



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. IV-B
Commonwealth Avenue, Quezon City

April 26, 2021

Dir. Maria Lourdes G. Ferrer
Regional Executive Director
Department of Environment and Natural Resources
MIMAROPA Region
1515 L & S Building, Roxas Blvd., Ermita, Manila

Dear **Director Ferrer**:

**Management Letter (ML) on the Compliance Audit of the
Corona Virus Disease 2019 (COVID-19) Funds
of Department of Environment and Natural Resources
MIMAROPA Regional Office for Calendar Year (CY) 2020**

I. INTRODUCTION

1. We have audited the Covid-19 Funds during the Period of State of National Emergency under Republic Act (RA) No. 11469 - Bayanihan to Heal as One Act (Bayanihan Act 1) and RA No. 11494 - Bayanihan to Recover as One Act (Bayanihan Act 2) for CY 2020.
2. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions on Compliance Audit (ISSAIs). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
3. The audit covered the grant of COVID-19 Hazard Pay to Agency officials and employees. It was conducted to ascertain compliance with Administrative Order No. 26 dated March 23, 2020 and Department of Budget and Management (DBM) Budget Circular No. 2020-1 dated March 24, 2020.
4. We wish to bring to your attention our audit observations and recommendations which were communicated through Audit Observation Memorandum (AOM). The same was discussed in an exit conference held on even date and comments were incorporated in this letter, where necessary.

II. BACKGROUND INFORMATION

5. A state of national emergency was declared under RA No. 11469 Bayanihan Act 1 which was approved on March 24, 2020, in view of the adverse effect and serious threat of the COVID-19 to health, safety, security and livelihood of the Filipinos. In order to sustain COVID-19 response and recovery interventions by the government, Bayanihan Act 2 was approved on September 11, 2020.

6. In line with Bayanihan Acts 1 and 2, DENR MIMAROPA Regional Office implemented Programs/Projects/Activities (P/P/A) totaling ₱1,553,009.99 including the payment of Hazard Pay amounting to ₱768,500.00, as shown in **Annex A**.

III. OBSERVATIONS AND RECOMMENDATIONS

Grant of COVID-19 Hazard Pay

Disbursements for Hazard Pay amounting ₱87,000.00 were not duly supported with documents to sufficiently establish the authority and number of days of physical reporting for work, contrary to Section 2.b of Administrative Order No. 26 dated March 23, 2020 and Items 4.1 and 4.3 of Budget Circular No. 2020-1 dated March 24, 2020, rendering the validity of the payments doubtful.

7. Administrative Order No. 26 dated March 23, 2020 was issued by the Office of the President to authorize the grant of Hazard Pay to government personnel who physically report for work during the period of implementation of an Enhanced Community Quarantine (ECQ) relative to the COVID-19 outbreak. Section 2.b of the said order specifically provides, as a condition on the grant of Hazard Pay, 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 or office during the implementation of ECQ measures in the area of such office or work station.

8. Pursuant to the aforementioned order, DBM issued Budget Circular No. 2020-1 dated March 24, 2020 which provides the guidelines on the grant of the COVID-19 Hazard Pay. Items 4.1 and 4.3 thereof state:

4.1 The COVID-19 Hazard Pay to be granted shall not exceed ₱500/day per person, which shall be computed as follows:

$$\begin{array}{l} \text{COVID-19} \\ \text{Hazard} \\ \text{Pay} \end{array} = \text{₱500} \times \begin{array}{l} \text{No. of Days Physically Reporting for} \\ \text{Work During the Quarantine Period} \end{array}$$

*4.3 The personnel/workers 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 Enhanced Community Quarantine measures in the area of such office or work station. (Emphasis supplied)

9. DENR MIMAROPA Regional Office granted COVID-19 Hazard Pay amounting to ₱768,500.00, as shown below, during CY 2020.

| LDDAP-ADA No./ Date | JEV No./ Date | Amount |
|--|------------------------------------|--------------------|
| 101101-8-281-2020/ August 26, 2020 | 2020-08-0995/ August 28, 2020 | ₱356,500.00 |
| 101101-9-283-2020/ September 1, 2020 | 2020-09-1036/ September 2, 2020 | 12,500.00 |
| 101101-9-291-2020/ September 4, 2020 | 2020-09-1050/ September 7, 2020 | 13,500.00 |
| 101101-9-292-2020/ September 4, 2020 | 2020-09-1051/ September 7, 2020 | 138,500.00 |
| 101101-12-447-2020/ December 21, 2020 | 2020-12-1436/ December 28, 2020 | 5,500.00 |
| 101101-12-448-2020/ December 28, 2020 | 2020-12-1437/ December 28, 2020 | 167,000.00 |
| 101101-12-449-2020/ December 28, 2020 | 2020-12-1438/ December 28, 2020 | 75,000.00 |
| Total | | ₱768,500.00 |

10. Audit of the disbursement vouchers (DVs) and the documents attached thereto for the above payments of Hazard Pay revealed the following observations contrary to Administrative Order No. 26 dated March 23, 2020 and Items 4.1 and 4.3 of DBM Budget Circular No. 2020-1 dated March 24, 2020.

1. *Hazard Pay amounting to ₱25,000.00 each or a total of ₱75,000.00 was granted to the then Regional Executive Director (RED), former Assistant Regional Director (ARD) for Management Services (MS) and ARD for Technical Services (TS), for all the working days of March 17 to 31, April 1 to 30 and May 1 to 31, 2020 despite the absence of documents to prove that they physically reported to work during the said period. The only documents attached to the DVs were their respective Records of Attendance/Leave and certification issued by each of them that they reported to office during the effectivity of the ECQ.*

11. It was noted that in the Record of Attendance/Leave, they were only certifying that they have rendered services for a particular month except on the dates that they were on leave.

12. The distinction between rendition of services and physical reporting for work at the office or work station was highlighted during the series of implementation of community quarantines when services may be rendered by a government personnel even

if he is at home if his/her agency adopted an Alternative Work Arrangement (AWA) or a combination of Work from Home and Skeleton Workforce schedules.

13. It is worth mentioning that as to other payees of Hazard Pay, Daily Time Records (DTRs) indicating the days when they reported to office as verified by their supervisors where attached to their claims.

14. Upon inquiry, the Chief, Personnel Section explained that with regard to the two ARDs, they signed the logbook at the guard station at the lobby. However, copies of these logbooks were not attached to the claims. Without a copy of this document, there is no way for the Accounting Section to compute for the number of days when the officials actually reported for work and to determine the validity of their claim. It bears stressing that they claimed Hazard Pay for 50 days or the entire working days from March 17 to May 31, 2020.

2. *Hazard Pay amounting to ₱11,500.00 were granted to personnel for days when they reported for work prior to the effectivity or issuance of the Regional Special Orders (RSOs) of various dates authorizing them to report for work during the implementation of ECQ and MECQ. The last paragraph of all these RSOs uniformly states that the orders are to take effect immediately and shall expire upon the lifting of the ECQ. If the intention of the then RED was to give retroactive effect to the RSOs in order to cover the working days prior to the issuance thereof, retroactivity could have been expressly provided therein similar to the aforesaid Administrative Order No. 26 and DBM Budget Circular No. 2020-1. The said retroactivity clause could have easily cleared any doubt on the authority of the personnel to report to office.*

15. In addition, Hazard Pay amounting to ₱500.00 was paid to a Geographic Information System (GIS) Specialist who was not included in any RSO attached to the DVs. Upon inquiry with the Personnel Section, the Audit Team was informed that the only RSO in which the said personnel was included was the order issued during the General Community Quarantine (GCQ) in June 2020.

16. The absence of documents substantiating the number of days claimed by the officials and evidencing the prior authority of employees to physically report for work render the validity of the payments amounting to ₱87,000.00 doubtful.

17. The Management acknowledged the audit observations.

18. With regard to the payment of Hazard Pay to personnel who reported for work prior to the issuance of the RSO authorizing them to report to the office, the Management replied that upon the declaration of ECQ and issuance on guidelines on workplace protocol, some Division Chiefs have already directed their staff to continue reporting for work to ensure continuity of service to the public. For humanitarian reason and as evidence by their DTR, employees who rendered service on days declared under ECQ but earlier than the date of effectivity of RSO have been considered on the grant of Hazard

Pay. Nonetheless, the Management committed to expressly indicate a retroactivity clause in future issuances to establish clarity in the duration of a given activity or undertaking.

19. As regards the employee who was not included in the RSO issued during the ECQ but was granted Hazard Pay, the Chief, Accounting Section informed the Audit Team during the exit conference that the amount was already deducted from the concerned personnel's salary.

20. In addition to their written reply, the Regional Executive Director explained during the exit conference that the officials and employees were probably not oriented on the requirements regarding the arrangements to be adopted at the time when the National Health Emergency was declared and the ECQ was implemented. Due to their earnest desire to continue the rendition of services, lapses were committed in the documentation of the authority to and proof of physical reporting to office.

21. Nevertheless, they committed that for purposes of claiming Hazard Pay, all employees and officials will be required to log their attendance in the official logbook to prove their physical reporting to office. They also promised to ensure that all those employees instructed to report shall be authorized by an RSO or any equivalent written instruction to be issued by the RED to support the said claim.

22. We recommended and the Regional Executive Director agreed to submit satisfactory explanation on the deficiencies noted in audit and direct the:

- a. Chief, Personnel Section to submit the documents to substantiate the number of days claimed by the former RED, then ARD for Management Services and ARD for Technical Services; and**
- b. Chief, Accounting Section to be circumspect in the processing of claims and faithfully observe the applicable guidelines on the grant of Hazard Pay considering the peculiarity of this incentive in light of the national health emergency.**

23. A copy of the logbook/attendance sheet of officials for March, April and May 2020 and a certification issued by the security personnel that the then Regional Director was residing at the third floor of the DENR Building during his tenure, were submitted by the Management for evaluation by the Audit Team in connection to the observation on the lack of proof of physical reporting for work of the three directors.

24. The management committed to implement the audit recommendations.

IV. STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

25. No compliance audit was conducted in prior year, hence, there is no data for this section.

V. ACKNOWLEDGMENT

26. We wish to express our appreciation to the Management and staff of DENR MIMAROPA Regional Office for the cooperation and assistance extended to our audit team during the audit.

27. We request that the appropriate actions be undertaken on our audit recommendations and that we be informed of the actions taken thereon by accomplishing the attached Agency Action Plan and Status of Implementation (AAPSI) form and submit to the Auditor (in hard and electronic copies) within 60 days from date of receipt hereof.

Very truly yours,


JOJE C. MESANA
State Auditor III
OIC – Audit Team Leader

Copy furnished:

Cluster Director- NGS Cluster 8
Commission on Audit
Commonwealth Ave., Quezon City

Supervising Auditor
DENR 1 – Audit Group C
DENR Central Office
Visayas Avenue, Quezon City

Regional Supervising Auditor
NGS Clusters 6 & 8
COA Regional Office No. IV-B
Commonwealth Ave., Quezon City