



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City
National Government Sector
Cluster 8 – Agriculture and Environment

MIMAROPA REGION
DEPARTMENT OF ENVIRONMENT AND
NATURAL RESOURCES
1515 L&S Building, Roxas Boulevard,
Ermita, Manila

CONFIDENTIAL

April 30, 2023

DIR. LORMELYN E. CLAUDIO
Regional Executive Director
Department of Environment and Natural Resources
Region IV-B – MIMAROPA
Ermita, Manila

Dear **Director Claudio**:

Management Letter on the Audit of the
Department of Environment and Natural Resources
Regional Office No. IV-B
for the period January 01 to December 31, 2022

I. INTRODUCTION

1. Pursuant to to Section 2, Article IX-D of the Constitution of the Philippines and Section 43 of the Government Auditing Code of the Philippines (PD No. 1445), we have audited the accounts and transactions of the Department of Environment and Natural Resources – Regional Office No. IV-B for the period ended December 31, 2022. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain a reasonable basis for our conclusions.
2. The audit was conducted by the Audit Team led by Atty. Mae Ann M. Cadavos, Attorney IV, OIC-Audit Team Leader to: (a) verify the level of assurance and fairness that may be

placed on management's assertions on the financial statements; (b) determine the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendations.

3. The Agency's financial conditions and results of operations for Calendar Year (CY) 2022 compared with that of preceding year are shown in the attached audited financial statements (**Annexes A-G**).
4. Deficiencies observed in the course of the audit were earlier communicated through Audit Observation Memoranda (AOM) and discussed in an exit conference conducted on April 28, 2023 with concerned (auditee) officials and employees. Deficiencies corrected during the year are no longer included in this report (if applicable). Their comments were incorporated in this letter, where appropriate. The significant audit observations and recommendations shall be incorporated in the Consolidated Annual Audit Report (AAR) of the Department of Environment and Natural Resources (DENR) for CY 2022.

II. BACKGROUND AND INFORMATION

Mandate/Functions/Jurisdiction

5. The Department of Environment and Natural Resources MIMAROPA Region was created by virtue of Executive Order No. 103 issued on May 17, 2002, by former President Gloria Macapagal Arroyo. It has five operating units located in the five provinces under its jurisdiction referred to as Provincial Environment and Natural Resources Office (PENRO). It operates under the authority of the Executive Order No. 192 dated June 10, 1987 – "Providing for the Reorganization of the Department of Environment, Energy and Natural Resources, Renaming it as the Department of Environment and Natural Resources, and for other Purposes."
6. DENR is mandated to be the primary government agency responsible for the conservation, management, development, and proper use of the country's environment and natural resources, specifically forest and grazing lands, mineral resources, including those in reservation and watershed areas, and lands of the public domain, as well as the licensing and regulation of all natural resources as may be provided for by law in order to ensure equitable sharing of the benefits derived therefrom for the welfare of the present and future generations of Filipinos.

Personnel Complement

7. The DENR – Regional Office is headed by Director Lormelyn E. Claudio, Regional Executive Director, and assisted by ARD Donna Mayor-Gordove, CESO IV, Assistant Regional Director for Management services and ARD Maximo C. Landrito, OIC, Assistant Regional Director for Technical Services. As of December 31, 2022, the DENR Regional Office has a total personnel complement of 270 composed of 197 plantilla

employees, nine (9) casual, and 64 personnel hired under individual contract of service (COS).

Financial Highlights

8. The agency's financial position, financial performance and sources and application of funds for Calendar Year (CY) 2022, without comparative figures is presented below:

Particulars	2022	2021
Financial Position		
Assets	₱ 125,451,943.50	₱ 50,571,433.83
Liabilities	107,768,909.14	43,706,659.23
Net Assets/Equity	17,683,034.36	6,864,774.60
Financial Performance		
Revenue	3,680,530.64	3,019,049.78
Current Operating Expenses	174,952,577.33	165,151,897.47
Surplus(Deficit) from Current Operations	(171,272,046.69)	(162,132,847.69)
Net Financial Assistance/Subsidy	181,160,153.84	155,160,192.15
Gains	-	61,000.00
Losses	-	-
Miscellaneous income	70,263.77	148,812.11
Surplus(Deficit) for the period	9,958,370.92	2,856,843.69
Sources and Application of Funds		
Adjusted Appropriations	201,557,399.43	242,271,322.27
Adjusted Allotment	201,557,399.43	209,628,322.27
Obligations Incurred	187,635,251.88	159,721,777.21
Unobligated Allotment	13,922,147.55	44,771,661.91

Physical Accomplishment

9. As reported, the major accomplishments of the DENR Regional Office for the CY 2022, are as follows:

Programs/ Projects/ Activities (PPAs)	Targets	Accomplishments	Percentage	No. of Unaccomplished Targets	No. of Excess Accomplish- ments	Accomplishments without Target Set
Natural Resources Enforcement and Regulatory Program	779	1,065.75	136.81%	37.25	292	32
Natural Resources Conservation and Development Program	2,692	2,828	105.05%	254	390	None
Environment and Natural Resources Resiliency Program	<i>No physical targets</i>	<i>No physical accomplishments</i>				

III. OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Accounting errors/omissions and deficiencies

10. **Uncorrected accounting errors and omissions amounting to ₱1,764,950.27 and accounting deficiencies amounting to ₱181,697,762.27 such as unreconciled account balances with physical count, and non-submission of property/supply records wherein the possible effect could be material, affect the reliability of the assets, liabilities, and equity account balances as reported in the financial statements.**

- 10.1 Section 27 of the International Public Accounting Standards (IPSAS) 1 provides that:

Financial statements shall present fairly the financial position, financial performance, and cash flow of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.

- 10.2 Accounting errors amounting to ₱1,764,950.27 and deficiencies amounting to ₱181,697,762.27 due to unreconciled account balances with physical count and book balances, non-submission of property/supply records, and beginning balance of the account was different from the ending balance in the prior year, wherein the possible effect could be material, affected the reliability of the account balances as presented in the FS, as follows:

a. Accounting Errors/Omissions

Particulars	Amount (₱)	Accounts Affected	Net Effect (₱)	
			(Over) Understatement	
			Assets	Liabilities/Net Assets/Equity
Disposal of PPE remained unrecorded	133,101.00	Information and Communications Technology (ICT) Equipment	(133,101.00)	
		Accumulated Depreciation		(119,790.19)
		Accumulated Surplus/(Deficit)		(13,310.10)
Transfer of ICT Equipment to PENROs still not recorded in the Books	670,912.35	Information and Communications Technology (ICT) Equipment	(670,912.35)	
		Accumulated Surplus/(Deficit)		(670,912.35)

Particulars	Amount	Accounts Affected	Net Effect (₱)	
Remaining issued Inventories and Semi-Expendable Property not yet recorded	958,245.38	Semi-Expendable Properties (various properties)	(958,245.38)	
		Accumulated Surplus/(Deficit)		(958,245.38)
Erroneous Journal Entries in the Advances to Officers and Employees	2,691.54	Advances to Officers and Employees	(2,691.54)	
		Accumulated Surplus/(Deficit)		(2,691.54)
Total Accounting Errors /Omissions			1,764,950.27	1,764,950.27

b. Accounting Deficiencies

Particulars	Amount	Accounts Affected
Unreconciled difference between the accounting records and the Report on the Physical Count of Semi-Expendable Property (RPCSP) due to non-submission of Semi-Expendable Property Ledger Cards and Semi-Expendable Property Cards and other semi-expendable property reports and records	2,480,826.89	Semi-Expendable Office Equipment Semi-Expendable ICT Equipment Semi-Expendable Other Equipment Semi-Expendable Furniture and Fixture Semi-Expendable Communication Equipment Semi-Expendable Medical Equipment
Unreliable balance of Inventory due to non-submission of Report of Physical Count of Inventory, Stock Cards, Supplies Ledger Cards	785,891.53	Office Supplies Inventory Drugs and Medicines Inventory Other Supplies and Materials Inventory
Unreliable balance of PPE due to: (1) unreconciled differences between the year-end financial statements and Report on Physical Count of PPE; (2) failure to submit the PPELC and other PPE reports and schedules; (3) inclusion of Furniture and Fixtures items with individual cost below the capitalization threshold in the RPCPPE	107,464,412.78	Land Improvements, Reforestation Projects Buildings Office Equipment Information and Communication Technology Equipment Communication Equipment Sports Equipment Technical and Specification Equipment Other Equipment Motor Vehicle Watercrafts Other Transportation Equipment Furniture and Fixtures Books Other Property, Plant and Equipment
Undocumented balances in the net assets/equity	20,871,472.53	Land Improvements, Reforestation Projects Building Office Equipment Information and Communication Technology Equipment Technical and Scientific Equipment Other Equipment

Particulars	Amount	Accounts Affected
		Watercrafts Other Transportation Equipment Furniture and Fixture Books Other Property, Plant and Equipment Advances to Contractor
Unreliable Beginning Balance of Statement of Changes in Net Assets/Equity for having different balance from the ending balance last year	50,004,830.54	Accumulated Surplus/(Deficit)
Untraced Confirmation Numbers from the List of successful transactions	90,328.00	Revenue
Total Accounting Deficiencies	181,697,762.27	

10.3 Thus, the aforementioned accounting error/omissions and accounting deficiencies amounting to ₱1,764,950. 27 and ₱181,697,762.27, respectively, which were not adjusted/corrected at year-end, affect the fair presentation of the Financial Statements.

Implementation of Prior Years' Recommendations with effect in the fair presentation of the Financial Statements

Out of 41 prior years' recommendations, ten audit recommendations or 24.39% were not implemented in view of: (1) remaining unrecorded disposal of Plant, Property and Equipment (PPE) with carrying amount of ₱13,310.10; (2) transfers of Information and Communications Technology (ICT) Equipment to Provincial Environment and Natural Resources Offices (PENROs) still unrecorded amounting to ₱670,912.35; (3) issuance of inventories and semi-expendable property amounting to ₱958,245.38 remained unrecorded; and (4) unadjusted erroneous entries amounting to ₱2,691.54 in violation of Subsection 7.1.1 of the 2009 Rules and Regulations on the Settlement of Accounts and thus affecting Management's commitment to present fairly the financial statements and comply with the audit recommendations.

10.04 Section 7.1.1 of the 2009 Rules and Regulations on the Settlement of Accounts disclosed the responsibilities of the Agency Head and one of it is:

(d) appropriate actions are taken on the deficiencies noted as contained in the AOM.

10.05 Evaluation of the status of implementation of prior years' audit recommendations by the DENR MIMAROPA Regional Office revealed that ten recommendations, as discussed hereinafter were not implemented as of December 31, 2022:

1. Disposal of PPE with carrying amount of ₱13,310.10 remained unrecorded

10.06 Chapter 10, Section 39 of the GAM for NGAs, Volume I state that:

***Sec. 39. Derecognition.** The cost of the PPE together with the related accumulated depreciation and accumulated impairment loss shall be removed from the accounts. The carrying amount of an item of PPE shall be derecognized on disposal or when no future economic benefits or service potential is expected from its use or disposal. xxx.*

10.07 As discussed in Management Letter (ML) for CY 2021, no accounting entry was prepared by the Chief, Accounting Section to record the disposal through public auction on December 17, 2021 of the following PPE, as shown in the table below, with book value of ₱337,207.41:

Account	Cost	Accumulated Depreciation	Carrying Amount
Office Equipment	₱ 262,363.00	₱ 236,126.70	₱ 26,236.30
Information and Communications Technology Equipment	1,717,505.65	1,545,755.09	171,750.56
Communications Equipment	46,168.88	35,257.83	10,911.05
Technical and Scientific Equipment	175,000.00	157,500.00	17,500.00
Other Equipment	1,108,095.00	997,285.50	110,809.50
Total	₱3,309,132.53	₱2,971,925.12	₱337,207.41

10.08 The Audit Team recommended and the Regional Executive Director agreed to record the disposal of the PPE by derecognizing PPE, accumulated depreciation, and accumulated impairment loss.

10.09 Verification of the CY 2021 AAPSI and monitoring of adjusting entries made during CY 2022 revealed that the Chief, Accounting Section prepared journal entries to record the derecognition of the above PPEs with total costs of ₱3,176,031.53 and total carrying amount of ₱323,897.31, as enumerated below:

Account	JEV No.	Cost	Accumulated Depreciation	Carrying Amount
Office Equipment	JEV No. 2022-03-0395	₱ 240,763.00	₱ 216,686.70	₱ 24,076.30
	JEV No. 2022-03-02 (102)	21,600.00	19,440.00	2,160.00
Information and Communications	JEV No. 2022-11-1902	39,000.00	35,100.00	3,900.00
	JEV No. 2022-11-1903	29,500.00	26,550.00	2,950.00

Account	JEV No.	Cost	Accumulated Depreciation	Carrying Amount
Technology Equipment	JEV No. 2022-03-0395	1,251,404.65	1,126,264.19	125,140.46
	JEV No. 2022-03-02 (158)	264,500.00	238,050.00	26,450.00
Communications Equipment	JEV No. 2022-03-0395	46,168.88	35,257.83	10,911.05
Technical and Scientific Equipment	JEV No. 2022-03-0395	175,000.00	157,500.00	17,500.00
Other Equipment	JEV No. 2022-0394	18,495.00	16,645.50	1,849.50
	JEV No. 2022-03-0395	1,089,600.00	980,640.00	108,960.00
Totals		P3,176,031.53	P2,852,134.22	P323,897.31

10.10 Therefore, the prior years' disposal of Office Equipment, Communications Equipment, Technical and Scientific Equipment and Other Equipment were all recorded in adherence to the prior year's recommendation.

10.11 However, the Information and Communications Technology (ICT) Equipment account has remaining unrecorded CY 2021 disposal costing P 133,101.00 and with carrying amount of P13,310.10, contrary to Chapter 10, Section 39 of the GAM for NGAs, Volume I, which resulted in the overstatement of the PPE by P133,101.00, Accumulated Depreciation by P119,790.19 and Accumulated Surplus/(Deficit) account by P13,310.10.

Recording of Dropping from Books – ICT Equipment			
Particulars	Cost	Accumulated Depreciation	Carrying Amount
Unrecorded disposal as per CY 2021 ML	P1,717,505.65	P1,545,755.09	P171,750.56
Total Dropping Recorded	1,584,404.65	1,425,964.19	158,440.46
Remaining unrecorded disposal	P 133,101.00	P 119,790.19	P 13,310.10

10.12 The Chief, Administrative Division sent a letter to the Audit Team on November 17, 2022 that the amount adjusted is P330,927.31 and the remaining P6,280.10 is the difference between the records of the Audit Team and the records of the General Services Section. In response, the Supply and Property Officer was requested to submit a copy of the IIRUP supporting their claim duly received by the Audit Team. On January 24, 2023, they sent another letter regarding the matter with attached IIRUP dated as of June 2021.

10.13 However, the IIRUP was not duly received by the Audit Team and was not certified by the Audit Team Leader. Further, the Audit Team has not found any

other journal entries to support their claim that the remaining balance is ₱6,280.10 only.

2. Transfers of ICT equipment to PENROs still not recorded in the books – ₱ 670,912.35

10.14 The Revised Chart of Accounts (Updated 2019) provides the description of Subsidy to Operating Units account as follows:

<i>Account Title</i>	<i>Subsidy to Operating Units</i>
<i>Account Code</i>	50214080
<i>Normal Balance</i>	Debit
<i>Description</i>	<i>This account is debited to recognize the amount of funds/assets transferred by the Central Office/ Regional Offices/ Staff Bureaus to the Operating Units of an agency or department. This account is credited, at year end, to close to the Revenue and Expense Summary account, and/or adjustments.</i>

10.15 The CY 2021 ML stated that the Regional Office had unrecorded transfer of ICT equipment, which were acquired on CY 2016, to PENROs amounting to ₱2,542,430.80 resulting in the overstatement of Accumulated Surplus/(Deficit) by the same amount.

10.16 The Audit Team recommended and the Regional Executive Director agreed to instruct the Supply and Property Custodian to submit to the Chief, Accounting Section the Property Transfer Reports duly signed by the Property Officers of the PENROs to facilitate the recording of the transfers of PPE in the accounting books of the Regional Office and PENROs concerned.

10.17 Monitoring of status of implementation of prior years' recommendation revealed that during CY 2022, out of the unrecorded transfer of ICT Equipment to PENROs amounting to ₱2,542,430.80, only the transferred equipment of ₱1,871,518.45 duly supported by Property Transfer Reports was recorded in the books, in partial compliance with the audit recommendation, leaving a balance of ₱670,912.35. Details are shown below:

Particulars	Amount
Unrecorded Transfer per CY 2021 ML	₱2,542,430.80
JEV No. 2022-08-1370 adjusted thru JEV No. 2022-09-1663	503,184.24
JEV No. 2022-08-1371 adjusted thru JEV No. 2022-09-1663	1,174,096.53
JEV No. 2022-09-1588	194,237.68
Total Recorded	₱1,871,518.45

Remaining unrecorded transfer of ICT Equipment	₱ 670,912.35
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10.18 As a result of the unrecorded transfers of ICT Equipment to PENROs as of December 31, 2022 amounting to ₱670,912.35, the ICT Equipment and Accumulated Surplus/(Deficit) accounts were overstated by the same amount.

3. **Remaining issued Inventories and Semi-Expendable Property amounting to ₱958,245.38 not yet recorded**

10.19 Chapter 8, Sections 7 and 10.b of the GAM for NGAs, Volume I provides:

Sec. 7. When inventories are sold, exchanged, or distributed, their carrying amount shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or the related service is rendered.

Xxx.

Sec. 10. Semi-expendable property. Tangible items below the capitalization threshold of ₱15,000.00 shall be accounted as semi-expendable property. The following policies apply as follows:

- a. Semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts.*
- b. These tangible items shall be recognized as expenses upon issue to the end-user. (Underscoring ours)*

10.20 The CY 2021 Management Letter stated that the balances of inventory and semi-expendable property accounts totaling ₱2,842,218.14 as presented in the financial statements as of December 31, 2021 were already issued to the end-users but the same were not yet recorded by the Chief, Accounting Section due to the absence of Report of Supplies and Materials Issued (RSMI), as follows:

Particulars	Amount
Inventory Held for Consumption	₱2,332,854.40
Semi-Expendable Machinery and Equipment	501,122.74
Semi-Expendable Furniture, Fixtures and Books	8,241.00
Total	₱2,842,218.14

10.21 The Audit Team recommended and the Regional Executive Director agreed to instruct the Supply and Property Custodian to prepare the RSMI for the inventories and semi-expendable property that were already distributed to the end-users and submit copy thereof to the Chief, Accounting Section for the preparation

of the Journal Entry Voucher to adjust the inventories and Accumulated Surplus/(Deficit) accounts.

- 10.22 In partial compliance with the above recommendation, the Chief, Accounting Section prepared journal entries for the prior years' issuance of the inventory and semi-expendable items amounting to ₱1,883,972.76, duly supported with the RSMI prepared and submitted by the Supply and Property Officer. Hence, issued inventories during the prior years' totaling ₱958,245.38 remained unrecorded in the books as of December 31, 2022, as shown in the table below.

Particulars	Amount
Total unrecorded issued inventory and semi-expendable items per CY 2021 ML	₱2,842,218.14
Less: Recorded issuances:	
JEV No. 2022-01-0229 A	177,267.20
JEV No. 2022-01-0228 A	658,930.00
JEV No. 2022-01-0230 A	99,705.70
JEV No. 2022-01-00127A	24,800.00
JEV No. 2022-01-00231A	280,160.00
JEV No. 2022-01-00126A	89,032.86
JEV No. 2022-01-00133A	176,770.00
JEV No. 2022-01-00131A	69,900.00
JEV No. 2022-03-0400	87,802.00
JEV No. 2022-06-0900	161,910.00
JEV No. 2022-06-0901	15,095.00
JEV No. 2022-09-1587	42,600.00
Total Recorded Issuances	₱1,883,972.76
Remaining Unrecorded Issuances	₱ 958,245.38

- 10.23 Further inquiry with the Chief, Accounting Section revealed that they have another journal entry for the issuance of inventory items in December 2022. However, as of this writing, the non-cash journal entries together with the General Journal were not yet submitted to the Audit Team, thus verification of the said entry could not be facilitated.

- 10.24 Failure to record the issuance inventories and semi-expendable property totaling ₱958,245.38 resulted in the overstatement of Inventory and Semi-Expendable Property and Accumulated Surplus accounts.

4. Unadjusted erroneous entries amounting to ₱ 2,691.54

- 10.25 Validation of prior year's reports and records on the outstanding cash advances revealed that as of December 31, 2022, erroneous journal entries amounting to ₱2,691.54 made in prior years remained unadjusted, thereby resulting in a negative balance in the Advances to Officers and Employees account by the same amount.

10.26 We reiterated with modification our prior years' recommendation and the Regional Executive Director agreed to:

a. instruct the Chief, Accounting Section to:

- i. record the disposal, supported by IIRUP, of the PPE by derecognizing the remaining PPE, accumulated depreciation, and accumulated impairment loss;**
- ii. collect the outstanding relocation allowances from the responsible persons;**
- iii. prepare the necessary adjusting entries to correct the errors made in order to reflect the correct balance of the Advances to Officers and Employees account, as well as other affected accounts;**

b. instruct the Supply and Property Custodian to:

- i. submit to the Chief, Accounting Section the Property Transfer Report duly signed by the Property Officers of the PENROs to facilitate the recording of the transfer of PPE in the accounting books of the Regional Office and PENROs;**
- ii. prepare the RSMI for the inventories and semi-expendable properties that were already distributed to the end-users and submit a copy thereof to the Chief, Accounting Section for the preparation of the journal entry to adjust the inventories and Accumulated Surplus/(Deficit) accounts**

Unreliable Semi-Expendable Property and Inventory Accounts

The reported book balances of Semi-Expendable Property and Inventory accounts of DENR MIMAROPA Regional Office amounting to P2,480,826.89 and P785,891.53, respectively, as of December 31, 2022 were unreliable in view of the: (1) unreconciled differences amounting to P2,326,607.70 between the accounting records and the Report on the Physical Count of Semi-Expendable Property (RPCSP); (2) non-submission of Semi-Expendable Property Ledger Cards (SPLC) and Semi-Expendable Property Cards (SPCs) and other semi-expendable property reports and records; and (3) non-submission of Report of Physical Count of Inventory (RPCI), Stock Cards, and Supplies Ledger Cards and other reports and records contrary to Item 4.7 and Annex A.8, Item C of COA Circular No. 2022-004 dated May 31, 2022 and Chapter 8, Section 17 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

- 10.27 Review of the agency's financial statements disclosed that the Semi-Expendable Property accounts and Inventory Held for Consumption accounts have total costs/ book value of ₱2,480,826.89 and ₱785,891.53, respectively, as of December 31, 2022, as shown below:

Account Title	Cost/ Book Value per Statement of Financial Position
Semi-Expendable Office Equipment	₱ 63,500.00
Semi-Expendable ICT Equipment	2,377,520.37
Semi-Expendable Other Equipment	25,565.52
Semi-Expendable Furniture and Fixture	14,241.00
Total Semi-Expendable Property	₱2,480,826.89
Office Supplies Inventory	₱303,457.05
Drugs and Medicines Inventory	159,120.00
Other Supplies and Materials Inventory	323,314.48
Total Inventory Held for Consumption	₱785,891.53

- 10.28 Audit of the Inventory accounts and semi-expendable property accounts disclosed that the above balances reflected in the financial statements are unreliable in view of the following observations:

1. Unreconciled differences amounting to ₱2,326,607.70 between the accounting records and RPCSP

- 10.29 Item 4.7.8 of COA Circular No. 2022-004 dated May 31, 2022 provides that:

4.7.8. Annex A.8 – Report on the Physical Count of Semi-Expendable Property (RPCSP)

This form shall be used to report the physical count of semi-expendable property, which are owned by the agency/entity, by type of property still in the custody of the Property and/or Supply Division/Unit as at a given date. It shows the balance of semi-expendable items per card and per count and shortage/overage, if any. It shall be prepared annually and by fund by the Inventory Committee.

- 10.30 Moreover, Item C of Annex A.8 of the same Circular provides:

C. The report shall be reconciled with the SPLCs and Semi-expendable Property Cards maintained by the Accounting Division/Unit and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.

10.31 Comparison of the total cost of each category of semi-expendable property reflected in the Statement of Financial Position as of December 31, 2022 as against the total inventory balances indicated in the RPCSP submitted to the Audit Team on February 13, 2023 showed a total discrepancy of ₱2,326,607.70, contrary to Item C of Annex A.8 of COA Circular No. 2022-004 dated May 31, 2022.

10.32 The details of the discrepancy are shown in the following table:

Account Title	Per Statement of Financial Position (at Cost)	Totals per RPCSP	Difference
Semi-Expendable Office Equipment	₱ 63,500.00	₱ 0.00	₱ 63,500.00
Semi-Expendable ICT Equipment	2,377,520.37	595,791.15	1,781,729.22
Semi-Expendable Other Equipment	25,565.52	80,395.00	54,829.48
Semi-Expendable Furniture and Fixture	14,241.00	0.00	14,241.00
Semi-Expendable Communication Equipment	0.00	400,549.00	400,549.00
Semi-Expendable Medical Equipment	0.00	11,759.00	11,759.00
Total Semi-Expendable Properties	₱2,480,826.89	₱1,088,494.15	₱2,326,607.70

10.33 As can be gleaned from the table above, the balances of semi-expendable office equipment and semi-expendable furniture and fixture accounts are present in the Statement of Financial Position with balances amounting to ₱63,500.00 and ₱14,241.00, respectively, but were not included in the RPCSP. On the other hand, the accounts semi-expendable communication equipment and semi-expendable medical equipment were included in the RPCSP with total amounts of ₱400,549.00 and ₱11,759.00, respectively, but not presented in the Statement of Financial Position.

10.34 Inquiry with the Accounting Section concerned staff and Supply and Property Custodian revealed that during CY 2022, they focused on the reclassification of Property, Plant and Equipment (PPE) items with individual costs below the new capitalization threshold of ₱50,000.00 to Semi-Expendable Property accounts. Thus, they did not complete the reconciliation of the RPCSP with the accounting records.

10.35 Considering that the discrepancy of ₱2,326,607.70 between the accounting and inventory records for semi-expendable properties is unaccounted, the balances of PPE reflected in the financial statements are deemed unreliable.

2. **Non-submission of Semi-Expendable Property Ledger Cards and Semi-Expendable Property Cards and other semi-expendable property reports and records**

10.36 Item 4.7 of COA Circular No. 2022-004 dated May 31, 2022 provides:

4.7. To strengthen controls over the semi-expendable property, the following forms, registry, and reports are prescribed as annexes:

4.7.1. Annex A.1 – Semi-Expendable Property Card (SPC)

This form shall be maintained in the Supply and/or Property Division/Unit for each class of semi-expendable property to record promptly the acquisition (based on the Inspection and Acceptance Report and other supporting documents), issue/transfer/disposal and the description/ information about that asset.

4.7.2. Annex A.2 – Semi-Expendable Property Ledger Card (SPLC)

This form shall be kept in the Accounting Division/Unit to record promptly the acquisition, description, custody, impairment, issue/transfer/disposal, repair history, and other information about the property.

Xxx.

4.7.4. Annex A.4 – Registry of Semi-Expendable Property Issued (RegSPI)

This registry shall be maintained in the Property and/or Supply Division/Unit for each class of issued semi-expendable property.
Xxx.

4.7.5. Annex A.5 – Inventory Transfer Report (ITR)

The report shall be used every time there is a transfer of inventory such as donation, reassignment, relocation, and the like, from an outgoing officer to his successor or from one accountable officer/employee to another of the same or another entity, or from one entity/ agency to another entity/agency.
Xxx.

4.7.7. Annex A.7 – Report of Semi-Expendable Property Issued (RSPI)

This report shall be prepared by the Property and/or Supply Division/Unit to report/summarize all issued semi-expendable property (by semi-expendable property number) at least weekly. It shall be prepared by the Property and/or Supply Custodian based on the ICS and shall be issued by the Accounting Division/Unit as basis in preparing the journal entry voucher to recognize the semi-expendable property issued.

Xxx.

4.7.9. Annex A.9 – Report of Lost, Stolen, Damaged or Destroyed Semi-Expendable Property (RLSDDSP)

This report shall be used by accountable officer/employee to report or notify within 30 days the officials concerned of the loss, theft, damage or destruction of the semi-expendable property whether issued or unissued. Xxx.

4.7.10. Annex A.10 – Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP)

This report shall be used to account for all unserviceable semi-expendable property of an entity which is subject to disposal. It shall be prepared by the Property and/or Supply Division/Unit.

10.37 An audit query was sent to the Chief, Accounting Section and Supply and Property Custodian on February 22, 2023 requesting submission of the following documents pertaining to semi-expendable property:

- a. Semi-Expendable Property Card (SPC);
- b. Semi-Expendable Property Ledger Card (SPLC);
- c. Registry of Semi-Expendable Property Issued
- d. Inventory Transfer Reports;
- e. Report of Semi-Expendable Property Issued;
- f. Report of Lost, Stolen, Damaged or Destroyed Semi-Expendable Property;
- and
- g. Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP).

10.38 However, the above forms, reports, and records are yet to be submitted as of this writing. Inquiry with the Chief, Accounting Section revealed that due to manpower constraints, they were unable to prepare the SPLCs. On the other hand, the Supply and Property Custodian committed, upon follow-up of submission of the above reports, to organize the forms and records and will submit to the Audit Team once the documents are in order.

10.39 The non-submission of the SPCs and SPLCs and other records and reports pertaining to semi-expendable property is inconsistent with Item 4.7 of COA Circular No. 2022-004. Moreover, due to non-preparation and non-updating of SPCs and SPLCs, reconciliation of the balances between the two records and with the RPCSP could not be facilitated. In addition, due to the non-preparation and non-maintenance of RegSPI, ITR, RSPI, RLSDDSP and IIRUSP, the issuance, transfer, disposal and other transactions on semi-expendable properties could not be verified.

10.40 Also, since the said reports and records were not obtained in audit, it cannot be verified whether all tangible items with costs below the new capitalization threshold and meets the criteria of PPE were reclassified to semi-expendable property, especially that the RCSP and accounting records are not reconciled.

3. Non-submission of Report of Physical Count of Inventory (RPCI), Stock Cards, Supplies Ledger Cards, and other reports and records pertaining to Inventory accounts.

10.41 Chapter 8, Section 17 of GAM for NGAs, Volume I prescribes the following reports and records, among others:

*Sec. 17. Records, Forms and Reports to be prepared and/or maintained.
The following records, forms and reports are prescribed for use:*

b. Stock Card (SC) (Appendix 58) – shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock. Xxx.

c. Supplies Ledger Card (SLC) (Appendix 57) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/ Unit for each kind of supplies and materials. Xxx.

Xxx.

g. Report of Supplies and Materials Issued (RSMI) (Appendix 64) – shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/ Unit as basis in preparing the JEV to record the supplies and materials issued.

h. Waste Materials Report (WMR) (Appendix 65) – shall be used by the Property and/or Supply Custodian to report all waste materials such as destroyed spare parts and other materials considered scrap due to replacement.

10.42 An audit query was sent to the Chief, Accounting Section and Supply and Property Custodian on February 22, 2023 requesting submission of the following documents pertaining to Supplies/Inventories:

- a. Stock Card (SC);
- b. Supplies Ledger Card (SLC);
- c. Report of Supplies and Materials Issued (RSMI);
- d. Waste Materials Report (WMR); and
- e. Report on Physical Count of Inventories (RPCI).

10.43 The Supply and Property Custodian disclosed that he did not prepare the RPCI since all inventory items were issued as of December 31, 2022. However, the Statement of Financial Position as of December 31, 2022 showed that the Inventory accounts still have balances totaling ₱785,891.53. Further inquiries with both the Property and Supply Custodian and Staff in the Accounting Section in-charge in the maintenance of Subsidiary Ledgers revealed that the RIS and RSMI were submitted in January 2023, thus, the issued inventories were not yet recorded in the books.

10.44 It is noteworthy that the submission of the subject forms, reports and records for Inventory accounts will strengthen the control over the inventories. Due to the non-preparation and non-maintenance of such reports and records, verification of the transactions pertaining to the Inventory accounts cannot be facilitated. Moreover, verification of the balances of Inventory accounts cannot be facilitated, especially that there are unissued inventories per accounting records as of December 31, 2022, while the Supply and Property Custodian said otherwise.

10.45 **We recommended and the Regional Executive Director agreed to instruct the:**

- a. **Chief, Accounting Section and Supply and Property Custodian to ascertain and obtain records regarding the semi-expendable property items with discrepancies amounting to ₱1,392,332.74 to facilitate reconciliation of RPCSP and accounting records and to serve as basis for making the necessary adjustments in their respective records in accordance with Item C of Annex A.8 of COA Circular 2022-004;**
- b. **Chief, Accounting Section and Supply and Property Custodian to furnish the Audit Team with the SPLC and SPCs and other reports and records in accordance with Item 4.7 of COA Circular No. 2022-004 to facilitate verification of the existence and accuracy of the transactions affecting the semi-expendable property accounts, as well as verification of the balances of semi-expendable property in the financial statements; and**

- c. Chief, Accounting Section, Chairperson, Inventory Committee and Supply and Property Custodian to furnish to the Audit Team the RPCI, Stock Card, Supplies Ledger Card, and other reports and records pertaining to Inventory accounts in accordance with Chapter 8, Section 17 of GAM for NGAs, Volume I, to facilitate verification of transactions involving inventories, as well as verification of the balances of Inventory accounts

10.46 Management informed the Audit Team, in their letter-reply that the Accounting Section is currently coordinating with the Supply and Property Custodian for the reconciliation of their respective records. Moreover, the Accounting Section assured the Audit Team that they will strictly monitor and comply with the Audit Team's recommendations.

Unreliable Property, Plant and Equipment Accounts

The reported book balance of PPE accounts of DENR MIMAROPA Regional Office amounting to ₱47,094,788.87 as of December 31, 2022 is unreliable in view of the following noted deficiencies: (1) unreconciled differences amounting to ₱50,249,369.00 between the year-end financial statements and Report on Physical Count of PPE (RPCPPE); (2) failure to submit the Property Cards and PPE Ledger Cards and other PPE reports and schedules; and (3) inclusion of Furniture and Fixtures items amounting to ₱202,534.00 with individual costs below the capitalization threshold of ₱50,000.00 in the RPCPPE, contrary to Chapter 10, Sections 38 and 42 and Chapter 19, Section 60 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, Chapter V, paragraph C.3 of the Manual on Property Custodianship and Item 4.1 of COA Circular No. 2022-004 dated May 31, 2022.

10.47 Review of the agency's financial statements disclosed that the PPE has an aggregate book value of ₱47,094,788.87 as of December 31, 2022, as shown below:

Account Title	Cost	Accumulated Depreciation	Book Value
Land Improvements, Reforestation Projects	₱ 10,910,800.00	₱ 0.00	₱10,910,800.00
Buildings	23,783,878.92	14,200,183.68	9,583,695.24
Office Equipment	7,913,527.97	6,299,372.06	1,614,155.91
Information and Communication Technology Equipment	30,627,227.44	18,618,556.58	12,008,670.86
Communications Equipment	140,050.00	126,044.98	14,005.02
Sports Equipment	117,150.00	105,435.00	11,715.00
Technical and Scientific Equipment	10,869,174.16	4,754,667.53	6,114,506.63
Other Equipment	4,974,409.71	4,484,456.76	489,952.95

Account Title	Cost	Accumulated Depreciation	Book Value
Motor Vehicles	8,348,792.87	4,225,187.75	4,123,605.12
Watercrafts	590,000.00	531,000.00	59,000.00
Other Transportation Equipment	3,113,155.00	2,169,289.22	943,865.78
Furniture and Fixtures	5,240,496.21	4,103,254.85	1,137,241.36
Books	2,400.00	2,160.00	240.00
Other Property, Plant and Equipment	833,350.00	750,015.00	83,335.00
Total	P107,464,412.28	P60,369,623.41	P47,094,788.87

10.48 Audit of the PPE accounts disclosed that the balances reflected in the financial statements are unreliable in view of the following observations:

1. Unreconciled differences amounting to P50,249,369.00 between the accounting records and RPCPPE

10.49 Chapter 10, Section 38 of the GAM for NGAs, Volume I provides that:

***Sec. 38. Physical Count of PPE.** The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/ Unit for proper accounting/ recording.*

10.50 Relative thereto, Chapter V, paragraph C.3 of the Manual on Property Custodianship provides that after the physical inventory taking, the Inventory Committee shall reconcile the results of the count with the property and accounting records. On the other hand, the inventory listing of the equipment shall be checked with the property cards maintained by the Property Custodian as against the equipment ledger cards maintained by the accounting and the total thereof shall be compared with those in the general ledger. All discrepancies between physical and book inventories must be investigated, cleared and reconciled immediately. If necessary, written explanation shall be required from accountable and responsible person/s.

10.51 Comparison of the total cost for each category of PPE reflected in the Statement of Financial Position as of December 31, 2022 as against the total inventory balances indicated in the RPCPPE submitted to the Audit Team on January 31, 2023 showed a total discrepancy of P50,249,369.00, contrary to Chapter 10,

Section 38 of the GAM for NGAs, Volume I and Chapter V, paragraph C.3 of the Manual on Property Custodianship.

10.52 The details of the discrepancy are shown in the following table:

Account Title	Per Statement of Financial Position (at Cost)	Totals per RPCPPE	Difference
Land Improvements, Reforestation Projects	₱ 10,910,800.00	₱ 0.00	₱10,910,800.00
Buildings	23,783,878.92	12,008,845.60	11,775,033.32
Office Equipment	7,913,527.97	3,859,505.01	4,054,022.96
Information and Communication Technology Equipment	30,627,227.44	16,826,971.89	13,800,255.55
Communications Equipment	140,050.00	0.00	140,050.00
Sports Equipment	117,150.00	67,650.00	49,500.00
Technical and Scientific Equipment	10,869,174.16	8,868,998.48	2,000,175.68
Other Equipment	4,974,409.71	3,423,003.85	1,551,405.86
Motor Vehicles	8,348,792.87	7,053,899.05	1,294,893.82
Watercrafts	590,000.00	0.00	590,000.00
Other Transportation Equipment	3,113,155.00	0.00	3,113,155.00
Furniture and Fixtures	5,240,496.21	5,106,169.40	134,326.81
Books	2,400.00	0.00	2,400.00
Other Property, Plant and Equipment	833,350.00	0.00	833,350.00
Total	₱107,464,412.28	₱57,215,043.28	₱50,249,369.00

10.53 A big portion of the discrepancy between the RPCPPE and Accounting records is attributable to the reported balances in Funds 102, which pertain to a recently discovered old project named Overseas Economic Cooperation Fund (OECF). The Fund includes PPE accounts with total costs of ₱43,294,776.37, as shown in the table below:

Account Title	Per SFPos (at Cost)	Accumulated Depreciation	Book Value
Land Improvements, Reforestation Projects	₱ 10,910,800.00	₱ 0.00	₱10,910,800.00
Buildings	11,775,033.32	10,597,529.99	1,177,503.33
Office Equipment	3,988,902.96	3,590,012.66	398,890.30
Information and Communication Technology Equipment	11,356,541.30	4,302,090.49	7,054,450.81

Account Title	Per SFPos (at Cost)	Accumulated Depreciation	Book Value
Technical and Scientific Equipment	552,400.00	497,160.00	55,240.00
Other Equipment	76,466.98	84,963.31	(8,496.33)
Watercrafts	590,000.00	531,000.00	59,000.00
Other Transportation Equipment	3,113,155.00	2,169,289.22	943,865.78
Furniture and Fixtures	95,726.81	57,468.81	38,258.00
Books	2,400.00	2,160.00	240.00
Other Property, Plant and Equipment	833,350.00	750,015.00	83,335.00
Total	P43,294,776.37	P22,581,689.48	P20,713,086.89

10.54 The above PPE accounts in Fund 102 - OECF were not included in the RPCPPE since no records are available in the hands of the Property and Supply Officer and he was not aware of the existing project.

10.55 Nevertheless, the remaining unreconciled balance pertaining to already existing funds of P6,954,592.53 are material to the financial statements. The Supply and Property Custodian explained that for the unreconciled balance of P6,954,592.53, those property with discrepancies have no available records on both offices or the records available in the General Services Section are inconsistent with the records of the Accounting Section.

10.56 Considering that the discrepancy of P50,249,369.00 between the accounting and property records for PPE is unaccounted, the balances of PPE reflected in the financial statements are deemed unreliable.

2. *Non-submission of PPE Ledger Cards and Property Cards and other PPE reports and schedules*

10.57 Chapter 10, Section 42 of the GAM for NGAs, Volume I provides that:

Sec. 42. Accounting and Property Records to be maintained for PPE.
The Chief Accountant shall maintain the PPELC for each category of PPE xxx. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records such as PAR.

The following are the forms/ reports necessary to account for PPE:

xxx.

- h. Property Transfer Report (Appendix 76) – this form shall be used every time there will be transfer of property from an outgoing officer to his successor or from one accountable officer/ employee to another of the same or another entity.*

10.58 Moreover, Chapter 19, Section 60 of GAM for NGAs, Volume I requires the submission of schedules to support the balances reported in the Trial Balance.

10.59 It was noted that both the Chief, Accounting Section and the Supply and Property Custodian were not able to submit the PPE Ledger Cards and Property Cards, respectively, inconsistent with Chapter 10, Section 42 of the GAM for NGAs, Volume I. Consequently, reconciliation of the balances between these two records could not be facilitated.

10.60 In addition to the PPELC and Property Cards, the management also failed to submit the following PPE reports and records:

- a. Accounting Schedule of PPE (as of December 31, 2022, per fund);
- b. Property Transfer Report

10.61 The Audit Team sent an audit query to the Chief, Accounting Section and Supply and Property Custodian on February 22, 2023 requesting submission of the above reports as well as the PPELC and Property Cards. However, as of this writing, both the Supply and Property Custodian and the staff of the Accounting Section said that they are still organizing the reports and records and committed to submit after all documents are in order.

10.62 The PPELC, Property Cards and other PPE reports and schedules are important to ensure that the controls in these PPE accounts are present and effective. Also these reports and records support the existence and accuracy of the transactions affecting the PPE accounts such as recognition of depreciation and impairment losses, derecognition of property, and transfer of property.

10.63 Moreover, since the said reports and records were not obtained in audit, it cannot be verified whether the PPEs with costs below the new capitalization threshold of P50,000.00 were reclassified to semi-expendable property, in accordance with COA Circular No. 2022-004 dated May 31, 2022, considering that the RPCPPE and accounting records are not reconciled.

3. Inclusion of Furniture and Fixtures items amounting to P202,534.00 with costs below the capitalization threshold of P50,000.00 in the RPCPPE.

10.64 Review of the RPCPPE revealed that eight items of Furniture and Fixtures totaling ₱202,534.00, which individual costs are below ₱50,000.00 were still included in the report. Details of which are shown in the table below:

	Description	Property Number	Unit Value
1	8 Seater Rectangular Meeting Table	DENR-R4M-1383	₱ 24,976.00
2	Dining Set, 6-Seater, Black	DENR-R4M-1382	15,008.00
3	Office Sofa	DENR-R4M-1380	39,200.00
4	Office Sofa Set Leatherette Uratex Foam (1 Unit 3 Seater and 2 Unit 1 Seater)	DENR-R4M-1389	20,250.00
5	Executive Chair (Senior)	DENR-R4M-1231	16,500.00
6	Executive Chair (Senior)	DENR-R4M-1234	38,000.00
7	Conference Table (12 Seater)	DENR-R4M-1237	33,600.00
8	Conference Table (6 Seater) with 6 Black Chairs	DENR-R4M-1229	15,000.00
	Total		₱202,534.00

10.65 Item 4.1 of COA Circular No. 2022-004 dated May 31, 2022 provides:

4.1. Tangible items which meet the definition and recognition criteria of PPE but cost is below Fifty Thousand Pesos (₱50,000.00) shall be accounted in the books of accounts of the agencies as semi-expendable property. Xxx.

10.66 Inquiry with the Supply and Property Custodian revealed that he forgot to remove the above items in the RPCPPE, and the said items are supported by the issuance of Inventory Custodian Slip (ICS). Nevertheless, the Audit Team was not furnished with the ICS and other related documents. The inadvertent inclusion of the above tangible items as part of the RPCPPE indicates partial compliance with the aforementioned Circular.

10.67 **We recommended and the Regional Executive Director agreed to instruct the:**

- a. Chief, Accounting Section and Supply and Property Custodian to ascertain and obtain records regarding the PPE items with discrepancies amounting to ₱50,249,369.00 to facilitate reconciliation of RPCPPE and accounting records and to serve as basis for making the necessary adjustments in their respective records;
- b. Chief, Accounting Section and Supply and Property Custodian to furnish the Audit Team the PPE Ledger Cards and Property Cards and other reports and records in accordance with Chapter 10, Section 42 and Chapter 19, Section 60 of GAM for NGAs, Volume I to facilitate verification of the existence and accuracy of the transactions affecting the PPE accounts such as recognition of depreciation and impairment losses, derecognition of property, and transfer of property, as well as verification of the PPE balances reported in the financial statements; and
- c. Supply and Property Custodian to exclude the tangible items with individual costs below the new capitalization threshold of ₱50,000.00 in the RPCPPE and include the items in the Report on the Physical Count of Semi-Expendable Property in accordance with COA Circular No. 2022-004 dated May 31, 2022.

Unreliable year-end Financial Statements

The Calendar Year (CY) 2022 year-end financial statements (FSs) of DENR MIMAROPA Regional Office for All Funds could not be relied upon because of the following deficiencies: (a) absence of comparative format; (b) undocumented balances with net assets/equity amounting to ₱20,871,472.53, which were abruptly presented in the current period FSs; (c) non-submission of Notes to Financial Statements; (d) the beginning balance of Equity on Statement of Changes in Net Assets/Equity (SCNAE) for CY 2022 is different from the ending balance in CY 2021, contrary to paragraphs 21 and 53 and Annex B of International Public Sector Accounting Standards (IPSAS) 1, thereby affecting the usefulness of the FSs to the Auditor and other users of the FSs.

10.68 Review of year-end FSs of DENR MIMAROPA Regional Office for All Funds disclosed the following observations in the presentation of the Financial Statements:

- a. *Financial Statements not presented in comparative format.*

10.69 Paragraph 53 of IPSAS 1 provides:

Comparative information

53. *Except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.*

10.70 Review of the All Funds FSs for CY 2022 disclosed that the figures in the Statement of Financial Position and Statement of Changes in Net Assets/ Equity of the DENR MIMAROPA Regional Office as of December 31, 2022, and Statement of Financial Performance and Statement of Cash Flows for the year ended 2022 are presented in a single column only, which is for the current period, CY 2022. The comparative amounts from the prior year balances were not presented in the FSs.

10.71 Absence of comparative information in the FSs will affect its usefulness to external users such as determination of trends in the Agency's performance and assessing of any unusual spikes in the reported information.

b. **Undocumented Balances of Fund 102 from prior years but was only presented in the current period FSs.**

10.72 Section 30, Chapter 2 of GAM for NGAs, Volume I provides:

Sec. 30. Qualitative Characteristics of Financial Reporting. *An entity shall present information including accounting policies in a manner that meets a number of qualitative characteristics such as understandability, relevance, materiality, reliability and comparability. Xxx. (underscoring supplied).*

10.73 Moreover, Appendix B of IPSAS 1 defined reliability and comparability as:

Reliability

Reliable information 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

Xxx.

Comparability

Information in the financial statements is comparable when users are able to identify similarities and differences between that information and information in other reports.

Comparability applies to the:

Xxx.

- *Comparison of the financial statements of the same entity over periods of time.*

10.74 The Pre-closing Trial Balance as of December 31, 2022 of Fund 102 showed the following balances for the project Integrated Coastal Resources Management Project (ICRMP):

Particulars	Debit	Credit
Office Equipment	P 143,954.64	P 0.00
<i>Accumulated Depreciation – Office Equipment</i>	0.00	129,559.18
Information and Communication Technology Equipment	1,217,191.51	0.00
<i>Accumulated Depreciation – Information and Communication Technology Equipment</i>	0.00	1,095,472.36
Technical and Scientific Equipment	1,300,278.01	0.00
<i>Accumulated Depreciation – Technical and Scientific Equipment</i>	0.00	1,170,249.21
Other Equipment	425,000.00	0.00
<i>Accumulated Depreciation – Other Equipment</i>	0.00	382,500.00
Motor Vehicles	113,771.22	0.00
<i>Accumulated Depreciation – Motor Vehicles</i>	0.00	102,394.10
Accumulated Surplus/ (Deficit)	0.00	320,020.53

10.75 The DENR Assistant Secretary for Finance, Information Systems and Mining Concerns issued an unnumbered Memorandum dated November 28, 2022 mandating that all completed projects shall be closed to the Regular Agency Fund.

10.76 As such, the Chief, Accounting Section closed all the accounts of Fund 102 ICRMP Projects under JEV No. 2022-12-02(102) and transferred the balances to Fund 101 Regular Agency Fund. Hence, the post-closing trial balance and individual year-end financial statements of Fund 102 contain zero balances for all accounts.

10.77 However, the breakdown of the Statement of Financial Position (SFPos) of DENR MIMAROPA Regional Office for All Funds revealed the following balances, with net assets/equity amounting to P20,871,472.53, which is attributable to Fund 102:

Accounts	Debit	Credit
Land Improvements, Reforestation Projects	P10,910,800.00	P0.00
Buildings	1,177,503.33	0.00
Office Equipment	3,988,902.96	0.00

<i>Accumulated Depreciation – Office Equipment</i>	0.00	3,590,012.66
Information and Communication Technology Equipment	11,356,541.30	0.00
<i>Accumulated Depreciation – Information and Communication Technology Equipment</i>	0.00	4,302,090.49
Technical and Scientific Equipment	552,400.00	0.00
Accumulated Depreciation – Technical and Scientific Equipment	0.00	497,160.00
Other Equipment	76,466.98	0.00
<i>Accumulated Depreciation – Other Equipment</i>	0.00	84,963.31
Watercrafts	590,000.00	0.00
Accumulated Depreciation – Watercrafts	0.00	531,000.00
Other Transportation Equipment	3,113,155.00	0.00
Accumulated Depreciation – Other Transportation Equipment	0.00	2,169,289.22
Furniture and Fixtures	95,726.81	0.00
Accumulated Depreciation – Furniture and Fixtures	0.00	57,468.81
Books	2,400.00	0.00
Accumulated Depreciation – Books	0.00	2,160.00
Other Property, Plant and Equipment	833,350.00	0.00
Accumulated Depreciation – Other Property, Plant and Equipment	0.00	750,015.00
Advances to Contractors	2,618,975.30	0.00
Guaranty/ Security Deposits Payable	0.00	250,300.96
Other Payables	0.00	2,210,288.70
Accumulated Surplus	0.00	20,871,472.53

10.78 Inquiry with the Chief, Accounting Section revealed that the balances shown in the table above pertain to another project named Overseas Economic Cooperation Fund (OECF) which was not included in the financial reporting of Fund 102 in the prior years. He recently discovered about the project through the Memorandum issued which indicated that under Region 4B the completed projects are OECF and ICRMP. Accordingly, he decided to present the balances pertaining to OECF project in the All Funds FSs.

10.79 However, the Accounting Section does not have any records to support the transaction as it was an old project.

10.80 Noted was that when the Audit Team requested the source documents for the figures reflected in the Financial Statement considering that there were no supporting documents relative to such project, a Consolidated Post-Closing Trial Balance dated December 31, 2016 for Fund 102 OECF, which was certified by the then OIC, Accounting Section, was submitted to the Office.

10.81 However, reference to the Financial Statements submitted to the Office of the Auditor, and reflected in the Management Letter for year 2016, the figures did not

include Fund 102 OECF as the figures mathematically show, summarized as follows:

Particulars	2016 ML All Funds	Trial Balance of Fund 102 OECF for 2016
Land Improvements	₱ 133,152.86	₱ 10,910,800.00
Buildings	12,008,845.60	11,775,033.32
Accum. Depreciation	1,441,061.47	10,597,529.99
Office Equipment	4,319,916.70	3,988,902.96
Accum. Depreciation	2,633,257.46	3,590,012.66

10.82 This even casts doubt on the purpose why despite the existence of a Trial Balance under Fund 102 OECF in CY 2016, such was not included in the reported CY 2016 Consolidated FS submitted to the Office of the Auditor.

10.83 The abrupt reporting and presentation of balances on Fund 102 without any documents available to support such negatively affects the FSs' faithful representation and reliability, contrary to IPSAS 1. Furthermore, Fund 102 contained high-value PPE accounts which makes it even necessary to be supported with documents related to its transaction.

c. Non-submission of Notes to Financial Statements

10.84 Paragraph 21 of IPSAS 1 provides the components of financial statements:

21. A complete set of financial statements comprises:

- (a) A statement of financial position;*
- (b) A statement of financial performance;*
- (c) A statement of changes in net assets/equity;*
- (d) A cash flow statement;*
- (e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and*
- (f) Notes, comprising a summary of significant accounting policies and other explanatory notes.*

10.85 As such, the Notes to Financial Statements should have been submitted together with the other statements. However, as of the April 15, 2023 the DENR MIMAROPA Regional Office has not submitted yet the year-end Notes to Financial Statement.

10.86 The Notes to Financial Statements are integral part of the FSs and are helpful to the Auditor and users of the FSs by means of providing additional information and clarifications to the items presented in the face of the FSs, as such it is necessary that the Notes be submitted together with the other Financial Statements.

d. The beginning balance of Equity on Statement of Changes in Net Assets/Equity (SCNAE) for CY 2022 is different from the ending balance in CY 2021

10.87 Review of the SCNAE of the DENR MIMAROPA Regional Office disclosed that the Beginning Balance of Equity on current year SCNAE was not equal to the Ending Balance of Equity of CY 2021 SCNAE, with difference amounting to P43,140,055.94. Details are as follows:

Equity Balance at December 31, 2021 (Per SCNAE at CY 2021 Management Letter)	Balance at January 1, 2022 of Equity (Per SCNAE for the year ended December 31, 2022)	Difference
P6,864,774.60	P50,004,830.54	P43,140,055.94

10.88 Further, the DENR MIMAROPA Regional Office did not submit restated FS to the Office of the Auditor for CY 2021, as such, the difference in beginning balance without any disclosure as to its nature affects the fair presentation of the financial statements.

10.89 Inquiry with the Accounting Section revealed that they encountered difficulties in the completion of the FSs due to heavy workload brought about by deadlines set by the Central Office and resignation of the Accountant II.

10.90 We recommended and the Regional Executive Director agreed to instruct the Chief, Accounting Section to:

- a. prepare year-end FSs in comparative format;
- b. submit to the Audit Team all documents supporting the reported balances pertaining to Fund 102;
- c. submit to the Audit Team the Notes to FS and disclose in the Notes all relevant information about the abrupt presentation of the balances of Fund 102
- d. submit satisfactory explanation for the changes in the beginning balance of the Statement of Changes in Net Asset/Equity for All Funds despite the absence of adjustments for CY 2021.

Untraced Confirmation Number in the Intermediary's list of successful transactions

10.91 Confirmation Number of three collections that were recorded in the books cannot be traced in the Intermediary's list of successful transactions in violation of Section 39(b), Chapter 5 of Government Accounting Manual

(GAM) for National Government Agencies (NGAs), Volume I, casting doubt on whether the payment was actually credited to the Government.

10.92 Section 39(b), Chapter 5 of the GAM for NGAs, Volume I states:

The RCD shall be supported by documentary evidence such as duplicate copies of ORS and validated deposit slips

10.93 Considering that the DENR MIMAROPA adopted the e-collections, instead of the Report of Collection and Deposit, the Cashier prepared Summary of Collections and attached with it are the Merchant Payment Inquiry (MPI) coming from the Landbank of the Philippines relating to all the transactions successfully credited to the Government Accounts as a result of the clients payment thru the e-collection system of the Landbank of the Philippines.

10.94 The Summary of Collections is then submitted to the Accounting Section to be recorded in the books as collections.

10.95 However, post-audit disclosed that there were three collections of which the confirmation number cannot be traced in the submitted list of successful transaction from the Landbank of the Philippines, summarized as follows:

Month	JEV Number	Nature of Collections	Total Collections not found in MPI
January 2022	JEV No. 2022-01-0108 dated January 31, 2022	Certification Fees	₱ 570.00
April 2022	JEV No. 2022-04-0550 dated April 30, 2022	Other Service Income (for Technical Description services and Printing Fees)	83,898.00
May 2022	JEV No. 2022-05-0709 dated May 31, 2022	Certification Fees	5,860.00
TOTAL			₱90,328.00

10.96 Inquiry with the Cashier disclosed that all Merchant Payment Inquiry (MPI) were already attached to the Report of E-Collections and Deposits, however, per audit, the Audit Team was not able to trace those transactions in submitted Report.

10.97 Absence of the proof that the transaction was successful, the existence of such transaction is considered doubtful and thus resulting to possible overstatement of collections.

10.98 **We recommended and the Regional Executive Director agreed to instruct the Chief, Cash and Collection Section to:**

- a. **submit documents to support that the three transactions amounting to ₱90,328.00 were successfully credited to the Government; and**

- b. ensure that all collections reports should be traceable to the list of successful transactions provided by the Intermediary

B. COMPLIANCE WITH OTHER LEGAL AND REGULATORY REQUIREMENTS

Erroneous classification of collections without effect in the FS

11. Erroneous classification of collections in violation of Section 5.2.2(g) of COA Circular No. 2021-014 resulted to misclassification of income in the books.

11.01 Section 5.2.2.g of COA Circular No. 2021 -014 provides:

- g. *The designated officer of government entity, based on the submitted LDC and the Certification of Deposit by the intermediary, shall classify the collection based on their respective income classification, revenue code, and fund cluster to prepare the required Report of e-Collections and Deposit via intermediary, Annex E hereof. The designated officer shall, using the Certification portion of Annex E, certify that he/she reviewed and found the details of collections and deposits in order.*

11.02 Audit of the Report of E-Collections and Deposits submitted by the Collecting Officer showed various errors in the recording of collections by the Accounting Section as a result of the misclassification of collections by the Collecting Officer.

11.03 The classification of the collection made by the Collecting Officer was different from the classification in the Order of Payment, as a result, there were misclassification of collections made by the Accounting Section, which relied on the summaries made by the Collecting Officer.

11.04 Summarized below are the collections misclassified in the records:

JEV No.	Per Record in the Books		Per Record in the Order of Payment	
	Account Name	Amount	Account Name	Amount
2022-01-0108	Other Service Income	P660.00	Clearance and Certification Fee	P50.00
			Miscellaneous Income	690.00
			Accounts Receivable	80.00
2022-02-0234A	Other Service Income	1,360.00	Miscellaneous Income	1,360.00
2022-02-0233A	Other Service Income	80.00	Miscellaneous Income	80.00
2022-03-415A	Other Service Income	175.00	Miscellaneous Income	175.00
2022-03-417A	Clearance and Certification Fee	1,795.00	Other Service Income	885.00
			Miscellaneous Income	925.00
			Accounts Receivable	15.00
2022-04-0550	Clearance and	500.00	Other Service Income	500.00

	Certification Fee			
2022-05-0706	Other Service Income	100.00	Miscellaneous Income	100.00
2022-05-0709	Clearance and Certification Fee	3,005.00	Other Service Income	2,980.00
			Accounts Receivable	25.00
2022-06-1014A	Miscellaneous Income	65.00	Clearance and Certification Fee	50.00
			Other Service Income	15.00
2022-07-1178A	Other Service Income	95.00	Miscellaneous Income	95.00

11.05 Although the net effect does not affect the fair presentation of the financial statement, however, it would be better to correctly classify the reported collections so as to accurately disclose the total collections per fees.

11.06 We recommended and the Regional Executive Director agreed to instruct the Chief, Cash and Collection Section to ensure that all Report of e-Collections and Deposits are accurate in order to prevent erroneous recording of transactions.

Collections not supported with Order of Payment

12. Collections amounting to ₱13,697.00 were not supported with Order of Payment which is not in compliance with Item A of Appendix 28 of GAM for NGAs, Volume II, and the e-payment process of DENR MIMAROPA, thus the propriety of the classification of fees cannot be ascertained.

12.01 Item A of Appendix 28 of GAM for NGAs, Volume II, on the preparation of Order of Payment provides:

A. The Accounting Division/Unit shall prepare this form based on a Bill and it shall be prepared for each payor.

12.02 Moreover, the e-payment process of DENR MIMAROPA, as posted on their website, provides the following procedures:

The concerned Division will prepare the Order of Payment then forward the Order of Payment to the Finance Division for proper recording and signing of Regional Accountant. Xxx

Finance Division will email to concerned divisions the recorded and signed Order of Payment.

The Concerned division will scan and email back to the Client the signed and controlled Order of Payment and submit to the Cashier's Section the original and duplicate copy of the signed and controlled Order of Payment.

12.03 Audit revealed that the following collections were not supported with Orders of Payment but were recorded as follows:

Month	Collection Report No./ JEV No.	Nature of Collections Per OR	Income Reported Per Accounting			
			Clearance and Certification Fees	Other Service Income	Credit to Accounts Receivable	Total
June 2022	2022-06-21/ JEV 2022-06-1013A	Certification Fees	₱50.00	₱920.00	₱0.00	₱ 970.00
	2022-06-02/ JEV 2022-06-0994A	Certification, Technical Description and Other Services	500.00	45.00	50.00	595.00
July 2022	2022-07-12 JEV 2022-07-1140	Certification Fees	175.00	0.00	0.00	175.00
	2022-07-07 JEV 2022-07-1135	Certification Fees	800.00	250.00	0.00	1,050.00
	2022-07-09 JEV 2022-07-1137	Certification Fees	4,000.00	765.00	0.00	4,765.00
	2022-07-10 JEV 2022-07-1138	Certification Fees	2,150.00	485.00	0.00	2,635.00
	2022-07-11 JEV 2022-07-1139	Certification Fees	2,000.00	355.00	0.00	2,355.00
	2022-07-13 JEV 2022-07-1141	Certification Fees	375.00	85.00	0.00	460.00
August 2022	2022-08-05 JEV 2022-08-1301	Certification Fees	50.00	0.00	0.00	50.00
September 2022	2022-09-013 JEV 2022-10-1814	Verification Fees	0.00	642.00	0.00	642.00
TOTAL			₱10,100.00	₱3,547.00	₱50.00	₱13,697.00

12.04 The absence of Order of Payment made it difficult to determine whether the classification of income recognized were appropriate for the transaction.

12.05 We recommended and the Regional Executive Director agreed to instruct the Chief, Cash and Collection Section to ensure that all transactions are supported with Orders of Payment to determine the propriety of income classification of each transactions.

Non-deduction of Tardiness incurred by COS personnel

13. Tardiness incurred by the COS personnel were not deducted from their respective payroll totaling ₱126,265.12 contrary to Section 2 of Presidential Decree (PD) No. 1445, thus providing payments to personnel even though services were not rendered.

13.01 Section 2 PD 1445 provides:

Section 2. Declaration of Policy. 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 be 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 is faithfully adhered to rests directly with the chief or head of the government agency concerned.

13.02 Furthermore, the contracts entered by the DENR MIMAROPA Regional office with COS Personnel for the period June to December 2021 and January to June 2022 provide that the latter shall receive their respective daily rates for every eight hours of service rendered.

13.03 Audit shows that from January to March 2022, payments amounting to ₱2,596,678.26 were made for services rendered by COS Personnel for the period December 16-31, 2021 to March 2022. Review of Daily Time Records (DTRs) and other supporting documents revealed that tardiness incurred by the COS personnel totaling 1,222 hours and 26 minutes were not deducted from the payroll, thus, resulting in excess payments amounting to ₱126,265.12, as shown in the table below:

Period	Number of Hours and Minutes Paid but not Rendered	Amount of Excess Payment		Total Amount of Excess Payments
		Non-deduction of Tardiness	Insufficient Deduction of Tardiness	
December 16-31, 2021	323 hours and 19 minutes	₱ 34,732.24	₱ 0.00	₱ 34,732.24
January 2022	436 hours and 30 minutes	43,359.96	0.00	43,359.96
February 2022	439 hours and 3 minutes	45,598.29	0.00	45,598.29
March 2022	23 hours and 34 minutes	186.53	2,388.10	2,574.63
Totals	1,222 hours and 26 minutes	₱123,877.02	₱2,388.10	₱126,265.12

13.04 Inquiry with the Management revealed that since the pandemic period started, the Regional office adopted shortened working hours for all personnel, which was implemented until February 2022. Under the reduced work hours, the personnel should render at least six work hours, morning entries should not be later than 10:00 A.M. and afternoon out entries should not be earlier than 3:00 P.M. Normal flexible working hours resumed on March 2022 when Metro Manila was placed under Alert Level 1 by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases. However, both the adoption of shortened working hours and resumption of normal working hours were communicated verbally and no written Memorandum or policy regarding the matter was prepared and approved.

13.05 Assuming that there was indeed an adoption of shortened working hours, the Audit team observed that from December 2021 to February 2022, several entries in the DTRs of COS personnel were inconsistent with the shortened working hours, yet undertimes were not deducted from the payroll. This indicates that the said

policy was not actually implemented and monitoring of COS attendance was not in place.

- 13.06 It was also noted by the Audit Team that tardiness were deducted from the wages of COS personnel in March 2022 payroll but were less than the actual number of hours reflected in their DTRs, resulting in excess payment of ₱2,574.63. Details are summarized in the table below:

Analysis of Excess Payments for March 2022				
Division	Hours of Tardiness Incurred (hh:mm)			Excess Payment
	Per Payroll	Per Audit	Difference	
NGP	5:09	14:35	9:26	₱1,146.17
Administrative Division	8:48	13:34	4:46	384.91
Conservation and Development Division (CMD)	5:36	8:37	3:01	363.73
Office of the Regional Director	7:09	9:37	2:28	285.85
Office of ARD-TS	0:00	0:20	0:20	37.17
Planning and Management Division	3:30	5:15	1:45	177.25
Finance Division	0:00	1:25	1:25	149.36
Enforcement Division	2:37	3:00	0:23	30.19
TOTALS	32:49	56:23	23:34	₱2,574.63

- 13.07 The above discrepancies include tardiness recognized for morning entries after 9:00 A.M on Mondays instead of 8:00A.M which was inconsistent with their policy that every Monday, a personnel should time in before 8:00 AM for the flag ceremony. Those personnel coming in beyond 8:00 AM are considered late.
- 13.08 Walkthrough of transactions showed that the payrolls of COS personnel were processed by the Personnel Section and were certified by the Chief Administrative Officer that the services have been rendered as stated. The payrolls were reviewed by the Accounting Section while processing for payment. Despite these controls established by the Agency, substantial number of hours of undertime were not reflected in the payroll and not deducted accordingly from the wages resulting in payment of service hours which were not actually rendered by the COS personnel.
- 13.09 **We recommended that the Regional Executive Director instruct the Chief Administrative Officer to submit satisfactory explanation for non-deduction of tardiness incurred by COS Personnel.**
- 13.10 **We further recommended that the Regional Executive Director direct the Chief, Accounting Section to submit basis for the implementation of shortened work hours.**
- 13.11 Management in a letter dated March 2, 2023 submitted various Regional Memorandum Orders.

13.12 The Audit Team requested during the exit conference for the submission of the specific documents necessary for the evaluation of the implementation of the shortened work hour to which the Management agreed to comply.

Delayed submission of Government Contracts

14. **Copies of 46 perfected contracts and Purchase Orders and supporting documents totaling ₱3,902,409.06 were not furnished the Auditor within five working days from execution/issuance thereof, contrary to Section 3.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009, thus hindering timely review and appropriate evaluation by the Auditor and prompt information to Management of defects or deficiencies.**

14.01 Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009 stated that:

3.1.1 Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. xxx.

14.02 Further, Section 3.2.1 of the same Circular provides that:

3.2.1 A copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned. xxx.

14.03 Records of this Office shows that from January 1 to December 12, 2022, 46 copies of contracts, Purchase Orders and Job Orders of DENR MIMAROPA Regional Office amounting to ₱3,902,409.06 for the procurement of various goods and services, and lease of venues were not furnished the Auditor within the prescribed period, with delays ranging from one to 83 days, as presented below, contrary to Section 3.1.1 and 3.2.1 of COA Circular No. 2009-001 dated February 12, 2009:

Document	Quantity of Contracts, Purchase Orders and Job Orders with Delayed Submission	Amount	Range of Delay (Working Days)
Contracts and Agreements	9	₱1,392,630.00	2 to 83
Purchase Orders	23	1,542,189.06	1 to 28
Job Orders	14	967,590.00	1 to 17
Totals	46	₱3,902,409.06	

14.04 Inquiry with the OIC-Chief, Procurement Section revealed that the delay in the submission of the contracts was due to the absence of signatories and approving

officials of these contracts and supporting documents attached thereto, who were usually on official travel to the vicinities of Provincial Environmental Natural Resources Offices (PENROs). It was also stated that the Procurement Section encountered difficulties in coordinating with the suppliers to receive and sign their respective contracts/Purchase Orders/Work Orders, Notices of Award and Notice to Proceed.

14.05 Moreover, a Purchase Order and a Job Order amounting to ₱8,360.00 and ₱248,000.00, respectively, do not bear the date of receipt by the supplier which resulted in difficulty in determining the reckoning point of actual execution of the contract.

14.06 Furthermore, when a Purchase Order amounting to ₱39,380.00 was submitted to the Audit Team, it was observed that the original file and file copies of the Purchase Order and Notice to Proceed have date stamped on the receipt by the supplier, but the same was not found on the advance copy furnished to the Audit Team. This casts doubt on whether the date stamped therein was the actual date of receipt by the supplier or not.

14.07 Consequently, the timely review of the contracts were not undertaken accordingly, as such, deficiencies noted, if any, were not communicated immediately to the Management for them to institute appropriate corrective/remedial measures.

14.08 **We recommended that the Regional Executive Director direct the OIC-Chief, Procurement Section to:**

- a. **Coordinate with the signatories of the documents and set a schedule for the signing thereof in order to facilitate the submission of copies of contracts, Purchase Orders, and Job Orders together with the documents forming part thereof, to the Auditor within five working days from execution, pursuant to COA Circular No. 2009-001 dated February 12, 2009, thus, facilitating the timely review and evaluation of the same, so that Management could be immediately notified of any defects/deficiencies, if any; and**
- b. **Require the supplier to indicate in their own handwriting the date of their receipt of contracts, Purchase Orders, and Job Orders as well as the date of receipt of Notice to Proceed, so that the reckoning period for the execution of contracts would reliably be determined**

14.09 Management, in their letter-reply, informed the Audit Team that the Chief Procurement Section was already instructed to coordinate with the signatories of the documents and refrain from accepting undated documents, and require the suppliers to indicate in their own handwriting the date of their receipt of contracts, POs, and JOs.

Implementation of Prior Years' Recommendation without effect in the fair presentation of the FS

15. Out of 41 prior years' recommendations, ten audit recommendations or 24.39% were not implemented in view of: (4) there is still an unutilized cash allocation of ₱11,289,853.18; (5) there are still cash advances outstanding as of year-end amounting to ₱110,557.00; (6) unadjusted erroneous entries on Advances to Officers and Employees account amounting to ₱2,961.54; (7) non-maintenance of subsidiary ledgers for various accounts of the Agency; (8) bank reconciliation statements still not prepared and submitted to the Office of the Auditor, in violation of Section 7.1.1 of the 2009 Rules and Regulations on the Settlement of Accounts and thus affecting Management's commitment to present fairly the financial statements and comply with the audit recommendations.

15.01 Section 7.1.1 of the 2009 Rules and Regulations on the Settlement of Accounts disclosed the responsibilities of the Agency Head and one of it is:

(d) appropriate actions are taken on the deficiencies noted as contained in the AOM.

15.02 Evaluation of the status of implementation of prior years' audit recommendations by the DENR MIMAROPA Regional Office revealed that ten recommendations, as discussed hereinafter were not implemented as of December 31, 2022:

4. *Unutilized cash allocations of ₱11,289,853.18.*

15.03 Department of Budget and Management (DBM) Circular Letter No. 2019-3 dated January 4, 2019 provides the guidelines covering the crediting and validity of Notice of Cash Allocation (NCA) for Regular Modified Disbursement System (MDS) Sub-Accounts effective first quarter of FY 2019 and onwards. Sections 2.1 and 2.3 of the Circular provide in part that:

2.1 All NCA releases for Regular MDS Sub-Accounts, to be credited for any month, whether part of the comprehensive releases or constituting additional NCA releases, shall continue to be valid until the last working day of the 3rd month of the quarter covered.

2.3 It is understood that all NCA balances of regular MDS Sub-Accounts at the end of each quarter are considered lapsed after the last working hour of said quarter.

15.04 The CY 2021 ML stated that the Regional Office had unutilized cash allocations amounting to ₱40,204,352.06, and recommended the Regional Executive Director to, henceforth maximize the utilization of Notice of Cash Allocations (NCAs) and

Notice of Transfer of Allocation (NTAs) by closely supervising and monitoring the work of the Divisions charged with the implementation of the various activities of the agency.

- 15.05 Verification of the Monthly Report of Disbursements (MRD) showed that for January to December 31, 2022, the Regional Office received disbursement authorities in the form of NCAs and NTAs and TRA totaling ₱279,294,684.21, out of which ₱29,438,206.99 was issued to PENROs through NTAs, leaving available disbursement authorities amounting to ₱249,856,477.22, of which only ₱238,566,624.04 was utilized. The unused cash allocation amounting to ₱11,289,853.18 which represents 4.52 percent of the total allocations lapsed and was reverted to the Bureau of Treasury (BTr), which is not in conformity with the aforecited guidelines, details shown below:

Particulars	As of December 31, 2022		
	Fund 101	Fund 184	Total
Disbursement Authorities Received	₱220,919,604.21	₱58,375,080.00	₱279,294,684.21
Less: NTAs Issued	29,438,206.99		29,438,206.99
Disbursement Authorities Available	₱191,481,397.22	₱58,375,080.00	₱249,856,477.22
Used Cash Allocations	180,191,544.04	58,375,080.00	238,566,624.04
Reverted to BTr	₱ 11,289,853.18	₱ 0.00	₱ 11,289,853.18
% Unutilized	5.90%	0.00%	4.52%

- 15.06 Despite the decrease in the lapsed cash allocation to ₱11,289,853.18, the amount is still significant and has impact to the implementation of the various activities of the agency.

5. *Outstanding cash advances amounting to ₱110,557.00*

- 15.07 Section 5.7 of COA Circular No. 97-002 dated February 10, 1997 provides that:

“5.7 When a cash advance is no longer needed or has not been used for a period of two (2) months, it must be returned to or refunded immediately to the collecting officer.”

- 15.08 The CY 2021 ML stated that cash advances amounting to ₱314,500.00 which were granted in CY 2020 to various DENR MIMAROPA Regional Office officials and employees for their relocation allowance despite an existing court injunction remained outstanding as of December 31, 2021 contrary to Section 5.7 of COA Circular No. 97-002 dated February 10, 1997. Moreover, erroneous journal entries made in previous years remained unadjusted as of December 31, 2021 resulting in negative balances in the Advances to Officers and Employees account of ₱5,191.54.

15.09 The Audit Team recommended and the Regional Executive Director agreed to require the employees with outstanding cash advances for the relocation allowance to immediately refund the same. The Audit Team further recommended that the Regional Executive Director direct the Chief, Accounting Section to prepare the necessary adjusting entries to correct the errors made in order to reflect the correct balance of the Advances to Officers and Employees account.

15.10 Monitoring and validation of status of prior years' implementation of audit recommendations revealed that cash advances for relocation allowances amounting to ₱110,557.00 remained outstanding as of December 31, 2022. This consists of the relocation allowances of Mr. Sanny Suliba, who availed optional retirement in March 2022 and Mr. Edsel Valencia, who died in November 2020.

15.11 Thus, it is necessary to deduct the amounts outstanding from their retirement or leave benefits claims so that the said relocation allowance could be returned to the government funds.

6. Non-maintenance of Subsidiary Ledgers for various accounts of DENR MIMAROPA Regional Office.

15.12 Section 111(1) of P.D. No. 1445 states that:

1. The accounts of an agency shall be kept in such detail as is 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.

15.13 Furthermore, Chapter 2, Section 12 of the GAM for NGAs, Volume I provides the books of accounts and registries of NG entities, as follows:

a. xxx

b. Ledgers

1. General Ledgers (Appendix 5)

2. Subsidiary Ledgers (Appendix 6)

c. xxx

15.14 The Status of Implementation of Prior Years' Audit Recommendations (SIPYAR) in the CY 2021 ML include a partially implemented recommendation to maintain the Subsidiary Ledger for each account per fund cluster.

15.15 The Chief, Accounting Section submitted a Subsidiary Ledger for the Due from National Government Agencies (NGAs) account, which was updated as of

November 30, 2022. However, for the other accounts presented in the CY 2022 financial statements, no Subsidiary Ledgers were maintained. In addition to absence of Subsidiary Ledgers, the journal entries for non-cash transactions together with the supporting documents and General Journal for December 2022 were not submitted. Consequently, the accuracy of the reported balances of each of the accounts cannot be immediately ascertained.

7. Bank Reconciliation Statements still not prepared and submitted

15.16 The following are the pertinent provisions of GAM for NGAs, Volume I, Chapter 21, covering the preparation of the bank reconciliation statements (BRS) for “Cash in Bank” and “Cash-Modified Disbursement System (MDS)” accounts:

Sec. 4. Method of Bank Reconciliation. The monthly BRS shall be prepared by the Chief Accountant/ designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. Under this method, the book balance and the bank balance are brought to an adjusted cash balance that must appear on the Statement of Financial Position.

Sec. 5. Preparation of the Bank Reconciliation Statement. The Chief Accountant/ Designated Staff shall within ten days from receipt the monthly Bank Statement (BS) together with the paid checks, original copies of Debit Memoranda (DM)/ Credit Memoranda (CM) from the GSB, reconcile the BS with the GL and prepare the BRS in four copies.

Sec. 6. Recognition of Adjustments. The Chief Accountant/ Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.

15.17 During CY 2019, the Audit Team noted that the accuracy and reliability of the reported balance as of December 31, 2019 of the Cash in Bank – Local Currency, Current Account (CIB-LCCA) amounting to ₱8,725,943.91 under Fund 101 – Trust Fund could not be ascertained in view of the discrepancy between the book and bank balances amounting to ₱2.651 million, due to the non-preparation of the Bank Reconciliation Statements (BRS) for CY 2019 and prior years, inconsistent with Chapter 21 of the GAM for NGAs, Volume I.

15.18 The Audit Team recommended that the Regional Executive Director to: (1) cause the completion of the reconstruction of the BRS for LBP Account under Fund 101 – Trust Fund for CYs 2014 and 2015 and prepare immediately the monthly BRS for the said bank account for CYs 2017 to 2019; (2) submit to the Audit Team the subject BRS, together with the monthly BS, paid checks, original copies of Debit Memoranda (DM)/ Credit Memoranda (CM) for verification and prepare a JEV to recognize all identified book reconciling items as warranted; and (3) prepare and submit to the Audit Team the monthly BRS within twenty (20) days

after receipt of the monthly Bank Statements (BS) for the bank accounts recommended to be closed until the actual closure of the accounts.

15.19 Verification revealed that the Chief, Accounting Section submitted BRS for CYs 2017 to 2019. However, the BRS for CYs 2014 and 2015 were not prepared since no records such as Bank Statements were found to support and facilitate the reconciliation of the bank account.

15.20 Moreover, due to the COVID-19 pandemic, the BRS for CY 2020 were not submitted to the Audit Team until its closure on November 2020 and the balance per bank was remitted to the Bureau of Treasury. Therefore, the three aforementioned recommendations remained not implemented as of December 31, 2022.

15.21 Failure to prepare the BRS will prevent the detection of possible fraud in the transactions which transpired during the periods that the bank account is still open and active.

15.22 **We reiterated with modifications our prior years' recommendations and the Regional Executive Director agreed to:**

a. instruct the Chief, Accounting Section to:

- i. collect the outstanding relocation allowances from the responsible persons;**
- ii. maintain the Subsidiary Ledger for each account per fund cluster to enable them to support the balances in the General Ledger and Financial Statements and timely detect accounting errors for prompt and accurate adjustment as necessary; and**
- iii. cause the completion of reconstruction of the BRS for LBP Account under Fund 101 – Trust for CYs 2014, 2015 and 2020 and submit the same together with the copy of paid checks, and original copies of Debit Memoranda (DM)/ Credit Memoranda (CM) for verification and prepare a JEV to recognize all identified book reconciling items as warranted**

b. henceforth maximize the utilization of NCAs/NTAs to be released to the Regional Office by closely supervising and monitoring the work of the Divisions, thru the OIC-Chief, Planning and Management Division, charged with the implementation of the various activities of the agency

Hiring of and payment to job orders, contractual and consultants

16. Seventy three(73) individuals covered with Contract of Service (COS) or Job Order (JO) as of December 31, 2022 were hired on a semestral basis, in accordance with CSC COA DBM Joint Circular No. 1 dated June 15, 2017, as updated by CSC COA DBM Joint Circular No. 2, s 2020, dated October 20, 2020. Their salaries were charged against Maintenance and Other Operating Expenses (MOOE) in the total amount of ₱13,017,097.34 as authorized under DBM Circular Letter (CL) No. 2013-5 dated July 22, 2013.

Non-compliance with Procurement Law

- 17. Payment for Job Order Request for lease of venue amounting to ₱ 23,400.00 was paid in violation of Section 4(2) of Presidential Decree (PD) No. 1445 thus considered unnecessary under COA Circular No. 2012-003 dated October 29, 2012.**

17.01 Section 4(2) of Presidential Decree (PD) No. 1445 states that Government funds or property shall be spent or used solely for public purpose.

17.02 Audit of the Job Order Request contracts made by DENR Region Office showed that one of the activities charged to the agency was the “Hats-Off! A Recognition of Public Service and Leadership Excellence for ARD Vicente B. Tuddao, Jr. and PENRO Manuel T. Escasura”.

17.03 The cost breakdown is as follows:

Particulars	Rate	Quantity	Total
1 Superior Queen	2,700.00/night	1 room	₱ 2,700.00
1 Superior Twin	2,700.00/night	1 room	2,700.00
1 Superior Triple	3,000.00/night	1 room	3,000.00
Meeting Package	15,000.00 good for 15 persons		15,000.00
TOTAL			₱23,400.00

17.04 The meeting package is inclusive of dinner, use of function room for four (4) hours, flowing coffee or tea. Although the celebration is to recognize the public service and leadership excellence of two individuals, however, there was no necessity to conduct the celebration in a hotel with accommodation for six employees and attended only by 15 individuals.

17.05 The payment is considered unnecessary as defined under COA Circular No. 2012-003 dated October 29, 2012, as follows:

Expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary

expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary. (emphasis supplied)

17.06 We recommended that the Regional Executive Director instruct the Chief, Accountant to provide satisfactory explanation and legal basis for the payment of the lease of venue with accommodation. In the absence of any basis, refrain from paying similar transactions.

17.07 Management commented that the activity was not only for the purpose of the recognition of the Public Service and Leadership Excellence for ARD Vicente B. Tuddao, Jr. and PENRO Manuel T. Escasura, but there was actually an FDU meeting on that day and that the recognition was only incidental to that meeting. Management further commented that they will submit the documents and legal basis for the payment of the lease of venue.

17.08 The Audit Team informed the Management that there were no supporting documents that suggest that there was a meeting on that day. The documents to be submitted will be evaluated by the Audit Team.

18. Conduct of live-in seminars amounting to P661,400.00 wherein most of the participants are assigned in Metro Manila is inconsistent with Section 2 of Presidential Decree (PD) No. 1445 and thus considered unnecessary under COA Circular No. 2012-003 dated October 29, 2012.

18.01 Section 2 of Presidential Decree (PD) No. 1445 states that:

“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 is faithfully adhered to rests directly with the chief or head of the government agency concerned.”

18.02 Audit disclosed that the Agency conducted four live-in seminars/trainings during the year. The total amount of P661,400.00 was paid to hotels and venue for the said live-in seminars wherein except for the Orientation for the Preparation of Project Proposal of which out of the 25 participants, 14 are assigned in the DENR

Regional Office/Metro Manila, the participants to the other three live-in seminars are assigned in the DENR Regional Office/Metro Manila, summarized as follows:

Hotel	Seminar	Cost of Live-In Seminar	Cost of Live Out Seminar	Difference
Swiss-BelHotel Blulane	Re-Orientation Procurement Process	P 290,400.00	P 145,200.00 (P1,100.00/pax per day)	P 145,200.00
Bayview Hotel	Updating of DENR-EMB-MGB MIMAROPA Regional Office transfer plan	92,000.00	P 72,800.00 (P11,400.00/ pax per day)	19,200.00
Bayview Hotel	In-house validation of CY 2021 Accomplishment and Means of Verifications	110,000.00	P 61,600.00 (P1,400.00/ pax per day)	48,400.00
Red Hotel	Orientation for the preparation of Project Proposal for Funding under the Foreign- Assisted and Special Projects Services	169,000.00		(No breakdown)
TOTAL		P661,400.00		P212,800.00

18.03As can be seen above, live-out seminar is considered more economical to the Government. Further, the DENR Regional Office has a guest house located in the 2nd Floor of the DENR building that can accommodate those coming from the provinces, as such, live-in seminars is not the most economical mode of conducting the seminars.

18.04The conduct of live-in seminars in Metro Manila even though most of the participants are assigned in Metro Manila is considered unnecessary under COA Circular No. 2012-003 dated October 29, 2012.

18.05 We recommended that the Regional Executive Director instruct the Chief, Accounting Section to provide satisfactory explanation for the necessity to conduct live-in seminars. In the absence of any basis, refrain from paying similar transactions.

18.06Management commented that the guest house cannot accommodate all participants from the PENROs. Further, live-in seminars is more beneficial to the participants as they are mentally and physically rested for having to avoid travel time and traffic thus, participants learn more in the seminars. Management also assured the Audit Team that they will submit satisfactory explanation for the necessity to conduct live-in seminars.

18.07 The documents to be submitted will be evaluated by the Audit Team.

Deficiencies in the procurement process for lease of venue

19. **Deficiencies noted in the procurement process for lease of venue such as (a) absence of justification from the End-User that resorting to private venue is more efficient and economical to the government; (b) absence of the Bids and Awards Committee (BAC) Resolution recommending to the HOPE the award of the contract; (c) failure to post the Notice of Award, Contract, and Notice to Proceed if necessary, in the Philippine Government Electronic Procurement System (PhilGEPS) within ten days from their issuance, in violation of Items IV(L)(1a) and 2 and V.9(b)(i) and IV(L)(1a) and 2, respectively, of Annex H of the 2016 Revised Implementing Rules and Regulations of RA 9184, hence, defeating the purpose of economical, transparency, and other control measures in the procurement process.**

19.01 Item V (D)(9)(b)(i) or the Specific Guidelines for Negotiated Procurement, specifically Lease of Real Property and Venue states:

V. Specific Guidelines

xxx

D. Negotiated Procurement

xxx

9. Lease of Real Property and Venue

xxx

b. Policy Consideration

i. Publicly-owned vis-à-vis privately owned real property and venue

It is preferred that government agencies lease publicly-owned real property or venue from other government agencies.

If there is an available publicly-owned real property or venue that complies with the requirements of the Procuring Entity, it may enter into a contract of lease with the government-agency owner.

In the event that the Procuring Entity would resort to privately-owned real property, or venue, the End-user unit shall justify that the same is more efficient and economical to the government.
(emphasis supplied)

19.02 Items IV(L)(1a) and 2 of Annex H of the 2016 RIRR of RA 9184 provide the following:

Item IV. General Guidelines

L. Notice of Award; Contract Approval; Notice to Proceed

1. Except in Shopping, and Negotiated Procurement through Emergency Cases, Agency-to-Agency and Small Value Procurement, the following procedures shall apply in the issuance of the Notice of Award (NOA), Contract/Purchase Order (PO) and Notice to Proceed (NTP) for the Alternative Methods of Procurement identified in this Guidelines, thus:

a. The BAC shall recommend to the HOPE the award of contract. Within a period not exceeding fifteen (15) calendar days from receipt, the HOPE shall approve or disapprove the BAC's recommendation. In this case of approval, the HOPE shall immediately issue the NOA to the Supplier, Contractor or Consultant. In the event the HOPE shall disapprove the recommendation, such disapproval shall be based only on valid, reasonable, and justifiable grounds to be expressed in writing, addressed to the BAC.

xxx

*2. **Posting of Notice of Award, Contract and Notice to Proceed.** Unless the contract involves and affects national security as determined by the HOPE in accordance with Section IV(D) of this Guidelines, the BAC, through its Secretariat, shall post the NOA, Contract/PO, including the NTP if necessary, for information purposes, in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity within ten (10) days from their issuance, except for contracts with ABC of Fifty Thousand Pesos (₱ 50,000.00) and below.*

19.03 Audit of the procurement process for lease of venue disclosed the following observations:

*a. **Absence of justification from the end-user that resorting to privately-owned venue is more efficient and economical to the government***

19.04 All procurement of lease of venue were not supported with a justification from the end-user that resorting to privately-owned venue is more efficient and economical to the government, which is in violation of Item V.(9)(b)(i) of the 2016 RIRR of RA 9184.

19.05 The Agency resorted to privately-owned venue directly. Further, it was noted that procurement of lease of venue for live-in seminars were not more economical to the government considering that the participants are assigned in the Regional Office. Also, the DENR has a guest house that can accommodate those coming from the Provinces, as such live-in seminars are not more economical to the government.

b. Absence of the BAC Resolution recommending to the HOPE the award of the contract

19.06 As stated in Item IV (L) (a) of Annex H of the RIRR of RA 9184 above, the BAC shall recommend to the Head of the Procuring Entity the award of contract and within a period not exceeding fifteen (15) calendar days from receipt, the HOPE shall approve or disapprove the BAC's recommendation.

19.07 Review of disbursement vouchers for the payment of lease of venue showed that there was no BAC Resolution recommending to the HOPE the award of the contract contrary to the above provision of law.

19.08 Inquiry with the Chief, Procurement Section disclosed that they thought that the signature of the Regional BAC (RBAC) Chairman in the Abstract of Quotation would suffice hence, the absence of the said BAC Resolution.

19.09 We recommended and the Regional Executive Director agreed to instruct the Chief, Procurement Section to:

- a. submit justification that resorting to privately-owned venue or lease of venue is more efficient and economical to the government; and**
- b. submit explanation on the absence of BAC Resolution recommending to the HOPE the award of the contracts**

Poor planning in the conduct of various seminars/training

20. Poor planning in the conduct of various seminars/training resulted in waste of government funds amounting to P99,470.00 inconsistent with Section 2 of Presidential Decree No. 1445, thus incurring unnecessary expenditure as defined in COA Circular No. 2012-003 dated October 29, 2012.

20.01 Section 2 of Presidential Decree (PD) No. 1445 states that:

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 is faithfully adhered to rests directly with the chief or head of the government agency concerned.

20.02 During the year, the Agency conducted various seminars/trainings. Audit of the transactions disclosed the following observations:

Details	No. of Participants Booked	No. of Participants in the Regional Special Order	No. of Participants Present	Cost per participant as indicated in the Billing issued by the Hotel
Technical Review on the Performance Evaluation	30 pax	No fix number	26 pax (3 without signature in the attendance sheet)	1,700.00/ pax
Status of Implementation of CAAR	30 pax	No fix number	28 pax	1,685.00/ pax
1 st FDU Meeting	25 pax	23 pax	25 (2 not in the RSO; 4 have no signature in the attendance sheet)	1,350.00/ pax
Assessment and Re-Orientation of DENR MIMAROPA Procurement Process	44 pax	44 pax	1 st day – 34 pax; 2 nd day – 36 pax; 3 rd day – 35 pax	1 st and 2 nd day – 2,750.00/ pax; 3 rd day – 1,100.00 / pax
In-House Validation	22 pax	22 pax	1 st day – 19 pax; 2 nd day – 20 pax	2,500.00 / pax/day
3 rd Mancon	55 pax; 65 pax for buffet dinner (last day)	55 pax	65 for the buffet dinner (last day)	650.00/pax
Writeshop for master plans of three (3) green economy models	13 pax live-in; 12 live-out (25 pax)	37 pax (RSO was dated May 17, 2022 while the seminar was conducted on May 12-13, 2022)	1 st day – 30 pax; 2 nd day – 37 pax (6 not in the RSO; 1 name appearing twice with different signatures)	No breakdown as no data was indicated in the billing.

20.03 As such, the following are considered unnecessary expenses:

Details	Per Person Cost	Excess booking	Total unnecessary expenses
Technical Review on the	₱ 1,700.00/pax	4 pax	₱6,800.00

Performance Evaluation			
Status of Implementation of CAAR	1,685.00/pax	2 pax	3,370.00
1 st FDU Meeting	1,350.00/pax	6 pax (2 excess; 4 not present)	8,100.00
Assessment and Re-Orientation of DENR MIMAROPA Procurement Process	2,750.00/pax	10 not present	27,500.00
	2,750.00/pax	8 not present	22,000.00
	1,100.00/pax	9 not present	9,900.00
In-House Validation	2,500.00/pax	3 not present	7,500.00
		2 not present	5,000.00
3 rd Mancon	2,800.00/pax	Additional room	2,800.00
	650.00/pax	10 pax additional for dinner	6,500.00
TOTAL			P99,470.00

20.04 Noted is the fact that the Agency favored live-in seminars, which is expensive, as such, proper planning should have been conducted so as not to result in wastage of government funds. However, the Job Order Request from the end-users states only estimates on the expected number of participants which only shows that participants are not yet determined upon request thus the quotation and booking are always on the estimated maximum number of participants.

20.05 Further, it was noted that most of the Regional Special Orders (RSOs) are issued only days before the training/seminar or for one, issued after the seminar, as such, some participants were unable to attend because they were on leave or on official travel. Poor planning in the conduct of seminars/training resulted to unnecessary expenditure.

20.06 We recommended that the Regional Executive Director instruct the Chief, Human Resource Development to properly plan the conduct of trainings/seminars by determining the target participants and issuing the RSOs weeks before the conduct of training to ensure optimum attendance and prevent wastage of government funds.

20.07 Management commented that the reason for others who failed to attend was because of the conflict of schedule from the DENR Central Office seminars. It was disclosed that during the months of October to December, the DENR Central Office conducted various seminars of which some employees of DENR MIMAROPA were included in the list of participants, thus, some have been pulled-out from the seminars conducted by the Region. They also informed the Audit Team that they will submit all the necessary documents to support the statement.

20.08 The documents to be submitted will be evaluated by the Audit Team.

Deficiencies in the Procurement of Meals

21. The procurement of meals amounting to **P42,075.00** served in various meetings and seminars is in violation of Item V(8)(b)(ii) of Annex H of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 for failure to send Request for Quotation to at least three suppliers and thus considered irregular under COA Circular No. 2012-003 dated October 29, 2012.

21.01 Item V(8)(b)(ii) of Annex H of the RIRR of RA No. 9184 provides that *The BAC shall prepare and send the RFQs/RFPs to at least three (3) suppliers, contractors, or consultants of known qualifications.* xxx. (emphasis supplied)

21.02 In the audit of procurement of foods served in various meetings and seminars, the Audit Team noted that one of the suppliers, Kilusang Koooperatiba ng People's Television, to which the Agency sent RFQ, thru electronic email, is doubtful to have been engaged in food services as no information related thereto can be found.

Particular	Suppliers who were sent RFQ	Winning Bid	Amount
Packed Meals for the Conduct of 1st DENR ONE MIMAROPA RMC	Meyer's Foods and Services Inc.; Kall Food Services; Kilusang Koooperatiba ng People's Television	Meyer's Foods and Services	P 16,500.00
Packed Meals for the Conduct of Virtual Orientation on Policy Guidelines and Procedures for the Formulation Trip	Meyer's Foods and Services Inc.; Kall Food Services; Kilusang Koooperatiba ng People's Television	Meyer's Foods and Services	P 6,325.00
Packed Meals for the Conduct of Virtual Cascading on the Preparation of FY 2024-2026 Forward Estimates cum Proposal for FY 2023	Meyer's Foods and Services Inc.; Kall Food Services; Kilusang Koooperatiba ng People's Television (KKPTV)	Meyer's Foods and Services	P 19,250.00
TOTAL			P42,075.00

21.03 The Audit Team tried to search for Kilusang Kooperatiba ng People's Television (KKPTV) in the internet but the only information that can be found is that it is PTV Network.

21.04 Inquiry with the OIC-Chief, Procurement Services revealed that KKPTV was only referred to them before, and in the year 2018, it won one procurement for snacks and meal for the 31st DENR Anniversary. However, she is unaware if KKPTV is still operational and if the email address to which the RFQ were sent is correct.

21.05 Upon checking the PhilGEPS website, KKPTV is no longer listed as registered merchant in its site. Kall Food Services (KFS) is also not listed in PhilGEPS. Only Meyer's Food Services Inc. is registered in PhilGEPS.

21.06 Item IV(G) of Annex H of the RIRR of RA 9184 requires suppliers to register with PhilGEPS and provide PhilGEPS Registration number as a condition for award of contract. As such, considering that it is only Meyer's Food Services Inc. that is registered in PhilGEPS, it follows that whether KKPTV and KFS are declared to have the lowest RFQ, it is only Meyer's who is eligible for the contract. Thus casting doubt on the propriety of the sending of RFQ, thru electronic means to those prospective suppliers.

21.07 For the three procurements indicated in the table above, both Kall Food Services and Kilusang Kooperatiba ng People's Television failed to submit their quotations. If the Kilusang Kooperatiba ng People's Television is no longer legitimate food service provider then it suffices to say that the Agency only sent the RFQ to one legitimate food service provider which is in violation of the law.

21.08 COA Circular No. 2012-003 dated October 29, 2012 which states that:

The term "irregular expenditure" signifies an expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed without conforming with prescribed usage and rules of discipline.

21.09 Discrepancies on the dates during the procurement process were noted in violation of Items IV(d) and V(8)(b)(ii) and (v) of Annex H of the RIRR of RA 9184, casting doubt on the regularity and propriety of the whole procurement process.

21.10 Item IV(d) of Annex H states that:

The procurement documents are strictly confidential and shall not be divulged or released to any person prior to the advertisement or posting of the procurement opportunity, except to those officially authorized in the handling of these documents. (emphasis supplied)

21.11 Further, Item V(8)(b) provides the procedures to be undertaken under Small Value Procurement as follows:

- i. xx
- ii. *The BAC shall prepare and send the RFQs/RFPs to at least three (3) suppliers, contractors or consultants of known qualifications. Xxx Receipt of at least one (1) quotation is sufficient to proceed with the evaluation thereof.*
- iii. xxx
- iv. xxx
- v. *After the deadline for submission of quotation/proposals, an Abstract of Quotations/Ratings shall be prepared setting forth the names of those who responded to the RFQ/RFP, their corresponding price quotations/ratings.*
- vi. *The BAC shall recommend to the HOPE the award of contract in favor of the supplier or contractor with the Single or Lowest Calculated and Responsive Quotation xxx*

21.12 The Audit Team noted inconsistencies in the dates related to the procurement of meals summarized as follows:

Particular	Date the RFQ sent to email address of the Suppliers	Closing Date to submit Quotation as indicated in the RFQ	Date of RFQ submitted by Winning Supplier	Date of Abstract of Quotation	Date of Award
Packed Meals for the Conduct of Virtual Orientation on Policy Guidelines and Procedures for the Formulation Trip	Feb. 7, 2022	Not specified	Feb. 1, 2022 (Winning Supplier was the sole bidder)	Feb. 14, 2022	Feb. 14, 2022
Packed Meals for the Conduct of Virtual Cascading on the Preparation of FY 2024-2026 Forward Estimates cum Proposal for FY 2023	March 1, 2022	Feb. 8, 2022	March 1, 2022 (Winning Supplier was the sole bidder)	March 1, 2022	March 1, 2022
Meals for the Conduct of Budget Defense of FY 2023 Budget Proposal and FY 2024-2026 Forward Estimates of the Regional	March 11, 2022	Not specified	March 14, 2022 (Winning Supplier was the sole bidder)	March 11, 2022	March 11, 2022

Office					
Meals for the Conduct of Virtual Meeting for the Presentation of the Joint DENR-DOTr Administrative Order NO. 2018-01	March 14, 2022	Not specified	March 16, 2022	March 16, 2022 2 nd Supplier submitted RFQ on March 17, 2022	March 17, 2022 (However, the Certificate of Posting of Notice of Award was dated March 16, 2022)
Purchase of Packed Meals for the Conduct of Validation of Expanded Plantilla, Personal Services Itemization and Plantilla of Personnel	August 5, 2022 at 10:55 AM	August 5, 2022 at 1:00 PM	August 5, 2022 (no time) (Winning Supplier was the sole bidder)	August 5, 2022	August 5, 2022
Provision of Meals for the Conduct of ICT Inventory and Needs Assessment	Oct. 6, 2022 at 11:27 AM	Oct. 11, 2022 at 10:00 AM	October 10, 2022 (no time) Another supplier submitted a RFQ however, the date reflected was "8-16-2022"	October 10, 2022	October 10, 2022

21.13 As can be seen above, the following inconsistencies were noted: (1) the date of the RFQ submitted by the winning bidder was earlier than the date the RFQs were sent to the bidders; (2) the date of the submission of the RFQ was beyond the closing date; (3) the date of the abstract of quotation was earlier than the date of the submission of the RFQ of the winning supplier; (4) the date of the Certificate of Posting was earlier than the date of the Award; (5) the date of the Award was earlier than the closing date for the submission of the RFQ;

21.14 Based on the disbursement vouchers, only one supplier, Meyer's Food and Services Inc. won all procurement transactions above. The inconsistencies in the dates cast doubt on whether the procurement process were observed.

21.15 Moreover, in all the said procurement transactions, there were no BAC Resolution recommending to the HOPE the award of the contract inconsistent with the above-quoted Item V(8)(b)(vi) of the RIRR of RA 9184.

21.16 Inquiry with the Chief, Procurement Section disclosed that they thought the signature of the Regional BAC (RBAC) Chairman in the Abstract of Quotation would suffice, which is contrary to the said provision of law.

21.17 **We recommended and the Regional Executive Director agreed to instruct the OIC-Chief, Procurement Section to:**

- a. **explain why there was no validation made if Kilusang Kooperatiba ng People's Television is still existing and catering food services considering that the last transaction with the Cooperative was in the year 2018; and**
- b. **explain the inconsistencies noted such as: (1) why the date of the RFQ submitted by the winning supplier in one of the procurement was earlier than the date of the email for RFQ; (2) why in one procurement, the date of the submission of the RFQ was beyond the closing date; (3) why the date of abstract of quotation was earlier than the date of the submission of the RFQ of the winning supplier; (4) why in one procurement, the date of the Certificate of Posting was earlier than the date of the Award; (5) why in one procurement, the date of the Award was earlier than the closing date for the submission of the RFQ;**
- c. **ensure that proper procedure is observed in the procurement of meals under the Small Value Procurement**

Procurement with incomplete supporting documents

22. **Procurement of various supplies totaling P348,570.00 intended for the programs of the Agency were not duly supported and/or incompletely supported with relevant documents such as Activity Programs and list of recipients inconsistent with Section 4(6) of Presidential Decree (PD) No. 1445, thus, the propriety and validity of the transaction could not be ascertained. Further, the procurement of 275 Anniversary Polo Shirts amounting to P136,950.00 is considered not in compliant with Section 4(2) of Presidential Decree No. 1445 and thus considered unnecessary under COA Circular No. 2012-003 dated October 29, 2012**

22.01 Section 4(6) of PD 1445 states that claims against government funds shall be supported with complete documentation.

22.02 Further, Section 4(2) of Presidential Decree (PD) No. 1445 states that *Government funds or property shall be spent or used solely for public purpose.*

22.03 Audit of procurement of supplies for the purpose of carrying out the programs for the agency showed that the activity programs were not attached. Moreover, distribution list of recipients was not attached to the disbursement voucher for one

transaction, and for the other transactions with attached list of recipients, the total number of those in the list does not equal to the total number of items procured.

22.04 The total amount of ₱348,570.00 was paid by the Agency for the purchase of supplies for its different activities, particularly as follows:

Particulars	Purpose	Price per item	Amount
Blood Chemistry Test (Blood sugar, Bun, Creatinine, Vric Acid, Cholesterol, Triglycerides, CBC, Urinalysis) with Doctor's consultation	Part of preventive measure to COVID-19, under Health and Wellness Program	50 pcs/ ₱ 1,050.00 each	₱52,500.00
Flu Vaccine	Part of preventive measure to COVID-19, under Health and Wellness Program	204 pcs/ ₱ 780.00 each	159,120.00
35 th DENR Anniversary Polo Shirt		275 pcs/ ₱ 498.00 each	136,950.00
TOTAL			₱348,570.00

22.05 The Blood Chemistry Test and Flu Vaccine were programs of the Human Resource Development in connection with the preventive measure to COVID-19 and under Health and Wellness Program, however, no activity program was attached. Inquiry with the Chief, Human Resources Section revealed that in the program, employees were made to choose what they want to avail between the two programs. Fifty employees signified their intention for the Blood Chemistry Test while 204 signified for the Flu Vaccine shot, which became the basis for the procurement of such.

22.06 Of the 204 shots of flu vaccines, 186 were received by DENR employees as shown in the Attendance sheet, while the remaining 18 have no record as to whom these were administered. Also, there was no activity program attached.

22.07 For the 275 Polo Shirts, no list of recipients was attached. Further noted was that there were two deliveries made for the polo shirts, however, there was no signature in Delivery Receipt No. 163, as to the receipt and inspection of the first delivery of 22 pieces polo shirt, summarized as follows:

Delivery Receipt No.	Delivery Date	PCs.	Remarks
DR No. 163	June 9, 2022	22	No signature on the "Received by" portion nor was there any signature of the inspection from the DENR inspection team and from any COA Representative.
DR No. 164	June 14, 2022	253	Received by: Raphael De Guzman – 6/14/2022
			Inspected by: Michelle B. Tuyan – 6/14/2022

			Inspected by COA Representative: Marius Martino – 6/14/2022
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22.08 Noted was that in DR No. 164, the figure 253 was encircled, indicating that the number of polo shirts inspected was only 253. Also, the Office of the Auditor received a Request for Inspection signed by the OIC, Chief, General Services Section, only on the June 14, 2022 delivery as attached to the Disbursement Voucher (DV) and as shown in the said request, attached as Annex E. There was no Request for Inspection for the June 9, 2022 delivery of 22 polo shirts.

22.09 However, attached to the DV was the Inspection and Acceptance Report (IAR) for the whole 275 pieces of DENR Customized polo shirts, with the signatures of Ms. Michelle B. Tuyan in the Inspection portion of the IAR and Mr. Raphael De Guzman in the Acceptance portion of said IAR dated June 14, 2022.

22.10 Considering the absence of signature of the Inspection and Acceptance Committee in the DR for the first delivery of 22 pieces, Request for Inspection sent to the Office of the Auditor, and duly acknowledged list of recipients, the existence and propriety of the 22 pieces polo shirts is considered doubtful.

22.11 Further, the procurement of 275 Anniversary Polo Shirts is considered not in compliance with Section 4(2) of Presidential Decree No. 1445 for being personal in nature, and thus considered unnecessary expenditure under COA Circular No. 2012-003 dated October 29, 2012, which defined Unnecessary expenditures as follows:

Expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary. (emphasis supplied)

22.12 We recommended and the Regional Executive Director agreed to instruct the:

- a. Head of the Human Resource and Development to submit the total list of recipients for the Blood Chemistry and Flu Vaccine;

- b. OIC-Chief, Procurement Section to submit the duly acknowledged list of recipients for the 275 DENR Anniversary polo shirts;
- c. Chief, General Services Section to explain if there was indeed delivery of the 22 pieces polo shirts, and why there was no signature on the “Received by” portion in the Delivery Receipt, no signature as to who inspected the delivery and if there was a request to the COA for the inspection of such.
- d. Inspection and Acceptance Team to substantiate the existence of the 22 pieces polo shirts and explain why there was no signature in DR No. 163, while in their Inspection and Acceptance Report, the total 275 pieces were inspected and accepted.
- e. Accountant to submit justification and legal basis for the procurement of 275 Anniversary Polo Shirts;
- f. Accountant to strictly ensure the completeness of supporting documents for the payment of expenditures as required in Section 4.6 of Presidential Decree No. 1445.

Audit suspensions, disallowances and charges

23. No Notice of Suspensions (NSs) and Notice of Disallowances (NDs) were issued during the year, the NDs were still on appeal, thus, leaving unsettled suspensions, disallowances and charges amounting to ₱1,941,605.86 as of the end of the year. Details are presented below:

Particulars	Beginning balance (As of 12/31/2021)	Issued this period January to December 31, 2022		Ending Balance (As of 12/31/2022)
		NS/ND/NC	NSSDC	
NS	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
ND	1,941,605.86	0.00	0.00	1,941,605.86
NC	0.00	0.00	0.00	0.00
Total	₱ 1,941,605.86	₱ 0.00	₱ 0.00	₱ 1,941,605.86

Withholding and remittance of taxes

24. The taxes on gross compensation income from officials and employees and government procurement of goods, consultancy services and infrastructure projects from suppliers/contractors during the year amounting to ₱8,032,807.93 were withheld while ₱7,479,996.01 including the beginning balance were remitted without substantial delay, in accordance with Revenue Regulation No. 10-2008 dated July 8, 2008.

Particulars	Amount				Days Delayed
	Beginning Balance	Withheld	Remitted	Ending Balance	
Taxes on gross compensation	₱1,038,769.08	₱7,165,892.43	₱6,641,343.47	₱1,563,318.04	

from officials and employees					
Taxes from suppliers/ contractors on government purchases and contracts	56,698.94	866,915.50	838,652.54	84,961.90	
Total	₱1,095,468.02	₱8,032,807.93	₱7,479,996.01	₱1,648,279.94	

24.01 The balance of Due to BIR per books of ₱1,648,279.94 as of December 31, 2022 were remitted on January 6, 2023 based on the Tax Remittance Advices.

Withholding and remittance of PhilHealth contribution

25. The PhilHealth personal shares of employees and employer's share for calendar year (CY) 2022, both amounting to ₱295,886.22 and ₱ 300,161.94, respectively, were not remitted on time causing delay from two to 299 days. Moreover, there was an underremittance amounting to ₱13,098.04, in violation of PhilHealth Circular No. 0001, s. 2014 and Republic Act (RA) No. 7875, as amended by RA No. 9241, known as National Health Insurance Act of 1995 to the disadvantage of the member-employees

25.01 PhilHealth Circular No. 0001, s. 2014 provides the payment deadlines effective April 2014, as follows:

New Payment Deadlines	
Employers with PhilHealth Employer Numbers (PENs) ending in 0-4	Every 11 th – 15 th day of the month following the applicable period.
Employers with PENs ending in 5-9	Every 16 th – 20 th day of the month following the applicable period.

25.02 Section 28(a), Article VII of Republic Act (RA) No. 7875, as amended by RA No. 9241, provides that:

SEC. 28. Contributions. Xxx.

a) Formal sector employees and current Medicare members and their employers shall continue paying the same monthly contributions as provided for by law until such time that the Philippine Health Insurance Corporation (PHIC) shall have determined the contribution schedule, provided that their monthly contributions shall not exceed three percent (3%) of their respective monthly salaries

25.03 Section 10 of RA No. 11223 or the Universal Health Care Act provides the corresponding premium for CY 2022:

Year	Premium Rate	Monthly Income Floor	Monthly Income Ceiling
2022	4.0%	₱10,000.00	₱80,000.00

25.04 For CY 2022, DENR MIMAROPA Regional Office withheld personal contributions from employees amounting to ₱1,477,523.33 while the employer's share amounted to ₱1,504,959.07, as shown in the following table:

Particulars	Employee's Contribution (withheld)	Government's Share
January 2022	₱ 83,479.43	₱83,480.41
February 2022	89,650.82	91,598.62
March 2022	91,115.79	91,113.22
April 2022	95,936.89	97,100.50
May 2022	92,234.84	91,704.01
June 2022	96,007.59	130,973.01
July 2022	124,172.20	124,172.24
August 2022	158,737.65	123,696.58
September 2022	158,680.44	123,696.58
October 2022	160,011.17	124,761.16
November 2022	160,572.54	125,733.72
December 2022	166,923.97	296,929.02
TOTAL	₱1,477,523.33	₱1,504,959.07

25.05 However, post-audit revealed that there were remittances made beyond the deadline, summarized as follows:

Particulars	Amount		O.R. No./ Date of Remittance	Deadline	Days Delayed
	Personal Share	Employer's Share			
Premium for December 2021	₱ 3,300.79	₱ 3,300.79	96260554/ May 17, 2022	Jan. 20, 2022	117
Premium for February 2022	2,099.57	2,099.57	96260555/ May 17, 2022	Mar. 20, 2022	58
Premium for March 2022	1,155.09	1,155.09	96260556/ May 17, 2022	Apr. 20, 2022	27
Premium for June 2022*	4,631.65	4,631.65	98728743 July 22, 2022	July 20, 2022	2
Remittance for July 2022	122,594.76	122,594.76	YPH7A2200001942/ Oct. 7, 2022	Aug. 20, 2022	48
Add. Premium for the month of January	30,630.93	31,467.79	ZLNJC2200000051/ Dec. 19, 2022	Feb. 20, 2022	299
Add. Premium for the month of February	31,936.88	32,773.70	ZLNJC2200000052/ Dec. 19, 2022	Mar. 20, 2022	269
Add. Premium for the month of March	33,456.98	34,327.19	ZLNJC2200000053/ Dec. 19, 2022	April 20, 2022	239
Add. Premium for the month of April	33,084.78	34,039.38	ZLNJC2200000054/ Dec. 19, 2022	May 20, 2022	209

Add. Premium for the month of May	32,994.79	33,772.02	ZLNJC2200000056/ Dec. 19, 2022	June 20, 2022	179
Total	P295,886.22	P300,161.94			

**Excludes remittance amounting to P253.15 for both Personal Share and Employer's Share of Ms. Jezeth Fadero; her corresponding withholdings were not traced in audit.*

25.06 The delays incurred in the remittance of the personal contributions and employer's share of up to 299 days is contrary to PhilHealth Circular No. 0001, s. 2014, and to the disadvantage of the member-employees as it could negatively affect the entitlement of personnel benefits.

25.07 Further, noted during the audit was that the amount withheld for employee's contribution is not equal to the amount remitted resulting in underremittance of P11,591.00, summarized as follows:

Month	Amount Withheld	Adjustment: Credit/(Debit)	Total	Amount Remitted	Under remittance
Dec. 31, 2021	P 3,300.79	(P 377.22)	P2,923.57	P1,946.74	P976.83
March 2022	273.76	-	273.76	269.97	3.79
June 2022	88,259.82	35,070.93	123,330.75	121,933.20	1,397.55
July 2022	597.21	-	597.21	342.74	254.47
August 2022	122,777.42	-	122,777.42	120,917.84	1,859.58
September 2022	125,919.37	-	125,913.37	124,060.10	1,859.27
October 2022	127,045.86	-	127,045.86	124,964.16	2,081.70
November 2022	126,994.47	-	126,994.47	125,006.58	1,987.89
December 2022	123,723.03	(1,202.68)	122,520.35	121,350.43	1,169.92
TOTAL	P 718,891.73	P 33,491.03	P752,376.76	P740,791.76	P11,591.00

25.08 The same analysis also revealed overremittances amounting to P164,566.24, which are attributed to: (1) remittances of premiums greater than that of withheld amounting to P1,038.76; and (2) remittances without corresponding premiums withheld amounting to P163,527.48, summarized as follows:

Month of Premium	Month Paid	Amount Withheld	Amount Remitted	Over remittance
January 2022	December 2022	-	P 30,630.93	P 30,630.93
February. 2022		-	31,936.88	31,936.88
March 2022		-	33,456.98	33,456.98
April 2022		-	33,084.78	33,084.78
May 2022		-	32,994.79	32,994.79
April 2022	May 2022	-	1,169.97	1,169.97
May 2022	June 2022	-	253.15	253.15
June 2022	July 2022	3,116.12	4,154.88	1,038.76
TOTAL		P 3,116.12	P 167,682.36	P 164,566.24

25.09 It was discussed during the interview with the staff of the Accounting Section, particularly in-charge of the payment of mandatory deductions, that the remittances of additional 1% premiums for the months of January to May 2022,

which were remitted in December 2022, were actually withheld in the months of August to December 2022, of which in the payroll it was labeled only as column “Blank 12.”

- 25.10 Considering what was being said, the remitted 1% premiums when compared with those withheld in column “Blank 12” will result to underremittance amounting to ₱3,968.92, as shown in the table below:

Particulars	Amount of Breakdown	Total Amount
Additional 1% Premiums withheld on column “Blank 12”		
Breakdown:		
Abiog, Lilibeth Mary Elvira ET. AL - Payment of Salary and PERA, August 2022	₱33,215.47	
Abiog, Lilibeth Mary Elvira et al. - Payment of Salary & PERA month of September 2022	33,215.47	
Abiog, Lilibeth Mary Elvira Et. AL. - Payment of Salary & PERA month of October 2022	33,299.86	
ABIOG, LILIBETH MARY ELVISA S. ET. AL.- Payment of Salary & PERA, month of November 2022	33,171.24	
Abiog, Lilibeth Mary Elvira Et. AL. - Payment of Salary & PERA month of December 2022	33,171.24	₱166,073.28
Remittances in December 2022 of additional 1% premiums without corresponding withholdings		
Breakdown:		
January 2022	30,630.93	
February 2022	31,936.88	
March 2022	33,456.98	
April 2022	33,084.78	
May 2022	32,994.79	₱162,104.36
Underremittance of Additional 1% Premiums		₱ 3,968.92

- 25.11 Thus, there was still an underremittance of ₱13,098.04 as shown below:

Particulars	Amount
Underremittance per Annex A	₱ 11,591.00
Underremittance in “Blank 12”	3,968.92
Overremittance (amount remitted is greater than withheld)	(1,038.76)
Overremittance (without corresponding withholding)	(1,423.12)
Net underremittance	₱ 13,098.04

- 25.12 The underremittance can also be seen in the Monitoring of Balances of remittances made by the Agency, shown as follows:

Particulars	Amount			
	Withheld	Remitted	Adjustments: Credit/ (Debit)	Running Balance
<i>Employee's Contribution</i>				
Balance - 12/31/2021				₱ 3,300.79
January 2022	₱ 83,479.43	₱ 0.00	(₱ 1,035.90)	85,744.32
February 2022	89,650.82	83,479.43	640.68	92,556.39
March 2022	91,115.79	91,597.56	0.00	92,074.62
April 2022	95,936.89	91,112.00	0.00	96,899.51
May 2022	92,234.84	97,106.86	(532.12)	91,495.37
June 2022	96,007.59	222,675.60	34,965.29	-207.35
July 2022	124,172.20	0.00	0.00	123,964.85
August 2022	158,737.65	124,172.20	764.32	159,294.62
September 2022	158,680.44	247,393.16	0.00	70,581.90
October 2022	160,011.17	0.00	0.00	230,593.07
November 2022	160,572.54	124,761.16	(640.68)	265,763.77
December 2022	166,923.97	418,387.02	(1,202.68)	₱ 13,098.04
Total	₱1,477,523.33	₱1,500,684.99	₱32,958.91	

25.13 We recommended and the Regional Executive Director agreed to instruct the Accounting Section, thru the Chief, Finance Division, to:

- a. effect the timely and accurate remittance of PhilHealth employees' premium contributions and employer's share to the PHIC;
- b. facilitate detailed monitoring of the premiums withheld and their corresponding remittances to avoid under and over remittances.
- c. remit immediately the unremitted amount of ₱ 13,098.04;

25.14 We also recommended and the Regional Executive Director agreed to instruct the Chief, Administrative Division to ensure that the payroll provide sufficient information on the premiums withheld.

Withholding and remittance of Pag-IBIG contributions, loans and employer's share

26. Pag-IBIG personal share and loans of employees amounting to ₱387,698.41 and ₱794,555.51 were withheld and ₱357,550.03 and ₱827,481.08, including the beginning balance, were remitted without significant delay, in accordance with RA No. 7875, as amended by RA No. 9679 (Pag-IBIG Fund Law 2009). Likewise, the employer's share amounting to ₱239,600.00 was remitted on time.

Particulars	Amount				Balance
	Withheld		Remitted		
	Personal Share	Loans	Personal Share	Loans	
Balance - December 31, 2021					₱4,616.30
Employees' Contribution	₱387,698.41	₱ 794,555.51	₱357,550.03	₱ 827,481.08	₱1,839.11
Employer's Share	Not Applicable	Not Applicable	₱239,600.00	Not Applicable	

26.01 The balance of Due to Pag-IBIG account amounting to ₱1,839.11 as of December 31, 2022 pertains to the following:

Particulars	Amount
For Adjustment	₱ 0.03
Underremittances: For preparation of Order of Payment – March 2023	(300.00)
For remittance – March 2023	2,139.08
Balance, December 31, 2022 – Due to Pag-IBIG	₱1,839.11

26.02 The balance was remitted as of April 28, 2023.

Withholding and remittance of GSIS contributions, loans and employer's share

27. The GSIS personal share and loans of employees amounting to ₱7,028,690.95 and ₱11,305,449.72 were withheld and ₱6,837,133.43 and ₱11,502,640.08, respectively, were remitted without significant delay, in accordance with RA No. 8291, the GSIS Act of 1997. Likewise, the employer's share amounting to ₱9,349,058.23 was remitted without significant delay.

Particulars	Amount				
	Withheld		Remitted		Balance per Audit
	Personal Share	Loans	Personal Share	Loans	
Balance – January 1, 2022					₱42,867.27
Employees' Contribution	₱7,028,690.95	₱11,305,449.72	₱6,837,133.43	₱11,502,640.08	₱37,234.43
Employer's Share	Not Applicable	Not Applicable	₱9,349,058.23	Not Applicable	

27.01 Due to GSIS account has a balance of ₱37,234.43 as of December 31, 2022, details of which are shown below:

Particulars	Amount
Remitted on January 2023	₱40,949.20
For Refund to Employee – March 2023	11,849.95

Underremittances: For preparation of Order of Payment – March 2023	(7,106.86)
Underremittances: For setup of Due from Officers and Employees – March 2023	(8,457.86)
Balance, December 31, 2022 – Due to GSIS	₱37,234.43

27.02 The balance was remitted as of April 28, 2023.

Senior Citizens and Persons with Disability

28. For CY 2022, the DENR MIMAROPA Regional Office spent ₱32,587.00 for the implementation of various plans/programs for Senior Citizens and Persons with Disability (SCPD) including the procurement of wheelchair, medicines and medical supplies. Supplies, materials and meals were also purchased for the celebration of 18th Women with Disabilities Day, in compliance with Section 35 of the General Provisions of RA No. 11639, the GAA for FY 2022.

Non-insurance of physical assets with the GSIS

29. **Insurable property amounting to ₱19,009,566.59 as of December 31, 2021 were not covered with property insurance from the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) for CY 2022, which is not in accordance with Section 5 of Republic Act (RA) No. 656, as amended by Presidential Decree (PD) No. 245, and COA Circular No. 2018-002 dated May 31, 2018 thus, exposing the government property to risk of loss and/or damages without the right of indemnification.**

29.01 Section 5 of RA 656, otherwise known as the Property Insurance Law, as amended by PD No. 245, states that:

***Section 5.** Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies. Provided, however, That the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for. Provided, further, that such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. xxx*

29.02 Likewise, COA Circular No. 2018-002 dated May 31, 2018 provides the guidelines prescribing the submission of Property Inventory Form (PIF) as basis for the assessment of general insurance coverage over all insurable assets, property and interests of the government with the General Insurance Fund of the GSIS.

29.03 Verification of records show that the CY 2022, the property of DENR MIMAROPA Regional Office costing ₱19,009,566.59 as of December 31, 2021 were not yet insured. Details of insurable assets are as follows:

PPE Account/ Classification	Value RPCPPE as of December 31, 2021 (excluding unserviceable property)	Cost of Insurable Assets per PIF	Not Covered by Insurance
Communication Equipment	₱ 299,467.28	₱ 80,244.00	₱ 219,223.28
Information and Communications Technology (ICT) Equipment	24,888,152.35	11,634,465.44	13,253,686.91
Office Equipment	5,038,775.08	4,090,074.56	948,700.52
Technical and Scientific Equipment	5,864,441.00	4,633,976.00	1,230,465.00
Other Equipment	3,532,617.88	311,367.00	3,221,250.88
Furniture and Fixture	6,042,266.41	5,906,026.41	136,240.00
Total	₱45,665,720.00	₱26,656,153.41	₱19,009,566.59

29.04 Inquiry with the Property and Supply Officer revealed that said property were not insured due to the following reasons:

- i. The Agency's PIF was based on property records as of November 30, 2021 instead of RPCPPE as of December 31, 2021 since their Focal Person from the GIF required them to submit all the insurance requirements on or before November 30, 2021; and
- ii. The Focal Person from the GIF also advised them that the insurable assets shall consist of PPEs acquired by the Agency for the last five years.

29.05 As to the first reason, a copy of the communication from the GIF Focal Person addressed to the Chief General Services Section (GSS) was provided to the Audit Team. However, verification of RPCPPE showed that only one asset costing ₱25,440.00 was acquired during December 2021. Such amount is immaterial compared to the total cost of PPE not included in the PIF, which resulted in non-coverage of property insurance.

29.06 Furthermore, the Property and Supply Officer and the Chief of General Services Section cannot provide any formal notice or legal basis as to the requirement that only those property acquired for the last five years are to be considered as insurable assets.

29.07 As stated in the abovementioned COA Circular No. 2018-02, the insurable assets of government agencies shall be based on the prepared PIF, the data of which shall be extracted from the RPCPPE in accordance with the General Accounting Manual for National Government Agencies, Volume I. Moreover, the same Circular only excluded from insurable assets the impaired property for disposal. Other pertinent provisions as mentioned above clearly states that all government property shall be adequately covered by property insurance.

29.08 In effect, the Agency's assets and property not covered by insurance are not amply protected and at risk of non-indemnification in case of damage or loss due to fire, earthquake, storm or other fortuitous events.

29.09 We recommended and the Regional Executive Director agreed to instruct the OIC Chief, General Services Section and Property and Supply Officer to;

- c. ensure that the property of DENR MIMAROPA Regional Office are adequately insured with the General Insurance Fund of the GSIS; and**
- d. submit legal basis or official notice from the GIF of GSIS that the assets to be covered by insurance are those property acquired by the Agency for the last five years.**

C. P/P/A Evaluation

30. Of the funds totaling ₱12,251,000.00 inclusive of Personnel Services (PS) and Maintenance and Operating Expenses (MOOE), ₱11,032,000.00 or 90.05 percent was used for the implementation of various PPAs under Protected Areas, Caves, and Wetlands Development and Management Sub-Program (PACWDMSP) by the Regional Office, while ₱830,000.00 or 6.77 percent were downloaded to the Provincial Environment and Natural Resources Offices (PENROs) of MIMAROPA for the implementation of the programs, projects and activities (PPAs) that should be carried over by the PENROs, and ₱ 389,000.00 or 3.18 percent was modified for the payment of Collective Negotiation Agreement (CNA) of DENR MIMAROPA, resulting to an overall fund utilization of 100.00 percent in compliance with the General Appropriations Act of 2022.

30.01 The General Appropriations Act of Fiscal Year (FY) 2022 enumerates the Program/ Project and Activities of each government agencies and one of the major program of the DENR as a whole is the Natural Resources Conservation and Development Program.

7.2.3.2 Natural Resources Conservation and Development Program

7.2.3.2.1 Protected Areas, Caves and Wetlands Development and Management Sub-Program

xxx

Protected Areas Development and Management

xxx

Within the Regional Budget

Funds under this PAP shall be used to implement the priority activities of protected areas under the NIPAS. With the current NEP of Regions/PAs, priority areas shall be given to Legislated PAs, followed by the Proclaimed PAs, then the remaining initial components of NIPAS. Further activities to be undertaken should be consistent with the classification of protected areas xxx.

30.02 Review of the utilization of DENR Regional Office for the PACWDMSP, out of the said allotment, ₱11,032,000.00 was utilized/obligated by the Regional Office while ₱830,000.00 was downloaded to the PENROs, and ₱389,000.00 was modified, resulting in an overall fund utilization rate of 100%, as shown below:

Allotment Class	Appropriation/ Allotment	Obligations	Disbursement	Fund Transfers/Modification			Fund utilization Rate
				Total	Downloaded to PENROs	Modified Appropriation	
Personnel Services	₱ 6,134,000.00	6,134,000.00	6,134,000.00	-	-	-	100%
MOOE	6,117,000.00	4,898,000.00	3,842,577.45	1,219,000.00	830,000.00	389,000.00	100%
TOTAL	₱12,251,000.00	₱11,032,000.00	₱9,976,577.45	1,219,000.00	830,000.00	389,000.00	100%

30.03 However, post-audit of the payment of Personal Services revealed that out of the ₱6,134,000.00, ₱6,013,832.18 or **98.04%** were considered in line with the PPAs while ₱120,167.82 or **1.96%** were not utilized for its intended purpose. The amount of ₱120,167.82 were used to pay for the salary differential due to promotion of personnel not assigned in the Conservation and Development Division.

30.04 It is worth to mention the agency's sincere efforts to achieve a high fund utilization rate, however, review of documents revealed that out of the total MOOE disbursements of ₱3,842,577.45, ₱1,024,922.48 or **26.67%** were considered in line with the PPAs while ₱2,817,654.97 or **73.33%** were not utilized for its intended purpose summarized as follows:

Maintenance and Operating Expenses (MOOE)	OBLIGATIONS		
	Total	In Line	Not in Line
Electricity Expenses	₱1,629,000.00		₱1,629,000.00
Other Professional Services	1,137,349.67	392,914.42	744,435.25
Training Expenses	193,650.00		193,650.00
Traveling Expenses – Local	650,592.44	557,793.72	92,798.72
Office Supplies Expenses	33,689.34	33,689.34	
Load Allowance	42,000.00	4,000.00	38,000.00
Utility Expenses (Water)	90,000.00		90,000.00
Repairs and Maintenance	28,625.00	23,525.00	5,100.00
Representation Expenses	24,671.00		24,671.00
Prizes	13,000.00	13,000.00	
TOTAL	₱3,842,577.45	₱1,024,922.48	₱2,817,654.97

30.05 Verification of the above expenditures revealed the following observations:

Payment for Electricity, Training Expenses, Utility Expenses, Representation Expenses

30.06 Review of the disbursement vouchers revealed that the Electricity and Utility Expenses – Water, was for the DENR Regional Office which should be charged to the fund of the regular fund of the Agency.

30.07 Further, the Training Expenses and Representation Expenses were as follows:

Details	Training Expenses	Representation Expenses
Reimbursement of PM Snacks of the “18 th Women with Disability Day”		₱ 16,000.00
Conduct of Full-Time Delivery Unit (FDU) Meeting	₱ 33,750.00	
Incidental Expenses for “Family Day”	9,900.00	
Purchase of Packed Meals for the conduct of FDU Meeting		8,671.00
Conduct of Assessment and Re-Orientation on Procurement Process	150,000.00	
TOTAL	₱ 193,650.00	₱ 24,671.00

30.08 The nature of expenses were not among the identified PPAs of the PADM as compared to the submitted Approved WFP as well as the Annual Accomplishment Report for CY 2022.

Payment of Other Professional Services

30.09 Review of the Job Order Contracts of the following personnel showed that their duties and responsibilities did not relate to the PPAs of the PADM, hence the following payments recorded as Other Professional Services totaling ₱744,435.25 were inappropriately charged against the Program fund:

Position/Assignment	Amount
Office Support Staff/ assigned in the Cashier Section	100,030.27
Office Support Staff/ assigned in the Records Section	108,407.77
	66,268.57
Office Support Staff/ assigned in ARD-TS	118,606.63
	97,212.39
Office Support Staff/ utility crew in Office of the RED	103,747.60
	51,840.13
Office Support Staff/ utility crew	98,321.89
TOTAL	₱ 744,435.25

Payment of Traveling Expenses- Local

30.10 Payment of Traveling Expenses – Local totaling ₱92,798.72 were found to be not in line with the identified PPAs of the PADM in the approved WFP of the agency due to the following purposes:

- Payment of Registration Fee for Annual Sportsfest
- To Participate in the 2022 Society of Filipino Foresters Inc. National Conference in Cebu City
- Conduct of Meeting on Financial Performance of DENR MIMAROPA Region as of September 30, 2022 and Implementation of CAAR CY 2021

Payment of Repairs and Maintenance

30.11 The Repairs and Maintenance expense was for the General Cleaning of Air-conditioning units at DENR MIMAROPA Regional Office.

Payment of Load Allowance

30.12 The payment of load allowance was for those employees entitled to receive in DENR, like the Regional Executive Director, ARD of Management Services, ARD of Technical Services, Chiefs of different Divisions.

Downloaded ₱830,000.00 to PENROs

30.13 The Agency downloaded an amount of ₱830,000.00 to the PENROs of MIMAROPA, details summarized as follows:

SAA No.	PENRO	Amount
2022-03-11	Occidental Mindoro	₱ 227,000.00
2022-03-12	Marinduque	361,000.00
2022-03-13	Romblon	42,000.00
2022-03-14	Oriental Mindoro	200,000.00
TOTAL		₱ 830,000.00

30.14 The Budget Officer of DENR Regional Office mentioned that the downloading of funds to the PENROs was in accordance with the P/A/Ps of the Regional Office.

Modification of ₱389,000.00

30.15 It is also worth to mention that the Agency modified the amount of ₱389,000.00 which was used for the payment of Collective Negotiation Agreement (CNA) for the employees of DENR for CY 2022.

30.16 However, under Budget Circular No. 3 dated October 19, 2022 particularly Item no. 4.3.2(a) which states:

4.3.2. The following shall, in no case, be used as fund source of the CNA Incentive:

a. Balance of allotment for programs/activities/projects which were later discontinued or deferred

30.17 It must be noted that the Agency has backlogs under the Protected Areas, Caves, and Wetlands Development and Management Sub-Programs summarized as follows:

Protected Areas, Caves, and Wetlands Development and Management Sub-Program				
Sub-Program/ Activity	Performance Indicator	Targets	Accomplishment	Variance/ Backlogs
Demarcation of Boundaries for Legislated PAs.	PAs demarcated with report submitted to the Secretary through the BMB (as the NDCC Secretariat)	1	0	1
PAMB Operationalization				
<i>PAMB Meetings</i>	No. of approved minutes of meetings	48	15	33
<i>Management Effectiveness Assessment (MEA)</i>	MEA results endorsed to the Central Office thru the BMB; Database developed/ maintained	2	0	2
	No. of reports of MEA to assess capacities of PAs (following BMB TB No. 2018-05)	1	0	1
Ecotourism Program	Number of reports of visitors and income generated through ecotourism within protected areas increased	1	0	1
Management of Ramsar Sites (RS) and updating of RIS.	Ramsar Site with updated RIS (no. and name of RIS)	1	0	1
Totals				37

30.18 Further, no supporting documents were shown for the modification of the allotment not the justification of modifying the allotment despite the backlogs in the activities.

30.19 Be that as it may, we recognize the efforts exerted by the DENR Regional Office to implement and monitor the PPAs of the PADM. However, the obligations totaling P2,817,654.97 charged against the fund for the PADM are considered not in accordance with paragraph 7.2.3.2.1 of the DENR Operational Guidelines on the Preparation of WFP for FY 2022, thus, bloating the expenditures of the PADM by same amount. Moreover, the foregoing cases signified poor internal control in the planning and budgeting process of the agency resulting in inappropriate charging of disbursements. Hence, casting doubt on the regularity and propriety of the expenditures incurred.

30.20 We recommended that the Regional Director instruct the:

- a. **Chief, Accounting Section and Budget Officer to: (1) submit satisfactory explanation for charging the amount of P2,817,654.97 against the funds intended for the implementation of the PPAs of PADM; and (2) exercise prudence in the review and charging of expenditures to ensure consistency with the purpose for which the funds were appropriated, compliance with existing budgeting and accounting rules, and that expenditures are charged only against the appropriations to which they relate.**
- b. **Budget Officer to submit explanation on the modification of fund in the amount of P389,000.00 which was used as payment for CNA, and submit supporting documents relative to the modification of the fund.**

30.21 Management submitted their letter-reply to the Audit Team for evaluation.

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

- D.** We validated the status of implementation of prior year's audit recommendations. The result is summarized in the following table while the details are shown in **Annex H**.

Status of Implementation	No. of Recommendations
Implemented	7
Not Implemented	17
Total	24

V. ACKNOWLEDGMENT

- E. We wish to express our appreciation to the Management and staff of DENR Regional Office No. IV-B for the cooperation and assistance extended to our Audit Team during the audit.
- F. We request a status on the action taken on the audit recommendations within 60 days from the date of receipt hereof, pursuant to Section 97 of the General Provisions of the General Appropriations Act of 2022 (RA No. 11639) using the Agency Action Plan and Status of Implementation in **Annex I**.

Very truly yours,



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