

EXECUTIVE SUMMARY

A. Introduction

The Office of Civil Defense (OCD), as the implementing arm of the National Disaster Risk Reduction and Management Council (NDRRMC) under Republic Act (RA) No. 10121 dated May 27, 2010, otherwise known as the “Philippine Disaster Risk Reduction and Management Act of 2010” continues to administer a comprehensive national civil defense and Disaster Risk Reduction and Management (DRRM) program which entails precise administration of procedures in coordinating disaster risk reduction management efforts.

RA No. 10121 tasked the OCD to conduct periodic assessment and performance monitoring of the member agencies of the NDRRMC and the Regional DRRMC.

OCD is headed by Undersecretary Ricardo B. Jalad, the Administrator who at the same time is the Executive Director of the NDRRMC. He is assisted by two Civil Defense Deputy Assistants (CDDAs): (1) Assistant Secretary Hernando M. Caraig Jr. for Administrations; and (2) Assistant Secretary Casiano C. Monilla for Operations.

The recruitment process of OCD is on-going to fill up the manning requirements under the approved Organizational Structure and Staffing Pattern (OSSP). The agency has a total manpower of 506 regular employees as of year-end which is 77.25 percent of the total requirements of 655 plantilla positions, to support its mandate.

B. Financial Highlights

Under RA No. 11465 (GAA FY 2020), the agency has a total appropriations of ₱1,236,366,000.00.

The financial condition, results of operation and sources and application of funds for CY 2020, with corresponding figures for CY 2019, are summarized below:

Particulars	2020	2019 (As Restated)	Increase/ (Decrease)
A. Financial Condition			
Assets	₱2,192,659,997.13	₱1,712,608,521.55	₱480,051,475.58
Liabilities	307,224,248.73	212,496,228.53	94,728,020.20
Net Assets/Equity	1,885,435,748.40	1,500,112,293.02	385,323,455.38
B. Results of Operation			
Total Revenue	90,347.48	2,941,120.02	(2,850,772.54)
Current Operating Expenses	1,755,128,125.79	947,481,168.85	807,646,956.94
Surplus/(Deficit from Current Operations)	(1,755,037,778.31)	(944,540,048.83)	(810,497,729.48)
Gains (Losses)	(75,552.02)	-	(75,552.02)
Net Financial Assistance/ Subsidy from the National Government	2,148,283,107.19	1,088,829,896.86	1,059,453,210.33
Surplus (Deficit) for the period	393,169,776.86	144,289,848.03	248,879,928.83
C. Sources and Application of Funds			

Particulars	2020	2019 (As Restated)	Increase/ (Decrease)
Allotment Received	3,466,293,199.00	1,466,172,639.00	2,000,120,560.00
Obligations Incurred	2,876,604,129.77	955,113,800.97	1,921,490,328.80
Unexpended Balance	589,689,069.23	511,058,838.03	78,630,231.20

C. Scope of Audit

The audit covered the accounts and operations of the OCD for CY 2020.

D. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the financial statements (FS) of OCD as of December 31, 2020 due to significance of accounting errors amounting to ₱148,589,743.27 which exceeded the materiality level of ₱21,926,599.97.

E. Summary of Observations and Recommendations

1. The balance of Cash in Bank – Local Currency, Current Account (CIB-LCCA) of ₱376,365,053.68 at year-end is doubtful due to: (a) unrecorded bank balance of ₱4,464,515.18 maintained with the Development Bank of the Philippines (DBP) Account No. 00-5-13110-435-1; (b) non-reversion of unreleased checks totaling ₱134,210.75 to the cash account; and (c) non-cancellation of stale checks amounting to ₱14,600.00, which resulted in the understatement of the affected accounts in the financial statements (FS). Moreover, the maintenance of a temporary account with DBP for payroll has no legal basis; thus, considered unauthorized account pursuant to Section 3.3 of DOF/DBM/COA Joint Circular (JC) No. 4-2012. (*Observation No. 1*)

We recommended that Management require the: (a) Accountant to prepare necessary adjustments to record the balance of the payroll account to reflect correct balances of affected accounts in the FS; (b) Director of Region V to direct the Disbursing Officer to notify the payee of the stale checks in their possession for cancellation and replacement. Make sure that such cancellation/replacement will be reported to the OCD Central Office for appropriate adjustment/s in the books of accounts; (c) Director of Region IV-A to direct the Admin and Finance Chief to submit a Schedule of Unreleased Checks to the OCD Central Office – Accounting Division (AD) for reversion of the amount to cash, and the recognition of the related liability; and (d) Concerned official to close the DBP current account or secure authority from the Permanent Committee to maintain such account.

2. The balance of Due from National Government Agencies account amounting to ₱161,598,289.54 as at year-end is unreliable due to discrepancy of ₱56,282,529.23 between the records of OCD and PS-DBM caused by unrecorded deliveries of ₱16,247,300.20; Fund Transfer amounting to ₱40,200,000.00 not received by PS-DBM; and unaccounted difference of ₱164,770.98. (*Observation No. 2*)

We recommended that Management require the: (a) Accountant and the Property Officer to continue the verification of the remaining discrepancy of ₱164,770.98

and to reconcile with PS/DBM records; (b) Property Officer to immediately furnish the Accountant with delivery receipts and periodically reconcile with the PS-DBM as regards the deliveries; and (c) Accountant to prepare adjusting entries for the unrecorded deliveries and unreleased checks.

3. Out of the ₱42,000,000 Fund Transfer to Leyte Metropolitan Water District (LMWD) – Implementing Agency (IA) sourced from Yolanda Funds, ₱24,640,000.00 was already utilized but remained unliquidated at year-end due to the failure of the IA to submit liquidation reports. This resulted in the overstatement of the Due from GOCCs account and the understatement of Expense/Accumulated Surplus account both by said amount. (*Observation No. 3*)

We recommended that Management: (a) require the LMWD to submit liquidation reports for funds already utilized to serve as basis for recording in the books and to adjust the correct balances of affected accounts; (b) require the LMWD to furnish OCD with copy of the NOA and the contract documents; (c) instruct the concerned OCD officials to conduct inspection to determine the extent of accomplishment of the project; and (d) provide timelines in the MOA of all future undertakings.

4. The existence and accuracy of the balances of Inventory accounts totaling ₱552,033,524.35 as of December 31, 2020 could not be relied upon due to: (a) non-conduct of physical count for nine inventory accounts; hence, non-submission of Report on the Physical Count of Inventories (RPCI) for CY 2020; (b) non/delayed submission of Report of Supplies and Materials Issued (RSMI) by the Property Section to the Accounting Section; and (c) inclusion of various medical equipment worth ₱62,226,845.13 already distributed/issued to different COVID 19 quarantine and testing facilities resulting in the overstatement of Property and Equipment (PE) for Distribution and the understatement of the related expenses. (*Observation No. 4*)

We recommended that Management: (a) create an Inventory Committee (IC) to conduct physical count of all inventories, reconcile results with the accounting records and verify causes of discrepancies; (b) instruct the Property and Supply Section to secure copies of Inventory Custodian Slip (ICS) for all issuances of semi-expendable items purchased by the Regional Offices (ROs); (c) require all Regional Supply Accountable Officers to furnish the Central Office Property and Supply Section with all copies of ICS immediately upon issuance to end-users; (d) instruct the Chief Accountant and Property Officer to coordinate and reconcile their records regularly in order to facilitate early detection of errors; (e) instruct the Property Officer to use ICS form for issuances of semi-expendable items; (f) instruct the Property Officer to furnish the Accountant with copies of PARs for the issuances of PE for distribution items for recording in the books in order to reflect the correct balances of affected accounts; and (g) execute a Memorandum of Agreement (MOA) or equivalent document to support the transfer/distribution of medical supplies and equipment to the recipient quarantine facilities.

5. The year-end balances of Property, Plant and Equipment (PPE) accounts totaling ₱691,346,709.88 are unreliable due to non-reconciliation of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) with property and

accounting records, showing a variance of ₱88,121,453.88. Moreover, ownership of PPE already distributed to quarantine facilities, testing sites and regional hospitals could not be ascertained due to the absence of a MOA or equivalent document between the parties involved stating therein the intention for which the PPEs were deployed/transferred. (*Observation No. 5*)

We recommended that Management: (a) execute a MOA or equivalent document with the parties involved indicating therein the intent of transfer/deployment of PPE; (b) instruct the PAO and SAOs of all ROs to maintain perpetual records of all PPEs to facilitate reconciliation and detection of missing items; implement COA Circular No. 2020-006 dated January 31, 2020 for the one-time cleansing of PPE balances, if appropriate.

6. Cash advances (CAs) for special activities and travel expenses totaling ₱10,217,129.45 remained outstanding at year-end due to the failure of accountable officers (AOs) to liquidate within the prescribed period contrary to Section 89 of PD No. 1445 and Section 5.1 of COA Circular No. 97-002. Moreover, additional CAs were granted even if the previous ones were not liquidated. (*Observation No. 6*)

We recommended that Management: (a) require all AOs to immediately liquidate outstanding CAs after the purpose for which CAs were granted and refund immediately any unused balance; (b) ensure that all CAs are fully liquidated at the end of the year; (c) stop the practice of granting additional CAs if previous CAs are not yet liquidated; and (d) deduct from the salary of AOs their outstanding CAs until full recovery of the amount.

7. Hazard pay totaling ₱4,708,525.00 was granted to janitors under Institutional Contract of Service for the period beyond the duration of Enhanced Community Quarantine (ECQ) which is not in consonance with Administrative Order (AO) No. 26 dated March 23, 2020. Furthermore, the detailed Technical Specifications of the service to be rendered are not indicated in the Work Order. (*Observation No. 7*)

We recommended that Management: (a) require the Stellar 167 Manpower and Recruitment Services, Incorporated (SMRSI) to refund the amount of hazard pay paid after May 15, 2020 or offset against the unpaid billing of the contractor; (b) strictly adhere to existing laws, rules and regulations pertaining to payment of COVID 19 hazard pay during the pandemic; and (c) in future undertakings, ensure that complete and detailed technical specifications in janitorial services contracts are indicated.

8. Paid claims for the procurement of goods and services totaling ₱94,551,822.13 in favor of various suppliers were not supported with contracts contrary to Section 4.6 of PD No. 45 and Section 3 of GPPB Circular 01-2020. (*Observation No. 8*)

We recommended that Management stop the practice of paying claims based on quantum meruit principle and strictly adhere to Section 4.6 of PD No. 4, GPPB Circular No. 01-2020, and COA Resolution No. 86-58.

9. At least 61 Procurement Contracts (PCs) through Emergency Procurement under the *Bayanihan* Acts were not supported with Market Research as basis for Price Negotiations as required under GPPB Circular 01-2020 and GPPB Advisory 04-2020; thus, reasonableness of the contract costs could not be ascertained. Likewise, some POs, WOs, and PCs were not adequately supported with mandatory documentary requirements while 57 contracts were non-compliant with reportorial requirements. (*Observation No. 9*)

We recommended that Management: (a) strictly adhere with GPPB Circular 01-2020, GPPB Advisory 04-2020 and GPPB Resolution No. 14-2019 with regard to price negotiation, mandatory documentary requirements and posting in GPPB Online Portal; (b) require immediate posting of the POs, WOs, and procurement data that are not yet reflected in the GPPB Online Portal; and (c) rectify errors noted in the posting of procurement data as indicated in Annex J.

10. The details of the visible signs of deterioration of the 2-in-1 facility/building constructed in CY 2018 in Region V were not reported to the OCD Central Office which administered its implementation; thus, the appropriate solution for building defects may not be addressed. On the other hand, office equipment and furniture and fixtures installed thereat remained idle for two years; thus, the purpose for which these were purchased was not served. (*Observation No. 10*)

We recommended that Management: a) prepare and submit a detailed report with pictures on the visible deterioration of the 2-in-1 facility to the top Management of the OCD for their appropriate action; b) furnish the Audit Team with copy of the report and its transmittal to the top Management; c) apply for issuance of an occupancy permit from the authorized government unit; and d) request for the repair of the defective 2-in-1 facility and require proper maintenance of the office equipment and furniture installed thereat to safeguard the assets from further deterioration.

Other significant audit observations are also discussed in detail under Part II of this report.

The foregoing observations and recommendations were discussed with concerned Management officials during the virtual exit conference on March 24, 2021. Management views and reactions were incorporated in the report, where appropriate.

F. Status of Implementation of Prior Years' Audit Recommendation

Out of the 26 audit recommendations contained in the CY 2019 Annual Audit Report, 14 were fully implemented and 12 were not implemented. Details are shown in Part III of this report.