**DEVELOPMENT ACADEMY OF THE PHILIPPINES**

DAP Building, San Miguel Avenue, Ortigas Center, Pasig City

Agency Action Plan and Status of Implementation

2018 Audit Observations and Recommendations

As of 31 December 2019

|  |  |  |  |  |  |  |  |  |  |
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| **Ref.** | **Audit Observations** | **Audit Recommendations** | **AGENCY ACTION PLAN** | | | | **Status of Implementation** | **Reason for Partial/ Delay/ Non-implement.,if applicable** | **Action Taken/ Action to be Taken** |
| **Action Plan** | **Person/Dept Responsible** | **Target Implementation Date** | |
| **From** | **To** |
| **1** | The faithful representation of the balance of the Accounts Receivable account totalling P228.507 million as at December 31, 2018 was not established in view of the variance amounting to P46.299 million between the balance per books and the confirmed balances from various government agencies and private clients, contrary to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. | We recommended that Management direct the Accounting Division to exert all efforts to review, analyze, and reconcile the Accounts Receivable with their clients’ records, and make the necessary adjustment in the books, if any. |  |  | January 2019 | October 2019 | Fully implemented |  | All related Journal Entry Vouchers (JEVs) including other supporting documents are attached as **Annex 1.** |
| **2** | The year-end balance of the Due to Officers and Employees account amounting to P64.022 million as of December 31, 2018 was overstated by P55.589 million due to accruals made for Financial Performance Award (FPA) and Performance Based Bonus (PBB) amounting to P42.644 million and P12.945 million, respectively, which were not valid obligations. Likewise, the inadequacy in the maintenance of the Subsidiary Ledgers (SLs) resulted in the discrepancy amounting to P1.592 million between the balances of the General Ledger (GL) and the SLs. | We recommended and the Academy agreed to:  a. Adjust/correct the recorded FPA and PBB as these are not valid obligations and, henceforth, ensure that only valid obligations shall be taken up in the books of accounts;  b. Reconcile the balance reflected in the GL with the balances in the SLs of the Due to Officers and Employees account; and  c. Enhance the FMIS to capture every transaction to ensure the correctness of the financial data/reports. |  |  | July 2019  March 2019  July 2019 | November 2019  November 2019  November 2019 | Fully implemented  Fully implemented  Fully implemented |  | All related JEVs to support full compliance of this AOM are reflected in the attached **Annex 2**. |
| **3** | The Unearned Revenue/Income account with total balance of P85.890 million as at December 31, 2018 still included already earned revenue/income from completed and terminated projects in the amounts of P18.000 million and P1.235 million, respectively, thus overstating the said account in the amount of P19.235 million and understatement of the Accumulated Surplus/(Deficit) by the same amount. | We recommended and Management agreed to prepare the necessary adjusting entries to correct the balances of the Unearned Revenue/Income and Accumulated Surplus/(Deficit) accounts.  Likewise, we recommended that Management exert all efforts to document the seven long un-completed projects so that the advance revenue of P0.872 million still recorded under the Unearned Revenue/Income account could be adjusted to appropriate account. |  |  | January 2019  January 2019 | November 2019  November 2019 | Fully implemented  Fully implemented |  | All related JEVs to support full compliance of this AOM are reflected in the attached **Annex 3**. |
| **4** | Reconciling items totaling P7.906 million representing unidentified deposits/collections from January 2017 to December 2018 were not adjusted in the books, which resulted in the understatement of the Cash in Bank account and overstatement of receivable and other affected accounts as at December 31, 2018 by the same amount. | We recommended that Management:    a. Require the Accounting Division to:    a.1 Record the unidentified collections in the books of accounts in accordance with the RCA for Government-Owned and Controlled Corporations prescribed under COA Circular No. 2015-010 dated December 1, 2015; and  a.2 With the assistance of the Centers, exert all efforts to determine the unidentified deposits/collections as reflected in the bank statement and make the necessary adjusting entries in the books;    b. Direct the Centers to advise clients to promptly reconcile past and future payments made through the bank to facilitate reconciliation of records and accurate reporting of collections; and  c. Make timely representations with the concerned depository bank for the identification of depositors to hasten the recording in the books of the unidentified collections. |  |  | January 2019  January 2019  January 2019 | Sept. 2019  Sept. 2019  December 2019 | Fully implemented  Fully implemented  Fully implemented  Fully implemented |  | Of the total amount of ₱7,905,814.23 as of 31 December 2018, stated in this AOM, a total of ₱7,045,693.19) has been identified and recorded in the books of accounts from January 2019 to November 2019. The details of the remaining balance of ₱860,121.04 is still under the “Undistributed Collections” account attached as **Annex 4**. |
| **5** | The year-end balance of the Due to National Government Agency (NGA) in the amount of P469.570 was doubtful due to variance amounting to P38.545 million in the results of confirmation, contrary to Paragraph 27 of the Philippine Public Sector Accounting Standard (PPSAS) 1. | We recommended that Management require the Accounting Division to exert all efforts to reconcile their records with the concerned agencies’ records, and make the necessary adjustments to arrive at reconciled balances. |  |  | January 2019 | December 2019 | Fully implemented |  | Attached is **Annex 5** stating the reasons for the discrepancies. |
| **6** | The balances of the Due to National Government Agency (NGA) - Aurora e-Village Project account with negative (abnormal) balance of P2.008 million and the Cash in Bank - Local Currency, Current Account - Aurora e-Village Project of P468,586 as at December 31, 2018 were doubtful due to, among others, variance of P5.640 million between the books of DAP and the Source Agency as a result of confirmation and discrepancies in the records of the Accounting Division and Productivity and Development Center. | We recommended that Management direct the Accounting Division to:  a. Analyze the negative (abnormal) balance of the Due to NGA-Aurora e-Village Project account and effect necessary adjustments in the books;  b. Reconcile the Accounting records with the records of the DA-ATI, the Source Agency, and the Productivity and Development Center in charge of the project; and  c. Immediately submit the liquidation reports to the DA-ATI as the project was already fully completed in CY 2012. |  |  | January 2019  January 2019  January 2019 | December 2019  December 2019  December 2019 | Fully implemented  Fully implemented  Fully implemented |  | Recorded the reconciled amount of  ₱ 2,068,100.13 per JEV No. 19-12-1094. |
| **7** | The faithful representation of the year-end balance of Advances to Contractors account in the amount of P5.471 million was not ascertained due to inclusion of advances to service providers of P0.776 million for room accommodations during events/seminars undertaken in CYs 2010 to 2016, other deposits which were long-outstanding amounting to P0.616 million, and the three months rental deposit and one month rental for DAP sa Mindanao (DSM) office space in the amount of P109,500. | We recommended that Management instruct the Accounting Division to analyze/review all transactions recorded under the Advances to Contractors account and prepare the necessary adjustments to reflect the correct balance of the account in the books. |  |  | April 2019 | May 2019 | Fully implemented |  | The amount of ₱776,350.00 was already adjusted in the books of accounts per JEV No. 19-04-1261. Another JEV No. 19-04-1244 was prepared for additional adjustments amounting to ₱516,342.87.  The amount of ₱100,000.00 per Subsidiary Ledger instead of ₱109,500.00 regarding the DSM rental deposit and advance rental has been reclassified per JEV No. 19-05-0637.  The references are attached as **Annex 6.** |
| **8** | The Bureau of Internal Revenue (BIR) Forms 2306 (Certificate of Final Tax Withheld at Source) and 2307 (Certificate of Creditable Tax Withheld at Source) amounting to P0.748 million and P0.299 million, respectively, or aggregating P1.047 million were not issued by the clients to DAP as required under Revenue Regulation (RR) No. 2-98 dated April 17, 1998; thus, the Academy was not able to apply the Tax Certificates as tax credit against its tax liability and, the Accounts Receivable account pertaining to Tax Certificates on collections remained outstanding in the books as of December 31, 2018. | We recommended that Management always demand from its clients the submission/issuance of BIR Forms 2306 and 2307 together with the payments so that the Academy can use the Tax Certificates as tax credit or deduction against its tax liability to the BIR. |  |  | January 2019 | August 2019 | Fully implemented |  | The total amount of ₱975,831.76 has been recorded for Tax Certificates, leaving a balance of only ₱70,689.63 that pertains to 2018. Attached is **Annex 7** for the supporting JEVs.  Letters were already sent to the clients concerned regarding the submission of said tax certificates and still awaiting for their responses. |
| **9** | Copies of forty-seven (47) contracts and their supporting documents totalling P161.620 million executed by the Academy for CY 2018 were not furnished to the COA within five (5) working days upon execution thereof, contrary to Section 3.1.1 of COA Circular No. 2009-001, thereby precluding the Audit Team from conducting timely review and evaluation of the contracts and the deficiencies, if any, could not be immediately conveyed to the Academy for its appropriate action. | We recommended that Management strictly comply with Section 3.1.1 of COA Circular No. 2009-001 by furnishing copies of all contracts and their supporting documents to the Audit Team within five (5) working days from execution thereof. |  |  | April 2019 | May 2019 | Fully implemented |  | Attached are the receiving copies of transmittal documents for reference. |
| **10** | The cost of the audit services from CYs 1990 to 2018 amounting to P46.338 million was not remitted to the Bureau of the 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 prior year’s audit recommendations that Management: (a) settle the latest assessment/billing received from COA; and (b) develop a payment scheme to settle the unpaid balances in compliance with the provisions of COA and DBM Joint Circular No. 88-1 dated July 29, 1988 and other related issuances. |  | OP | January 2020 | December 2020 | Not implemented | Financial constraint | It is reiterated that the Academy has fund constraints so as a possible solution, a request for reconsideration to the DBM was prepared again to at least subsidize the DAP’s cost of audit to pay COA.  Please be informed that the DBM’s reply to our first lettert recommended that the Academy: (a) prepare aging and request for write-off amounts obligated for more than 10 years; (b) reconcile and discuss with COA a reasonable payment scheme; and (c) settle the latest assessment. Also, the matter will be elevated to the Academy’s Board of Trustees for the next steps to be adopted. |
| **11** | Treasury personnel who are performing the functions of Collecting Officers are not bonded, contrary to the provisions of Section 101 of PD No 1445 and Sections 4.1 and 5.1 of Treasury Circular No. 02-2009 dated August 6, 2009 and exposing the Academy to risk of non-indemnification in case of loss of government funds through any form of dishonesty on the part of the accountable officer/employee. | We recommended that Management strictly comply with the provisions of Section 101 of PD No. 1445 and Sections 4.1 and 5.1 of Treasury Circular No. 02-2009 dated August 6, 2009 on the bonding of accountable officers.  Management commented that the Cash Collecting Officer is now bonded. The Academy is now processing the bonding requirement of the Collector who collects directly from the clients. |  |  | May 2019 |  | Fully implemented |  | The accountable officer, Mr. Emerson Javier has been bonded effective 22 May 2019. |
| **12** | Advance payment of P3.969 million to a contractor of 15 per cent of the total contract price has not been recouped by the Academy despite the termination of the contract on December 20, 2012, depriving the DAP of additional resources for its operation. | We recommended that Management exert all efforts to recover from the contractor the advance payment amounting to P3.969 million. If warranted, file a collection case against the said contractor. |  |  | May 2019 |  | Fully implemented |  | The amount of ₱3,968,556.47 is the balance of the mobilization fee that the Academy paid to the ACS Development and Property Managers, Inc. (ACSDPMI).  As this contractor did not complete this project and no payment was made after its first billing, the Academy was unable to recoup the said amount.  However, we have supporting data which when consolidated will be more than enough recoupment of the said mobilization fee, as follows:  a. The 10% retention fee on the first billing of ACSDPMI amounting to ₱751,751.55;  b. the unpaid actual accomplishment of ACSDPMI in the amount of ₱2,726,863.35 by the Academy in 2012; and  c. the cost of unused construction materials accounted for by the Academy’s Engineering Services in the amount of approximately ₱995,000.00 brought and left in the Academy by the ACSDPMI and later used by the Academy for the unfinished project.  Items a-c amounted to ₱4,473,614.90. This is more than the total mobilization fee balance of ₱3,968,556.47 or an excess of ₱505,058.43.  The recoupment of the mobilization fee balance of ₱3,968,556.47 has been recorded per attached JEV Nos. 19-05-0580, 19-05-0581, and 19-05-0582. |
| **13** | The CY 2018 GAD Plan and Budget (GPB) of the Academy was not prepared and submitted for endorsement to the Philippine Commission on Women (PCW) as required under Joint Circular No. 2012-01 issued by the PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM), thus the PCW was not able to assess and review the Academy’s GPB and GAD Accomplishment Report (AR). | We recommended that Management:  a. Strictly comply with the provisions of the EO No. 273, PCW-NEDA-DBM Joint Circular No. 2012-01, COA Circular No. 2014-01, and PCW Memorandum Circulars;  b. Ensure that the GAD focal persons are adequately trained to prepare GPB and GAD AR; and  c. Direct the GAD focal person to:  c.1 Prepare the GPB and submit the same together with the GAD AR in the prescribed format to PCW for endorsement within the deadline set; and  c.2 Submit to the Audit Team copy of the approved/duly endorsed GPB within five days from receipt thereof, and GAD AR within five working days from the end of January of the following year. |  | GAD-TWG  GAD-TWG  GAD-TWG  GAD-TWG | January 2020  January 2020  January 2020  January 2020 | December 2020  December 2020  December 2020  December 2020 | Partially implemented  Partially implemented  Partially implemented  Partially implemented |  | a. In 2018, while DAP was unable to formalize its GAD plans, purposive and sustained GAD programs and activities that were identified from various mechanisms were implemented. Also, registration to the PCW’s GMMS was a proof of the Academy’s sincere intent to adhere, contribute, and be accountable in advancing GAD;  b.. Internally, the Academy had been allocating for GAD-related project/activities at least 5 per cent of its Board-approved HR Training and Development Budget. The percentage may increase depending on the costs of the Academy’s projects that will be identified as GAD related and for attribution; and  c. Henceforth, we will continue to include in the annual plans the capacity building of the Academy’s GAD Focal Point System on Harmonized Gender and Development Guidelines for better accounting of expenses that can be attributed to GAD. |
| **14** | The DAP was unable to remit in full the premium contributions to the GSIS, PhilHealth and Pag-IBIG in the amounts of P1.197 million, P328,359 and P5,400, respectively, for CY 2018, which is not in accordance with the provisions of Section 14.1 of the Implementing Rules and Regulations (IRR) of RA No. 8291, otherwise known as the GSIS Act of 1997; Section 11 of the Revised IRR of RA No. 10606, known as the National Health Insurance Act of 2013; and Section 3, Rule VII of the IRR of RA No. 9679 or the Home Development Mutual Fund Law of 2009. | We recommended that Management strictly comply with the provisions of Section 14.1 of the IRR of RA No. 8291, Section 11 of the IRR of RA No. 10606, and Section 3, Rule VII of the IRR of RA No. 9679 on the withholding and remittance of premiums and contributions. |  | HRMDD | January 2020 | December 2020 | Partially implemented | Reconciliation still on-going for prior years | a. The Academy is on a 100 per cent threshold when it comes to remittances to the GSIS, PhilHealth and Pag-IBIG. For the GSIS remittances, discrepancies may arise only in case of salary adjustments or differentials as these are not immediately recognized and posted by the GSIS unless the Agency Remittance Advice (ARA) is submitted by the Academy; and  b. The Compensation & Benefit Unit (COMBEN) of the Human Resources Management and Development Department (HRMDD) has reconciled the 2018 remittances and determined the exact amount of premiums or contributions that were remitted to the GSIS, PhilHealth and Pag-IBIG. However prior years’ records have yet to be validated. |

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| **Signing Officer:** |  |  |
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| **ANATALIA SD. BARAWIDAN** |  | **DATE** |
| Acting Managing Director, Finance Department |  |  |