

EXECUTIVE SUMMARY

A. Introduction

Executive Order No. 898 dated May 28, 1983 created the Office of Transportation Cooperatives (OTC) as an attached agency of the Department of Transportation and Communications (DOTC), to promote, organize, accredit, supervise and develop transportation cooperatives. It's mission is to gear the transportation cooperative system towards maximum integration of the public transport system and to uplift the socio-economic condition of the public utility transport workers, particularly the drivers. It is also tasked to enhance the efficiency of the facilities and services related to transportation, consistent with the integration and rationalization of public transport system in the country.

The Board of Directors of OTC is composed of five members namely:

1. Chairman of the OTC;
2. Undersecretary for Transportation, DOTC;
3. Chief, Philippine National Police – Highway Patrol Group;
4. Chairman, Kapisanan Ng Mga Kooperatibang Pansasakyang Pilipinas, Inkorporada; and
5. Executive Director, OTC.

The Chairman, assisted by the Executive Director, manages the efficient discharge of the OTC's mandate thru its three divisions, namely: the Administrative and Finance, the Planning and Evaluation and the Operations Division. For Calendar Year (CY) 2015, OTC has been accorded with 42 plantilla position and 33 are filled-up. As of December 31, 2015, the agency has total personnel complement of 37 composed of the following:

<u>Category</u>	<u>Number</u>
Presidential Appointees	2
Regular/Permanent Employees	31
Job Order	4
Total	<u>37</u>

B. Financial Highlights

For CY 2015, the OTC has total regular appropriation of P17,784,000.00, continuing appropriation of P112,538.82, automatic appropriation of P1,190,446.00 and special purpose fund of P2,585,067.00 for a total of P21,672,051.82. During the year, the agency received total allotments of P21,672,051.82 with obligations incurred of P21,652,659.74 thereby leaving an unobligated balance of P19,392.08 as at year end. Details are presented on the next page.

Source of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
	(In PhP)			
Current Year				
1. Regular	17,784,000.00	17,784,000.00	17,765,454.90	18,545.10
2. Automatic Appropriation				
Retirement and Life Insurance Premium (RLIP)	1,190,446.00	1,190,446.00	1,190,445.42	0.58
3. Miscellaneous Personnel Benefit Fund (MPBF)	2,412,323.00	2,412,323.00	2,412,323.00	-
Pension and Gratuity Fund (PGF)	172,744.00	172,744.00	172,744.00	-
Subtotal	21,559,513.00	21,559,513.00	21,540,967.32	18,545.68
Extended				
1. Continuing Appropriation	112,538.82	112,538.82	111,692.42	846.40
Subtotal	112,538.82	112,538.82	111,692.42	846.40
TOTAL	21,672,051.82	21,672,051.82	21,652,659.74	19,392.08

The allotments, obligations and unobligated balances for CY 2015 with comparative figures for CY 2014 are presented hereunder:

<i>Particulars</i>	<i>2015</i>	<i>2014</i>
	<i>(in PhP)</i>	
Allotments	21,672,051.82	18,418,084.00
Obligations		
Personnel Services	15,461,042.46	13,207,144.26
Maintenance and Other Operating Expenses	6,191,617.28	5,056,461.18
Total Obligations	21,652,659.74	18,263,605.44
Unobligated balance	19,392.08	154,478.56

The financial position and performance of the OTC for the years 2015 and 2014 are shown below:

<i>Particulars</i>	<i>2015</i>	<i>2014</i>
	<i>(in PhP)</i>	
<i>Financial Position</i>		
Assets	1,344,431.29	1,435,193.60
Liabilities	162,858.15	129,781.76
Net Assets/Equity	1,181,573.14	1,305,411.84
<i>Financial Performance</i>		
Net Financial Assistance/Subsidy	21,783,832.55	18,203,320.94
Expenses	21,851,196.98	18,562,676.37
Surplus (Deficit)	(67,364.43)	(359,355.43)

C. Operational Highlight

The agency's reported targets and actual accomplishments measured in terms of its major final outputs (MFOs) are presented on the next page.

Performance Indicators	Targets	Actual Accomplishments	Percentage of Accomplishments
MFO 1: Transport Cooperative Policy Services			
Formulation and issuance of Guidelines, Rules and Regulations			
No. of guidelines, rules and regulations updated, issued and disseminated	3	7	233
Average % of clients who rate the guidelines, rules and regulations as satisfactory or better	75%	104%	138
% of guidelines, rules and regulations updated over the last three (3) years	50%	200%	400
MFO 2: Transport Cooperatives Promotion and Development Services			
Issuance of Transport Cooperatives' Accreditation Certificates			
No. of applications for certificates acted upon	25	32	128
Average % certificate holders who rate the process as satisfactory or better	90%	128%	142
% of applications for certifications acted upon within one month	100%	128%	128
Transport Cooperatives' Certificate of Good Standing			
TC Certificates of Good Standing acted upon	200	286	143
% of certificate holders who rate the process as satisfactory or better	90%	143%	158
% of certificates applications acted upon within one day	100%	143%	143
Transport Cooperatives' Operation Inspection			
No. of TC management and operation inspection conducted	145	179	123
Average % of TC compliance with rules, regulations, plans and programs	65%	123%	189
% of detected deficiencies that are resolved	50%	123%	246
Capacity/Capability Building Program			
No. of TC capacity/capability building program executed/implemented	185	296	160
Average % of level/rate of effectiveness of the program	90%	94.4%	104
% of actual execution over the planned schedule	85%	160%	188
Technical Development Assistance			
No. of transportation cooperative technical development needs acted upon	215	385	179
% of transportation cooperative clients who rate the service as satisfactory or better	90%	179%	198
% of detected deficiencies that are resolved	50%	179%	358

D. Scope and Objectives of Audit

The audit covered the accounts and transactions of OTC for CY 2015. The audit was aimed at expressing an opinion on the fairness of presentation of the agency's financial statements and determining its compliance with pertinent laws, rules and regulations.

E. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements due to the error in recording the fund transfer from DOTC as Subsidy from Other National Government account instead of Due to NGAs.

F. Summary of Significant Observations and Recommendations

The significant observations and recommendations noted during the year are as follows:

1. The initial fund transfer of P170,000.00 from the Department of Transportation and Communications (DOTC) for the "Operator Engagement and Capacity Building Program" was taken up in the books as Subsidy from Other National Government instead of Due to NGAs account. Such misclassification resulted to the overstatement of the Subsidy from Other National Government account by P170,000.00 and understatement of the Due to NGAs account by the same amount. (*Observation No. 1*)

We recommended that the Accountant make an adjusting entry to correct the error committed and ensure that the proper accounts are used in the recording of financial transactions pursuant to COA Circular No. 2013-002 dated January 30, 2013.

2. The OTC's GAD programmed activities for CY 2015 were still not quantified despite last year's recommendation hence, its performance could not be evaluated. (*Observation No. 2*)

We recommended and Management agreed to quantify the targets for all programmed/planned activities in the GAD Plans and Budget.

3. Despite prior year's audit recommendation, the OTC was still unable to prepare plans and budget for the implementation of programs and projects intended to address the concerns of senior citizens and differently abled persons contrary to Section 35 of the General Provisions of the GAA for CY 2015. (*Observation No. 3*)

We recommended and Management agreed to formulate and implement plans, programs and projects that would benefit the senior citizens and differently abled persons in compliance with Section 35 of the General Provisions of the GAA.

4. OTC has not taken action on last year's recommendation to impose reasonable fees for certifications issued to cover amount of services rendered as required by Administrative Order No. 31 dated October 1, 2012. (*Observation No. 8*)

We recommended that Management consider imposing reasonable fees on certifications issued to recover the costs of services rendered.

These observations and recommendations were discussed with Management in an exit conference held on March 22, 2016 and their comments were incorporated in this Report, where appropriate.

G. Summary of Total Suspensions, Disallowances and Charges

As of December 31, 2015, there were no unsettled audit suspensions, disallowances and charges.

H. Status of Implementation of Prior Years' Audit Recommendations

Of the four prior years' (2011-2014) audit recommendations, one was fully implemented, one was partially implemented and two were not acted upon, the details of which are discussed in Part III of this Report.