



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

SUMMARY OF AUDIT OBSERVATIONS AND RECOMMENDATIONS

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
1.	Accounting errors/omissions and deficiencies amounting to ₱825,202.52 and ₱3,619,039.60, respectively.	We recommended and Management agreed to require the respective Chief Accountants of FMB - CPMO, CAR and PENROs Ifugao, Quirino, Nueva Vizcaya, and Iloilo to effect the necessary adjustments on the corrections on the accounting errors/omissions and deficiencies observed with the corresponding supporting documents.	<p>1. In FMB-CPMO, A letter addressed to the COA's GAS asking for guidelines on how to properly derecognize the inventories in the books of accounts pertaining to prior years with no available supporting documents is already prepared for transmittal to the COA GAS.</p> <p>Furthermore, the Bureau will strictly observe the proper turn-over of work-related documents before issuance of Office Clearance of personnel, and ensure that inventory issuances are supported with RSMI pursuant to GAM for NGAs.</p> <p>2. In CAR, the Property Section committed to present the two PPEs on or before April 15, 2023.</p> <p>3. In PENRO Ifugao, the accounting unit adjusted and recorded the unexpired portion of the Insurance premium. Succeeding payments for insurance</p>	<p>1. The audit team of FMB will validate the compliance of the Management, including the adjustment of the accounting errors/omissions committed on the Inventory and other affected accounts in CY 2023.</p> <p>In addition, the audit team maintains its position with the abovementioned observation. The omission of the ₱46,814.63 that pertains to a delivery from PS-DBM in the derecognition of the amount that was part of the cash sweep is erroneous. Omission of the said amount is</p>



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
			<p>premium will be properly classified to Prepaid Insurance account and will be expensed at the end of the year.</p> <p>4. In PENRO Nueva Vizcaya, the Management admitted their lapses and advised the Accounting and Supply Units to reconcile PPE accounts on a regular basis.</p> <p>5. In PENRO Quirino, adjusting journal entries for the book reconciling item amounting to ₱0.01 were prepared. Concerning the bank error amounting to ₱194,721.04, Management has already sent a letter to the manager of LBP Cabarroguis.</p> <p>Further, the Management advised the designated property custodians from PENRO and CENROs to submit the RSMI and ICS to the Accounting Section. They also instructed the Property/Supply and Accounting Units to reconcile their inventory records and reports.</p>	<p>similar to non-delivery on the part of PS-DBM which is contrary to the admission of the Management since they acknowledged the fact of delivery. Moreover, they are correct in recording it in JEV No. 2020-11-0099 where the delivery was made, however, in this case, the letter of PS-DBM pertains to remaining balance after the delivery and not the delivery itself.</p>



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
2.	<p>In CY 2022, the Project showed an overall utilization rate of 87.48 percent and the overall disbursements rate is only 56.79 percent. Likewise, of the nine targeted outputs, two were not completed specifically the Land Tenure Issuance (LTI) and Construction of Agroforestry Support Facilities (ASF) projects due to various reasons, thus, attainment of the overall project's objective/purpose was delayed.</p> <p>Also, of the 149 established enterprises/livelihoods by the partner People's Organizations (POs), only 84 enterprises or 56 percent were operational; thus, the project's objective to strengthen forestland management through community-based management strategies on enterprise development for food security and income were not fully attained..</p>	<p>We recommended that Management direct the Project Head to:</p> <p>a) follow up with JICA on the release of revolving fund for the project disbursement and the issuance of NOL for the procurement of an engineering firm to undertake the construction supervision of the remaining ASF subprojects.</p> <p>b) continuously coordinate with the NCIP with regards to the conduct of the necessary FPIC process; and</p> <p>c) monitor the implementation of the PO Enterprise Development sustainability plan to ensure that the established enterprises/livelihood projects will be sustained for food security and income of the POs.</p>	<p>a) Relative to the Project's request for the release of additional revolving funds, a letter has been submitted to the oversight agencies on March 22, 2023, together with the request of project extension up to July 2024, with a requested amount of JPY 300M. This will facilitate and improve the financial performance of the Project vis-à-vis its disbursement projection up to December 2023.</p> <p>b) On the procurement of the Engineering Firm, it is no longer feasible to be pursued given that the project is until June 2023 only and the required concurrence from JICA has yet to be issued. In view of this, the engaged Infrastructure Specialist (IS) and Assisting Professionals (APs) for Infrastructure Works will undertake the construction supervision of the Agroforestry Value Chain (AfVC) Facilities such as tramline and processing/storage facilities and the remaining under construction ASF subprojects.</p>	<p>The Audit Team concurs with the Management comment since they are in a better position to determine what is the best course of action to implement their own projects; thus, the Audit Team will validate the compliance of the Management on their actions to be undertaken in CY 2023.</p>



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
			c) All FPIC processes for the remaining 48 LTIs in Region VI and CAR were already completed, awaiting for the issuance of the required NCIP clearances as prerequisite for LTI issuance. The PIUs shall continue to its close coordination with the Central/Regional/Provincial NCIPs to facilitate acquisition of said clearances. Issuance of provisional agreements before end of project pursuant to the provisions of DAO 2021-27 is another strategy of the Project in the case that the required NCIP clearances will not be secured within the project life. The Project will also coordinate with JICA for the possible reduction of target considering that 14 POs in Ifugao have already been accredited as members of the Indigenous Peoples Organization (IPOs), hence will no longer pursue their respective CBFMA applications, and instead wait for the approval of its Certificate	



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
			<p>of Ancestral Domain Title (CADT) application.</p> <p>d) Regarding the implementation of 149 livelihood/microenterprises of Peoples Organizations under the Project, continuous monitoring is being conducted to ensure that POs businesses will be operationalized and sustained. Based on the assessment conducted in CY 2021, these enterprises were categorized based on its status whether for upscaling, continuing, or recommended for change/shift to another viable enterprise. Provision of technical assistance based on this categorization was incorporated in the respective Enterprise Sustainability Plans of the POs which serve as guide for the Project on what type of assistance is needed by the POs. Continuing activities such as monitoring and provision of technical assistance were already considered in the project phase out plan, and shall</p>	



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
			be implemented under the regular activities and program of the DENR.	
3.	The FMB-CPMO and PENRO Iloilo's physical assets amounting to ₱ 1,091,430.63 were not insured against fire or theft with the General Insurance Fund (GIF) of GSIS, thus, the agency is at risk of not being indemnified in case of damage or loss of property.	<p>We recommended and the Management of FMB-CPMO and PENRO Iloilo agreed to direct the designated Property Officers to be diligent in maintaining a monitoring system to ensure that all insurable physical assets of the Agency are insured annually with the GSIS.</p> <p>We also recommended and Management of FMB-CPMO agreed to direct the OIC, Property Unit to ensure that the PIF submitted to the GSIS for insurance is reconciled with RPCPPE to avoid the non-/over-insurance of physical assets and waste of FMP-CPMO's funds.</p>	FMB-CPMO commented that they already instructed the OIC Property Unit to strictly ensure that the PIF submitted to the GSIS for insurance is reconciled with RPCPPE to avoid the non-/over-insurance of physical assets and waste of funds.	The Audit Team of FMB-CPMO will validate the compliance of the Management for CY 2023 on the above-mentioned audit recommendation.
4.	Unserviceable property of CAR, and PENRO Ifugao, costing ₱3,732,140.26, remained not disposed of as of December 31, 2022, thus, exposing to further deterioration and decreases the realizable value.	We recommended and Management of CAR and PENRO Ifugao to direct their Disposal Committee to dispose immediately the unserviceable property.	<p>The Chief of the Administrative Division of CAR committed to collect all unserviceable items for immediate disposal</p> <p>PENRO Ifugao agreed to dispose of all unserviceable property of the agency in May 2023.</p>	The Audit Teams will validate the compliance of the Management in CY 2023.



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
5.	PENRO Nueva Vizcaya failed to impose liquidated damages amounting to ₱1,387,679.70 for the delays incurred on the reported four completed infrastructure projects/contracts, further, mobilization fee amounting to ₱695,644.99 remain unrecovered.	<p>We recommended and Management agreed to:</p> <p>a) enforce collection of liquidated damages from the contractors amounting to ₱1,387,679.70 and recover the balance of the advance payment amounting to ₱695,644.99 from the claims of the contractor; and</p> <p>b) become strict in dealing with defaulting contractors by forfeiting their performance securities, blacklisting, or terminating the contract in line with the aforementioned provisions of R.A. 9184 to protect the interest of the government.</p> <p>c) henceforth, direct the Project In-Charge to prepare Statements of Work Accomplished as of the contract expiration date for the immediate computation and imposition of liquidated damages, if any.</p>	The Management acknowledged their lapses in failing to impose liquidated damages against contractors who caused delays in the implementation and completion of the projects and assured that the liquidated damages and mobilization fee would be deducted from the contractor's final billing. They also guaranteed to strictly enforce the provisions of RA 9184 on defaulting contractors whenever necessary.	The Audit Team will validate the compliance of the Management of the above audit recommendations.



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
6.	<p>PENRO Nueva Vizcaya incurred delays in the preparation and submission of Bank Reconciliation Statements (BRS) for the agency's two (2) depository bank accounts, contrary to Section 74 of PD No. 1445 and Sections 5 and 7 of Chapter 21 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, thus, affecting the timely verification of the reports/statements, and taking up corrections/adjustments, if any.</p> <p>Further, in PENROs Ifugao and Quirino, disbursement vouchers amounting to ₱9,720,059.17 were not submitted to the Audit Team within the prescribed period contrary to COA Circular No. 95-006 dated May 18, 1995, and Section 7 of COA Circular No. 2009-006 dated September 15, 2009, hampering the conduct of timely review and audit of the Agency's financial transactions.</p>	<p>We recommended and Management agreed to require the Accountants of:</p> <p>a) PENRO Nueva Vizcaya to enroll to the LBP WeAccess for easier access to the agency's bank statements to enable the timely preparation and submission of the monthly Bank Reconciliation Statements (BRS) in compliance with Section 74 of PD 1445 and Sections 5 and 7, Chapter 21 of GAM for NGAs; and</p> <p>b) PENROs Ifugao and Quirino to immediately submit the disbursement vouchers to avoid suspensions and/or disallowances in audit, and to ensure that only disbursement vouchers with complete supporting documents are processed and paid.</p>	<p>1. During the exit conference, the Accountant informed the Audit Team that they have already enrolled the bank accounts of PENRO Nueva Vizcaya to the LBP WeAccess and are awaiting approval thereon by the LBP.</p> <p>2. In PENRO Ifugao, some disbursement vouchers were submitted, and some were not yet returned from the SUSIMOs. The accounting unit will trace the transmittal for the submitted DVs.</p> <p>3. The Management of PENRO Quirino explained that the delayed submission of vouchers was due to the delayed issuance of official receipts by the suppliers and People's Organizations (POs). The Management, however, assured that they would comply with the audit recommendations.</p>	<p>The Audit Teams will validate the compliance of the PENROs Ifugao, Nueva Vizcaya and Quirino with the actions to be undertaken to implement the audit recommendations.</p>



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
7.	Copies of 19 government contracts and PO and their supporting documents of FMB-CPMO amounting to ₱3,816,496.00, and PENRO Iloilo's 11 contracts with undetermined amount, were not submitted to COA for review within five days from perfection thereof but were attached to the Disbursement Vouchers (DVs) for post-audit; thus, precluded the Audit Teams from conducting timely review and evaluation and hindered the immediate determination and communication of deficiencies that may need Management's corrective actions.	We recommended and the Management of FMB – CPMO and PENRO Iloilo agreed to require the concerned officers/staff to strictly adhere to the prescribed deadlines/period under COA Circular No. 2009-01 in the submission of contracts and purchase orders.	The Management of FMB-CPMO commented that they already instructed the Property and Accounting Units, and the concerned Division/Offices, to strictly comply and observe protocol in all contracts and purchase orders and a Memorandum will also be issued to concerned staff/employees and strictly implement the prescribed deadlines/period under COA circular No. 2009-01 dated February 12, 2009 in submission of contract and purchase orders.	The Audit Team of FMB FAPs will validate the compliance of the Management for CY 2023 on the above-mentioned audit recommendation.
8.	In PENRO Iloilo, non-reconciliation and lack of monitoring of the "Due to BIR" account amounting to ₱1,480,808.36 as of December 31, 2022, deprived both the government and the payees/suppliers/contractors of the productive use of the funds.	We recommended and the Management agreed to require the Accountant of PENRO Iloilo to: a) prioritize and expedite the reconciliation of the account "Due to BIR" and make a monthly report on the reconciliation made, copy furnished to the Office of the Auditor;		



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
		<p>b) remit immediately the unremitted balance and shoulder the penalties and interest in her personal capacity, and refund to the respective payees/suppliers/contractors the amount of over withholding, if any; and</p> <p>c) henceforth, see to it that reconciliation of taxes withheld and remitted are made monthly and taxes withheld are remitted intact within the prescribed period by properly monitoring the persons-in-charge.</p>		
9.	The Registry of Semi-Expendable Property Issued of PENRO Ifugao was incomplete, not classified as to type of Semi-Expendable Property and does not include complete information about the property, contrary to Item 4.7.4 and Annex A.4 of COA Circular No. 2022-004.	We recommended and Management agreed to require the Property/Supply Officer of PENRO Ifugao to maintain a complete Registry of Semi-Expendable Property Issued and periodically update the report in accordance with Item 4.7.4 and Annex A.4 of COA Circular No. 2022-004.	The Chief of the Administrative Division informed the Audit Team that the process of revising the Property Number of Semi-Expendable Property is ongoing. It was explained that some Inventory Custodian Slip were not shown in the reference number of the RegSPI due to ongoing reclassification of property which will be completed until June 30, 2023. The correct and properly prepared RegSPI shall be presented on the next report.	The Audit Team will validate the compliance of the PENRO Ifugao to implement the above audit recommendation within the timeline provided.



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
10	Management of Regional Office (RO) No. II failed to conduct the required Final Acceptance Inspection after the one-year defects liability period on the completed Nantawakan Tire Path project with a revised contract cost of ₱17,938,313.48; thus, it could not be ascertained whether the completed infrastructure project/s were free from any defects/deficiencies.	<p>We recommended and Management of RO II agreed to:</p> <p>a) instruct the Inspectorate Team to conduct the final acceptance inspection on the Construction of Nantawakan Tire Path to ensure the quality of the said project and implement remedial/corrective measure, if necessary; and</p> <p>b) ensure the conduct of final acceptance inspection of all completed projects within the prescribed period in accordance with RA 9184 and the Unnumbered Memoranda.</p>	Management commented that the final inspection shall be conducted and a copy of the said report together with the supporting documents shall be furnished to the Auditor's office.	
11	<p>The procurement of 43 notebooks aggregating to ₱21,500.00 of PENRO Nueva Vizcaya is considered an unnecessary expenditure of government funds.</p> <p>Moreover, non-observance of the austerity measures and non-compliance to the DENR Regional</p>	<p>We recommended and Management of PENRO Nueva Vizcaya agreed to stop the practice of procuring items that are not necessary and do not contribute to the achievement of the goals and objectives of the Agency to avoid the incurrence of unnecessary expenditures which will be disallowed in audit.</p>	1. The Management of PENRO Nueva Vizcaya advised the concerned personnel to observe and comply with the guidelines in the judicious and prudent use of government funds to make sure that unnecessary expenditures will be eliminated.	



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
 CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
 DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
 CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
 Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
	Office No. II Guidelines on Catering Services resulted in the incurrence of excessive and unnecessary expenditures amounting to ₱44,005.00	<p>We recommended that Management exercise prudence in the utilization of funds for representation and training expenses by:</p> <p>a) strictly observing the limitations set under DENR Regional Office No. II Memorandum dated January 27, 2022; and</p> <p>b) refraining from ordering excessive quantities of meals and snacks and stopping the practice of serving meals and snacks during regular meetings or normal activities of PENRO Nueva Vizcaya in order to prevent the incurrence of excessive and unnecessary expenditures.</p>	2. The Management assured that they will adhere to the audit recommendations by strictly observing the limitations set under DENR Regional Office No. II Memorandum dated January 27, 2022, refraining from ordering excessive quantities of meals and snacks, and stopping the practice of serving meals and snacks during regular meetings or normal activities.	
12.	In PENROs Nueva Vizcaya and Quirino, disbursements on catering services amounting to ₱944,583.27 and ₱541,388.71, respectively, were inadequately supported with the required documents casting doubt on the propriety and validity of the transactions.	<p>We recommended that Management of PENROs Nueva Vizcaya and Quirino to:</p> <p>a) require the Accountant to ensure that prior to the processing of DVs, these are substantiated with the complete documentary requirements and that the approval of approving/authorized</p>	The Management has taken measures to implement the necessary processes to cover the gaps identified in the AOM. Both PENROs assured that they will comply with the audit recommendations for the complete documentary requirements.	



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
CLUSTER 8 – AGRICULTURE AND ENVIRONMENT
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
CENTRAL OFFICE – FOREIGN ASSISTED PROJECTS
Forestland Management Project

No.	Observation	Recommendation	Management Comment	Auditor's Rejoinder
		<p>officials is obtained pursuant to Sections 4(5) and 4(6) of PD 1445; and</p> <p>b) advise the Cash Unit to always demand/monitor the issuance of Official Receipt (OR) or its equivalent from creditors/payees in accordance with Section 53 of GAM for NGAs, Volume I.</p>		