



Skygo Marketing Corporation

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AUDIT REPORT

To : Fiel Sedenio
Area Manager

From : Internal Audit

Subject: Audit Visit – Roxas Branch

Date : August 1, 2016

I - INTRODUCTION

This is in connection to the audit visit at Roxas branch on July 22, 2016 and subsequent days. The audit is conducted to ensure that prescribed policies and procedures are followed and implemented to safeguard Company assets.

II - AUDIT OBJECTIVE

The objective of the audit is to ensure that internal controls are followed and to validate the completeness of the assets under SKYGO and SNDC such as cash, petty cash fund, revolving fund, accountable forms, MC inventory brand new and repo, promo items, spare parts inventory, fixed assets, and accounts receivable.

III - CASH

The total amount of cash counted during the audit amounted to **P 19,207.00** for SNDC and **P 3,180.00** for SKYGO as shown below.

Date	Particular(s)	Accountability	Actual Cash Count	Over(short)
07/22/16	SNDC	19,207.00	19,207.00	-
07/22/16	SKYGO	3,180.00	3,180.00	-
Total		P 22,387.00	P 22,387.00	-

The cash counted was immediately deposited to our depository bank right after the count.

IV - PETTY CASH FUND

The branch petty cash funds for SNDC and SKYGO were counted in the presence of the custodian, the results follows:

Particular(s)	Per Count	Accountability	Over(short)
SNDC	10,000.00	10,000.00	-
SKYGO	10,000.00	10,000.00	-
Totals	20,000.00	20,000.00	-

The PCF for SKYGO and SNDC was found intact during the count. Expenses of P 3,614.50 for SNDC and P 778.00 for SKYGO were properly approved, supported and its Company related expenses.

V – REVOLVING FUND

The bank reconciliation for SNDC and SKYGO RF account will be reported separately once the complete bank statement is available.

VI –MATCHING OF RECEIPTS AGAINST DEPOSIT

Receipts were matched to the deposits for the period covered June 23 to July 23, 2016 base on branch file of collection remittance report which covers all the official receipts, collection receipts, sales invoice for spare parts sales, and deposit slips. The results disclosed that the total daily collections were intact and deposits were made in a timely manner.

VII – ACCOUNTABLE FORMS

Accountable forms of unused, partially used, and fully used were counted and compared to the accountability established at HO Internal Audit and noted that the two records were in agreement, as follows;

Particular	HO Accountability	Per Count	Difference
Sales invoice - MC	8	8	-
Sales invoice- Parts	18	18	-
Collection receipt - SKYGO	17	17	-
Delivery Receipt – SNDC	9	9	-
Delivery Receipt - SKYGO	10	10	-
Official Receipt - SNDC	26	26	-
Official Receipt - Labor	5	5	-

The Accountable forms (AF) are kept inside the safety vault with lock and key of which access is restricted only to the custodian.

VIII – BRAND NEW MC UNITS

Physical count was conducted on the brand new units together with the custodian Mr. Elbert Ganancial. Physical count of seven (7) units was compared to the ERP system balance and stock cards and noted that the three (3) records were in agreement, as follows;

MC Model	Per Card (Qty)	Per System (Qty)	Actual Count (Qty)	Variance (Count vs ERP)
SG 100a Archer	4	4	4	-
SG 150-II King	1	1	1	-
SG 125-II Hero	1	1	1	-
SG 150-III Knight	1	1	1	-
Total	7	7	7	-

Physical count noted some defects in four (4) units Archer, as shown below.

SEQ. #	Model	Engine #	Chassis #	Remarks
1	Archer	LX8XCG7D5FA001864	1P50FMGF2192921	Discoloration of muffler and its tire rim. It was noted during delivery and was subsequently reported to HO logistics.
2	Archer	LX8XCG7D7FA001865	1P50FMGF2192965	
3	Archer	LX8XCG7D3FA001779	1P50FMGF2192871	
4	Archer	LX8XCG7D8FA001857	1P50FMGF2192985	

The branch should follow Logistics Department about the disposition of items with defects for replacement and possible charging to the courier.

IX – REPOSSESSED MC UNITS

The actual count of 40 repo units was compared to the ERP system. The comparison disclosed that the two records were in agreement. However, some units were cannibalized with missing parts particularly batteries. In addition, some repo units were stored in the second floor which is accessible by any person who will go upstairs using the back door.

On the other hand, we confirmed the account of Mr. Roberto Dela Hente (ROX-288-1) whose unit was repossessed last June 22, 2016 and is allegedly cannibalized by CCO's. Based on the statement from the customer the unit was complete with accessories particularly the **battery**, **meter assembly** and **taillight assembly** when the two CCO's (Mr. Harvey Adolfo and Ronel Dumaniel) pulled out the unit in his house. However, in the checklist prepared by the branch mechanic the battery, meter assembly and taillight assembly were missing. Furthermore, Mr. Dela Hente also stated that he saw the taillight assembly of his unit attached to the personal MC unit of Mr. Harvey Adolfo CCO. The customer assure us that he knows the taillight of his MC considering he used Honda 155 parts to replace the original taillight assembly which was damaged when he met an accident.

Recommendation:

The taking of parts from the repo unit is a serious offense. The two CCO's should be investigated for the allege "cannibalization" shall we say of the of the repo unit from Mr. Dela Hentes' when it was turn over to the branch.

Likewise, the branch should put security measure to the repossessed units stored upstairs. May be putting chain and lock so that it could not be easily stolen.

X – PROMO ITEMS/FREEBIES

The promo/free items were counted and compared to the stock cards which disclosed that count match with accountability, as follows;

Items	Per Stock Card	Actual Count	Variance
Battery	7	7	-
Helmet	7	7	-
Spandex	7	7	-
Side Mirror	7	7	-
Tools	7	7	-
Warranty Card	7	7	-

XI - SPARE PARTS

Spare parts inventory was randomly selected for count sampling, 212 line items were selected and counted together with the custodian. The inventory count was compared with the ERP system balance. The comparison disclosed three (3) items having shortage amounting to P 594.00, as tabulated below;

SEQ. #	Parts#	Description	System	Per Card	Actual Count	Variance	SRP	Total Amt.
1	33660L	Rear Winker, LH III	4	2	2	-2	196.00	392.00
2	27230L	Driven Gears For Start	2	1	1	-1	180.00	180.00
3	65412H	Reset Spring, Brake Pedal	2	1	1	-1	22.00	22.00
TOTAL		P 594.00						

The custodian pays the shortage with SI Parts # 1025 dated 07/25/16.

The stock room is clean and items are properly arranged. Access to the stock room is limited only to the custodian.

Recommendation:

The custodian should see to it that all inventory were properly accounted for to avoid inventory variance. Reconciliation of inventory in a regular basis is highly recommended.

XII-FIXED ASSETS AND TRANSPORTATION EQUIPMENT

Branch fixed assets were physically counted and was compared with the accounting lapsing schedule as of June 30, 2016. It was found that all assets were accounted for. Likewise, service units were in good running condition.

XIII-ACCOUNTS RECEIVABLE SAMPLING

Based on June 30, 2016 aging of accounts, 126 accounts were tested to determine the accuracy of accounts receivable records of the branch by comparing it the ledger card. The results of the comparison disclosed that balance per ledger cards tie up with the balance in the ERP system ledger.

XIV – CONFIRMATION OF ACCOUNTS

The confirmation focuses on the allegations about the NO credit investigation (CI) releases and IBP asking money from the customers in granting of sales from the information we received from the customers. Hence, we visited several accounts in the area of Dumarao and Sapián Capiz to confirm the allegations.

The confirmation disclosed the following:

- Field Supervisor (FS) asking money from the customer as C.I fee, breakfast allowance or tips for granting of sales. Below are the list of customers who confirmed.

Acct. Code	Customer Name	Amt. Received by FS	SI Date	Remarks
ROX-532	Padica, Maraha	100.00	05/7/16	Field Supervisor asks P 100.00 for breakfast allowance during the release of her MC unit.
ROX-518	Nabu-ab, Arcely	300.00	05/05/16	Her son Rene Nabu-ab gave P 300.00 to FS for granting of sale.
ROX-566	Villar, Lynmark	200.00	06/17/16	Told by his IBP to give P 200.00 to FS for fast processing of sales or C.I fee.
ROX-582	Mariano, Edwin	250.00	06/28/16	Told by his IBP to give P 250.00 to FS for C.I fee.
ROX-580	Barrios, Noriel	300.00	06/27/16	Told by his IBP to give P 300.00 to FS for fast processing of sales or C.I fee.

Note: There was **no credit investigation** conducted by the CCO in-charge (Mr. Harvey Adolfo) for the sales listed above.

- Late issuance of Official Receipts for payments received by the Field Supervisor through Palawan Express Pera Padala.

Transaction Code	Trans. Date (Sending)	Sender's Name	Date claimed	Receiver's Name	Amt. paid by customer	Remarks
AFP-8-96986-ZAW	01/21/16	Arlyn,	01/21/16	Christian Coldovero (FS)	1,900.00	Payment remitted on

		Blancaflor (ROX-123)				02/22/16 With OR# 4836 issued by FS
ACO-12-61864-ZAW	03/30/16	Redelyn Panaligan (ROX-76)	03/30/16	Christian Coldovero (FS)	2,000.00	Payment remitted on 04/27/16 with OR# 6502.

Note: Ms. Arlyn Blancaflor (sender) is the wife of the customer Mr. Almil Blancaflor (ROX- 123).

Also, Ms. Redelyn Panaligan (sender) is the sister of the customer Mr. Renato Acaso Jr. (ROX-76) who pay his monthly installment.

- Late issuance of Official Receipts for payment collected by Field Supervisor intended for request to borrow OR/CR of Mr. Joffry Fuentes (ROX-312). According to Mr. Fuentes, his wife gave the amount of P 1,500.00 to Mr. Coldovero (FS) who entertained them during their inquiry last April 20, 2016 but they were not given Official Receipt upon payment. Consequently, cashier explained that the money was not remitted by Mr. Coldovero (FS) on that date but only remitted on April 26, 2016.
- IBP's asking/receiving money from the customer for C.I fee and granting of sales.

Acct. Code	Customer Name	Amt. Received by IBP	SI Date	Remarks
ROX-581	Humapy, Ricardo Jr.	500.00	06/28/16	Give P 500.00 to Mr. Lozada (IBP) as tips for granting of sales and C.I. fee.
ROX-558	Gadia, Dominador	800.00	06/15/16	Give P 800.00 to Mr. Lozada (IBP) as tips for granting of sales.
ROX-560	Valenzuela, Josephine	800.00	06/15/16	Give P 800.00 to Mr. Lozada (IBP) for C.I. fee and fast processing of sales. She did not know her co-maker because it was provided by Mr. Lozada and is allegedly paid for P 500.00.
ROX-516	Ayo, Ma. Lorena	600.00	05/03/16	Give P 500.00 to Mr. Lozada (IBP) for fast processing of sales and P 100.00 for the copy of the OR/CR. Based on my inquiry, Mr. Lozada took OR/CR copies in the branch and personally give it to the customer in exchange for some amount of money.
ROX-513	Fusin, Gerryman	200.00	04/29/16	Give P 200.00 to Mr. Agnes, Ireneo (IBP) as tips for granting of sales and C.I. fee.
ROX-558	Evangelista, Rio	200.00	07/27/16	Pay P 200 to Mr. Agnes, Ireneo for fast processing of sales.

There was No Credit Investigation conducted by the CCO in-charge (Mr. Harvey Adolfo) for the sales mentioned above.

- Releases without Credit Investigation conducted by the branch CCO Mr. Harvy Adolfo in Sapián and Dumarao, Capiz area. Credit Investigation was delegated to Mr. Ireneo

Agnes and Lozada, Manuelito Sr. both active IBP's of the branch. They have several sales in Dumarao area without credit investigation conducted by the CCO.

The Dumarao, Capiz area is beyond 50 kilometers radius from Roxas branch while compared to Passi Branch it only takes 14 kilometers distance. Hence, customers prefer to pay their monthly installment in Passi Branch.

Moreover, the two IBP's mentioned was formerly an active IBP's in Passi Branch but have transferred to Roxas branch for the reason that they could easily grant sales to the customers without being investigated by the CCO in-charge.

- There were two previous customers in PASSI Branch whose units were repossessed but were given another unit in Roxas Branch. These are the account of Ms. Ayo, Ma. Lorena (ROX-547) and Mr. Sepida, Renato (ROX-459). This support that the credit investigations was not perform by the CCO.

Recommendation:

The audit confirmation revealed that Mr. Christian Coldovera (FS) was committing an act of bribery and misappropriation of cash collections which is a serious offense.

Likewise, Mr. Harvey Adolfo did not perform and execute his duties and responsibilities accordingly and is allegedly connive with the IBP's for not conducting credit investigations on sales in Dumarao and Sapián Capiz area.

It is recommended that Mr. Christian Coldovera (FS) and Harvey Adolfo will be put under preventive suspension. Operations group should make further investigations for the issues noted against the accused personnel.

The two IBP's who are allegedly connived with the FS and CCO for the unjust transactions should be discharged as an IBP (Mr. Manuelito Lozada Sr. and Mr. Ireneo Agnes). Likewise, it is suggested that the Operations Group should assess if the Mr. Mauelito Lozada Sr. should be allowed to attend the IBP summit considering he is one of the top 30 in the Visayas area. If he should not be allowed, the Operations Group should communicate to the Marketing Department for cancellation or replacement.

XV – OTHER MATTERS

- Sales book for MC and Spare parts were regularly updated.
- Branch personnel wear their prescribed uniforms.
- Cleanliness in the store was observed by the branch personnel.

We wish to express our appreciation to the branch personnel for the assistance and cooperation extended during the audit.

Prepared by:



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Noted by:



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CC: President, VP-Operation, Operations Manager, Regional Supervisors, Accounting Manager, and File