

**MASAGANANG SAKAHAN, INC. ACTION PLANS STATUS OF IMPLEMENTATION
OF AUDIT OBSERVATIONS AND RECOMMENDATIONS
As of December 31, 2017**

Ref.	Audit Observations	Audit Recommendations	MSI ACTION PLAN				Status of Implementation	Reason for Partial Delay/ Non-Implementation, If Applicable	Action Taken/ Action to be Taken
			Action Plans	Person Responsible / Immediate Supervisor	Target Date of Implementation				
					From	To			
1.	The balance of the Prepaid Expenses – BIR account was understated by P 1.292 million due to the non-recording of taxes withheld by clients applied as tax credits in the payment of income tax payable for CY 2015. Further, taxes withheld by clients in prior years totaling P397,349 were without withholding tax certificates, hence, could no longer be claimed from BIR as tax credits.	We recommended that Management require the Corporate Services Department to: a. Prepare the necessary adjustments to reflect the correct balance of creditable withholding taxes to be recorded under Prepaid Expense; b. Seek assistance from LBP Head Office for the immediate transmittal to MSI by LBP branches of the properly accomplished BIR Form 2307 upon the payment for the CWTs to be used in the relevant taxable year; and c. Ensure the timely recording of tax credits duly supported by withholding tax statements as Prepaid Expense – BIR.	Timely recording of tax credits duly supported by withholding tax statements as Prepaid Expense – BIR.	Rizalina Ramirez / Corporate Services Department Honeyleth Pangan / Corporate Services Department Cecilia Pagulayan / Corporate Services Department Blesilda Macalalad / Corporate Services Department			Fully Implemented		Adjustments for the taxes withheld by clients in prior years totaling P397,349 were accomplished per JV Number 2017-28. Management has coordinated with LBP Head Office through the sector heads for the immediate and timely transmittal of BIR Form 2307 by LBP branches upon payment.

2.	The absence of periodic reconciliation of balances between the accounting and inventory records resulted in the overstatement of Inventories – Rice and By – Products by P144,372 and P39,022, respectively, and understatement in Inventories – Palay and Brokens by P387,335 and P13,889, respectively.	<p>We reiterated our recommendations that Management:</p> <p>a. Conduct immediate reconciliation of the Inventory account balances in the General Ledger with the stock cards;</p> <p>b. Prepare the necessary adjustments to arrive at the correct book balance of the Inventory account;</p> <p>c. Ensure the accuracy and completeness of recording of transactions in the books by conducting periodic reconciliation of the stock cards and schedules of the Inventories; and</p> <p>d. Hold the responsible employee liable for any shortage.</p>	Conduct of periodic reconciliation of the Inventory Account balances in the General Ledger vis-à-vis stock cards.	<p>Ria Cahiwat / MSI-ADC / Corporate Services Department</p> <p>Honeyleth Pangan / Corporate Services Department</p>			On – going Implementation		<p>Reconciliation is on-going. After which, adjusting journal entries will be prepared if necessary.</p> <p>Remaining unreconciled amount as of December 31, 2017 is as follows:</p> <p>Inventories Palay – understatement of P 290, 844.39</p> <p>Inventories Rice – P 0.00</p> <p>Inventories Brokens – overstatement of P 8,762.50</p> <p>Inventories By-Products – overstatement of P 4, 966.54</p> <p>Total net variance of P 277,115.35</p>
3.	Acquired assets amounting to P4.351 million remained undisposed for more than 18 years, thereby, causing delay in the recovery of the amount paid by MSI to LBP for the account of the LBP Assisted Farmer-Cooperatives.	We recommended that Management work for the disposal of the acquired assests with book value of P4.351 million to recover the amount paid to LBP for the account of the Assisted-Farmer Cooperatives.	Disposal of the acquired assets with book value of P4.351 million.	Dionisio Huerto / Business Department			On – going Implementation		<p>MSI ROPA at South Cotabato for disposal with interested buyer. The sale proposal of MSI ROPA South Cotabato was approved by the Board through BOD Resolution No. 2017-24</p> <p>For other MSI ROPAs, management requested the Corporate Affairs Department of LBP for the publication of MSI's ROPAs for sale in their newsletter quarterly and MSI also posted signage in the area of the ROPAs.</p>
4.	Expenses paid totaling P169,000 were not supported with complete documentation,	We recommended that Management:	Ensure that all payments are supported with	Ria Cahiwat / MSI – ADC / Corporate			Fully Implemented		MSI-ADC personnel were instructed not to process payments with incomplete supporting documents.

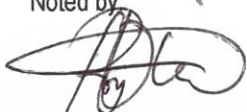
	hence, the validity of claims could not be established. Also, there were official receipts attached to the petty cash vouchers which are not in the name of MSI.	<p>a. Require the concerned MSI personnel to prepare/submit necessary supporting documents to support the payments of wages and travelling expenses totaling P 169,000, and</p> <p>b. Ensure that all claims are supported with complete documentation before payments are made, and that all official receipts as proof of payments are in the name of MSI.</p>	complete documents and that all official receipts are in the name of MSI.	<p>Services Department</p> <p>Aileen Pascual / MSI – ADC / Business Department</p> <p>Crisanto Galvan / MSI – ADC / Business Department</p>					Official Receipts attached to the petty cash vouchers which are not in the name of MSI was deducted on the salary of the concerned employee.
5.	The existence of obligations totalling P 168,021 is doubtful in the absence of contracts, claims filed with MSI, and details of the account. On the other hand, the balance of Trust Liabilities – BIR account is understated by P55,512.	<p>a. Verify and analyze the historical entries for the unreconciled amount of P71,076 lodged in the Payables – Miscellaneous account and record the necessary adjustment in the books, and</p> <p>b. Record the understatement of Trust Liabilities – BIR amounting to P55,212.</p>		<p>Ria Cahiwat / Corporate Services Department</p> <p>Liza Canlas / Corporate Services Department</p> <p>Luis Alberto Sayco / Corporate Services Department</p>			On – going Implementation		Reconciliation is on-going. After which, adjusting journal entries will be prepared if necessary.
6.	The one percent and two percent income taxes totalling P0.648 million, were not withheld by MSI from payments to traders and millers contrary to Section 1 of	1. Management to deduct or withhold appropriate tax from all government money payments made to private individuals or entities in compliance	Withhold appropriate tax from payment to millers.	Ria Cahiwat / MSI – ADC / Corporate Services Department			Fully Implemented		Management reviewed the process and the implementation of the 2% withholding tax from millers started last May 2017.

	RA 1051 and Section 2.57.2 (N) of RA No. 8424 or the National Internal Revenue Code of 1997, as amended.	with Section 1 of RA 1051 and Section 2.57.2 (N) of RA No. 8424, as amended under Revenue Regulation No. 30-2003 dated December 12, 2013, and remit the same to the BIR.		Honeyleth Pangan / Corporate Services Department					
7.	Delay in the institution of appropriate legal remedies/actions and non-foreclosure of collaterals, when the client failed to pay its obligation in 1995 totalling to P5.556 million, resulted in the inability of MSI to recover its investment.	1. Ensure that all REM and CM Contracts are timely registered. Observe strict adherence to the provisions of the contracts to ensure that the company's interest is provided with optimum protection.		Dionisio M. Huerto, Jr. / Business Department			Partially Implemented		Awaiting MSI Legal Counsel instructions regarding the extra judicial foreclosure sale of miller's property.

Prepared by:


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