

DEVELOPMENT ACADEMY OF THE PHILIPPINES  
DAP Building, San Miguel Avenue, Ortigas Center, Pasig City  
Agency Action Plan and Status of Implementation  
Audit Observations and Recommendations  
For the Calendar Year 2017  
As of 28 December 2018



Ref.	Audit Observations	Audit Recommendations	AGENCY ACTION PLAN				Status of Implementation	Reason for Partial/ Delay/ Non-implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/Dept Responsible	Target				
					From	To			
1	The accuracy, reliability and validity of Accounts Receivable in the amount of P242.618 million as of December 31, 2017 could not be established due to: a) results of confirmation showed variances totaling P72.225 million; and b) inclusion of abnormal/negative balances amounting to P1.277 million.	We recommended and Management agreed to require the Accounting Division to: a. reconcile the receivable accounts with the records of the clients and make the necessary adjustments if warranted. b. review and analyze the transactions of clients with unusual credit or negative balances and effect the necessary adjustments to correct the balances of their accounts; and to identify the agencies/offices or client names included in the lump amount of P79,880.44.					a. Implemented  b. Implemented	a. The accounts with the various clients have been adjusted accordingly per JEV Nos. 18-09-1376, 18-10-1297, 18-10-1481, 18-11-0867, 18-11-2222, 18-11-2223, 18-11-2224, 18-11-2199, and 18-11-2316. b. Likewise, the accounts with unusual or negative balances amounting to P 1,408,020.85 have been adjusted accordingly per JEV Nos. 18-05-1794, 18-05-1795, and 18-11-1682.  The amount of P 79,880.44 has been adjusted per JEV No. 18-11-2229.  The other account recommended for adjustments was recorded per JEV No. 18-11-2316 particularly Philippine Health Insurance Corporation.  The Schedule of Receivables that will be submitted for year-end 2018 will only list a client once.  References for the related JEVs of this AOM are the attached Annex A and copies of JEVs.	
2	The Property, Plant and Equipment (PPE) account with a balance of	We recommended and Management agreed to:							

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	<p>₱210.570 million as of December 31, 2017 was overstated by ₱11.238 million due to: a) non-provision of depreciation in the amount of ₱10.033 million on various projects of the Academy at the time these were available for use or upon completion; and b) inclusion of unserviceable/obsolete/defective equipment with carrying amount of ₱0.905 million. The non-recognition of depreciation also resulted in the understatement of depreciation expense and accumulated depreciation accounts and overstatement of Retained Earnings/Net income for CY 2017 by ₱10.033 million</p> <p>Also, the existence, completeness and accuracy of the PPE year-end account balance could not be ascertained due to the discrepancy in the amount of ₱0.549 million between the balance per books and the balance per PMSO Inventory Report.</p>	<p>a. recognize/provide depreciation on completed projects in accordance with Item No. 71 of the Philippine Public Sector Accounting Standards 17 in order to present a reliable balance of the Buildings and Other Structures, Depreciation Expense and the corresponding Accumulated Depreciation accounts in the financial statements;</p> <p>b. derecognize items of PPE that are unserviceable and have no future economic benefits to the Academy pursuant to the provisions of paragraph 82 of the PPSAS No. 17; and</p> <p>c. prepare periodic reconciliation of the records of the PMSO and the accounting division to detect any inconsistency and prepare the necessary adjusting entries if warranted.</p>					<p>a. Implemented</p> <p>b. Implemented</p> <p>c. Implemented</p>	<p>a. The total amount of P 10,237,756.99 for depreciation in prior years has been recorded in the Academy's books of accounts per JEV Nos. 18-05-0515.</p> <p>b. De-recognition and disposal of unserviceable PPE were recorded per JEV Nos. 18-07-1817 and 18-07-1818.</p> <p>c. The updated computerized PPE JEV Monitoring System (PJMS) was designed for the Accounting Division (AD) while the Administrative Division (AdminD) uses the Property Management System (PMS). The two (2) existing systems can now address the possible inconsistencies in the records of the said Divisions.</p>	

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3	The accuracy, validity and reliability of the year-end balance of Accounts Payable (A/P) totaling P151.711 million, could not be determined due to: a) variances in the results of confirmation totaling P7.934 million; b) inadequate maintenance of subsidiary ledgers (SLs); and c) inclusion of items which should not be part of A/P amounting to P75.240 million.	We recommended that Management require the Accounting Division: a. reconcile the liability accounts with the records of the payee and prepare adjustments in the books if warranted;  b. update the subsidiary ledgers to present complete and accurate balances of the A/P; and  c. determine the nature of each transaction and reclassify the items included in the A/P to their appropriate accounts.					a. Implemented             b-c. Implemented	a. The amount of P 14,914,440.71 recorded in the Academy's books of accounts pertains to the remaining contract price while the amount of P 7,361,000.00 confirmed by one of the clients (ABBA) pertains only to the 3rd billing. Hence, the discrepancy of P 7,553,440.71  We reiterate that the recognition of A/Ps for other accounts (i.e. Astoria Plaza, CSC, and Fiesta Tours & Travel Corporation) stated in this AOM were based on documents presented for recording and subsequent payment.      b-c. The details of the analysis, reclassification, and adjustments of various accounts amounting to P74,519,017.91 are presented under Annex B.	
4	Cost of audit services from 1990 to 2017 recognized in the books was understated by P3.809 million when compared with the billing statement sent by COA, resulting in the understatement of year-end Account Payable balance by the same amount.	We recommended and Management agreed to require the Accounting Division to reconcile the Summary of Assessments, Remittances and Balances transmitted by the Commission with the Academy's records and make the necessary adjustment if warranted.					Implemented	We are furnishing again COA the attached copy of the reconciliation of this account as of 31 December 2017 and agree with the final amount that should be taken up in the books.	

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5	The accuracy, validity and reliability of the year-end account balances of Deferred Credits to Income and Consultancy Fees – Management Training and Consultancy amounting to ₱162.936 million and ₱276.932 million, respectively, were doubtful due to improper recording of billings and recognition of revenue contrary to Section 19 and 20 of the Philippine Public Sector Accounting Standards (PPSAS) No. 9, Volume I.	We recommended and Management agreed to require the Accounting Division to recognize revenue in the reporting period in which services were rendered or at the time the deliverables were accepted by the clients in compliance with Sections 19 and 20 of PPSAS No. 9.					Implemented		We have analyzed and validated the Deferred Credits to Income (466-200) in accordance with the COA recommendation and came up with certain adjustments, details of which are attached as Annex C.
6	Results of confirmation of the Due to National Government Agency (NGAs) accounts showed variances amounting to ₱29.662 million that cast doubts on the accuracy, reliability and validity of the account balance presented in the financial statements.	We recommended and Management agreed to require the Accounting Division to analyze and reconcile the accounts and make adjustments in the books if necessary.					a Implemented  b. Implemented		The following accounts were reconciled: a. DOE-The difference of P 5,665,705.31 was part of the Deferred Credits to Income (466-200) at the time of audit in 2017.  b. DOF-The difference of P 15.856 Million was also part of the Deferred Credits to Income (466-200) at the time of audit in 2017. In 2018, of this amount, a total of P 9,918,034.13 has been reclassified as Miscellaneous Payables (439-300). The amount of P 5,938,001.52 is still part of Deferred Credits to Income (466-200).

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							<p>c. Implemented</p> <p>a. Implemented</p> <p>b. Implemented</p>	<p>c. DILG-This account has been fully liquidated per attached audited Statement of Receipts and Disbursements as of 30 April 2017 duly signed and verified by the COA Auditor.</p> <p>The unutilized amount of P 534,150.00 has been refunded to DILG per Check No. 1077543 dated 26 February 2018.</p> <p>This account is also zero (0) balance in the DILG books of accounts per their COA Auditor's confirmation letter and the attached DAP's reply on the said confirmation.</p> <p>a. PCC - The amount of P 3,404,991.08 is still outstanding and recorded in the DAP books of accounts as "Due to NGAs" and this is confirmed by the PCC per attached letter dated 26 November 2018.</p> <p>b. BAR - In the Academy's records, the total amount of P 7,088,700.68 was already fully liquidated. A letter was sent to the BAR Auditor in March 2017 about the status of this fund transfer.</p> <p>Details are found in Annex D and related supporting documents are likewise attached.</p>	
7	The Provision for Output VAT Year 2003 Onwards account year-end balance in the amount of ₱26.169	We recommended that Management require the Accounting Division to:							

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	million was overstated by ₱6.529 million representing Output VAT from collected receivables which were not debited to the said account. Likewise, the accuracy, reliability and validity of the account were doubtful due to: a) inclusion of accounts with negative/ abnormal balances amounting to P2.599 million; and b) non-maintenance of subsidiary ledgers.	a. prepare the necessary adjusting entry to correct the Provision for Output VAT Year 2003 Onwards account amounting to ₱6.529 million; b. identify the deficiencies that gave rise to the abnormal balances of the account and prepare appropriate adjusting entries; and c. maintain subsidiary ledgers for the account Provision for Output VAT Year 2003 Onwards in accordance with Section 114 (2) of PD 1445.	MIS-Services has programmed this activity	Finance Department/MIS-Services	01-Jun-19	31-Dec-19	a-b. Implemented  c. Partially Implemented	a-b. The total amount of P 6.529 Million was already reconciled of which P 6.393 Million was already remitted to the BIR.  The balance of P 136,479.21 has been adjusted in the books of accounts.  References for the related JEVs of this AOM are the attached Annex E and copies of JEVs.  c. The inclusion of the required SL of this account in the existing computerized system has been lined up by the DAP- Services IT Officer in the conversion from NGAS to the Revised Chart of Accounts (RCA).  References for the related JEVs of this AOM is the attached Annex E and copies of JEVs.	
8	The accounting records for the Provision of Output VAT year 2002 and Below account in the amount of ₱2.349 million were inadequate contrary to Section 111 of Presidential Decree (P.D.) No. 1445.	We recommended that Management exert extra efforts to locate the accounting records and documents and perform review or evaluation thereof to be able to establish the accuracy, reliability, and validity of the account balances. Based on the evaluation, prepare appropriate adjusting entries if necessary.					Implemented	This amount has been reclassified per JEV No. 18-11-1827.	

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9	Properties held to earn rentals were still included in the PPE account of the Academy contrary to PPSAS 16.	We recommended that Management reclassify the properties that fall under the category of Investment Property in compliance with PPSAS 16.	Further study on what assets should really be treated as investment properties & recommend to mgt. and Board of Trustees (BOT) for approval	Finance Dept./Accounting Div.	01-Apr-19	31-Dec-19	Not implemented		We will conduct further study on what property will be classified as investment properties.
10	The cost of audit services from 1990 to 2017 amounting to ₱42.345 million was not remitted to the Bureau of Treasury (BTr), contrary to the provisions of the Commission on Audit (COA) and Department of Budget and Management (DBM) Joint Circular No. 88-1 dated July 29, 1988 and related issuances.	We reiterated our recommendations that Management settle the latest assessment received and develop a payment scheme to settle the unpaid balance in compliance with provisions of the Commission on Audit (COA) and Department of Budget and Management (DBM) Joint Circular No. 88-1 dated July 29, 1988 and related issuances.	On the basis of the response of DBM, we will make our recommendations to mgt. & BOT	Finance Dept.	01-Apr-19	31-Dec-19	Not implemented		We have written the Department of Budget and Management (DBM) in July 2018 requesting that the Academy's cost of audit services be covered by a subsidy from the national government.

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11	Hiring of personnel under a service agreement in which they were designated to hold managerial positions was not in accordance with CSC, DBM and COA Joint Circular No. 1 s. 2017 on the Rules and Regulation Governing Contract of Services and Job Order Workers in the Government and CSC Memorandum Circular No. 6, series of 2005 on the Guidelines on Designation.	We recommended and Management agreed to comply strictly with the provisions of the CSC, DBM and COA Joint Circular No. 1 s. 2017 and CSC Memorandum Circular No. 6 series of 2005.					Implemented		This is to reiterate management's previous comment that DAP has made the necessary changes to adhere to existing rules and regulations in compliance to this AOM. Likewise, DAP's Board of Trustees authorized management to continue the adoption of the Organizational Structure as of January 1, 2017.  The designations of Officers of the Groups, Centers, Departments, Offices, Divisions, and other Units have been issued consistent with the said structure.
12	Property Cards (PC) and Property, Plant and Equipment Ledger Cards (PPELC) were not maintained by the Property Management Services (PMS) and the Accounting Division, respectively, contrary to Section 42, Chapter 10 of the Government Accounting Manual, Volume I.	We recommended and Management agreed to require the maintenance of complete and accurate Property Cards by the Property Management Services Office and Property, Plant and Equipment Ledger Card by the Accounting Division to facilitate the reconciliation of said records with the result of the RPCPPE pursuant to Section 42, Chapter 10 of the Government Accounting Manual.					Implemented		The PPELC required by the COA has been incorporated in the Academy's PPE Monitoring System. A sample of the PPELC that can be drawn from the said system is attached.



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13	Review of the contracts entered into by and between the DAP and canteen concessionaire included the following deficiencies: a) the monthly lease rental for the 430 square meter canteen at ₱100,000.00 was disadvantageous to DAP; b) the contract did not provide for the payment by the concessionaire of the equivalent advance rental and deposit to protect the interest of the DAP; c) there were two different contracts entered into by and between the DAP and the concessionaire and d) non-submission of documents to support the contract.	We recommended that Management review the existing contract with the canteen concessionaire and consider rescinding the same if found onerous and disadvantageous to DAP.					Implemented	<p>The rescinding of the Contract of Lease as recommended by the COA was taken up in the DAP's ManCom level and the Board of Trustees.</p> <p>The DAP President informed the FLBC that the Contract of Lease with them will not be renewed in accordance with the COA findings. The FLBC was given until the end of December 2018 to pay the DAP's Receivables from them amounting to P 2,482,635.07, more or less as of 21 December 2018. In turn, the DAP shall pay FLBC its recorded payables of P 760,170.00 or P 712,549.90 (net of taxes amounting to P 47,620.10). Attached is a copy of the related Board Resolution No. 2018-027 dated 08 October 2018.</p>	
14	The DAP's GAD Plans and Budgets (GPBs) and GAD Accomplishment Report (AR) for the FY 2017 were not submitted to Philippine Commission on Women (PCW) for endorsement to the Department of Budget and Management (DBM) as required under Section 8.2 of the PCW, National Economic and Development Authority (NEDA) and DBM Joint Circular No. 2012-01 due to non-registration to the Gender Mainstreaming Monitoring System (GMMS). Also, cost of GAD related activities for the year amounted only to ₱4.145 million or .3486 per cent of the total Corporate Operating Budget (COB) which was not in accordance with Section 3.4 of the	We recommended and Management agreed to facilitate the Academy's registration to the PCW Gender Mainstreaming Monitoring System (GMMS) as required in PCW Memorandum Circular No. 2015-04 dated September 30, 2015; and adhere strictly with the provisions of Section 3.4 of the General Guidelines in GAD Planning and Budgeting by allocating five (5) per cent of the total COB to GAD related activities.	Continue the alignment and classification of the Academy's implemented and on-going projects as GAD-related.	HRD	02-Feb-19	31-Dec-19	Partially implemented	<p>The Academy has already registered to the PCW Gender Mainstreaming Monitoring System (GMMS) when its GAD Secretariat underwent the GMMS orientation at the PCW last October 12, 2018.</p> <p>With the Academy's registration to the PCW GMMS, the DAP GAD Accomplishment Report for 2018 shall be submitted to the PCW through the said system on January 31, 2019 per PCW Memorandum Circular No. 2018-05.</p> <p>Among the initiatives that were initiated for 2018 were the following:</p> <p>a. conduct of organizational assessment using the PCW Gender Mainstreaming Evaluation Framework (GMEF) tool which has been validated by a technical staff from the PCW;</p>	

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	General Guidelines in GAD Planning and Budgeting.							<ul style="list-style-type: none"> <li>b. reconstitution of the DAP GAD Focal Point System;</li> <li>c. simple Gender profiling of DAP staff which shall serve as a starting point / an inventory of GAD-related resources available in the Academy;</li> <li>d. Participation in the 10-day campaign period on Violence Against Women (VAW) through short video clip presentations and briefing during Flag Ceremony;</li> <li>e. Surfacing of gender issues through solicitation of questions that all members of the Academy may have relative to Gender and Development;</li> <li>f. Continuous education of the DAP GAD Focal Point System members through attendance to Gender Sensitivity Seminars; and</li> <li>g. Document review by the TWG.</li> </ul> <p>The DAP GAD Technical Working Group has already identified its priority plans and programs for 2019 and they are as follows:</p> <ul style="list-style-type: none"> <li>a. conduct of gender audit by first week of January 2019;</li> <li>b. GAD Planning by February-March 2019; and</li> <li>c. coming up with a policy on the use of Gender Fair Language</li> </ul>	

Signing Officer:

  
ANATALIA S.D. BARAWIDAN  
Acting Managing Director, Finance Department

28 December 2018  
DATE