/Agency Deposit, Trust	<b>11,724,045,128.75</b>	<b>4,436,039,513.64</b>
<b>Receivables</b>	<b>1,003,017,339.23</b>	<b>100,739,512.59</b>
<b>Loans and Receivable Accounts</b>	<b>406,306,453.77</b>	<b>100,739,512.59</b>
Accounts Receivable	<b>0.00</b>	<b>0.00</b>
Tax Receivable	<b>406,306,453.77</b>	<b>100,739,512.59</b>
<b>Inter-Agency Receivables</b>	<b>596,710,885.46</b>	<b>0.00</b>
Due from National Government Agencies	<b>596,710,885.46</b>	<b>0.00</b>
<b>Inventories</b>	<b>389,903,066.47</b>	<b>376,057,521.71</b>
<b>Inventory Held for Consumption</b>	<b>365,907,501.01</b>	<b>352,620,720.10</b>
Office Supplies Inventory	<b>10,543,520.60</b>	<b>10,436,433.73</b>
Accountable Forms, Plates and Stickers Inventory	<b>271,602,710.66</b>	<b>296,506,721.37</b>
Non-Accountable Inventory	<b>76,974,551.62</b>	<b>43,658,349.47</b>
Drugs and Medicines Inventory	<b>209,210.14</b>	<b>794,226.92</b>
Medical, Dental and Laboratory Supplies Inventory	<b>1,085,631.68</b>	<b>550,630.00</b>
Fuel, Oil and Lubricants Inventory	<b>4,534,716.27</b>	<b>0.00</b>
Other Supplies and Materials Inventory	<b>957,160.04</b>	<b>674,358.61</b>
<b>Semi-Expendable</b>	<b>23,995,565.46</b>	<b>23,436,801.61</b>
Semi-Expendable Machinery	<b>36,000.00</b>	<b>36,000.00</b>
Semi-Expendable Office Equipment	<b>3,303,342.89</b>	<b>3,215,624.81</b>
Semi-Expendable Information and Communications Technology Equipment	<b>1,349,945.98</b>	<b>1,504,324.25</b>
Semi-Expendable Communications Equipment	<b>21,320.00</b>	<b>21,320.00</b>
Semi-Expendable Disaster Response and Rescue Equipment	<b>1,005,773.76</b>	<b>1,005,773.76</b>
Semi-Expendable Military, Police and Security Equipment	<b>876,425.00</b>	<b>160,000.00</b>
Semi-Expendable Other Equipment	<b>98,800.00</b>	<b>98,800.00</b>
Semi-Expendable Furniture and Fixtures	<b>17,248,457.83</b>	<b>17,339,458.79</b>
Semi-Expendable Books	<b>55,500.00</b>	<b>55,500.00</b>
<b>Other Current Assets</b>	<b>32,775,513.23</b>	<b>538,312.59</b>
<b>Advances</b>	<b>17,783,673.00</b>	<b>538,312.59</b>
Advances to Special Disbursing Officer	<b>17,783,673.00</b>	<b>538,312.59</b>
<b>Prepayments</b>	<b>14,434,671.31</b>	<b>0.00</b>
Advances to Contractors	<b>6,113,195.01</b>	<b>0.00</b>
Prepaid Rent	<b>923,438.94</b>	<b>0.00</b>

	<u>2021</u>	<u>2020</u> (As Restated)
Prepaid Insurance	980,227.36	0.00
Prepaid Subscription	6,417,810.00	0.00
<b>Deposits</b>	<u>557,168.92</u>	<u>0.00</u>
Guaranty Deposits	557,168.92	0.00
<b>Total Current Assets</b>	<u><u>18,585,971,907.46</u></u>	<u><u>10,013,641,080.16</u></u>
<b>Non Current Assets</b>		
<b>Receivables</b>	<u>4,419,461,998.07</u>	<u>5,834,284,092.42</u>
<b>Loans and Receivable Accounts</b>	<u>142,497,799.05</u>	<u>41,758,286.46</u>
Accounts Receivable	750,000.00	750,000.00
Tax Receivable	141,747,799.05	41,008,286.46
<b>Inter-Agency Receivables</b>	<u>2,341,776,961.86</u>	<u>3,855,562,668.69</u>
Due from National Government Agencies	945,365,244.89	1,498,023,564.67
Due from Government-Owned or Controlled Corporations	1,396,411,716.97	2,357,539,104.02
<b>Other Receivables</b>	<u>1,935,187,237.16</u>	<u>1,936,963,137.27</u>
Receivables - Disallowances/Charges	1,902,827,606.72	1,904,545,506.72
Due from Officers and Employees	10,011,354.81	10,069,354.92
Other Receivables	22,348,275.63	22,348,275.63
<b>Property, Plant and Equipment</b>	<u>4,307,130,056.18</u>	<u>3,781,574,493.87</u>
<b>Buildings and Other Structures</b>	<u>299,202,764.32</u>	<u>303,647,765.80</u>
Buildings	343,836,556.81	343,836,556.81
Accumulated Depreciation - Buildings	<u>(48,127,083.79)</u>	<u>(43,845,416.95)</u>
Net Value - Buildings	295,709,473.02	299,991,139.86
Other Structures	5,444,486.98	5,444,486.98
Accumulated Depreciation - Other Structures	<u>(1,951,195.68)</u>	<u>(1,787,861.04)</u>
Net Value - Other Structures	3,493,291.30	3,656,625.94
<b>Machinery and Equipment</b>	<u>3,733,707,951.95</u>	<u>3,192,358,236.80</u>
Machinery	262,801,050.00	258,979,050.00
Accumulated Depreciation - Machinery	<u>(115,881,059.08)</u>	<u>(91,278,048.64)</u>
Net Value - Machinery	146,919,990.92	167,701,001.36
Office Equipment	168,941,026.46	167,125,773.05
Accumulated Depreciation - Office Equipment	<u>(64,401,133.60)</u>	<u>(58,568,497.43)</u>
Net Value - Office Equipment	104,539,892.86	108,557,275.62
Information and Communication Technology Equipment	1,357,531,096.52	1,275,234,291.24
Accumulated Depreciation - Information and Communication Technology Equipment	<u>(639,726,514.30)</u>	<u>(544,169,464.22)</u>
Net Value-Information and Communication Technology Equipment	717,804,582.22	731,064,827.02
Communication Equipment	7,118,232.95	7,118,232.95
Accumulated Depreciation - Communication Equipment	<u>(1,408,288.38)</u>	<u>(1,389,095.34)</u>
Net Value - Communication Equipment	5,709,944.57	5,729,137.61
Disaster Response and Rescue Equipment	2,995,172.44	2,870,672.44
Accumulated Depreciation - Disaster Response and Rescue Equipment	<u>(1,330,327.53)</u>	<u>(1,330,327.53)</u>
Net Value - Disaster Response and Rescue Equipment	1,664,844.91	1,540,344.91
Military, Police and Security Equipment	37,755,609.63	13,772,255.21
Accumulated Depreciation - Military, Police and Security Equipment	<u>(7,285,431.10)</u>	<u>(5,744,294.86)</u>
Net Value - Military, Police and Security Equipment	30,470,178.53	8,027,960.35
Medical Equipment	102,225.00	102,225.00
Accumulated Depreciation - Medical Equipment	<u>(20,838.22)</u>	<u>(11,480.74)</u>
Net Value - Medical Equipment	81,386.78	90,744.26

	<u>2021</u>	<u>2020</u> (As Restated)
Technical and Scientific Equipment	45,292,667.98	45,292,667.98
Accumulated Depreciation - Technical and Scientific Equipment	<u>(18,267,002.43)</u>	<u>(18,267,002.43)</u>
Net Value - Technical and Scientific Equipment	27,025,665.55	27,025,665.55
Other Equipment	10,615,344,019.00	9,869,378,033.46
Accumulated Depreciation - Other Equipment	<u>(7,915,852,553.39)</u>	<u>(7,726,756,753.34)</u>
Net Value - Other Machinery and Equipment	2,699,491,465.61	2,142,621,280.12
<b>Transportation Equipment</b>	<b>88,145,314.98</b>	<b>98,794,499.34</b>
Motor Vehicles	122,749,390.42	122,749,390.42
Accumulated Depreciation - Motor Vehicles	<u>(34,604,075.44)</u>	<u>(23,954,891.08)</u>
Net Value - Motor Vehicles	88,145,314.98	98,794,499.34
<b>Furniture, Fixtures and Books</b>	<b>162,782,256.14</b>	<b>163,482,223.14</b>
Furniture and Fixtures	388,863,757.33	387,651,957.33
Accumulated Depreciation - Furniture and Fixtures	<u>(226,204,884.35)</u>	<u>(224,293,117.35)</u>
Net Value - Furniture and Fixtures	162,658,872.98	163,358,839.98
Books	2,467,663.15	2,467,663.15
Accumulated Depreciation - Books	<u>(2,344,279.99)</u>	<u>(2,344,279.99)</u>
Net Value - Books	123,383.16	123,383.16
<b>Other Property, Plant and Equipment</b>	<b>3,947.50</b>	<b>3,947.50</b>
Other Property, Plant and Equipment	78,950.00	78,950.00
Accumulated Depreciation - Other Property, Plant and Equipment	<u>(75,002.50)</u>	<u>(75,002.50)</u>
Net Value - Other Property, Plant and Equipment	3,947.50	3,947.50
<b>Construction in Progress</b>	<b>23,287,821.29</b>	<b>23,287,821.29</b>
Construction in Progress-Buildings and Other Structures	23,287,821.29	23,287,821.29
<b>Intangible Assets</b>	<b>729,227,008.62</b>	<b>690,141,349.14</b>
<b>Intangible Assets</b>	<b>559,697,508.62</b>	<b>573,330,349.14</b>
Computer Software	614,703,388.62	607,709,024.14
Accumulated Amortization - Computer Software	<u>(55,005,880.00)</u>	<u>(34,378,675.00)</u>
Net Value - Computer Software	559,697,508.62	573,330,349.14
<b>Development in Progress</b>	<b>169,529,500.00</b>	<b>116,811,000.00</b>
Development in Progress - Computer Software	169,529,500.00	116,811,000.00
<b>Other Non-Current Assets</b>	<b>239,332,690.53</b>	<b>240,995,207.36</b>
<b>Advances</b>	<b>1,554,860.30</b>	<b>2,166,256.30</b>
Advances for Operating Expenses	1,554,860.30	2,166,256.30
<b>Prepayments</b>	<b>0.00</b>	<b>1,051,120.83</b>
Advances to Contractors	0.00	15,555.83
Prepaid Insurance	0.00	1,035,565.00
<b>Deposits</b>	<b>1,674,595.73</b>	<b>1,674,595.73</b>
Guaranty Deposits	1,674,595.73	1,674,595.73
<b>Other Assets</b>	<b>236,103,234.50</b>	<b>236,103,234.50</b>
Confiscated Property/Assets	236,103,234.50	236,103,234.50
<b>Total Non-Current Assets</b>	<b>9,695,151,753.40</b>	<b>10,546,995,142.79</b>
<b>TOTAL ASSETS</b>	<b>28,281,123,660.86</b>	<b>20,560,636,222.95</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
<b>Financial Liabilities Payables</b>	<b>632,478,079.11</b>	<b>914,746,954.42</b>
Accounts Payable	0.00	77,959,011.20
Due to Officers and Employees	0.00	11,113,712.80
Tax Refunds Payable	632,478,079.11	825,674,230.42

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Inter-Agency Payables</b>	<b>93,410,206.96</b>	59,367,312.53
Due to BIR	82,408,930.03	1,478,896.42
Due to GSIS	7,067,249.58	55,051,539.29
Due to Pag-IBIG	2,833,111.49	915,356.59
Due to PhilHealth	641,091.49	1,848,115.88
Due to NGAs	459,824.37	0.00
Due to GOCCs	0.00	73,404.35
<b>Trust Liabilities</b>	<b>5,718,979,602.04</b>	962,615,909.66
Trust Liabilities	5,686,243,119.84	918,348,144.24
Guaranty/Security Deposits Payable	32,736,482.20	44,267,765.42
<b>Other Payables</b>	<b>9,788.96</b>	533,800.05
Other Payables	9,788.96	533,800.05
<b>Total Current Liabilities</b>	<b>6,444,877,677.07</b>	1,937,263,976.66
<b>Non-Current Liabilities</b>		
<b>Financial Liabilities Payables</b>	<b>2,999,469,383.08</b>	4,296,573,289.31
Accounts Payable	120,769,835.63	132,403,228.38
Due to Officers and Employees	85,612,842.57	85,672,541.66
Awards and Rewards Payable	2,225,355,814.68	2,225,355,814.68
Tax Refunds Payable	567,730,890.20	1,853,141,704.59
<b>Inter-Agency Payables</b>	<b>59,915,290.39</b>	6,241,672.52
Due to GSIS	52,178,547.99	0.00
Due to PhilHealth	4,388,383.14	2,522,867.35
Due to NGAs	0.00	40,839.00
Due to GOCCs	3,348,359.26	3,677,966.17
<b>Trust Liabilities</b>	<b>4,423,364,065.60</b>	3,735,101,109.51
Trust Liabilities	4,291,324,699.92	3,632,783,181.81
Guaranty/Security Deposits Payable	132,039,365.68	102,317,927.70
<b>Total Non-Current Liabilities</b>	<b>7,482,748,739.07</b>	8,037,916,071.34
<b>Total Liabilities</b>	<b>13,927,626,416.14</b>	9,975,180,048.00
<b>Total Assets Less Total Liabilities</b>	<b>14,353,497,244.72</b>	10,585,456,174.95
<b>NET ASSETS/EQUITY</b>		
<b>Equity</b>		
<b>Government Equity</b>	<b>14,353,497,244.72</b>	10,585,456,174.95
Accumulated Surplus/(Deficit)	14,353,497,244.72	10,585,456,174.95
<b>Total Net Assets/ Equity</b>	<b>14,353,497,244.72</b>	10,585,456,174.95



**BUREAU OF CUSTOMS**  
**DETAILED STATEMENT OF FINANCIAL PERFORMANCE**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Philippine Peso)

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Revenue</b>		
<b>Tax Revenue</b>		
<b>Tax Revenue-Goods and Services</b>		
Import Duties	78,207,329,039.13	70,027,012,935.66
Excise Tax	161,362,867,684.89	130,703,360,035.07
Business Tax	407,494,320,932.84	333,651,452,453.89
<b>Tax Revenue-Others</b>		
Documentary Stamp Tax	595,439,798.00	489,088,287.00
<b>Tax Revenue-Fines and Penalties</b>		
Tax Revenue - Fines and Penalties - Taxes on Goods and Services	169,380,795.11	198,661,850.22
<b>Total Tax Revenue</b>	<u>647,829,338,249.97</u>	<u>535,069,575,561.84</u>
<b>Service and Business Income</b>		
<b>Service Income</b>		
Permit Fees	14,491,250.00	15,842,000.00
Registration Fees	24,251,250.00	23,402,520.00
Clearance and Certification Fees	3,890,500.00	3,479,050.00
Legal Fees	13,619,380.00	3,013,970.00
Inspection Fees	241,181.45	57,695.40
Verification and Authentication Fees	21,597,800.00	3,065,400.00
Processing Fees	742,495,839.00	660,289,082.00
Other Service Income	2,578,567,841.19	1,475,666,438.22
Total Service Income	<u>3,399,155,041.64</u>	<u>2,184,816,155.62</u>
<b>Business Income</b>		
Rent/Lease Income	1,582,244.58	1,575,261.38
Dividend Income	27,971,725.57	0.00
Interest Income	317,241,422.95	160,575,361.74
Fines and Penalties-Business Income	278,701,741.86	51,069,060.93
Other Business Income	106,919,627.76	141,117,027.05
Total Business Income	<u>732,416,762.72</u>	<u>354,336,711.10</u>
<b>Total Service and Business Income</b>	<u>4,131,571,804.36</u>	<u>2,539,152,866.72</u>
<b>Miscellaneous Income</b>		
<b>Miscellaneous Income</b>		
Miscellaneous Income	9,882,145.97	0.46
<b>Total Miscellaneous Income</b>	<u>9,882,145.97</u>	<u>0.46</u>
<b>Total Revenue</b>	<u>651,970,792,200.30</u>	<u>537,608,728,429.02</u>
<b>Current Operating Expenses</b>		
<b>Personnel Services</b>		
<b>Salaries and Wages</b>		
Salaries and Wages-Regular	1,203,899,038.17	1,114,704,127.40
Salaries and Wages-Casual/Contractual	4,375,809.83	4,501,061.33
<b>Total Salaries and Wages</b>	<u>1,208,274,848.00</u>	<u>1,119,205,188.73</u>

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Other Compensation</b>		
Personal Economic Relief Allowance (PERA)	82,901,219.59	78,230,815.05
Representation Allowance (RA)	11,568,327.19	11,776,000.00
Transportation Allowance (TA)	10,099,193.19	9,476,000.00
Clothing/Uniform Allowance	19,703,716.00	19,736,332.00
Subsistence Allowance	16,500.00	76,230.00
Laundry Allowance	2,250.03	9,413.63
Hazard Pay	0.00	39,063,927.16
Overtime and Night Pay	0.00	3,074,801.20
Year End Bonus	98,208,825.05	93,111,898.44
Cash Gift	17,313,750.00	16,443,296.10
Mid-Year Bonus-Civilian	92,559,487.13	87,496,682.00
Other Bonuses and Allowances	17,400,000.00	44,189,456.00
<b>Total Other Compensation</b>	<u>349,773,268.18</u>	<u>402,684,851.58</u>
<b>Personnel Benefit Contributions</b>		
Retirement and Life Insurance Premiums	126,826,431.54	41,800,348.55
Pag-IBIG Contributions	3,771,297.03	3,622,681.66
PhilHealth Contributions	15,278,435.51	15,278,692.95
Employees Compensation Insurance Premiums	4,614,859.83	3,933,547.58
<b>Total Personnel Benefit Contributions</b>	<u>150,491,023.91</u>	<u>64,635,270.74</u>
<b>Other Personnel Benefits</b>		
Retirement Gratuity	0.00	2,011,803.85
Terminal Leave Benefits	95,325,658.07	84,805,670.49
Other Personnel Benefits	412,049.71	32,289,522.06
<b>Total Other Personnel Benefits</b>	<u>95,737,707.78</u>	<u>119,106,996.40</u>
<b>Total Personnel Services</b>	<u>1,804,276,847.87</u>	<u>1,705,632,307.45</u>
 <b>Maintenance and Other Operating Expenses</b>		
<b>Traveling Expenses</b>		
Traveling Expenses-Local	6,895,531.08	8,649,111.32
Traveling Expenses-Foreign	0.00	1,379,689.94
<b>Total Traveling Expenses</b>	<u>6,895,531.08</u>	<u>10,028,801.26</u>
<b>Training and Scholarship Expenses</b>		
Training Expenses	6,853,101.54	13,838,461.37
<b>Total Training and Scholarship Expenses</b>	<u>6,853,101.54</u>	<u>13,838,461.37</u>
<b>Supplies and Materials Expenses</b>		
Office Supplies Expenses	40,623,805.72	42,554,242.70
Accountable Forms Expenses	6,543,636.00	39,150,593.82
Non-Accountable Forms Expenses	38,964,062.56	5,379,918.23
Drugs and Medicines Expenses	55,727.64	76,685.37
Medical, Dental and Laboratory Supplies Expenses	81,787.46	48,750.00
Fuel, Oil and Lubricants Expenses	22,415,328.07	16,737,570.70
Semi-Expendable Machinery and Equipment Expenses	6,460,124.16	3,922,787.77
Semi-Expendable Furniture, Fixtures and Books Expenses	15,375,523.89	10,728,340.64
Other Supplies and Materials Expenses	4,654,303.55	14,938,365.22
<b>Total Supplies and Materials Expenses</b>	<u>135,174,299.05</u>	<u>133,537,254.45</u>
<b>Utility Expenses</b>		
Water Expenses	14,851,447.20	18,182,640.00
Electricity Expenses	66,749,687.32	54,602,673.16
<b>Total Utility Expenses</b>	<u>81,601,134.52</u>	<u>72,785,313.16</u>
<b>Communication Expenses</b>		
Postage and Courier Services	3,684,496.92	2,835,105.08
Telephone Expenses	8,692,558.93	7,678,292.01
Internet Subscription Expenses	39,691,255.64	44,921,326.94

	<u>2021</u>	<u>2020</u> (As Restated)
Cable, Satellite, Telegraph and Radio Expenses	63,716.00	49,951.35
<b>Total Communication Expenses</b>	<b>52,132,027.49</b>	<b>55,484,675.38</b>
<b>Confidential, Intelligence and Extraordinary Expenses</b>		
Confidential Expenses	52,125,000.00	69,500,000.00
Extraordinary and Miscellaneous Expenses	9,656,390.11	8,614,587.67
<b>Total Confidential, Intelligence and Extraordinary Expenses</b>	<b>61,781,390.11</b>	<b>78,114,587.67</b>
<b>Professional Services</b>		
Auditing Services	0.00	156,800.00
Other Professional Services	152,184,813.36	172,652,401.62
<b>Total Professional Services</b>	<b>152,184,813.36</b>	<b>172,809,201.62</b>
<b>General Services</b>		
Environment/Sanitary Services	1,102,778.82	859,871.22
Janitorial Services	45,458,869.75	45,250,703.58
Security Services	3,007,618.07	1,566,095.65
Other General Services	15,625,805.88	12,550,713.28
<b>Total General Services</b>	<b>65,195,072.52</b>	<b>60,227,383.73</b>
<b>Repairs and Maintenance</b>		
Repairs and Maintenance-Buildings and Other Structures	46,365,062.53	62,435,380.97
Repairs and Maintenance-Machinery and Equipment	244,625,676.75	228,488,011.08
Repairs and Maintenance-Transportation Equipment	2,961,605.40	1,735,207.27
Repairs and Maintenance-Furniture and Fixtures	196,112.00	168,915.00
<b>Total Repairs and Maintenance</b>	<b>294,148,456.68</b>	<b>292,827,514.32</b>
<b>Taxes, Insurance Premiums and Other Fees</b>		
Taxes, Duties and Licenses	109,126.68	2,172,246,652.53
Fidelity Bond Premiums	2,911,312.50	3,183,727.96
Insurance Expenses	2,264,128.78	614,823.92
<b>Total Taxes, Insurance Premiums and Other Fees</b>	<b>5,284,567.96</b>	<b>2,176,045,204.41</b>
<b>Other Maintenance and Operating Expenses</b>		
Advertising Expenses	65,155.20	300,156.00
Printing and Publication Expenses	2,891,837.34	3,822,900.80
Representation Expenses	904,630.80	0.00
Transportation and Delivery Expenses	1,581,540.46	1,564,410.24
Rent/Lease Expenses	27,723,770.49	10,876,656.49
Subscription Expenses	74,342,538.77	30,009,964.93
Bank Transaction Fee	126,440.84	3,965.00
Other Maintenance and Operating Expenses	462,953,447.36	224,506,356.00
<b>Total Other Maintenance and Other Operating Expenses</b>	<b>570,589,361.26</b>	<b>271,084,409.46</b>
<b>Total Maintenance and Other Operating Expenses</b>	<b>1,431,839,755.57</b>	<b>3,336,782,806.83</b>
<b>Non-Cash Expenses</b>		
<b>Depreciation</b>		
Depreciation-Buildings and Other Structures	4,445,001.48	3,191,529.68
Depreciation-Machinery and Equipment	316,658,183.50	208,552,625.08
Depreciation-Transportation Equipment	10,649,184.36	7,637,023.71
Depreciation-Furniture, Fixtures and Books	1,911,767.00	1,922,619.30
<b>Total Depreciation</b>	<b>333,664,136.34</b>	<b>221,303,797.77</b>
<b>Amortization</b>		
Amortization-Intangible Assets	20,627,205.00	27,502,940.00
<b>Total Non-Cash Expenses</b>	<b>354,291,341.34</b>	<b>248,806,737.77</b>
<b>Current Operating Expenses</b>	<b>3,590,407,944.78</b>	<b>5,291,221,852.05</b>
<b>Surplus (Deficit) from Current Operations</b>	<b>648,380,384,255.52</b>	<b>532,317,506,576.97</b>

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Assistance/Subsidy</b>		
<b>Assistance/Subsidy from NGAs, LGUs, GOCCs</b>		
Subsidy from National Government	<u>3,006,497,399.23</u>	<u>5,074,373,422.29</u>
<b>Total Assistance/Subsidy from NGAs, LGUs, GOCCs</b>	<u>3,006,497,399.23</u>	<u>5,074,373,422.29</u>
<b>Net Assistance/Subsidy</b>	<u>3,006,497,399.23</u>	<u>5,074,373,422.29</u>
<b>Other Non-Operating Income</b>		
<b>Sale of Assets</b>		
Sale of Garnished/Confiscated/Abandoned/Seized Goods and Properties	<u>433,882,928.34</u>	<u>583,191,717.58</u>
<b>Total Sale of Assets</b>	<u>433,882,928.34</u>	<u>583,191,717.58</u>
<b>Surplus (Deficit) for the Period</b>	<u><u>651,820,764,583.09</u></u>	<u><u>537,975,071,716.84</u></u>

**BUREAU OF CUSTOMS**  
**DETAILED STATEMENT OF CASH FLOWS**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Philippine Peso)

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Cash Flows From Operating Activities</b>		
<b>Cash Inflows</b>		
<b>Receipt of Notice of Cash Allocation</b>	<u>14,062,400,484.54</u>	14,060,422,630.78
Receipt of Notice of Cash Allocation	3,894,745,168.00	3,323,838,325.00
Receipt of NCA for Trust and Other Receipts	10,054,414,555.00	10,559,524,976.00
Constructive Receipt of NCA for TRA	113,240,761.54	177,059,329.78
<b>Collection of Income/Revenues</b>	<u>652,395,307,689.18</u>	538,091,411,326.18
Collection of tax revenue	647,829,338,249.97	534,824,636,470.62
Collection of service and business income	4,131,571,804.36	2,538,588,521.82
Collection of other income	433,882,928.34	583,191,717.58
Receipt of prior years' income	514,706.51	144,994,616.16
<b>Collection of Receivables</b>	<u>0.00</u>	4,664,301.52
Collection of receivables from audit disallowances	0.00	4,664,301.52
<b>Receipt of Inter-Agency Fund Transfers</b>	<u>400,000.00</u>	0.00
Receipt of funds for the implementation of projects from NGAs/LGUs/GOCCs	400,000.00	0.00
<b>Receipt of Intra-Agency Fund Transfers</b>	<u>1,768,179,711.01</u>	1,756,907,020.03
Receipt of funds from CO/Bureaus/ROs/OU's for implementation of programs/projects	782,503,300.55	681,094,901.45
Receipt of funds for other intra-agency transactions	985,676,410.46	1,075,812,118.58
<b>Trust Receipts</b>	<u>7,146,116,116.53</u>	1,478,815,971.15
Collection of other trust receipts	7,146,116,116.53	1,478,815,971.15
<b>Other Receipts</b>	<u>13,437,762.32</u>	3,317,548.14
Receipt of refund of cash advances	3,555,616.35	1,259,753.78
Other miscellaneous receipts	9,882,145.97	2,057,794.36
<b>Adjustments</b>	<u>688,340,024,588.74</u>	583,572,016,195.95
Restoration of cash for cancelled/lost/stale checks/ADA	3,642,837.40	11,746,131.26
Remittance to BTr (Debit to Cash- Treasury/Agency Deposit accounts)	652,926,484,297.24	561,821,538,109.63
Reversal of unused NCA for Special Account and Trust	587,300,538.64	3,706,234.01
Other adjustments - inflow	34,822,596,915.46	21,735,025,721.05
<b>Total Cash Inflows</b>	<u>1,363,725,866,352.32</u>	1,138,967,554,993.75
<b>Cash Outflows</b>		
<b>Replenishment of negotiated MDS checks</b>		
<b>Remittance to National Treasury</b>	<u>657,040,686,127.46</u>	538,256,993,952.81
Remittance of current year's income/revenue	651,354,466,672.94	537,525,302,665.14
Remittance of prior year's income/revenue	5,944.75	13,919,163.55
Remittance of trust receipts	5,657,823,846.28	626,456,152.73
Remittance of refunds, overpayments and disallowances and other receipts	28,389,663.49	91,315,971.39
<b>Payment of operating expenses</b>	<u>2,246,586,893.13</u>	2,228,008,272.13
Payment of personnel services	1,365,442,598.68	1,309,776,633.11
Payment of maintenance and other operating expenses	632,256,441.79	564,021,599.65
Replenishment of Petty Cash	2,753,303.45	191,289.00
Liquidation of cash advances granted during the year	246,005,301.62	353,612,483.09
Liquidation of prior year's cash advances	129,247.59	406,267.28

	<u>2021</u>	<u>2020</u> (As Restated)
<b>Purchase of Inventories</b>	<b>13,371,755.27</b>	5,985,796.71
Purchase of inventories for distribution	7,160,189.27	1,270,500.00
Purchase of inventories for consumption	6,211,566.00	4,715,296.71
<b>Purchase of Semi-Expendable Machinery, Equipment, Furniture, Fixtures and Books</b>	<b>2,349,466.04</b>	0.00
Purchase of Semi-Expendable, Machinery and Equipment	1,223,905.00	0.00
Purchase of Semi-Expendable Furniture, Fixtures and Books	1,125,561.04	0.00
<b>Grant of Cash Advances (Unliquidated During the Year)</b>	<b>17,786,773.00</b>	18,154,823.38
Advances for operating expenses	3,100.00	0.00
Advances for special purpose/time-bound undertaking	17,783,673.00	18,154,823.38
<b>Prepayments</b>	<b>18,401,078.54</b>	2,988,952.31
Advances to Contractors (for Repairs and Maintenance of PPE - not capitalized)	6,955,089.70	1,408,840.02
Prepaid Rent	923,438.94	120,000.00
Prepaid Insurance	2,208,791.14	1,460,112.29
Prepaid subscription	8,313,758.76	0.00
<b>Payment of Deposits</b>	<b>15,056,047.71</b>	17,078,263.18
Payment of guaranty deposits	15,056,047.71	17,078,263.18
<b>Payment of prior years' accounts payables for operating expenses</b>	<b>188,424,189.17</b>	206,199,588.72
<b>Payment of tax refunds payable</b>	<b>7,339,275,355.56</b>	4,113,367,679.04
<b>Remittance of Personnel Benefit Contributions and Mandatory Deductions</b>	<b>445,378,808.77</b>	462,247,657.44
Remittance of taxes withheld covered by TRA	113,240,761.54	177,059,329.78
Remittance of taxes withheld not covered by TRA	35,177,125.01	22,048,187.58
Remittance of employees' premium contributions and other payables to GSIS/Pag-IBIG/PhilHealth	213,937,530.59	194,499,603.32
Remittance of other personnel benefits contributions and mandatory deductions	49,089,783.64	34,875,592.70
Remittance of Other Payables	33,933,607.99	33,764,944.06
<b>Release of Inter-Agency Fund Transfers</b>	<b>76,311,226.72</b>	98,989,311.54
Advances to Procurement Service	29,876,696.72	56,719,371.54
Advances to other NGAs/GOCCs/LGUs for purchase of goods/services as authorized by law	46,434,530.00	42,269,940.00
<b>Release of intra-agency fund transfers</b>	<b>1,577,660,286.43</b>	1,755,862,020.03
Issuance of funding checks by HO/CO/ROs to ROs/OU's	782,503,300.55	681,094,901.45
Release of funds for other intra-agency transactions	795,156,985.88	1,074,767,118.58
<b>Other Disbursements</b>	<b>1,373,383,757.15</b>	548,135,215.08
Disbursements from trust liabilities	1,353,239,063.68	523,953,660.85
Refund of excess working fund/intra-agency fund transfers	20,024,996.83	24,181,554.23
Refund of cash advances	119,696.64	0.00
<b>Adjustments</b>	<b>685,489,364,297.39</b>	589,835,107,145.96
Reversion of unused NCA	2,844,048,121.34	6,910,895,110.91
Receipt of NCA for Trust and Special Account	10,838,547,742.00	10,723,417,476.00
Closing of Cash - Treasury/Agency Deposit Regular and Special Account (by Other NGAs)	643,994,678,141.07	533,615,410,919.35
Other adjustments - outflow	27,812,090,292.98	38,585,383,639.70
<b>Total Cash Outflows</b>	<b>1,355,844,036,062.34</b>	1,137,549,118,678.33
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>7,881,830,289.98</b>	1,418,436,315.42
<b>Cash Outflows</b>		
<b>Purchase/Construction of Investment Property</b>	<b>0.00</b>	0.00
<b>Purchase/Construction of Property, Plant and Equipment</b>	<b>205,141,534.72</b>	340,832,756.14
Construction of buildings and other structures	0.00	8,698,866.03

	<u>2021</u>	<u>2020</u> (As Restated)
Purchase of machinery and equipment	203,929,734.72	303,283,385.82
Purchase of furniture, fixtures and books	1,211,800.00	5,562,683.00
Construction in progress	0.00	23,287,821.29
<b>Purchase of Intangible Assets</b>	<b>52,718,500.00</b>	<b>116,811,000.00</b>
Purchase of computer software	<u>52,718,500.00</u>	<u>116,811,000.00</u>
<b>Total Cash Outflows</b>	<b>257,860,034.72</b>	<b>457,643,756.14</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b><u>(257,860,034.72)</u></b>	<b><u>(457,643,756.14)</u></b>
<b>Increase(Decrease) in Cash and Cash Equivalents</b>	<b>7,623,970,255.26</b>	<b>960,792,559.28</b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>0.00</b>	<b>0.00</b>
<b>Cash and Cash Equivalents, January 1,</b>	<b>9,536,305,733.27</b>	<b>8,575,513,173.99</b>
<b>Cash and Cash Equivalents, December 31</b>	<b><u>17,160,275,988.53</u></b>	<b><u>9,536,305,733.27</u></b>