

EXECUTIVE SUMMARY

A. Introduction

Republic Act (RA) No. 9155, the “Governance of Basic Education Act of 2001” changed the name of the agency from Department of Education, Culture and Sports (DECS) to Department of Education (DepEd).

The Department is organized into two major structural components: the Central Office (CO) and the Field Offices (FOs), which consist of 17 Regional Offices (ROs), 223 Schools Division Offices (SDOs) with 27,361 secondary schools (16,432 public and 10,929 private) and 51,206 elementary schools (39,070 public and 12,136 private).

Under the Office of the Secretary (OSEC) at the CO are five support services, namely: Curriculum and Instruction, Finance and Administration, Strategic Management, Governance and Operations, and Legal and Legislative Affairs. The delivery of a relevant responsive, and effective basic education curriculum is undertaken by the four staff bureaus: the Bureau of Curriculum Development (BCD), Bureau of Learning Delivery (BLD), Bureau of Education Assessment (BEA), and Bureau of Learning Resources (BLR).

The Centers/Units attached to the Department similarly provide technical and administrative support towards the realization of its vision, namely: Early Childhood Care and Development Council (ECCDC), National Book Development Board (NBDB), National Council for Children’s Television (NCCT), National Museum (NM), and the Philippine High School for the Arts (PHSA). Also, there are three Coordinating Councils, namely: Adopt-a-School Program (ASP) Coordinating Council, Literacy Coordinating Council (LCC), and Teacher Education Council Secretariat.

The Secretary is assisted by eight Undersecretaries and five Assistant Secretaries. The Directors and Assistant Directors of support services, staff bureaus, centers/units and attached agencies also assist the key officials of the Department. In addition, the following are DepEd’s basic education profile as of December 31, 2019:

| | |
|---|----------------|
| Total Personnel Complement: | 975,523 |
| • Teaching personnel | 909,264 |
| • Teaching - related personnel | 7,745 |
| • Non-teaching personnel | 58,514 |
| Number of public schools offering basic education curriculums: | 47,188 |
| • Elementary Schools | 37,628 |
| • Junior High Schools (JHS) | 1,511 |
| • Senior High Schools (SHS) | 216 |
| • JHS with SHS | 6,391 |
| • Integrated School (Kinder to Grade 10) | 961 |
| • Integrated School (Kinder to Grade 12) | 481 |

| | |
|-------------------------------|-------------------|
| Total Learners: | 27,030,391 |
| • Kindergarten | 2,044,745 |
| • Elementary pupils | 13,287,961 |
| • Junior High School students | 8,503,650 |
| • Senior High School students | 3,194,035 |

B. Operational Highlights

The DepEd reported the following major accomplishments per Major Final Output (MFO) and Performance Indicator for Calendar Year (CY) 2019¹:

| MFO/ Performance Indicator | Target | Actual | Percentage of Accomplishment |
|---|-------------|------------|------------------------------|
| MFO 1: Basic Education Policy Services | | | |
| Education Policy Development Program | | | |
| • Number of policies formulated, reviewed and issued | 30 | 38 | 127 |
| • Number of education researches completed | 860 | 1,543 | 179 |
| • Number of proposed policies reviewed | 50 | 97 | 194 |
| Basic Education Inputs Program | | | |
| • Number of: | | | |
| a. New classrooms constructed | 66,021 | 35,052 | 53 |
| b. New Technical Vocational Laboratory constructed | 12,594 | 7,876 | 63 |
| c. Classrooms repaired | 30,367 | 10,548 | 35 |
| d. Gabaldon Buildings Restored | 463 | 193 | 42 |
| e. Sites upgraded and energized | 4,185 | 1,913 | 46 |
| f. School seats delivered | 7,269,497 | 6,326,536 | 87 |
| g. Quick Response Fund (QRF) | 4,886 | 1,953 | 40 |
| • Textbooks and Instructional/ Learning Materials (LMs) procured for printing and delivery: | | | |
| a. Number of manuscripts procured | 89 | 31 | 35 |
| b. Number of Textbooks and Instructional/LMs procured | 76,990,751 | 36,167,757 | 47 |
| c. Number of Textbooks and Instructional/LMs printed/ delivered | 118,475,901 | 21,282,140 | 18 |
| • Number of set of equipment distributed: | | | |

¹DepEd Physical Report of Operations as of December 31, 2019

| MFO/ Performance Indicator | Target | Actual | Percentage of Accomplishment |
|--|---------------|--------------------------------------|-------------------------------------|
| a. Science and Math package | 45,286 | 17,568 complete packages delivered | 39 |
| | | 10,037 incomplete packages delivered | 22 |
| b. Information and Communication Technology (ICT) package | 14,342 | 8,523 | 59 |
| c. TechVoc package | 52,977 | 5,720 | 11 |
| • Number of newly-created teaching positions filled up (Plantilla Positions): | | | |
| a. Number of Teaching Items Created | 10,000 | 10,000 | 100 |
| b. Number of Teaching Items Filled-in | 36,714 | 24,444 | 67 |
| c. Number of Non-Teaching Items Filled-in | 11,257 | 4,804 | 43 |
| MFO 2: Basic Education Services | | | |
| Inclusive Education Program | | | |
| • Percentage of learners enrolled in: | | | |
| a. Multigrade (public) | 0.85% | 1.003% | 118 |
| b. Special Education (SPED) – public | 0.92% | 1.58% | 171.74 |
| c. Arabic Language and Islamic Values Education. (ALIVE) - both public and private | 0.57% | 0.62% | 108.77 |
| d. Indigenous People Education (IPED) - public | 0.41% | 0.61% | 148.78 |
| e. Alternative Learning System (ALS) | 3.17% | 2.74% | 86.44 |
| • Number of schools offering the following programs: School Year (SY) 2019-2020 | | | |
| a. ALIVE | 4,887 | 4,418 | 90 |
| b. IPED | 3,025 | 3,034 | 100 |
| c. SPED | 8,523 | 17,527 | 206 |
| d. Multigrade Education Program | 1,317 | 1,293 | 98 |

| MFO/ Performance Indicator | Target | Actual | Percentage of Accomplishment |
|---|---------------|---------------|-------------------------------------|
| • Number of Community Learning Centers offering ALS | 34,752 | 27,150 | 78 |
| MFO 3: Regulatory and Developmental Services | | | |
| Support to Schools and Learners Program | | | |
| • Number of learners benefiting from the “School-Based Feeding Program” | 1,836,793 | 1,740,612 | 95 |
| • Number of schools provided Oral and Medical Supplies from the “School Dental Health Care Program” | 1,746 | 0 | 0 |
| • Number of Government Assistance to Students and Teachers in Private Education (GASTPE) grantees | | | |
| a. Education Service Contracting (ESC) | 1,101,012 | 1,078,778 | 98 |
| b. SHS Voucher Program | 1,314,376 | 1,284,480 | 98 |
| c. Joint delivery TechVoc and Livelihood | 70,000 | 88,933 | 127 |
| Education Human Resource Development Program | | | |
| • Number of teachers and teaching-related staff trained | 95,000 | 247,966 | 261 |

C. Financial Highlights

For CY 2019, DepEd has total appropriations of ₱549,172,469,349.26, which includes the Regular Budget of ₱535,599,742,511.95, the Special Purpose Funds of ₱13,190,222,618.36 and the Automatic Appropriations of ₱382,504,218.95 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2019 or RA No. 11260. During the year, the Department received total allotments of ₱543,438,497,468.25, out of which, total obligations of ₱516,669,321,204.85 were incurred, leaving an unexpended balance of ₱26,769,176,263.40 as at yearend, the details of which are presented below:

| Source of Funds | Appropriations | Allotment | Obligation Incurred | Unobligated Balance |
|---|---------------------------|---------------------------|----------------------------|----------------------------|
| | In Php | | | |
| Current Year (CY) Appropriations | | | | |
| Agency Specific Budget | | | | |
| Personnel Services (PS) | 408,003,348,664.67 | 403,120,189,812.66 | 397,730,505,491.32 | 5,389,684,321.34 |
| Maintenance and Other Operating Expenses (MOOE) | 89,445,195,746.08 | 88,788,396,746.08 | 76,773,481,163.43 | 12,014,915,582.65 |
| Capital Outlay (CO) | 38,151,198,101.20 | 37,957,184,072.20 | 28,828,734,618.57 | 9,128,449,453.63 |
| Sub – Total | 535,599,742,511.95 | 529,865,770,630.94 | 503,332,721,273.32 | 26,533,049,357.62 |
| Special Purpose Funds | | | | |
| Performance-Based Bonus | | | | |
| PS | 3,921,485,120.30 | 3,921,485,120.30 | 3,904,575,551.62 | 16,909,568.68 |
| Funding Requirement for Filling of Unfilled Positions | | | | |

| Source of Funds | Appropriations | Allotment | Obligation Incurred | Unobligated Balance |
|---|---------------------------|---------------------------|---------------------------|--------------------------|
| | In Php | | | |
| PS | 1,126,307,854.85 | 1,126,307,854.85 | 1,124,002,999.52 | 2,304,855.33 |
| Other Personnel Benefits | | | | |
| PS | 6,354,450,955.62 | 6,354,450,955.62 | 6,252,566,976.78 | 101,883,978.84 |
| Funding Requirements for Staffing Modifications and Upgrading of Salaries | | | | |
| PS | 66,601,361.00 | 66,601,361.00 | 61,743,919.87 | 4,857,441.13 |
| Funding Requirement for the Creation of New Positions | | | | |
| PS | 360,601,000.00 | 360,601,000.00 | 360,601,000.00 | 0.00 |
| Compensation Adjustment | | | | |
| PS | 160,151,370.00 | 160,151,370.00 | 158,508,806.15 | 1,642,563.85 |
| For Payment of Contributions to Philippine Health Insurance Corporation | | | | |
| PS | 2,893.00 | 2,893.00 | 2,887.00 | 6.00 |
| Retirement Benefits Fund (PGF) - Monetization of Leave Credits | | | | |
| PS | 493,457,196.46 | 493,457,196.46 | 491,114,923.49 | 2,342,272.97 |
| Retirement Benefits Fund (PGF) - Retirement and Terminal Leave Benefits | | | | |
| PS | 610,458,127.13 | 610,458,127.13 | 578,862,050.96 | 31,596,076.17 |
| Reserve | | | | |
| CO | 96,706,740.00 | 96,706,740.00 | 95,999,969.30 | 706,770.70 |
| Sub – Total | 13,190,222,618.36 | 13,190,222,618.36 | 13,027,979,084.69 | 162,243,533.67 |
| Automatic Appropriations | | | | |
| PS | 338,010,512.95 | 338,010,512.95 | 279,742,473.73 | 58,268,039.22 |
| MOOE | 44,493,706.00 | 44,493,706.00 | 28,878,373.11 | 15,615,332.89 |
| Sub – Total | 382,504,218.95 | 382,504,218.95 | 308,620,846.84 | 73,883,372.11 |
| Total CY's Appropriations | 549,172,469,349.26 | 543,438,497,468.25 | 516,669,321,204.85 | 26,769,176,263.40 |

The Department's financial position and financial performance for CY 2019 with comparative figures for CY 2018 are shown in the table below:

| Particulars | Amount (In Php) | |
|---|----------------------|-----------------------|
| | 2019 | 2018 (As restated) |
| Financial Position | | |
| Assets | 258,652,890,205.63 | 220,728,037,189.81 |
| Liabilities | 50,359,921,717.50 | 48,722,516,993.31 |
| Equity | 208,292,968,488.13 | 172,005,520,196.50 |
| Financial Performance | | |
| Revenue | 1,510,016,674.24 | 2,061,856,923.39 |
| Less: Current Operating Expenses | | |
| PS | 411,010,110,628.86 | 375,010,831,596.43 |
| MOOE | 40,995,945,187.11 | 40,668,772,724.60 |
| Financial Expenses | 1,569,411.52 | 1,691,786.81 |
| Non-Cash Expenses | 7,774,395,521.84 | 5,736,023,189.26 |
| Surplus (Deficit) from Current Operations | (458,272,004,075.09) | (419,355,462,373.71) |
| Financial Assistance/Subsidy from the National Government | | |
| Less: Financial Assistance/ Subsidy to National Government Agencies | | |
| Net Financial Assistance/Subsidy | 483,926,934,481.88 | 454,431,729,242.23 |
| Sale of Assets | 27,782.25 | 302,735.09 |

| Particulars | Amount (In Php) | |
|---|--------------------------|--------------------------|
| | 2019 | 2018 (As restated) |
| Gains/(Losses) | 11,760,053.97 | 4,660,247.75 |
| Surplus (Deficit) for the Period | 25,666,718,243.01 | 35,081,229,851.36 |

D. Scope of Audit

The audit covered the review of the accounts and operations of the DepEd for CY 2019, except for the ROs, SDOs and National High Schools under the jurisdiction of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). The audit was conducted to: a) verify the level of assurance that may be placed on the Management's assertion on the consolidated financial statements; b) determine the propriety of transactions as well as the extent of compliance with the applicable laws, rules and regulations; and c) determine the extent of implementation of prior years' audit recommendations.

Review of DepEd's Basic Educational Facilities (BEF) Program for Repairs and Rehabilitation, School Furniture Program (SFP), Electrification Program, Redesigned Technical-Vocational High School Program, DepEd Computerization Program (DCP), School-Based Feeding Program (SBFP), budget utilization, payroll system, and safekeeping and disposal of learning materials were also undertaken to determine whether operations were conducted in an economical, efficient and effective manner.

E. Independent Auditor's Report (IAR)

The Auditor rendered a qualified opinion on the fairness of the presentation of the consolidated financial statements of the DepEd for CY 2019 in view of the misstatements noted in the Cash, Receivables, Inventories, Property, Plant and Equipment, Advances, Liabilities, Revenue and Expenses accounts amounting to ₱501,293,058.63, ₱17,728,734.78, ₱11,827,805,154.03, ₱11,945,729,497.83, ₱289,324,687.11, ₱960,171,545.65, ₱9,713,774.11 and ₱542,698.53, respectively, or a total of ₱25,552,309,150.67 as stated in the IAR and discussed in detail in Part II of the Report.

F. Summary of Significant Audit Observations and Recommendations

The following is a summary of significant observations and recommendations, among others, the details of which are discussed in Part II-Observations and Recommendations of the Report:

1. The DepEd's consolidated financial statements are materially misstated by ₱25,552,309,150.67 on account of errors, omissions and improper accounting treatment of transactions that are considered as departures from the Philippine Public Sector Accounting Standards (PPSAS), hence affecting the fair presentation of its consolidated financial position as at December 31, 2019, and its consolidated

financial performance and consolidated cash flows for the year then ended. (Observation No. 1)

We recommended and the Management agreed to:

Misstatements in Cash Accounts

- a) **direct the Accountant to prepare the necessary correcting entries to take up the unrecorded collections/deposits and errors committed in the recording of transactions;**
- b) **require the Accountants to prepare the journal entries, supported with complete documents, to correct the errors/omissions made in the recording of transactions to ensure fair presentation and reliability of the account balances in the FS;**
- c) **require the Accountant of National Capital Region-Regional Office Proper (NCR-ROP) to prepare the necessary adjusting entries to reflect the correct balance of the Petty Cash account; and**
- d) **require the Petty Cash Fund (PCF) Custodian of RO II-SDO Vizcaya to submit the unreplenished Petty Cash Vouchers (PCVs) to the Accounting Unit (AU) at yearend for recording in the books of accounts and for proper cut-off of expense account in conformity with the provision of Government Accounting Manual (GAM) on the PCF.**

Misstatements in Receivable Accounts

- e) **direct the Accountant to adhere strictly with the Revised Chart of Accounts (RCA) as prescribed in Commission on Audit (COA) Circular No. 2013-002 dated January 10, 2013 on the proper classification of transactions for a fair presentation of FS;**
- f) **direct the Accountant to effect the necessary adjusting entries to reflect the correct balance of the affected accounts in the FS;**
- g) **direct the Supply/Property Officer to closely monitor the payments as well as the delivery of the goods per the Agency Procurement Requests (APRs);**
- h) **direct the Supply/Property Officer to transmit immediately to the Accounting Division (AD) all Delivery Receipts (DR) pertaining to all delivered office supplies to ensure the prompt recording of purchases in the books of the Division;**

- i) require both the Accountant and Supply Officer to reconcile their respective records to ensure the correct balance of Due from National Government Agencies (NGAs) - Department of Budget and Management - Procurement Service (DBM-PS) at yearend;**
- j) require the AU of the concerned DepEd Offices to prepare correcting entries for the errors and omissions noted in audit that caused misstatement in the Receivable accounts balance as at yearend;**
- k) require the Division Provident Fund (PF) Secretariat to conduct assessment of the status of all borrowers with outstanding PF loan balances at the end of each reporting period and determine the collectability of those delinquent accounts;**
- l) direct the Accountant to provide for the Allowance for Impairment equivalent to one percent of the total outstanding loans receivable at yearend pursuant to Item 2.c of DepEd Order No. 037, s. 2018, to present fairly the Loans Receivable-Others account in the FS;**
- m) require the Accountant of the concerned offices to prepare necessary correcting entries on the errors noted in the audit and record the disallowances as debit to Receivables – Disallowances/Charges and credit the appropriate account for the current year or Accumulated Surplus/(Deficit) account if pertaining to expenses of previous years, when they became final and executory pursuant to Section 22.6 of COA Circular No. 2009-006 dated September 15, 2009;**
- n) require the Accountant to include the Loans Receivable-Others account balance under the PF in the Consolidated FS and disclose in the Notes to FS of the concerned SDOs;**
- o) require the AU of the concerned DepEd Offices to prepare correcting entries for the errors and/omissions noted in audit that caused misstatement in the Receivable accounts balance as at yearend; and**
- p) require the AU to prepare reclassification entry on the errors noted in the audit.**

Misstatements in Inventory Accounts

- q) require the Property/Supply Offices to promptly submit the Report of Supplies and Materials Issued (RSMI)/Property Transfer Report (PTR) to the Accounting Offices to support the timely and proper recognition of issuances/transfer to end-users;**

- r) **require the Accounting Offices to prepare the necessary adjusting entries to recognize as expense the inventories already issued/transferred based on the RSMI/PTR submitted by the Property/Supply Offices;**
- s) **direct the Accountant and the Property/Supply Officer to facilitate the regular review and reconciliation of records to establish the correct Inventory balances at any given time;**
- t) **require the concerned personnel to gather documents/reports needed in the recognition of all acquired semi-expendable properties and submit to the Accountant/Bookkeeper for recording purposes;**
- u) **instruct the Accountants/Bookkeeper to prepare the appropriate adjusting entry to record the cost of inventories that remain undistributed and those received through donations;**
- v) **require the Accountant to prepare adjusting journal entries to correct the overstatement of ₱4,519,607.65 in Inventories account caused by erroneous valuation of inventories;**
- w) **require the Accountant to adhere to Section 6, Chapter 8 of the GAM for NGAs, Volume 1, by computing the cost of inventories using the Weighted Average Method;**
- x) **require the Accountants to drop from the books the cost of inventories that are already dormant and non-existing;**
- y) **require the Accountant to drop from the books the cost of the textbooks and instructional materials razed by fire; and**
- z) **require the Accountants/Bookkeepers to prepare adjusting journal entries to reclassify or correct the balances of the affected accounts.**

Misstatements in Property, Plant and Equipment (PPE) accounts

- aa) **recognize the cost of PPE items that were already delivered but remained unrecorded as of report date and ensure that assets are recorded in the books upon their delivery to the Agency;**
- bb) **recognize in the books the cost of completed school buildings and other structures already transferred by Department of Public Works and Highways (DPWH) and provide depreciation thereon;**
- cc) **for the parcels of land which are not yet registered in the name of the DepEd/School, cause the immediate transfer of the titles of the land in the name of the DepEd/School to acquire absolute ownership over the lot**

or cause the annotation at the back of the title of the lot with the Registry of Deeds to claim ownership on the portion of the land donated pending the completion of titling thereof;

- dd) the Head of the Offices concerned secure all necessary documents of ownership of land occupied by the schools and/or offices to facilitate recognition in their respective books;
- ee) require the Property/Supply Officers to prepare the necessary report using the Inventory and Inspection Report for Unserviceable Property (IIRUP) Form as prescribed in Appendix 74, Volume II of the GAM for proper disposal and basis to derecognize from the books the unserviceable properties carried in the PPE accounts;
- ff) prepare a letter-request addressed to the Office of the COA Audit Team Leader (ATL) for the inspection of unserviceable properties subject to disposal;
- gg) require the Accountant/Bookkeepers to prepare Journal Entry Voucher (JEV) to derecognize the asset from the books of accounts after its disposal;
- hh) require the Accountants to compute the Accumulated Depreciation for all depreciable assets, and henceforth, adjust the recording thereof in the books, and regularly compute and provide depreciation therefor; and prepare lapsing schedule and maintain Subsidiary Ledgers (SLs) to facilitate monitoring;
- ii) prepare the journal entries to reclassify the cost of completed construction/repair/ rehabilitation projects on school buildings and other structures to its appropriate asset account and provide depreciation thereon;
- jj) require the Accountants to prepare adjusting entries to reclassify all items costing below the capitalization threshold of ₱15,000.00 to appropriate inventory account. For items that had been issued to end-users, debit appropriate Semi-Expandable Expenses account, if issued in the current year, or Accumulated Surplus/(Deficit) account, if issued in prior years; and
- kk) require the Division Accountants/Bookkeepers to prepare the adjusting entries to capitalize all major repairs and to correct the erroneous journal entries previously made.

Misstatements in Advances Accounts

- ll) require the Accountants/Bookkeepers to identify the cash advances that were initially recorded as expenses, determine the actual expenses incurred and the outstanding cash advances as of CY 2019 and prepare the adjusting entries for the fair presentation of the Advances account in the FS;**
- mm) direct the Accountants/Bookkeepers to draw journal entries to revert back to the appropriate Advances accounts the cash advances which were recorded as liquidated without proper documentation. Henceforth, record only as liquidated upon submission of complete supporting documents;**
- nn) prepare the necessary adjusting entry for the misstatement in Advances for Payroll account, in order to reflect the correct balance of the account, and observe the use of appropriate accounts in the recording of cash advances as prescribed in the RCA, Volume III of the GAM for NGAs; and**
- oo) direct the Accountant to ensure that liquidations are recorded in the period on which the expenses actually occur, rather than on the period in which the cash flows related to them are made, in adherence to the accrual basis of accounting.**

Misstatements in Liability Accounts

- pp) instruct the Accountants to record a liability in the books of accounts only when the obligations become due and demandable, that is, when goods are delivered and services are rendered;**
- qq) submit to the concerned COA Office the lacking supporting documents to substantiate the obligations/payables recognized as at December 31, 2019;**
- rr) require the Accountant to exert effort to validate the recorded obligations in prior years and revert all long outstanding payables to the Accumulated Surplus/(Deficit) Account to reflect the correct balance of the Accounts Payable of the Agency;**
- ss) perform account analysis and prepare the necessary adjusting entries to reflect the accurate balances of the affected accounts for fair presentation in the FS;**

- tt) **require the Accountants to ensure that adjusting journal entries to revert to Cash and appropriate Liabilities accounts the amount of unreleased checks are properly made at yearend;**
- uu) **require the Accountants to ensure that adjusting journal entries to revert to Cash and appropriate Liabilities accounts the amount of stale checks are properly made at yearend;**
- vv) **require the Accountants to perform account analysis on Liabilities accounts with abnormal balances and prepare the necessary adjusting entries to reflect the accurate balances of the affected accounts for fair presentation in the FS;**
- ww) **require the Accountant to prepare the necessary adjusting entries to record as payable the amount of goods and services already delivered and accepted; and**
- xx) **perform account analysis and prepare the necessary adjusting entries to correct the various errors in order to reflect the accurate balances of the affected accounts for fair presentation in the FS.**

Misstatements in Revenue Accounts

- yy) **review the correctness of the collections reported in the Report of Collection and Deposit (RCD) before recording the same in the books of accounts;**
- zz) **use Miscellaneous Income account in recording liquidated damages paid by contractors;**
- aaa) **draw the necessary adjusting journal entry to correct the misstated accounts;**
- bbb) **instruct the Human Resource Development Division (HRDD) personnel to assure that Statement of Accounts (SOAs) are issued to the requesting party once the confirmation letter has been signed and issue the same to the Accounting Section;**
- ccc) **direct the Accounting Section to record the SOA by recognizing the receivable and revenue account in the books of account;**
- ddd) **instruct the Accounting Staff who prepares the Bank Reconciliation Statement (BRS) to monitor the receivables being collected, and inform the head of the Accounting Section or the concerned HRDD personnel of the remaining collectibles so that collection follow-up can be made on a regular basis;**

- eee) instruct the Regional Accountant to exert effort in identifying the deposits made in the bank account of the RO and recognize the same in the books of accounts to properly present the balance of Cash account in the FS;**
- fff) require the AU to use Rent/Lease Income account in the recording of collections for the use of National Educators Academy of the Philippines (NEAP) facilities, in compliance with the provisions of the GAM for NGAs;**
- ggg) require the AU to use accrual basis of accounting in recognizing transactions and events in the accounting records and FS;**
- hhh) require the AU to refrain from debiting Seminar/Training Fees account in recording expenses charged against the collection of seminar/training fees;**
- iii) require the AUs of the concerned Offices to include in the Consolidated FS and disclose in the Notes to FS of the SDOs Parañaque and Las Piñas the Interest Income and Other Service Income accounts under the PF;**
- jjj) direct the Accountant and Bookkeepers to identify all unrecognized service income from CY 2019 and previous years and effect the necessary adjustments by debiting Other Payables and crediting Other Service Income and/or Accumulated Surplus/(Deficit) accounts, whichever is applicable during the period that the said income should have been recorded;**
- kkk) ensure that all service fees collected from automatic salary deductions for loan repayments due to Private Lending Institutions (PLIs) are properly recognized as income. Further, when liabilities are settled in full, appropriate debit to payable account should be made so that accurate balances will be reflected in the FS; and**
- lll) make representation with the DepEd, CO to convey the observations noted on the accounts affected.**

Misstatements in Expense Accounts

- mmm) require the AUs of the concerned Offices to draw necessary adjusting journal entries to correct the misstated accounts;**
- nnn) require the AUs of the concerned offices to observe proper recording and recognition of expenses in accordance with the GAM for NGAs to ensure fair presentation and reliability of the Expense account balance in the FS;**

- ooo) **require the AUs of the concerned offices to stop the practice of charging prior years' expenses against the current year appropriations;**
 - ppp) **require the Accounting Unit to observe the proper recording and recognition of expenses, in accordance with the GAM for NGAs, to ensure fair presentation and reliability of the Expenses account balance in the FS;**
 - qqq) **require the AUs of the concerned Offices to observe proper recording of semi-expendable properties/office supplies and the related Expenses accounts;**
 - rrr) **require the Accountant and Bookkeeper to effect corrections on the entries in the recording of the replenishment of the PCF and submit the Liquidation and Disbursement Vouchers (DVs). Further, the PCF Custodian (Cashier) ought to monitor the transactions incurred to discontinue the payment of regular expenses and maintain a separate cashbook, in conformity with the format of the PCF Record and have the transactions incurred recorded as per Appendix 50 and Instructions, GAM for NGAs, Volume II; and**
 - sss) **ensure that all unpaid valid obligations accruing during the year are taken up in the books as payables and stop the practice of charging prior year's expenses against the current year appropriations.**
2. Unauthorized maintenance of bank accounts, retention of various collections and transfer of unutilized/excess Notices of Cash Allocation (NCAs) or Notices of Transfer Allocation (NTAs) to Cash in Bank – Local Currency, Current Account (CIB-LCCA) without legal authority in the total amount of ₱3,864,389,513.68, which remained unremitted to the National Treasury (NT), were noted, contrary to existing laws, rules and regulations. (Observation No. 3)

We reiterated the recommendation that Management must secure authority from the Permanent Committee to maintain the current accounts which are considered extremely essential in the operations of the Agency and refrain from transferring funds from its Modified Disbursement System (MDS) to current accounts. Otherwise, close the unauthorized current accounts and remit the remaining balances to the Bureau of Treasury (BTr), pursuant to the existing laws, rules and regulations.

3. Collections amounting to ₱5,623,699.36 under the cash account Cash – Collecting Officer were not deposited intact, contrary to Section 69 of Presidential Decree (PD) No. 1445 and Section 32, Chapter 2 of the Revised Cash Examination Manual. (Observation No. 4)

We recommended that the Management require the Collecting Officers to deposit all collections daily and intact in accordance with Section 69 of PD No. 1445 in order to prevent possible theft, loss or misappropriation.

4. Fund transfer to NGAs, Local Government Units (LGUs), Government-Owned and Controlled Corporations (GOCCs) and Non-Government Organizations (NGOs) for the implementation of various projects/programs in DepEd CO and three regions, with an aggregate amount of ₱1,942,911,909.08, remained unliquidated as at December 31, 2019 due to laxity in the monitoring of submission of Liquidation Reports (LRs), contrary to COA Circular Nos. 94-013 and 2007-001 dated December 13, 1994, and October 25, 2007, respectively, rendering the affected Receivable accounts balances unreliable and the collectability of the receivables doubtful. (Observation No. 6)

We recommended that the Management:

- a) **coordinate closely with the concerned Implementing Agencies (IAs) demanding the submission of LR/Report of Disbursements on transferred funds for completed programs/projects for proper recording;**
 - b) **validate the status of all unliquidated fund transfers and take appropriate action to demand immediate liquidation, or take appropriate legal processes to demand compliance with the Memorandum of Agreement (MOA); and**
 - c) **initiate the request for a write-off on the inter-agency and other receivables that remained non-moving for ten years or more in the books, according to COA Circular No. 2016-005 dated December 19, 2016, duly supported with the necessary documents.**
5. Advances to the DBM-PS recorded under the Due from NGAs account, by the DepEd CO, NCR and RO VIII included past due/dormant balances totaling ₱6,767,219,387.77, thus affecting the efficient program delivery and leaving a huge amount of funds idle in the account of DBM-PS. (Observation No. 7)

We recommended that the Management:

- a) **closely monitor fund utilization and timely delivery of procured items and make representation with the DBM-PS on the status of the procurements with them;**
- b) **establish its own monitoring of deliveries of supplies and equipment procured from DBM-PS per APR and assign Agency Control Number (ACN) to facilitate reconciliation with the Accounting Office; and**

- c) **apply its current requirements from the transferred funds outstanding with the DBM-PS and/or demand the refund of the unutilized/dormant funds, and remit the same to the BTr.**
6. Inadequate monitoring and control of receivables in DepEd CO and eight ROs resulted in past due/dormant accounts with an aggregate indicative amount of ₱86,645,562.61, casting doubts on the propriety and validity of the transactions posted in the Receivables account. (Observation No. 9)

We recommended that the Management:

- a) **exert more efforts to demand the settlement of the receivables, send demand letters to IAs to submit LRs on unliquidated fund transfers;**
 - b) **secure the supporting documents from all possible records for the reconstruction and maintenance of SLs;**
 - c) **require the Accountant to review and analyze the accounts to ascertain the collectability of the receivables and the probability of liquidation/refund from various accountable persons. Henceforth, consider requesting authority to write off dormant accounts which could no longer be collected, pursuant to COA Circular No. 2016-005 dated December 19, 2016; and**
 - d) **intensify efforts to require the principal borrowers as well as the co-makers of those who resigned, retired and deceased to pay the unpaid balance of their loans. In case of continuous default in payment of loans, seek assistance for the enforcement of legal remedies in the collection of dormant and long outstanding receivables and for the filing of appropriate charges.**
7. The 14 ROs of the DepEd were unable to comply with the accounting rules and regulations in view of the incomplete inventory-taking, non-submission of and insufficient details in the Report on the Physical Count of PPE (RPCPPE) for CY 2019, and non-maintenance and/or unupdated PPE Ledger Cards (PPELCs) and Property Cards (PCs), absence of property identification tags, and absence of breakdown of PPE balances and lapsing schedule, contrary to pertinent provisions of the GAM for NGAs, Volume I. (Observation No. 11)

We recommended that the Head of the Agencies concerned to:

- a) conduct and complete the annual physical count of PPE, submit the RPCPPE on or before January 31, maintain and regularly update PPELC and PC, and conduct regular reconciliation between Accounting and Property records to facilitate adjustments;**
- b) conduct appraisal of the Gabaldon Buildings and instruct the Accountant to record them as Heritage Assets using the appraised value and post the total amount in the Registry of Heritage Asset - Summary (RHAS) at the end of each month;**
- c) cause the immediate retrieval of all necessary documents of ownership of the unregistered lots occupied by the schools and direct the respective school principals concerned to facilitate the documentation of ownership of the Land within their possession and custody to establish ownership and recognition in their respective books, and to facilitate the transfer and registration of ownership with the Register of Deeds in accordance with Section 58 of PD No. 1445 and Section 3 (c), Chapter 10, Volume I of the GAM on the Criteria for Recognition, to protect the interest of the schools concerned;**
- d) require the Supply/Property Officers to:**
 - i. report in the Inventory and Inspection Report of Unserviceable Properties (IIRUP) all unserviceable properties of the Division including those that are included in the RPCPPE and prepare/submit the IIRUP and a revised RPCPPE;**
 - ii. cause the immediate disposal of all unserviceable properties, in consonance with Section 79 of PD No. 1445; and**
 - iii. based from the IIRUP, direct the Accountants to drop from the books the unserviceable assets upon disposal;**
- e) establish the accurate Accumulated Depreciation for all depreciable assets, and henceforth, adjust the recording thereof, and regularly compute and provide depreciation therefor; prepare lapsing schedule and maintain SLs to facilitate monitoring;**
- f) conduct training/seminar as well as information dissemination regarding property disposal and properties for demolition and instruct the AD to derecognize with complete supporting documents in the books the amount of the disposed school buildings; and**
- g) ensure strict compliance by the Accountants/Bookkeepers with the requirements and procedures prescribed in the recording of PPE and provide Accumulated Depreciation for all depreciable assets of the SDOs**

in the regions to reflect the true balance of affected accounts in the FS and disclose required additional information in the Notes to FS.

8. Deficiencies were noted on the granting, liquidation and monitoring of cash advances which resulted in: (a) accumulation of unliquidated cash advance balance at yearend of ₱1,922,340,516.26 in DepEd CO and in 11 ROs, at least ₱250,474,715.34 of which is aged more than one year to more than ten years and at least ₱3,012,252.00 of which is from retired/resigned/transferred/deceased employees of ROs II, III, V, VI and VIII; and b) other gaps, which are contrary to existing COA rules and regulations and the DepEd guidelines relative thereto. (Observation No. 12)

We recommended and the Management agreed to:

- a) **strictly comply with the existing COA rules and regulations and DepEd guidelines on the granting, liquidation and monitoring of cash advances;**
 - b) **issue demand letters to Accountable Officers (AOs) to settle their cash advances, in case of failure to comply, implement the withholding of salaries or any money due to them, including appropriate legal sanctions pursuant to Article 218 of the Revised Penal Code for failure to render accounts; and**
 - c) **after all the possible measures were undertaken to ascertain the details of the account and proven futile, request authority to write off said accounts from the COA, in accordance with COA Circular No. 97-001 dated February 5, 1997 and COA Circular No. 2016-005 dated December 19, 2016.**
9. Inadequate internal controls in DepEd Cordillera Administrative Region (CAR) and ROs II, IV-A, V, VI, X, XII, and XIII on the collection and remittance of income led to deficiencies such as: (a) unremitted proceeds from sale of waste/scrap materials, rental and registration fees, income from the liquidated damages imposed to suppliers and contractors, collections for billeting area and sale of bidding and Invitation to Submit Quotation (ISQ) documents totaling ₱6,647,273.68 to BTr; (b) uncollected rental income from canteen operations, function hall, farmlands and quarry tax; (c) registration fees amounting to more than ₱1,480,500.00 were collected by private organizations instead of the respective cashiers/collecting officers; (d) unauthorized collection of fines and registration fees amounting to ₱440,000.00; (e) recording of collections under an erroneous fund cluster amounting to ₱1,871,057.68; (f) temporary receipts issued to acknowledge payments totaling ₱56,600.00; and (g) collections not deposited intact daily totaling ₱1,902,549.50 that run contrary to pertinent laws, rules and regulations. (Observation No. 13)

We recommended that the Management:

- a) **account/collect all income/sale/fees/proceeds due to the DepEd and remit the same to the NT pursuant to Section 4 of the General Provisions of GAA FY 2019;**
 - b) **install preventive measures that such similar acts of unauthorized imposition of fines or collection in any form will not occur;**
 - c) **record all collections from business related activities such as canteen operations, rental of facilities, and certification/registration fees under the fund cluster Business Related Funds, and not under Trust Receipts;**
 - d) **course all collections to the Division Cashier for proper recording and issuance of Official Receipts; and**
 - e) **deposit all collections intact daily through the Authorized Government Depository Bank (AGDB).**
10. Various disbursements incurred by DepEd CO and its ROs in the aggregate amount of ₱7,603,011,435.27 were paid despite inadequate supporting documents, and/or without legal basis to support the claims, contravenes applicable laws, rules and regulations, hence casting doubts on the validity, propriety and reasonableness of expenditures using government funds. (Observation No. 14)

We recommended, and the Management of concerned Offices agreed, to:

- a) **require the Accountant to cause the immediate submission of the required supporting documents for the said disbursement transactions to avoid the issuance of Notices of Suspension (NSs);**
 - b) **strictly adhere to the prescribed rules and regulations on the payment of salaries and wages, travelling/training, fuel, oil and toll fees, honoraria, loyalty pay, terminal leave benefit, hazard pay and other expenses; and**
 - c) **direct the officials concerned to submit legal basis on the grants/claims granted to the DepEd employees and provide justification on why Notice of Disallowance (ND) should not be issued, otherwise cause immediate refund on all irregular, unnecessary, extravagant, excessive and unconscionable expenses noted and incurred by the Agency.**
11. The attainment of the projected outputs of the Department was not fully ensured when out of its ₱543,438,497,468.25 allotments received during the FY 2019, ₱516,669,321,204.84 was obligated as at yearend, leaving an unobligated balance of ₱26,769,176,263.41, or 4.93 percent, which was not availed due to the procedural lapses in its budget utilization such as: a) unutilized allotments totaling

₱19,972,348,601.85 in CO, NCR, CAR, ROs VI, VII, X and XIII which was mainly caused by unimplemented Programs/Projects/Activities (PPAs) and unfilled plantilla positions; b) late incurrence of obligations totaling ₱219,450,569.21 in NCR and low disbursement utilization rate in RO VI; c) over-allocation of funds amounting to ₱60,415,021.19 in NCR; d) unauthorized transfer of NCAs to CIB-LCCA totaling ₱1,025,411,744.83 in NCR, CAR, ROs I and VIII; e) delayed release and not fully released funds totaling ₱241,942,179.89 in CAR, ROs VI, IX and XII; f) claims not properly supported by Obligation Request and Status (ORS) and/or ORS not appropriately filled-up in the aggregate amount of ₱135,381,179.04 in NCR, CAR, ROs IV-A and VIII; g) unutilized NCAs totaling ₱7,724,326.09 in CAR, ROs VIII and X; and h) unauthorized re-alignment of funds in CAR amounting to ₱41,414,363.84. (Observation No. 15)

We recommended that the Management require the following offices:

a) CO, NCR, CAR, and ROs VI, VII and X to:

- **formulate a realistic and feasible budget plan to ensure that targets set for procurement and implementation of DepEd's PPAs are achieved;**
- **identify and address lapses in the Agency's procurement process to ensure timely delivery of equipment, tools, and other learning resources to intended recipient schools;**
- **intensify the hiring of unfilled plantilla positions for teaching and non-teaching personnel of the SDOs/IUs/Non-IUs through publication of the vacant positions;**
- **present a catch-up action plans including interventions on programs with unutilized allotments for FY 2019;**

b) NCR, CAR, ROs I and VIII to refrain from transferring unutilized NCAs to CIB-LCCA and remit the balances thereof in the current account to the NT;

c) CAR-SDO Abra, Abra High School (HS), Cristina B. Gonzales Memorial HS, Mataragan National Agricultural School (NAS), Northern Abra National High School (NHS), Pilar Rural HS, Baguio City NHS, Guisad Valley NHS, Irisan NHS, Magsaysay NHS, Mil-an NHS, Pines City NHS, Roxas NHS, Kamora NHS, Kibungan NHS, Lepanto NHS, Tublay School Home of Industries (SHI), and Tuba NHS to observe the rules on modification in the allotment as provided in the GAA and in DepEd Order No. 58 s. 2015;

d) CAR and ROs IV-A and VIII to support their incurrence of obligations with duly accomplished and certified ORS;

- e) **CAR, ROs VIII and X to maximize the utilization of allotments and disbursements of NCAs for the Department, failure to fully utilize funds can adversely affect the Agency's future budget levels.**
 - f) **NCR to refrain from obligating funds without legitimate claimants;**
 - g) **RO VI to pursue the same commitment every year and improve on those with identified low Disbursement Utilization Rate and request DBM to release the Agency's allotment early to enable the RO to make timely payments and efficiently and effectively utilize the funds for its planned projects and programs;**
 - h) **RO VIII to stop the erroneous practice of transferring funds from the General to the Trust Fund in the absence of valid authority and purpose and strictly observe the assignment of numbers to ORSs pursuant to the mandates of relevant rules, in the process, avoid disadvantageous results like double, inappropriate and invalid disbursements, among others;**
 - i) **CAR-SDO Kalinga to monitor the submission by the non-IUs of their Cash Disbursements Reports together with the paid DVs and supporting documents, and ensure that by the end of each year, the MOOE allocations of the schools have been fully downloaded; and**
 - j) **RO XII to follow up the release of the Sub-Allotment Release Order (Sub-ARO) of the DepEd CO to be able to meet the immediate assistance that needs to be taken care of.**
12. The DepEd failed to install adequate control procedures within the existing payroll system pursuant to the DepEd Payroll Servicing Manual, resulting in: (a) net under-remittance of ₱53,316,200.87 by the SDOs/IUs to the ROP for the monthly net pays and payroll deductions of its teaching and non-teaching personnel; (b) non-observance of the required minimum Net Take Home Pay (NTHP) of ₱5,000.00; (c) Remittance of loan payments to non-accredited Automatic Payroll Deduction System (APDS) PLIs (d) additional workload in processing, recording and remitting loan transactions/policies; (e) payment of salaries to retired, resigned, deceased, transferred and separated employees amounting to ₱1,214,146.29; and (f) errors and/or omissions in recording payroll transactions and other deficiencies in the payroll system. (Observation No. 16)

We recommended that the Management required the ROs to:

- a) **cause the refund of the overpaid salaries;**

- b) require the SDOs/IUs to transfer funds strictly based on the actual monthly payroll requirements billed in the Summary of Cash Disbursements Report (SCDR), as previously recommended;**
 - c) require the Administrative Officer/Personnel Officer of SDOs/IUs to submit to DBM an updated Plantilla of Personnel as the latter's basis in budgeting and release of funds to ensure realistic budget based on the needs of the IUs, thereby avoiding excessive/disproportionate fund releases;**
 - d) simplify payroll procedures in the DepEd ROs by considering full decentralization of the payroll preparation, processing, payment and recording in the SDOs/IUs in view of their first-hand access on data/information relevant to their payroll requirements funded by their respective appropriations.**
 - e) ensure strict compliance on the order of preference of authorized payroll deductions with due consideration on the NTHP threshold of ₱5,000.00 as required in Section 52 of the General Provisions of GAA for CY 2019;**
 - f) cease from being a withholding agent for loan obligations of employees from other private institutions other than those provided in the GAA;**
 - g) reduce, if not eliminate, the number of PLIs to be catered by the Department under the APDS in order to relieve the concerned Accounting officials from the monthly additional workload on the processing of the personal loans of employees and focus on other equally important works to facilitate timely submission of reports to the COA; and**
 - h) implement strictly the Automated Teller Machine (ATM) payroll system in the payment of employee benefits in accordance with DepEd Order No.8, s. 2009.**
13. Various procedural lapses as well as inadequacy of supporting documents were noted in the procurement of goods and services, infrastructure-related projects including consultancy services totaling ₱2,402,958,694.62 at the DepEd CO, and ₱2,913,586,117.82 in the 16 ROs and several SDOs, contrary to the provisions of RA No. 9184 or the Government Procurement Reform Act, COA and other related procurement rules and regulations, casting doubt on the integrity and reliability of the procurement processes and defeating the purpose of the law on transparency, competitiveness and accountability. (Observation No. 17)

We recommended that Management:

CO –

- a) **explain/justify the non-compliance with existing procurement including COA rules and regulations as mentioned above, and enjoin the Bids and Awards Committee (BAC) to strictly follow RA No. 9184 and its revised Implementing Rules and Regulations (IRR), otherwise the payments that will be made thereof will be suspended/disallowed in post-audit by this Office; and**
- b) **immediately submit the required documents duly certified to facilitate the technical review of the contracts.**

ROs and SDOs –

- c) **observe strict compliance with the applicable rules and regulations of the Revised IRR of RA No. 9184, relevant Sections of GAA FY 2019, COA rules and regulations, and other government issuances on the government procurement process;**
- d) **review and evaluate all projects of the contractors/suppliers to determine whether they satisfactorily delivered the projects/goods under the contract within the specified delivery schedule, if not, sanction them with liquidated damages for every day of delay of delivery under Section 68, Annexes C and D of IRR of RA No. 9184;**
- e) **limit the procurement of services on a reimbursement basis, unless the circumstances warrant its application;**
- f) **undertake procurement of common-use supplies from private suppliers only if a prior inquiry with the DBM-PS established that the items were not available for procurements to be valid and assured to be most advantageous to the government in terms of quality and cost, among others;**
- g) **require responsible officials to explain/justify the non-compliance with existing procurement including COA rules and regulations as mentioned above, and enjoin the BAC to strictly follow RA No. 9184 and its revised IRR, otherwise, the payments that will be made thereof will be suspended/disallowed in post-audit by this Office; and**
- h) **submit immediately the required documents duly certified to facilitate the technical review of the contracts.**

14. The Repair and Rehabilitation of School Buildings under the Basic Educational Facilities Fund (BEFF) for FYs 2019, 2018 and 2017 in eight regions had reported implementation lapses/deficiencies, such as: (a) delayed completion of the projects ranging from 12 to 703 days; (b) deficiencies in the perfected contracts and the Program of Works (POWs); and (c) poor workmanship on some aspects of repairs/rehabilitation and unfinished repair/rehabilitation works, that impeded the successful implementation of the program and affected the timely achievement of the project's target of increasing the provision of safe and structurally stable facilities that are conducive to learning and teaching. (Observation No. 19)

We recommended that the Management:

- a) impose liquidated damages on the contractors concerned, which shall be at least equal to one-tenth of one percent of the cost of the unperformed portion for every day of delay, in view of the delayed completion of repair/rehabilitation works;**
 - b) properly coordinate and inform school officials/personnel about the projects to be undertaken by providing them with contracts, detailed POW and such other related documents for them to know the project details and use as basis in checking if the repair works being done conform with the contract specifications;**
 - c) instruct the Division Engineer (DE) to:**
 - i. report the defects, undelivered items or inferior quality of materials used/work done and require the contractors to perform the necessary actions to address the noted deficiencies/observations. The SDO should look into imposing necessary and appropriate action on the contractor for failure to deliver commitments as agreed upon;**
 - ii. henceforth, monitor regularly and evaluate the accomplishments of each individual projects; exercise diligent supervision on the implementation of projects to immediately address issues and lapses which certainly affect the achievement of providing safe, comfortable and functional facilities conducive to learning and teaching; ensure that repair works are performed in accordance with the approved POWs; and**
 - d) strictly adhere to the prescribed procedures concerning procurement of infrastructure from the planning process until its completion pursuant to RA No. 9184 and its IRR.**
15. The objective of addressing furniture shortage through the SFP under the FY 2016 to FY 2019 BEFF was not fully met due to: a) low accomplishment rate of only 16.68 percent for the FY 2019 Fund and delayed completion of the program from

its FY 2016 to FY 2018 Funds; b) late release of Sub-AROs to ROs; c) late initiation and delayed execution of procurement/bidding process and failure to complete the delivery of school furniture within the prescribed period affecting the timely achievement of its implementation; d) non-conduct of Pre- and Post-Delivery Inspection of Delivered School Furniture; e) procedural deficiencies noted in NCR; and f) other deficiencies such as inadequate provision for school furniture, non-utilization of delivered school furniture, and delivery of inferior quality school furniture to recipient schools which deprives the students and teachers of using these items to enhance and improve the learning environment and facilities of the school for better learning outcomes.

Moreover, the contracts along with the required supporting documents were belatedly submitted incurring delays ranging from 37 to 53 days, contrary to the period of submission prescribed in COA Circular No. 2009-001 dated February 12, 2009. (Observation No. 20)

We recommended that Management:

- a) observe strict monitoring and supervision of overall program implementation for its timely completion and delivery to the intended recipient schools, fast-track the completion of the ongoing deliveries of school furniture in the CO and ROs, for the projects that have long been delayed and still not completed yet, recommend for termination of contract projects, when warranted;**
- b) coordinate with DBM for the prompt release of program funds and facilitate the early release of Sub-AROs to ensure the timely implementation of the SFP in the ROs;**
- c) follow the Government Procurement Policy Board (GPPB) Circular No. 05-2018 and start the procurement activities within the schedules provided in the approved Annual Procurement Plan (APP);**
- d) observe timeliness in the execution of procurement activities of the school furniture in accordance with RA No. 9184, to meet the objective of the program;**
- e) impose applicable liquidated damages on claims for payment for the late deliveries considering the actual dates of delivery indicated by the recipient schools. For future deliveries, require the designated Property Custodians/authorized school representatives to indicate the actual dates of deliveries and the actual quantity of furniture received;**
- f) strengthen measures on the inspection and acceptance of school furniture by strictly observing the specific guidelines in DepEd Order No. 35 s. 2017. Further, conduct physical inspection of the delivered school furniture and**

require the contractor to repair damaged school furniture still covered by the Warranty Period;

- g) closely monitor the status of the construction of the new school buildings in order to ensure their timely completion and utilization of school furniture; and**
- h) submit copies of executed contracts, together with necessary supporting documents/annexes, to the Audit Team within five days after their execution, in compliance with COA Circular No. 2009-001 dated February 12, 2009.**

16. Delayed completion and implementation of Electrification Projects ranging from 17 to 336 days under the FY 2019 and FY 2018 BEFF was noted in NCR, CAR, ROs I, IV-B, VI and XIII, thus impeding the achievement of the objectives for which the said program has been created. Furthermore, variances were noted in the power bill deposits to the electric company in RO XIII which may result in possible wastage of government resources, thereby affecting the efficient utilization of funds for the electrification of schools. (Observation No. 21)

We recommended that the Management:

- a) facilitate the completion of the projects through adequate monitoring and supervision of the work of the Contractors by the DE;**
- b) enforce the necessary sanctions against the erring Contractors, as provided under RA No. 9184;**

SDO Apayao to –

- c) apply immediately with the concerned LGUs for the issuance of building permits for the school buildings covered by the electrification project under the FY 2018 BEFF;**

SDOs Agusan del Sur and Bayugan City to –

- d) direct the Project Monitoring Team to conduct thorough inspection and validation of the actual accomplishment of all infrastructure projects as of December 31, 2019 and prepare status reports showing the accurate actual work accomplished as compared to the contractor's Statement of Work Accomplished. Any defects noted shall be deducted to the Accomplishment/Inspection reports;**
- e) direct the DE to provide detailed computation of the cost of the unperformed work for each infrastructure project as of end of the contract**

period and forward the same to the Division Accountant for the imposition of liquidated damages;

- f) direct the contractors to immediately settle the power bill deposit to Agusan del Sur Electric Cooperative, Inc. (ASELCO) for immediate energization of the recipient schools; and**
- g) direct the DE to validate and review the claims for payments of contractors by requiring the submission of the receipt issued by ASELCO for the power bill deposit, pursuant to Item 4, Enclosure 4 of DepEd Order No. 35, s. 2017.**

17. The inadequate monitoring of the DPWH-Constructed school building/classrooms in ROs XII and XIII with a total project cost of ₱33,749,790.26 and ₱49,569,387.43, respectively, funded under BEFF for FYs 2019 and 2018, resulted in delayed implementation/completion of the said project, thereby depriving the students and teachers of the timely use of additional facilities necessary for the delivery of quality education program. (Observation No. 22)

We recommended that Management:

- a) direct the Project Monitoring Team to conduct thorough inspection and validation of the actual accomplishment of all infrastructure projects as of December 31, 2019 and prepare status reports showing the accurate actual work accomplished of the projects implemented by the DPWH. Any noted defects should be coordinated in writing to the Management of DPWH for appropriate action;**
- b) submit report on the result of joint validation of the projects implemented by DPWH;**
- c) exert diligent monitoring and supervision on the implementation of projects to immediately address issues and lapses thereof on the part of the DPWH, which certainly affects the timely delivery of DepEd's physical targets to address resource gap in school facilities;**
- d) evaluate and monitor other projects that were not completed and coordinate with DPWH Project Engineers to ensure that the contractors comply with their contractual obligations;**
- e) impose necessary and appropriate action on the contractor for the delay, if warranted; and**
- f) impose sanctions on Legacy Construction and Corporation contractor for the unjustified failure to deliver commitments resulting in the delay in the completion of the project, and immediately issue a Blacklisting**

disqualifying the concerned contractor from participating in the future biddings and report the lapses of said contractor to the Construction Industry Association of the Philippines (CIAP), which regulates the construction industry in the Philippines for proper sanction.

18. The lack of monitoring and validation by the Department to ensure full compliance of the National Housing Authority (NHA) with the MOA for the construction of school buildings in the various resettlement sites relative to the North/South Rail Relocation Program resulted in the following deficiencies: (a) deviation in carrying out its terms and conditions specifically on the list of schools for reimbursement, differences in the costing along with the doubtful existence of a school building submitted for payment; (b) failure of NHA to transfer by way of Deed of Donation or Usufruct the school sites to the Department; and (c) inability of AD to properly account and record all the transferred and completed school buildings as well as securing its allied documentation to establish its ownership; thereby affecting the propriety of the project implementation and relevant transactions pertaining to the agreement including the reliability and accuracy of the related accounts. (Observation No. 23)

We recommended that the Management require:

the Education Facilities Division (EFD) to –

- a) coordinate with NHA in order to establish the actual school buildings and its absolute amount subject for reimbursement as agreed upon in the MOA;**
- b) determine if the building on site in Bulacan for the Towerville is the subject of the MOA, and validate the actual scope of work of the school building in Northville 4;**

the NHA to –

- c) explain why the final list of schools for reimbursement consists of school buildings not included in the original school buildings in the MOA. Likewise explain the difference in the total costings of the school buildings for reimbursement; and**
- d) issue the Deed of Donation or Usufruct, whichever is relevant to the nature of the real property where the school facilities have been built.**

the AD to –

- e) substantiate the entries made to determine the accurate carrying value of school buildings and make the necessary adjustment; and**

f) record the school buildings transferred by NHA as evidenced by the Deed of Transfer and Acceptance supported with complete documentary requirements.

19. The below-par Overall Accomplishment Rate of 46.98 percent in the procurement and 17.96 percent in the delivery of Manuscripts and the Textbooks/Learning Materials (TXs/LMs), under its Textbook and Other Instructional Materials Program for CY 2019 had deprived its learners and teachers of adequate and quality learning materials in the public schools nationwide, due to the extensive and meticulous process in the procurement activities and the development/review/checking of manuscripts in the Department. Out of the total allotments of ₱3,793,017,568.48, only 26.61 percent or ₱1,009,339,311.82 was obligated and 4.19 percent or ₱158,961,752.53 was disbursed, resulting in reversion of a total of ₱1,038,632,580.98 unobligated allotments pertaining to continuing appropriation.

Other lapses related to the program were also noted such as; a) unreliable reports on buffer stocks due to variances/errors and the control breakdown in inventory management; b) unacted prior year's issues on the absence of lightings and DepEd security personnel including presence of scrap materials in the main warehouse for buffer stocks; and c) other deficiencies observed in three ROs. (Observation No. 24)

We recommended that Management:

- a) exert efforts in maximizing the utilization and implementation of the Textbooks and Other Instructional Materials Program for the benefit of its learners and teachers;**
- b) address the noted errors/variances on the Buffer Stock Inventory Report, particularly on the quantity of the remaining TXs/LMs and account thru the Bureau of Learning Resources (BLR) all stocks at the warehouses, maintain bin cards and stock cards and submit the inventory report to the AD for reconciliation of records, the Asset Management Division (AMD) for the proper turnover of custody and accountability and COA;**
- c) address the remaining issues in the warehouses as follows:**
 - install lightings in the storage rooms located in the 2nd floor of the National Nutrition Council (NCC) Building, otherwise withdraw the TX/LMs stored therein;**
 - assign DepEd personnel in the area for safekeeping and security purposes; and**
 - dispose of the scrap materials located in the main warehouse which was earlier reported in the previous inspection to minimize the exposure of**

the said warehouse to fire hazards and provide additional space for learning materials.

20. Setbacks in implementing the SBFP for SY 2019-2020 in five ROs were noted in audit, contrary to DepEd Order Nos. 39 and 18, dated August 17, 2017 and July 23, 2019, respectively, due to: (a) delayed implementation of the Program; (b) non-completion of 120-feeding days; (c) improper implementation of the double feeding scheme; (d) non-observance of the required composition of the SBFP Core Group; (e) absence/non-updating of health certification for food handlers and sanitary permits of school canteen; (f) unliquidated SY 2019-2020 SBFP Fund; (g) Purchase Orders (POs)/Contracts were not submitted within five days after their perfection; and (h) other deficiencies that impeded the successful implementation of the program. (Observation No. 25)

We recommended that the Management:

- a) require all the stakeholders of SBFP to ensure the timely implementation of the program according to DepEd Order Nos. 39, series of 2017 and 18, series of 2019 to attain its objectives anticipating the possible setbacks and risks that will be encountered in its operation;**
- b) instruct the SBFP Coordinators to:**
 - i. ensure full coordination between the SDO Proper and SBFP implementers in order to come up with a streamlined planning process and preparatory activities resulting in a more efficient program implementation;**
 - ii. expedite the procurement process by conducting early procurement activities short of award;**
 - iii. avoid exceeding the allowable amount of operating expenses;**
 - iv. effectively plan the feeding program by conducting double feeding activity to be able to complete the feeding cycle on the prescribed completion date of December 31 of each year;**
 - v. implement properly the double feeding scheme to ensure that the full benefits of the program are obtained;**
 - vi. comply with the required composition of the SBFP Core Group;**
 - vii. ensure that food handlers have updated health certificates covering the whole feeding cycle; and**
 - viii. request approval from the RO to conduct double feeding to maximize the utilization of the allocated SBFP fund;**
- c) direct the School Heads to:**
 - i. ensure that the funds for the SBFP SY 2019-2020 have been fully liquidated on or before March 31 of the current year and adhere**

- strictly to the provisions of COA Circular No. 97-002 dated February 10, 1997 on the granting and liquidation of cash advances;
- ii. encourage the parents to participate in the feeding program so as not to place additional burden on the teachers;
 - iii. ensure that the canteens have updated sanitary permits; and
 - iv. submit to the DepEd NCR the required Progress Monitoring Report copy furnished the Office of the Auditor in compliance with Section VI. A of DepEd Order No. 39, s. 2017;
- d) instruct the Accounting Office to facilitate early release of funds to schools to avoid delay in the implementation of the program in order to successfully achieve the goals of the SBFP;
 - e) issue demand letter to the LGU of Caloocan City for the liquidation of the remaining balance of fund transfer amounting ₱467,846.20;
 - f) instruct the School Heads and SBFP School Coordinators of SDO Pasig to fully liquidate the outstanding balance of ₱263,918.96 of the SBFP Fund for SY 2018-2019;
 - g) investigate the personnel of Lubluban Integrated School under SDO Misamis Oriental with regard to the misrepresentation on the liquidation of SBFP 1st tranche and to file charges against errant personnel and inform this Office of the outcome of the investigation and action taken, without prejudice to other actions that this Office deemed proper;
 - h) require the School BAC to submit the Contracts/POs and its supporting documents and observe the five-day reglementary period on the submission of the same to facilitate timely review and appropriate action thereon;
 - i) fully utilize the excess SBFP funds as prescribed under DepEd Order No. 39, s. 2017, otherwise revert the same to the BTr;
 - j) revert all the unutilized SBFP funds for the SY 2018-2019 to the BTr to preclude the issuance of NS or ND; and
 - k) instruct the BAC of SDO Marikina to explain/justify the deficiencies and the non-compliance with the procurement process and enjoin them to strictly follow RA No. 9184 and its revised IRR, otherwise, the payments made thereof will be suspended/disallowed in post-audit.
21. As reported in the Physical Accomplishment Report, only 8,523 out of the 14,342 targeted schools were provided with ICT packages under the DCP funded by the GAAs for FYs 2015 to 2019 registering a 59.43 percent accomplishment rate at year-end, due to: a) ICT packages under Batch 34 of DCP FY 2015-Unenergized

Viz which procurement was transferred to DBM-PS were not yet delivered to recipient schools; b) procurement and delivery of ICT packages under the same batch for Unenergized LuzMin which were transferred to the United Nations Development Programme (UNDP) were belatedly completed in 2019; c) incurrence of delay by the suppliers from one to 102 calendar days allegedly caused by unforeseen circumstances for DCP FYs 2016 to 2017; d) partial/non-utilization of ICT packages under Batches 35, 36 and 40 to 44 due to unreadiness of recipient schools; and the e) lapses noted in the procurement process and implementation of DCP FY 2018 and delayed procurement of DCP FY 2019, thereby, hindering the full attainment of the program's objectives of enhancing the teaching-learning process and raising the ICT literacy of learners and educators beneficiaries.

Moreover, payments made to the suppliers in CY 2019 totaling ₱3,251,641,893.82 were not adequately supported by documentary requirements contrary to the provisions of the COA Circular No. 2012-001 dated June 14, 2012 and the Contracts entered into by the DepEd with the suppliers. (Observation No. 26)

We recommended that Management:

a) require the ICT Service to:

- **furnish copies of the documents pertaining to the delivery of the ICT packages on the Unenergized Viz (Batch 34) under DBM-PS, if those were already delivered, otherwise, provide explanation/justification on the delayed implementation;**
- **prepare explanation/justification on the delayed implementation of DCP FY 2015 for Unenergized LuzMin (Batch 34) which was transferred to UNDP;**
- **provide copies of letter/memorandum issued to suppliers granting their requests for extension of period in the delivery of ICT packages for DCP FYs 2016-2017, and explain why these suppliers are not liable for liquidated damages;**
- **give written explanation/justification on the issue on Microsoft Office 365 which had primarily caused the delay on the implementation of DCP FY 2018;**

b) require the Management of the SDO of Davao Del Norte to:

- **create a team headed by the SDO IT Officer whose tasks among others, is to regularly monitor the utilization of DCP Packages and ensure that all the counterpart requirements are complied with to guarantee full utilization of the DCP Packages;**

- **conduct post-delivery monitoring of DCP packages to confirm that the packages are in good condition and can be readily utilized by the schools, this may include communication to the Supplier for any defects, in case the equipment are within the warranty period and provide assistance in case defective ICT equipment are no longer covered with warranty;**
- c) **review the Agency’s internal processes related to procurement in order to further improve its service delivery and its compliance with timeline requirements of IRR of RA No. 9184; and**
- d) **submit copies of the delivery receipt, inspection and acceptance report, Progress Report, Training Checklist, Copies of clear photo of actual delivery/deployment of E-classroom to support payments made to suppliers, as required under the Contract and COA Circular No. 2012-001 dated June 14, 2012.**
22. The provisions of the Science and Mathematics Equipment (SME) intended for public schools were not fully achieved when the program registered a low budget and disbursement utilization rates of only 41.91 percent and 8.26 percent, respectively, from its allocated funds and at the same time reflected a low accomplishment rate of only 60.96 percent or 27,605 SME packages out of 45,286 physical targets has been delivered from its FYs 2015 to 2019 allocations due to the implementation setbacks noted particularly in the planning, budgeting and procurement. Such constraints affected, among others, the realization of the timely distribution of these much-needed items designed to advance the learning in the Science and Mathematics subjects nationwide. (Observation No. 27)

We recommended that Management:

- a) **prepare a catch-up plan to maximize the utilization of the funds and timely implementation of the SME program for the benefit of the students and teachers advancing their learnings in Science and Mathematics subjects;**
- b) **consider the factors in determining the Approved Budget for the Contract (ABC) of the projects following the GPPB Manual Volume I by undertaking the market research of price and eligible suppliers to avoid excess budget allocation including the failure of bidding;**
- c) **stop the practice of incurring obligations without any corresponding approved contracts;**
- d) **observe the GPPB Circular No. 05-2018 and start the procurement activities within the schedule provided in the approved APP;**

- e) **submit the status of the procurement made in the DepEd ROs under FYs 2018 to 2019 Fund;**
 - f) **provide a detailed status of deliveries pertaining to the 12 contracts from FYs 2015 to 2018 fund as of June 30, 2020 showing the date of receipt of the respective recipient schools.**
 - g) **demand the 100 percent completion of delivery of SME Packages from the suppliers who are not able to deliver within the contract duration as stipulated in the contract, otherwise, consider the imposition of liquidations and/or terminating the contracts as provided under the relevant provisions of RA No. 9184 and its IRR.**
23. Maximum benefits from the implementation of the Learning Tools and Equipment – Technical Vocational Equipment (LTE-TVE) Program were not realized when the program registered a low budget and disbursement utilization rates of only 23.60 percent and 48.33 percent, respectively, from its allocated funds, and at the same time reflected a low accomplishment rate of only 10.80 percent, where 5,720 TVL packages out of the 52,977 physical targets has been delivered from its FYs 2016 – 2019 allocations due to the implementation setbacks noted particularly in the planning, budgeting and procurement. Moreover, the said program was continuously negated by: (a) undelivered TVL tools, materials and equipment; (b) defective and poor quality items delivered; (c) unutilized TVL tools, material and equipment in two recipient schools of SDO Mandaluyong; and (d) other deficiency relative thereof, hence deprived the students of productive, relevant, and quality vocational education. (Observation No. 28)

We recommended that the Management:

- a) **prepare a catch-up plan to maximize the utilization of the funds and timely implementation of the LTE program for the benefit of the students and teachers advancing their learnings in technical-vocational subjects;**
- b) **observe the GPPB Circular No. 05-2018 and start the procurement activities within the schedule provided in the approved APP;**
- c) **submit the status of the procurement made in DepEd ROs under FY 2018-2019 Fund;**
- d) **provide a detailed status of deliveries pertaining to the five contracts of FY 2018 fund as of June 30, 2020 showing the date of receipt of the respective recipient schools.**
- e) **demand the 100 percent completion of delivery of TVL Packages from the suppliers who are not able to deliver within the contract duration as**

stipulated in the contract, otherwise, consider terminating the contracts as provided under the relevant provisions of RA No. 9184 and its IRR;

- f) require the supplier to repair/replace TVL tools, materials and equipment that were found defective and are still covered within the warranty period;**
 - g) instruct the Schools Division Superintendent (SDS) and the concerned Property Custodians of the SDOs and the recipient schools to:**
 - i. report immediately to ROPs the TVL tools, materials and equipment that were found defective and are still covered within the warranty period for the replacement thereof from the supplier;**
 - ii. coordinate with the ROs and SDOs on the specific requirements of the TVL tracks undertaken and offered by the school to maximize the utilization of the procured equipment;**
 - iii. conduct close coordination with the LGU to avoid the duplication of procurement/program activities and wastage of government funds; and**
 - iv. expedite the transfer of the idle/unutilized TVL tools, materials and equipment to other schools in need and ensure the proper utilization thereof.**
 - h) take appropriate action on the reported unutilized TVL tools, materials and equipment to ensure that no government funds used in the procurement thereof are put to waste; and**
 - i) for future deliveries, inform the schools' Property Custodians of expected deliveries in their respective schools to serve as comparison to actual deliveries.**
24. Out of the total funds transferred of ₱547,500,000.00 to Department of Social Welfare and Development (DSWD) for the implementation of the DepEd's Establishment of New Public Schools for Indigenous Peoples (IP) in Mindanao Program, the balance of ₱167,692,878.26 or 31 percent remained unliquidated as of December 31, 2019. Likewise, 244 or 41 percent of the targeted 605 classrooms requirement remained uncompleted due to delayed implementation of the program. Thus, the objective of improving access of indigenous communities in Mindanao to learning and development activities through the provision of 605 classrooms was not attained. Moreover, there were no sufficient guidelines for the liquidation and recording of the fund affecting the accountability and recognition of the classrooms constructed. (Observation No. 29)

We recommended that the Management:

- a) establish close coordination with the DSWD requiring them to expedite the completion of the needed IP classrooms and to facilitate liquidation of the**

**funds transferred including the submission of the accomplishment reports;
and**

- b) integrate into the supplemental MOA the specific guidelines, such as but not limited to, the reporting requirements and procedures to properly document, record, and account the completed IP classrooms.**

25. Funds contracted to Private Education Assistance Committee (PEAC) totaling ₱582,000,000.00 and liquidations submitted in the amount of ₱357,363,595.65 for the implementation of GASTPE program for various school years were doubtful due to the following: a) funds transferred and liquidations were not supported with complete documentation contrary to the MOA between the DepEd and PEAC, Section 4(6) of PD No. 1445, and the provisions of COA Circular Nos. 2011-002 and 2012-001 dated July 22, 2011, and June 14, 2012, respectively; b) liquidations were not submitted within the period prescribed by the MOA which hinders the Audit Team of a timely audit thereof; c) failure to refund the balance of the unliquidated funds transferred not consistent with Section 4.9 of COA Circular No. 94-013 dated December 13, 1994; and d) recording of the Administrative, In-Service Training (INSET) and Research funds granted to PEAC was directly charged to the Expense Account, instead of Due from NGAs, contrary with the GAM for NGAs, Volume III, hence, resulted in failure to strictly monitor the utilization of the funds. (Observation No. 30)

We recommended that the Management require the:

AD –

- a) ensure that attachments to the MOA are complete before payment and submit the required copies of MOA together with its Annexes;**
- b) subject the reports/documents submitted by the PEAC to pre-audit before submission to this Commission, in compliance with paragraph 6 of COA Circular No. 2011-002 dated July 22, 2011;**
- c) explain/justify the overpayment made to the PEAC for the SY 2017-2018 Research Fund amounting to ₱2,800,865.00 including the legal basis of paying the administrative cost for the INSET and Research programs from SYs 2016 up to 2019;**
- d) record the annual fund releases (Administrative Cost, INSET and Research Programs) to PEAC in the Due from NGAs account for proper monitoring and accounting as prescribed by Volume III of the GAM for NGAs;**

PEAC -

- e) submit the SY 2018-2019 liquidations for the INSET program in the amount of ₱15,315,791.03 and the liquidation/status report on utilization of ₱160,000,000.00 Research Fund (2009-2018) as of December 31, 2019 (both in hard and soft copies) including the legal basis of charging the administrative cost for these programs from SYs 2016 to 2019;**
- f) provide the soft copies of the LRs on the a) INSET programs for the SYs 2016-2017 and 2017-2018 as submitted by PEAC; and b) Research programs for the SYs 2010-2011, 2014-2015, 2015-2016, 2016-2017 and 2017-2018;**
- g) strictly comply with the provisions of the MOA especially the specific timelines on the submission of the reports and liquidations;**
- h) for SY 2019-2020, enforce strict compliance with Section 4 (6) of PD No. 1445 and COA Circular No. 2012-001 dated June 12, 2012; and**
- i) return the unutilized balance of INSET and Research funds to the DepEd pursuant to Section 4.9 of COA Circular No. 94-013 dated December 13, 1994.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed during the Exit Conference on September 21, 2020 with concerned DepEd officials and employees. Their comments were incorporated in this Report, where appropriate.

G. Status of Settlement of Audit Suspensions, Disallowances and Changes

Out of total suspensions, disallowances and charges of ₱12,525,925,320.85, ₱2,903,716,256.79, and ₱7,375,114.79, respectively, or a total of ₱15,437,016,692.43 issued in CO, ROs, and SDOs of DepEd, only a total of ₱4,556,402,418.09 was settled, leaving a balance of ₱8,004,262,968.83, ₱2,868,976,190.72 and ₱7,375,114.79 respectively, or a total of ₱10,880,614,274.34, as of yearend.

H. Status of Implementation of Prior Years' Audit Recommendations

We enjoin the Management to ensure full implementation of all partially and unimplemented audit recommendations in prior years to improve the operational as well as financial efficiency of the agency.

Out of the 220 prior years' audit recommendations, 79 were fully implemented and 141 were not implemented as shown below. The details are discussed in Part III of this Report.

| Status of Implementation | Number | Percentage |
|---------------------------------|---------------|-------------------|
| Fully Implemented | 79 | 35.91 |
| Not Implemented | 141 | 64.09 |
| Total | 220 | 100.00 |