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Department of Environment and Natural Resources
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| DENR MIMAROPA REGIONAL SECTION | |
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MEMORANDUM

FOR : **The Director**
Forest Management Bureau

The Regional Executive Directors
MIMAROPA, REGION XI and CARAGA

PENRO Occidental Mindoro

The Director
DA-BSWM

FROM : **The OIC Director**
and Concurrent National Project
Director, BD Corridor Project

SUBJECT : **IMPLEMENTATION OF THE ACTION PLAN TO ADDRESS
AUDIT FINDINGS FROM THE RECENTLY CONCLUDED
HACT FINANCIAL AUDIT OF THE DENR-UNDP/GEF
PROJECT ON INTEGRATED APPROACH TO
MANAGEMENT OF MAJOR BIODIVERSITY CORRIDORS IN
THE PHILIPPINES OR BD CORRIDOR PROJECT**

DATE : 12 JAN 2023

Background:

- 1) The BD Corridor Project went through a HACT Financial Audit conducted by BDO Jordan from December 12 to 16, 2022. The BDO Jordan Manila team conducted simultaneous audit in the BMB Office/National Project Management Unit (NPMU), FMB and Corridor Project Management Units in CARAGA and PENRO Occidental Mindoro.
- 2) The BD Corridor Project received Unmodified Opinion from the BDO Jordan. This means that the Statement of Expenses was prepared in accordance with agreed upon accounting policies and were: (i) in conformity with the approved project budgets; (ii) in conformity with the approved purposes of the project; (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.



UNITED NATIONS DECADE ON
**ECOSYSTEM
RESTORATION**
2021-2030

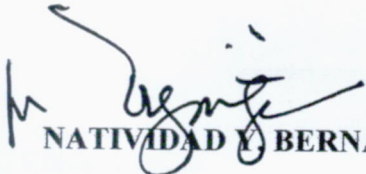
- 3) The BD Corridor Project also received Satisfactory to Partially Satisfactory ratings in the following audit areas: a) Project Progress and Rate of Delivery; b) Human Resources Selection and Administration; c) Financial Management; d) Procurement of Goods and Services; e) Management and Use of Equipment/Inventory; f) Management Structure; and, g) Record Keeping Systems and Controls.
- 4) Despite positive audit results, the auditors noted some exceptions/observations and recommended actions to improve the project's internal control system and operations.

Action Requested

The BD Corridor Project Management Units (MBC and EMBC), Forest Management Bureau (FMB) and DA-Bureau of Soils and Water Management (BSWM) are hereby enjoined to implement the BD Corridor Financial Audit 2022 Action Plan.

For consideration and appropriate action.




NATIVIDAD Y. BERNARDINO

| No. | | Audit Observation | Recommendation | Audit Area | Risk Severity | Proj/CO Mngt Comments | Action Planned | Target Impl Date | Action Unit | Person Responsible | Status | Updated Status |
|-----|-----------------------------------|--|---|---|---------------|--|---|--|---|--|--------------------|----------------|
| 1 | BD Corridor (General Observation) | <p>Commitments recorded as expenditures</p> <p>UNDP requires that a utilization rate reached out 80% of the current project fund to release the next project fund. Therefore, the IP reported unpaid salaries under the FACE Form related to the Q3 period to get the next project fund. However, delay in proceeding of salaries payments is due to unavailability of funds to cover related project expenditures.</p> | <p>We recommend the IP to increase control over the recording process and reflect all expenditures within the related period. As such, this can facilitate preparing the FACE Form and tracing the amounts reported back into the accounting system</p> | Project Progress and Rate of Delivery (PP) | Medium | <p>IP and responsible partners will look at the quarterly budget being submitted to UNDP for funding to avoid over allocation of funds, to meet the 80% threshold for utilization on time and avoid delays.</p> <p>Cash basis is implemented for all expenditures aside from salaries until September. Accrual method for all expenses is already implemented starting October 2022.</p> | <p>Bridge financing was being proposed to FASPS. Conduct regular monitoring and review of Quarterly budget and deliverables.</p> | January 2023 | ALL PROJECT MANAGEMENT UNITS (BMB,FMB, DENR CARAGA, DENR MIMAROPA, PENRO Mindoro Occidental, BSWM | NPM/CPMs/Planning and Finance Officers | For implementation | |
| 2 | NPMU and MBC | <p>Weaknesses of fixed assets management system</p> <p>It was noted that the IP has the following control weaknesses over the fixed assets management:</p> <ul style="list-style-type: none"> -Some IP Fixed asset/equipment items have to identification labels for the same assets. There is assets/equipment procured from UNDP funds and used by multiple offices related to the IP, however, those offices are not subject/related to implement UNDP project activities. | <p>We recommend that the IP appropriately labels or tags all fixed assets for identification purposes, by assigning a fixed asset unique number which is recorded in the fixed asset register. This procedure:</p> <ul style="list-style-type: none"> -Makes the physical verification process more efficient as assets can be quickly identified; -Reduces the risk that assets are not counted or double counted; -Improves the accuracy of the accounting records for fixed assets; and -Offers greater control over the whereabouts of each asset. Further, the IP should also limit access to assets and equipment by other employees that are not part of the Project and obtaining a prior written approval by UNDP for any exceptions | MANAGEMENT AND USE OF EQUIPMENT /INVENTORY (EQ) | Medium | <p>IP will ensure that all items in the SAE are matched with the tag number attached to each equipment. IP and responsible partners will limit access of other employees not part of the project to project's assets and equipment.</p> | <p>IP will ensure that all items in the SAE are matched with the tag number attached to each equipment. IP and responsible partners will limit access of other employees not part of the project to project's assets and equipment.</p> | Draft memo on 23 December 2022 | ALL PROJECT MANAGEMENT UNITS (BMB,FMB, DENR CARAGA, DENR MIMAROPA, PENRO Mindoro Occidental, BSWM | NPM/CPMs/Planning and Admin and Finance Officers | | |
| 3 | NPMU | <p>Official Receipts are not correctly addressed to</p> <p>During our audit, it was noted that the official Receipts are not "addressed to" to IP Name "DENR-BMB - BD Corridor Project." As some of the suppliers addressed the OR by using different names.</p> | <p>We recommend that the IP to maintain original and official documentation for all its expenses and to ensure that all supporting documents are addressed to the IP name with the project reference</p> | RECORD KEEPING SYSTEMS AND CONTROLS (RC) | Low | <p>IP will inform Cashier that for BD Corridor transactions, Official Receipts (OR) or Sales Invoice should be "BD Corridor Project DENR-BMB".</p> <p>The IP will issue a memo informing all partners on the name of the IP that will be reflected in the official receipts.</p> | <p>IP will issue a memo informing all partners on the name of the IP that will be reflected in the official receipts, and will include this in future revisions of the Project Operations Manual.</p> | Submitted for signature of BMB OIC-Director on December 22, 2022 | ALL PROJECT MANAGEMENT UNITS (BMB,FMB, DENR CARAGA, DENR MIMAROPA, PENRO Mindoro Occidental, BSWM | NPM/CPMs/Planning and Finance Officers | | |

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| 4 | | Weakness over inventory management It was noted the following weaknesses in the inventory management : -IP neither conducts a regular nor an annual physical count for inventory items. The main purpose of stock verifications is to confirm that the stock records reflect actual quantities on hand. If the records are not updated on a timely basis, then the stock records will not accurately reflect the inventory on hand. -IP does not maintain stock card (in/out) stock cards for inventory to monitor the controls over the stock movements and to enable proper tracking so, you were unable to verify the completeness and accuracy of the items received and distributed. | We recommend that the IP -Adopts a physical count policy for their inventory at least annually; -Adopts an adequate system and stock cards for inventory as soon as possible to increase the control over stock. This will result in timesaving, accuracy and consistency in processing the inventory operations; - Maintains a proper and clear warehouse and inventory system - The IP processes of stock cards and verify reports on a timely basis to ensure the accuracy of the inventory records. - -The IP adopts an adequate system for inventory management as soon as possible in order to increase control over stock movement to save time, improve accuracy and consistency in | MANAGEMENT AND USE OF EQUIPMENT /INVENTORY (EQ) | Medium | IP will perform inventory count on a quarterly basis. This will also form part of the memorandum that will be issued by the IP. | IP will issue a memo regarding the inventory count on a quarterly basis, and will include this in future revision of the Project Operations Manual | Draft memo on 23 December 2022 | ALL PROJECT MANAGEMENT UNITS (BMB,FMB, DENR CARAGA, DENR MIMAROPA, PENRO Mindoro Occidental, BSWM | NPM/CPMs/Planning and Admin and Finance Officers | | |
| 5 | Eastern Mindanao Biodiversity Corridor(EMBC) | Ineligible cost-employee salary overstated During our testing of the staff cost (payroll sheets) for September 2022, it was noted that the "EMBC Project Manager" resigned from its position and only worked for seven (7) days during this month. However, the IP recorded the full salary with the total amount of US\$2,422.06 under the related FACE form, while the amount actually paid to the EMBC Project Manager amounted to US\$ 724.97 (Equivalent to Php96,352.19). Therefore, the amount of US\$1,697.09 is considered ineligible cost. | The IP should adhere to the UNDP budget to ensure that salaries charged on UNDP project are in accordance with the project budget, related to the actual days spent by each employee on UNDP Project, and increase the monitoring procedures over salaries charged to programme to avoid charging extra amounts. Accordingly, we recommend the IP to refund UNDP the amount of US\$1,697.09 (Equivalent to Php96,352.19). | Financial Management (FM) | Medium | IP and responsible partners are provided template for monitoring FACE and ICE. Monitoring of accruals will be practiced from today, onwards. The IP will also de-obligate/cancel the disbursement voucher for the portion of difference between the accrued and actual amounts to reflect the actual amount of expense for salary. | IP will de-obligate/cancel the disbursement voucher for the portion of difference between the accrued and actual amounts to reflect the actual amount of expense for salary. | December 22, 2022 | EMBC CPM | Admin and Finance Officer | | |

Prepared by :

MARY JEAN A. CALEDA
National Project Manager

Approved by :

NATIVIDAD Y. BERNARDINO
BMB OIC-Director and concurrent National Project Director