



Department of the Interior and Local Government
 DILG-NAPOLCOM Center, EDSA corner Quezon Avenue, West Triangle, Quezon City

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION

Audit Observations and Recommendations
 For the Calendar Year 2018
 As of October 31, 2020

Status of Implementations of Audit Recommendations	
Fully Implemented	17 (77%)
Partially Implemented	5 (23%)
Not Yet Implemented	0 —
Total	22 (100%)

Ref	Audit Observations	Audit Recommendations	Timeline of Implementation	Status of Implementation	Action Taken/ Action to be Taken	UPDATES
Page 58 1	<p>ACCOUNTING ERRORS AND DEFICIENCIES, DISCREPANCIES AND DORMANT BALANCES</p> <p>1. The reliability of the DILG's financial statements cannot be ascertained due to various accounting errors which resulted in the overstatement of total Assets and Equity amounting to ₱26,646,479.13 and ₱40,879,641.96, respectively, and the understatement of total Liabilities amounting to ₱14,233,162.83. Moreover, accounting deficiencies totaling ₱1,914,762,357.48 affected various accounts due to unaccounted discrepancies and dormant balances.</p>	<p>We recommended that Management require the concerned Accountants to:</p> <p>a) effect the necessary adjustments on the errors and omissions to correct the reported balances of the affected accounts; and</p> <p>b) observe the proper recognition and adjustments of accounts and transactions in accordance with the GAM and relevant accounting rules and regulations.</p>	<p>January to December 2020</p> <p>January to December 2019</p>	<p>Partially Implemented</p> <p>Fully Implemented</p>	<p>Various accounting errors were adjusted except for liquidations pending submission from implementing agencies and unreconciled discrepancies in the PPE account.</p> <p>Accounting deficiencies such as discrepancies between balances per books of the Source Agencies and Implementing Agencies and variance between the book and Bank Reconciliation Statement (BRS), Subsidiary Ledger, or cash books registry were already corrected and adjusted.</p> <p>However, reconciliation of discrepancies between accounting and property records is still ongoing while the disposal of unserviceable properties like ENP is awaiting comments and recommendations from COA.</p> <p>a) Correcting/adjusting entries were already prepared for some accounting errors and deficiencies. There will be continuous adjustments of accounts for reconciling items and recording of liquidation.</p> <p>b) There will be continuous adjustments of accounts and the concerned personnel will observe proper recognition of accounts and adhere to the existing accounting rules and regulations.</p>	

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	<p>➤ Accounting Errors/Omissions</p> <p>a. Errors affecting Cash accounts - ₱14,306,795.4</p> <p>b. Errors affecting Receivable accounts - ₱77,882,640.83</p> <p>c. Unrecorded collections - ₱2,500.00</p> <p>d. Errors affecting Inventory accounts - ₱6,781,410.31</p> <p>e. Errors affecting PPE accounts - ₱25,096,137.58 Erroneous recording of transactions - ₱2,748,838.07</p> <p>f. Erroneous recording of transactions - ₱2,748,838.07</p>				<p>Details:</p> <p>a. All errors affecting cash accounts in the amount of P14,306,795.42 were adjusted and corrected under various Journal Entry Vouchers (JEVs). (Fully Implemented)</p> <p>b. Errors affecting receivable accounts in the amount of P77,882,640.83 were adjusted except for liquidations which are pending submission from various LGUs in Region IV-A in the amount of P30,647,932.64 and P363,835.98 from Batangas State University. The unreconciled amount of P17,283,835.98 was already identified which is composed Performance Challenge Fund of P16,920,000.00 and unliquidated balance of P363,835.98 from Batangas State University. The region will send demand letters to follow up on the liquidation of the unutilized funds. (Partially Implemented)</p> <p>c. Unrecorded collections in the amount of P2,500.00 was already taken up in the books. (Fully Implemented)</p> <p>d. All errors affecting inventory accounts in the amount of P6,781,410.31 were as adjusted under various Journal Entry Vouchers (JEVs). (Fully Implemented)</p> <p>e. Errors affecting Property, Plant and Equipment (PPE) accounts in the amount of P25,096,137.58 were already corrected and reduced to P4,319,370.14. Continuous reconciliation is being undertaken by the CO to adjust the remaining discrepancy. (Partially Implemented)</p> <p>f. The various errors in the recording of transactions in the amount of P2,748,838.07 were already adjusted/corrected. (Fully Implemented)</p>	<p>Region IV-A: Out of P19,740,925.40 overstated amount due to unreconciled liquidations, P19,572,357.15 were already reconciled equivalent to 99% reconciled and having a remaining balance of P168,568.25. While out of P17,283,835.98 understated amount due to unreconciled liquidations, P16,920,000.00 or 97 % were already reconciled having a remaining balance of P363,835.98. The abovementioned balances were being coordinated to PDMU and concerned program officer, thus, the concerned LGUs and NGAs were properly notified awaiting for their reply and action to be taken.</p>

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	<p>➤ Accounting Deficiencies - ₱1.915 Billion</p> <p>a. Unreconciled differences between bank and book balances - ₱17,742,509.52.</p> <p>b. Unreconciled discrepancies between the balances per books and confirmation with Implementing Agencies - ₱373.817 Million</p> <p>c. Unreconciled difference between accounting and property records - ₱299.628 Million</p> <p>d. Untitled land and building - ₱34.490 Million</p>				<p>a. The discrepancy between cash balance per books and bank confirmation in the amount of P17,742,509.52 was fully reconciled. (Fully Implemented)</p> <p>b. The discrepancy between balances per book and confirmation with Implementing Agencies (IAs) in the total amount of P373,816,845.72 was fully reconciled. (Fully Implemented)</p> <p>c. Reconciliation of the difference between the accounting and property records in the amount of P299,628,271.54 was partially implemented. The reconciliation is on-going for CO, CAR, Regions VIII, and XII. Regions II, IV-A, IV-B, VI and NCR were already done with the reconciliation of accounts and Journal Entry Vouchers (JEVs) drawn and recorded. (Partially Implemented)</p> <p>d. For untitled land and building (CO), the League of Municipalities of the Philippines (LMP) as the beneficial owner had begun the process of having it registered under their name. LMP inquired if it can borrow from the DILG the original Deed of Absolute sale to show to the LRA for the continuance of the titling of the said properties.</p>	<p>Region VIII: Fully reconciled the discrepancies in the Cash in Bank Account.</p> <p>NCR: Already Submitted RPCPPE to NCR's Resident Auditor submitted February 5, 2020. (Fully Implemented)</p> <p>CAR: Initial reconciliation of the difference between the Accounting and Property Records as of December 31, 2018 was done from March 12- April 2019 but not completed as of Dec. 31, 2019.</p> <p>Region XII: The reconciliation is still on-going as of March 31, 2020. During the Exit Conference with the Regional Auditor, they recommended for us to conduct an inventory of PPE, including the unserviceable ones, and the result would be the basis of our beginning balance. As of March 31, 2020 we are still waiting for the results of inventory as operations are affected by the current pandemic. Upon inquiry with the Supply and Property Officer, the inventory count was already finished for the Regional Office only. They are still to conduct the same for the Provincial and City Offices upon resumption of normal operations.</p>

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	<p>e. Non-disposal of unserviceable properties - ₱210.817 Million</p> <p>f. Existence of Dormant account balances - ₱666.563 Million</p> <p>g. Unreconciled discrepancy between balances per books and confirmation from Source Agencies</p> <p>h. Unreconciled balance between book and BRS (Region I)</p> <p>i. Variance between CBReg balance per BRS and Subsidiary Ledger (Region V) *PO Albay, PO Sorsogon</p>				<p>However, since their lawyer run for an office in the last election, the processing of having it registered was overtaken by the political event. The LMP has already hired a new lawyer for such purpose. (Partially Implemented)</p> <p>e. Part of the unserviceable properties in the amount of P210,816,850.22 was already disposed of except for ENP Equipment. The said ENP Equipment was already inspected and evaluated by ISTMS and GSD. These equipment are already obsolete and unserviceable, as per certification of ISTMS dated May 23, 2014. The COA was requested by the Department through a letter dated May 14, 2019, to comment on and recommend the proposed disposal of the said ENP equipment. The additional documents required by COA were already forwarded to them last February 4, 2020. (Partially Implemented)</p> <p>f. Dormant account receivable balances in the amount of P666,562,841.67 were reduced by P48,058,411.26 under OR #1360821 dated June 21, 2019, representing the refund from PS-DBM for the undelivered IT equipment.</p> <p>FMS monitoring team was formed to regularly visit the concerned offices, reconcile with their records and demand liquidation to settle the outstanding balances. They have already conducted visitorial activities in various regions to reconcile records and demand liquidation from the concerned LGUs and agencies.</p> <p>We have collected P48,058,411.26 from PS-DBM representing the refund of undelivered IT equipment, as evidence by OR #1360821 dated June 21, 2019. (Partially Implemented)</p> <p>g. Unreconciled discrepancies between balances per books and confirmation from Source Agencies (CO) in the amount of P4,014,329.23 were fully reconciled and corrected. (Fully Implemented)</p> <p>h. Region I already adjusted the accounts and submitted to COA the JEV and attachments. (Fully Implemented)</p> <p>i. Revised CBR and Bank Reconciliation Statements were submitted by DILG Albay and DILG Sorsogon in March 2019. (Fully Implemented)</p>	<p>Central Office and other ROs: Disposal of ENP Equipment is still ongoing. CAR: On November 2019, ENP Equipment costing P 66,125,581.12 were disposed thru negotiated sale, except for a set of speaker costing P13,999.93.</p>

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	<p>j. Unaccounted variance between the GL and aging schedule</p> <p>k. Unaccounted variance between the GL and aging schedule</p> <ul style="list-style-type: none"> • SL for receivable accounts were not maintained (Region VIII) <p>l. Unreconciled difference between the GL and RPCI (Region VIII)</p> <p>m. Variance between the GL and SL (Region VIII)</p> <p>n. Variance between CReg by Disbursing Officer and SL (Region IX)</p>	<p>a) require the Accountant concerned to: (i) determine the cause/s of the inconsistencies between the records of the DILG and confirmation with the bank and IAs; and (ii) review and analyze the dormant accounts and request authority from COA for the write-off and/or adjustment of dormant accounts;</p> <p>b) require IAs to refund the unexpended balance for all completed undertakings;</p> <p>c) require the concerned Accounting and Property Offices to conduct periodic reconciliation of their records and prepare necessary adjustments, if any;</p>		<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>j. Ongoing reconciliation of cash in bank LCCA. The unreconciled amount is down to P7,157,165.41, representing 75% reconciliation. (Partially Implemented)</p> <p>k. Gathered the available supporting documents and adjusted the observations noted. Ongoing updates on the SL for Accounts Receivable account. (Fully Implemented)</p> <p>l. Ongoing updates on the Inventory Ledger Cards. (Fully Implemented)</p> <p>m. Ongoing updates on the RPCPPE for the years 2018 to 2019. (Partially Implemented)</p> <p>n. The difference was due to timing differences. Already adjusted per books. (Fully Implemented)</p> <p>a) CO and ROs have identified the causes of the discrepancies which are mainly due to timing difference in recording fund transfers and liquidation. These offices have reconciled such discrepancies, requested liquidation reports and recognized in their books the liquidations received. They also visited the LGUs and national government agencies to request for liquidation and reconcile with their accounts.</p> <p>b) The management continuously followed up the NGAs and LGUs and other government agencies for the refund of remaining balances for completed projects.</p> <p>c) The reconciliation is on-going for CO, CAR, Regions VIII, and XII. Regions II, IV-A, IV-B, VI and NCR were already done with the reconciliation of accounts and Journal Entry Vouchers (JEVs) drawn and recorded.</p>	<p>Region VIII: All purchases in 2018 and prior years are now updated. 2019 and 2020, on going. (2018 Fully Implemented)</p> <p>Region VIII: Updated the RPCPPE 2019. But still working on the reconciliation.</p>

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		<p>d) facilitate the disposal of unserviceable properties to avoid further deterioration; and</p> <p>e) require the Accountant to coordinate with the source agencies to establish the correct balance of the unliquidated fund transfers and make the necessary adjustments in the books of accounts.</p>		<p>Partially Implemented</p> <p>Fully Implemented</p>	<p>d) Part of the unserviceable properties in the amount of P210,816,850.22 was already disposed of except for ENP Equipment. The said ENP Equipment was already inspected and evaluated by ISTMS and GSD. These equipment are already obsolete and unserviceable, as per certification of ISTMS dated May 23, 2014. The COA was requested by the Department through a letter dated May 14, 2019, to comment on and recommend the proposed disposal of the said ENP equipment. The additional documents required by COA were already forwarded to them last February 4, 2020.</p> <p>e) Monitoring Teams were formed to regularly visit the concerned offices, reconcile with their records and demand liquidation to settle the outstanding balances. They have already conducted visitorial activities in various regions to reconcile records and demand liquidation from the concerned LGUs and agencies.</p>																						
Page 79 2	<p>UNLIQUIDATED FUND TRANSFER</p> <p>Various fund transfers to Implementing Agencies (IAs) totaling ₱9,475,391,686.09 remained unliquidated at year-end due to non-submission of liquidation reports contrary to COA Circular Nos. 94-013 and 2007-001.</p>	<p>We recommended and Management agreed to:</p> <p>a) strictly monitor and enforce the liquidation of fund transfers in accordance with COA Circular No. 94-013 and 2007-001 and relevant provisions of the MOA; and</p> <p>b) require the IAs to refund the unexpended balance for completed undertakings and for cancelled projects.</p>		<p>Fully Implemented</p> <p>Fully Implemented</p>	<p>Fund transfers to Implementing Agencies (IAs) totaling ₱9,475,391,686.09 were reduced to ₱6,340,899,633.25 or a 33% liquidation rate has been attained for 2019.</p> <p>As of December 31, 2019, the balances of accounts Due from NGAs, LGUs, GOCCs, and NGOs/POs totaled ₱6,340,899,633.25.</p> <table border="1"> <thead> <tr> <th>Account Name</th> <th>Balance as of December 2018</th> <th>Balance as of December 31, 2019</th> </tr> </thead> <tbody> <tr> <td>Due from NGAs</td> <td>956,274,153.17</td> <td>625,467,429.31</td> </tr> <tr> <td>Due from LGUs</td> <td>7,897,019,142.85</td> <td>5,182,720,514.22</td> </tr> <tr> <td>Due from GOCCs</td> <td>618,045,562.05</td> <td>529,728,432.81</td> </tr> <tr> <td>Due from NGOs/POs</td> <td>4,052,828.02</td> <td>2,983,256.91</td> </tr> <tr> <td>Total</td> <td>9,475,391,686.09</td> <td>6,340,899,633.25</td> </tr> <tr> <td>Liquidations for the period</td> <td></td> <td>3,134,492,052.84</td> </tr> </tbody> </table> <p>DILG mobilized the Financial Monitoring and Tracking Team to visit the LGUs, government agencies other implementing agencies and assist them in submitting these documents in close coordination with COA.</p> <p>The DILG is aware that there are always issues and concerns that arise during the process of financial reporting particularly on the liquidation</p>	Account Name	Balance as of December 2018	Balance as of December 31, 2019	Due from NGAs	956,274,153.17	625,467,429.31	Due from LGUs	7,897,019,142.85	5,182,720,514.22	Due from GOCCs	618,045,562.05	529,728,432.81	Due from NGOs/POs	4,052,828.02	2,983,256.91	Total	9,475,391,686.09	6,340,899,633.25	Liquidations for the period		3,134,492,052.84	<p>For CO/RO to continue sending Demand Letters and monitoring unliquidated balances</p> <p>The remaining balances will be forwarded in the current year's account balances.</p>
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	<p>a. Due from National Government Agencies - ₱956,274,153.17</p> <ul style="list-style-type: none"> ➤ ASEAN Fund - unliquidated balance of ₱2,555,013.59 ➤ Presidential Commission for the Urban Poor (PCUP) includes the unliquidated balance of ₱80,352,033.55 transferred on March 30, 2017 for the 11,367 qualified ISF, and additional fund of ₱119,606,000.00 was again transferred on December 27, 2018 for same purpose. 				<p>reports. There were also instances that the LGUs failed to furnish the DILG Regional Accounting Office of their liquidation reports submitted to their respective COA offices, hence, the disparity of liquidated amounts of the records of LGUs with that of the source agency.</p> <p>We reminded the Regional Directors to work with these LGUs together with our Engineers and Finance units to make actual visits and assist LGUs so they can liquidate more promptly and efficiently.</p> <p>The DILG Central Office (CO) periodically sent demand letters and closely coordinated with accountants of the implementing agencies to follow up and ask for liquidation reports.</p> <p>For DILG Central Office accounts:</p> <ul style="list-style-type: none"> a. Due from NGAs account includes fund transfers by the Central Office totaling P721,895,003.90 which is now reduced to P309,273,418.01, representing 57.16% liquidation rate. (Partially Implemented) ➤ The ASEAN Funds are fully utilized and liquidated as of December 31, 2019. (Fully Implemented) ➤ Presidential Commission for the Urban Poor (PCUP) was able to disburse P23,125,921.64 or 10.78% budget utilization rate equivalent to 1,031 ISFs. DILG already endorsed 2,963 ISFs but PCUP is yet to disburse the Interim Shelter Fund to 1,932 ISFs. <p>To expedite the utilization of the fund, DILG and PCUP are looking at possible expansion of coverage of the fund by including ISFs who were relocated from 2010 if the funds will be able to accommodate them. Also, both agencies are looking expediting the identification of beneficiaries by conducting a pre-validation inspection of actual occupants of NHA houses. The DILG will also be able to endorse qualified beneficiaries from SHFC-HDH Projects, DILG People's Plan Fund Projects, and other socialized housing projects to PCUP for the disbursement of the Interim Shelter Fund.</p> <p>The funds amounting to P119,606,000.00 was deposited to BTr, hence the PCUP will request NCA after the 1st released is fully utilized. (Partially Implemented)</p>	

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	<ul style="list-style-type: none"> ➤ The balance with Procurement Service-DBM was intended for the procurement of ICT Hardware and equipment under the (PSIS) & (LGUIP). The management had already sent a follow up letter to PS-DBM requesting for the refund, however to date, the matter remained unresolved. ➤ The unliquidated balance of Local Government Academy (LGA) totaling ₱85,989,648.30 ➤ Bureau of Fire Protection (BFP) has unliquidated balance amounting to ₱39,623,842.7 ➤ The unliquidated balance of the Presidential Communications Operations Office (PCOO) amounting to ₱12,489,883.46 <p>b. Due from GOCCs – ₱590,898,403.91</p> <p>c. Due from LGUs – Regional Offices - ₱383,164,204.07</p>				<ul style="list-style-type: none"> ➤ Procurement Service-DBM already refunded the amount of P48,058,411.26 representing the undelivered IT equipment under OR #1360821 dated June 21, 2019 (Partially Implemented) ➤ Local Government Academy (LGA) totaling P85,989,648.30 was now reduced to P39,188,073.84 amounting to P46,801,574.46 or 54.43% liquidation/refund rate. The LOGOTRI seminar and general meeting amounting to P100,000.00 were requested for the write-off. (Partially Implemented) ➤ The Emergency Medical Technician Training Course and Geographical Information System for the 911 Program were already completed and the BFP was advised to return the unutilized funds of P1.1M. (Partially Implemented) ➤ Presidential Communications Operations Office (PCOO) has fully liquidated the funds transferred by the DILG. (Fully Implemented) <p>b. The Due from GOCCs account in the Central Office in the amount of P590,898,403.91 was reduced by P85,010,717.36 due to additional liquidations from implementing agencies, and the remaining balance is P505,887,686.55 as of December 31, 2019. (Partially Implemented)</p> <p>c. The balance of Due from Local Government Units of Regions I, V, VI, VII, X in the amount of P383,164,204.07 is now reduced to P69,879,787.09, with P313,284,416.98 recorded liquidation or 82% liquidation rate. (Partially Implemented)</p>	Fully liquidated.

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	<p>d. Due from NGOs/POs - ₱2,035,924.29</p> <p>e. Due from Regional Offices - ₱1,525,693.54</p>				<p>d. The balance of Due from NGOs/POs in the amount of P2,035,924.29 was reduced to P1,035,924.29 due to the P1,000,000.00 liquidation submitted by the League of Municipalities of the Philippines. (Partially Implemented)</p> <p>e. The reported Due from ROs balance of ₱1,525,693.54 was reduced to P395,553.49, representing 74.07% liquidation rate. (Partially Implemented)</p>	
<p>Page 85 3</p>	<p>LEASE PURCHASE OF EQUIPMENT</p> <p>Various capital assets valued at ₱17,596,905.55 which should have been charged against the allotment for capital outlay were procured/acquired using the allotment for Maintenance and Other Operating Expenses (MOOE) which is not in keeping with existing laws on the proper utilization of funds.</p>	<p>We reiterated our previous recommendation that Management stop the practice of using the appropriations for MOOE for the acquisition of equipment under the lease purchase agreement.</p>	<p>January to June 2019</p>	<p>Fully Implemented</p>	<p>CO: The Department had been persistent in proposing Capital Outlay to cover the procurement of office equipment requirements of Central Office. However, the DBM has only given us Capital Outlay appropriations for the implementation of the Medium-Term Information and Communications Harmonization Initiative (MITHI). Thus, procurement of the needed equipment was made through rental lease utilizing the budget for Maintenance and Other Operating Expenses (MOOE).</p> <p>The lease-purchase arrangement is longer being resorted to since last year following the recommendation of COA as articulated in our letter dated June 6, 2018.</p> <p>The said arrangement involving the amount of P638,165.47 was due to the urgency and necessity to provide the needed equipment at the Office of the Secretary. The items purchased were necessary to accommodate more guests and visitors (local officials and foreign dignitaries) who frequently visits and making a courtesy call to the SILG.</p> <p>Representations have been made with the DBM to include in the Department budget proposal the Capital Outlay for the procurement of equipment for the succeeding fiscal year. However, the DBM had approved only P90,000.00 for office equipment and P228,000.00 for furniture and fixtures under the FY 2019 NEP.</p> <p>Region XIII: On the amount of P212,000.00 audit findings, adjusting entry was already made per JEV # 2019-01-012 as of March 31, 2019 on the said transaction by reclassifying the account from Other Asset to Information and Communication Technology Equipment. The Management resolved to no longer utilize MOOE allocation for the acquisition of equipment.</p>	

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<p>Page 87</p> <p>4</p>	<p>NON-COMPLIANCE WITH R.A. NO. 9184 (PROCUREMENT LAW)</p> <p>The Central Office and five Regional Offices did not comply with the requirements of the procurement process and procedures provided in the 2016 Implementing Rules and Regulations of R.A. No. 9184, otherwise known as “The Government Procurement Reform Act”.</p> <p>Audit of various procurement amounting to ₱66,028,986.19 disclosed non-compliance with the CY 2016 Implementing Rules and Regulations of RA No. 9184</p>	<p>We recommended and Management agreed to follow the procurement process and procedures prescribed under RA No. 9184.</p>	<p>January to June 2019</p>	<p>Fully Implemented</p>	<p>The Central Office and Regional Offices ensure that its procurement activities adhere strictly with the procurement rules and regulations (RA 9184 and its Revised IRR). In Central Office, we already registered to the GFA and have submitted the initial payment of Three Million Pesos (Php 3,000,000.00) to the PS, DBM.</p> <p>The General Services Division, Administrative Service (GSD, AS) has already prepared all the necessary documents for the Procurement of Fuel Fleet Card System and it was forwarded to the Central Office Bids and Awards Committee (COBAC) for appropriate action.</p> <p>All audit findings and recommendations are now complied and fully implemented except for the following Observations in Central Office:</p> <table border="1" data-bbox="1310 737 1983 1458"> <thead> <tr> <th data-bbox="1310 737 1490 769">Observation</th> <th data-bbox="1490 737 1647 769">Amount</th> <th data-bbox="1647 737 1983 769">Remarks/Status</th> </tr> </thead> <tbody> <tr> <td data-bbox="1310 769 1490 1458">Failure to deduct advances made from the periodic progress payments of the contractors</td> <td data-bbox="1490 769 1647 1458">P4,023,670.24</td> <td data-bbox="1647 769 1983 1458">Partially Implemented. This is part of the long-overdue accounts from various contractors of Central Office Fund under 102 which were transferred to Regular Fund 101. FMS initiated locating the contractors through the use of the internet to determine the existence and whereabouts/addresses of their companies. There were several companies with similar names that appeared in our searches wherein some of them are based in foreign countries. Thus there is difficulty in finalizing and sending the demand letters due to lack of reference documents and information to support our claim. Nonetheless, we sent letters to the concerned contractors to confirm their unrecouped balances, and/or take the necessary action to reconcile the same with the Accounting Division, this Department. One of the companies replied that they have no outstanding balance with the Department.</td> </tr> </tbody> </table>	Observation	Amount	Remarks/Status	Failure to deduct advances made from the periodic progress payments of the contractors	P4,023,670.24	Partially Implemented. This is part of the long-overdue accounts from various contractors of Central Office Fund under 102 which were transferred to Regular Fund 101. FMS initiated locating the contractors through the use of the internet to determine the existence and whereabouts/addresses of their companies. There were several companies with similar names that appeared in our searches wherein some of them are based in foreign countries. Thus there is difficulty in finalizing and sending the demand letters due to lack of reference documents and information to support our claim. Nonetheless, we sent letters to the concerned contractors to confirm their unrecouped balances, and/or take the necessary action to reconcile the same with the Accounting Division, this Department. One of the companies replied that they have no outstanding balance with the Department.	
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Failure to deduct advances made from the periodic progress payments of the contractors	P4,023,670.24	Partially Implemented. This is part of the long-overdue accounts from various contractors of Central Office Fund under 102 which were transferred to Regular Fund 101. FMS initiated locating the contractors through the use of the internet to determine the existence and whereabouts/addresses of their companies. There were several companies with similar names that appeared in our searches wherein some of them are based in foreign countries. Thus there is difficulty in finalizing and sending the demand letters due to lack of reference documents and information to support our claim. Nonetheless, we sent letters to the concerned contractors to confirm their unrecouped balances, and/or take the necessary action to reconcile the same with the Accounting Division, this Department. One of the companies replied that they have no outstanding balance with the Department.										

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Page 89 5	DELAYED/NON-SUBMISSION OF MANDATORY REPORTS AND OTHERS DOCUMENTS Financial reports and supporting documents/schedules/contracts/purchase order were not submitted within the prescribed period which is not in keeping with existing rules and regulations causing delay in the verification of accounts and transactions of the agency.	We recommended and Management agreed to comply with the reglementary period on the submission of the required reports, supporting documents and contracts in compliance with the aforementioned regulations.		Fully Implemented	The required financial reports and supporting documents/schedules/contracts/purchase orders were already submitted to COA and the concerned offices adhere to the prescribed period of submission of the same for 2019. Only the 2018 Disbursement Vouchers of Region V are not yet submitted which is for scanning (e-file) prior submission to COA.	Region V: 2018 and 2019 Disbursement Vouchers are already submitted to the audit team as of February 2020. (Fully Implemented)
Page 91 6	TRANSITION TO FEDERALISM The non-submission of monthly progress reports for work or projects undertaken was contrary to COA Circular No. 94-013 dated December 13, 1994 and Memorandum of Agreement (MOA) dated August 23, 2018.	We recommended that Management demand submission of monthly work progress reports on activities undertaken by the PCOO in compliance with the MOA and ensure that the same are aligned with the key messages and content parameters of the DILG, as contemplated in DILG Memorandum Circular No. 2018-79.	July to December 2020	Fully Implemented	Management has taken the following actions: 1. As early as January 16, 2019, DILG sent a letter to PCOO requesting for the submission of their monthly and progress reports for work undertaken pursuant to MOA. PCOO and CFCR-PMO have conducted several meetings to discuss the updates on the project implementation under the MOA and to address various concerns of the PCOO. 2. Last December 2019, CFCR PMO sent a letter to PCOO requiring the submission of the required Progress and Financial Reports. On January 6, 2020, PCOO has submitted their liquidation report reflecting the fund balance as of December 31, 2019 amounting to P782,154.68. 3. On February 10, 2020, CFCR PMO sent a demand letter to PCOO for the reversion of the said remaining funds. 4. PCOO has fully liquidated the fund transfers from DILG.	
Page 93 7	PERFORMANCE-BASED CHALLENGE FUND (PCF) AND SUPPORT TO LOCAL GOVERNANCE PROGRAM (SLGP) The DILG failed to submit the quarterly reports on financial and physical	We recommended that Management:				

Ref	Audit Observations	Audit Recommendations	Timeline of Implementation	Status of Implementation	Action Taken/ Action to be Taken	UPDATES
	<p>accomplishments for the Performance-Based Challenge Fund (PCF) and Support to Local Governance Program (SLGP), contrary to the Special Provision Nos. 1 and 2 of CY 2018 General Appropriations Act (GAA). Moreover, the Municipality of Nagcarlan, Laguna has started implementing its 2017 PCF project despite non-completion of its 2013 PCF project. Further, several PCF projects in CYs 2016 and 2017 may not be identified as PCF-funded due to inclusion of LGU's counterpart fund in the project proposals contrary to DILG Memorandum Circular No. 2017-160 dated November 29, 2017.</p>	<p>a) publish in the DILG website the quarterly reports and notify the Offices concerned regarding its posting;</p> <p>b) require the Regional Office to refrain from issuing NTI to LGUs with incomplete PCF projects from previous years unless the required documents stated under DILG Memorandum Circular No. 2017-10 had been complied with and strictly monitor compliance with the set operational guidelines;</p> <p>c) require the LGUs to identify PCF projects particularly those with LGUs counterpart funds in compliance with the aforementioned guidelines; and</p> <p>d) revisit Section 5.1.2.4 of the Memorandum Circular and further discuss its parameters.</p>		<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>	<p>In compliance with FY 2018 GAA requiring reports to be posted on the DILG website for 3 years, PCF reports for 3rd and 4th Quarter were already uploaded on the official PCF and DILG website. SLGP already corrected the non-posting of the FY 2018 3rd and 4th Quarter Reports, it was now posted and placed in the FY 2018 reports of the DILG website.</p> <p>Nagcarlan, Laguna has started its PCF CY 2017 project entitled "Purchase and Installation of Solar Panel for Evacuation Center at Municipal Compound - Phase II after completing their CY 2013, which is a Phase I of the said project. Upon validation of DILG RO, the 2013 project was already been completed. However, RO has yet to update data encoding of the completed project to the PCF website.</p> <p>They have complied with the requirement for release of PCF as per DILG MC 2017-160 Section 5.2.4 'Release of check to LGU recipients' LGUs shall submit the following requirements:</p> <ol style="list-style-type: none"> a. Menu/checklist of projects duly certified by LCE b. A certified true copy of AIP/LDIP <p>The requirement for completion of the previous PCF is a requirement for the issuance of Notice to Implement (NTI) per DILG MC 2017-160, section 5.2.6 'Notice to Implement'.</p> <p>For projects with Counterpart Funds, LGUs are allowed to provide additional counterpart funds as cited in Section 5.1.2.4 of the DILG MC No. 2017-160 which states that <i>"Proposed project must be a whole single project and not a component of other projects' whereas one whole single project pertains to its holistic implementation, i.e. the PCF amount should not be broken down into smaller projects. A project proposed in a specific location through a single proposal and a single POW, and not as 2 separate projects in 2 proposals or 2 POW."</i></p>	<p>BLGD: The PCF Management Team highly discourages the provision of additional counterpart fund to prevent further findings as such and to exclusively attribute the impact of the projects to the PCF Program. Also, the PCF Management Team is always advising all DILG Regional Offices for the disapproval of PCF 2019 Project</p>

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						<p>Proposals showing cash counterparts greater than that of the PCF subsidy granted to the LGU. Hence, Section 5.1.2.4 of the PCF 2019 Guidelines includes the prohibition of inter-agency counterpart.</p> <p>Accordingly, the PCFMT disallowed the inclusion of LGU counterparts especially for Motor Vehicle Projects since it is likely difficult to determine which vehicle parts were funded by the PCF and by the LGU Counterpart</p> <p>To further ensure full implementation, the PCFMT shall reiterate and strengthen the prohibition of bigger LGU cash counterparts than the PCF on the forthcoming policy issuances, guidelines and trainings.</p>
<p>Page 97</p> <p>8</p>	<p>RECOVERY ASSISTANCE ON YOLANDA (RAY)</p> <p>The leniency of the DILG in monitoring the submission of liquidation report of Yolanda Funds by the DPWH and the LGUs resulted in unliquidated balance of ₱219,639,992.56 and ₱839,877,773.75, respectively. Moreover, a discrepancy of ₱164,576,998.79 for Batches 1 and 2 was noted in the recorded liquidation of the DPWH in the General Ledger (GL) versus the submitted Year-End Report as of December 31, 2018.</p>	<p>We recommended that Management:</p> <p>a) require the Regional Accountant to issue demand letter to the recipient LGUs to liquidate their due and demandable fund transfers pursuant to COA Memorandum No. 2017-010 dated May 15, 2017 and COA Circular No. 94-013 to avoid accumulation of huge and long-outstanding balances; and</p> <p>b) account for the discrepancy noted per General Ledger and per</p>		<p>Fully Implemented</p> <p>Fully Implemented</p>	<p>a) DILG is requiring LGUs to submit monthly reports both for the physical and financial status of the projects. We had already issued several demand letters for the LGUs to return the unutilized balances.</p> <p>DILG has issued memorandum all Regional Office dated 08 May 2018 to guide the process of termination and/or cancellation of Locally-Funded Projects (LFPs) under DILG-OPDS covering FY 2012 – 2016 funded projects that are still pending completion and/or not yet started.</p> <p>The Regional Offices have already issued warning letters to the concerned LGUs that their projects are either canceled or due for cancellation. LGUs are instructed to return to DILG all the unutilized balances.</p> <p>DILG mobilized the Financial Monitoring and Tracking Team to visit these LGUs and assist them in submitting these documents in close coordination with COA.</p> <p>b) all discrepancies were identified and correctly reflected in the PMO report</p>	

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		year-end report submitted by the PMO.			<p>The noted discrepancy of Php164,576,998.79 in the General Ledger (GL) versus the Year-End Report as of 31 December 2018 is due to the non-inclusion in the report on the liquidation for the following in the Year-End Report:</p> <table border="1"> <thead> <tr> <th>LAA No.</th> <th>Batch</th> <th>Location</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>VIII-ES-14-09-001 (DILG)</td> <td>1</td> <td>Estern Samar</td> <td>Php 49,992,022.73</td> </tr> <tr> <td>VIII-ES-15-09-004 (DILG)</td> <td>2</td> <td>Eastern Samar</td> <td>87,007,977.27</td> </tr> <tr> <td>VIII-14-10-001 (DILG)</td> <td>1</td> <td>Palo, Leyte</td> <td>27,576,998.79</td> </tr> <tr> <td colspan="3">Total</td> <td>Php 164,576,998.79</td> </tr> </tbody> </table>	LAA No.	Batch	Location	Amount	VIII-ES-14-09-001 (DILG)	1	Estern Samar	Php 49,992,022.73	VIII-ES-15-09-004 (DILG)	2	Eastern Samar	87,007,977.27	VIII-14-10-001 (DILG)	1	Palo, Leyte	27,576,998.79	Total			Php 164,576,998.79	
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Page 101 9	2018 SEAL OF GOOD LOCAL GOVERNANCE - No findings																									
Page 102 10	STATUS OF AUDIT SUSPENSIONS AND DISALLOWANCES Audit suspensions and disallowances totaling ₱53,085,551.27 and ₱116,426,224.67 respectively, remained unsettled as at year-end due to the failure of management to strictly enforce settlement thereof, contrary to Sections 7.1.1, and 10.4 of COA Circular No. 2009-006 dated September 15, 2009.	We recommended that Management ensure the requirements of the transactions suspended in audit are complied with and enforce the settlement of all audit disallowances pursuant to the above-cited regulations.	Continuous monitoring	Partially Implemented	The total unsettled suspensions of ₱53.086 million was reduced to P10.556 million and the disallowances of ₱116.426 million was down to P112.735 Million.	<p>All concerned offices:</p> <p>To continue to require the concerned accountable personnel to settle suspensions and disallowances.</p> <p>Region XII: (As of March 31, 2020) Disallowances: 54,672.00. 45,757.00 of which pertains to 2011-2017 balances that are settled but corresponding Credit Notices were not issued due to non-submission of Individual Subsidiary Ledgers as required by the Regional Auditor. However, proof of settlement of the same (official receipts and other required documents) were already submitted to their office. Suspensions: 158,899.00. Total balance of Suspensions as of March 31, 2020 were issued with Notices of Disallowances by the Regional Auditor due to long overdue non settlement. Currently, AOs are on the process of complying with the requirements to settle the same.</p>																				

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Page 104 11	GENDER AND DEVELOPMENT (GAD) PLAN AND IMPLEMENTATION Fifteen out of 16 Regional Offices of DILG including Central Office integrated and mainstreamed in their regular programs, the gender responsive programs, projects and activities in compliance with Section 30 of the GAA for CY 2018. Several GAD related activities were implemented with disbursements amounting to ₱184,964,546.98 which is 21 percent of the total required budget allocation for the year.	-no recommendations			DILG Offices integrated and mainstreamed in their regular programs, the gender-responsive programs, projects and activities in compliance with Section 30 of the GAA for CY 2018. Several GAD related activities were implemented with disbursements amounting to ₱184,964,546.98 which is 21 percent of the total required budget allocation for the years.	
Page 106 12	SENIOR CITIZENS AND DIFFERENTLY-ABLED PERSONS Regional Office Nos. III, IV-A, V, and XI did not formulate activities, programs and projects for senior citizens and differently-abled persons contrary to Section 31 of the General Provisions of the General Appropriations Act of 2018.	We recommended that Management comply with the provision of Section 31 of the GAA and ensure the provision of architectural and structural facilities, features and designs that shall reasonably enhance the mobility, safety and welfare of the senior citizen and the differently-abled persons in the different DILG regional, provincial and field offices.	January to December 2019	Fully Implemented	Regional Office Nos. III and IV-A conducted activities, programs and projects for senior citizens and differently-abled persons pursuant to Section 31 of the General Provisions of the General Appropriations Act of 2018. However, Regional Offices V and XI already have planned programs/activities within the year as per realigned OPB and supplemental APP to accommodate the budget for senior citizens and differently-abled persons.	Region V: For the Senior Citizen: Orientation programs for retirees are being conducted every 3 years for employees who are 58 years old and above, wherein representatives from GSIS, PAG-IBIG, and other concerned agencies were invited. For PWD: the policy on EOP is being observed during the recruitment period in close coordination with DSWD for proper assistance.
Page 106 13	COMPLIANCE WITH TAX LAWS The agency withheld the applicable taxes on income payments in compliance with Revenue Memorandum Circular No. 23-2012 dated February 14, 2012.				The Department withheld the applicable taxes on income payments in compliance with Revenue Memorandum Circular No. 23-2012 dated February 14, 2012. Balances of the accounts are unreconciled amounts from previous year's forwarded balances. The concerned offices continuously made reconciliations and the balance is now reduced to P4,081,004.47 from P20,014,284.10 or 80% reconciliation or remittance rate.	
Page 107 14	COMPLIANCE WITH R.A. NO. 8291 (DUE TO GSIS) The agency substantially complied with Republic Act No.8291 requiring the deduction				The Department has complied with Republic Act No. 8291 requiring the deduction of GSIS premiums from the salaries of all government employees and remittance thereof to the Government Service	

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	of GSIS premiums from the salaries of all government employees and remittance thereof to the Government Service Insurance System.				Insurance System. The remaining balances in the total amount of P8,363,041.34 as of December 31, 2018, are fully remitted to GSIS in the succeeding month (2019) except for the dormant balances from previous years balances amounting to P2,683,044.40 representing 68% remittance rate.	
Page 108 15	COMPLIANCE WITH R.A. NO. 9679 (HDMF) The agency substantially complied with RA 9679 on the remittance of HDMF Contributions during CY 2018.				The Department complied with RA 9679 on the remittance of HDMF Contributions during CY 2018.	
Page 109 16	COMPLIANCE WITH R.A. NO. 656 (PROPERTY INSURANCE LAW) Republic Act No. 656, otherwise known as the Property Insurance Law, as amended by the Presidential Decree (PD) No. 245, requires all the government agencies (except municipal governments below first class category) to insure against any insurable risk their properties, assets, and interests with the General Insurance Fund (GIF), as administered by the GSIS.	We recommended that Management hasten the compliance with the Property Insurance Law to ensure that all insurable assets and properties of the Department are adequately covered/insured with the GIF of the GSIS.	January to December 2020	Partially Implemented	The Department ensures adherence to the provisions of the Property Insurance Law. NCR has already submitted to GSIS the list of insurable properties for quotation while Region VIII is now finalizing its inventory for the quotation of its premiums.	NCR: The Management provided fund allocation for insurance premiums for 2020 for all insurable properties. Additionally, payment of insurance cost to GSIS has been made already under Check no. 676945 dated May 27, 2020. (Fully Implemented) Region VIII: Ongoing compliance