

EXECUTIVE SUMMARY

A. Introduction

The Department of Tourism (DOT), which started as a tourist organization in 1950 and created as the Board of Travel and Tourist Industry in 1956, was established by virtue of Presidential Decree No. 189 dated May 11, 1973. It was reorganized structurally and functionally under Executive Order (EO) No.120 dated January 30, 1987, with a mandate to encourage, promote and develop tourism as a major socio-economic activity to generate foreign currency and employment. It envisions to spread the benefits of tourism to a wider segment of the population with the support and cooperation of both the private and public sectors, and assuring the safe, convenient, enjoyable stay and travel of both foreign and local tourists in the country.



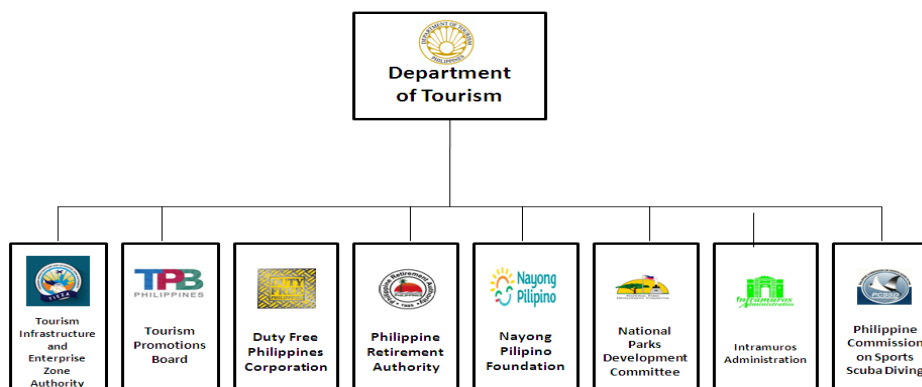
Pursuant to Republic Act (RA) No. 9593, otherwise known as the “Tourism Act of 2009”, DOT shall act as the implementing and regulatory government agency in the development and promotion of the tourism industry, both domestic and international, in coordination with its attached agencies and other government instrumentalities. It is also tasked to instill in the Filipino the industry’s fundamental importance in the generation of employment, investment and foreign exchange.

The DOT is composed of four Divisions at the Head Office, 16 Regional Offices and 12 Foreign Posts. It is presently headed by Secretary Bernadette Romulo-Puyat, who is assisted by six Undersecretaries and 13 Assistant Secretaries.

The Department’s total manpower complement as of December 31, 2019 is 958, broken down as follows:

Office	Regular	Contractual	JO	Total
Office of the Secretary	38	3	23	64
Administration and Special Concerns Sector	130	-	64	194
Tourism and Development Planning Sector	105	-	90	195
Tourism Regulation, Coordination and Resource Generation Sector	279	-	224	503
Philippine Commission on Sports Scuba Diving (PCSSD)	-	-	2	2
Total	552	3	403	958

Eight agencies are attached to the Department of Tourism wherein the Department Secretary except in the Nayong Filipino Foundation serves as the Chairman of their respective Board of Directors.



B. Financial Highlights

For Calendar Year (CY) 2019, DOT received total appropriation of ₱3,546,702,892.77. The total allotments and obligations incurred during the year amounted to ₱3,322,649,846.77 and ₱2,966,231,687.82, respectively, leaving an unobligated allotment of ₱356,418,158.95 which was reverted to the Bureau of Treasury. Details are presented hereunder:

Source	Appropriation	Allotment	Obligations Incurred	Disbursements	Unobligated Balance
Current Year					
1. Regular	3,349,484,508.77	3,280,009,462.77	2,924,833,569.57	1,849,133,004.79	355,175,893.20
a. Personnel Services	557,408,000.00	539,603,954.00	514,334,015.03	508,577,581.65	25,269,938.97
b. MOOE	2,746,274,249.06	2,713,603,249.06	2,386,013,570.24	1,324,829,974.91	327,589,678.82
c. Financial Expenses	3,598,966.81	3,598,966.81	3,324,444.30	2,922,908.23	274,522.51
d. Capital Outlay	42,203,292.90	23,203,292.90	21,161,540.00	12,802,540.00	2,041,752.90
2. Automatic Appropriation	34,183,000.00	34,183,000.00	33,027,038.81	33,010,714.89	1,155,961.19
RLIP					
Personnel Services	34,183,000.00	34,183,000.00	33,027,038.81	33,010,714.89	1,155,961.19
3. Special Purpose Fund	8,457,384.00	8,457,384.00	8,371,079.44	8,236,426.79	86,304.56
a. Miscellaneous Personnel Benefit Fund	3,745,000.00	3,745,000.00	3,658,700.00	3,658,700.00	86,300.00
b. Pension and Gratuity Fund	4,712,384.00	4,712,384.00	4,712,379.44	4,577,726.79	4.56
Sub-total	3,392,124,892.77	3,322,649,846.77	2,966,231,687.82	1,890,380,146.47	356,418,158.95
Special Provision					
1. Tourism Development Fund	4,578,000.00	-	-	-	-
2. Income from Merchandising Operations (Duty Free, Phils.)	150,000,000.00	-	-	-	-
Sub-total	154,578,000.00	-	-	-	-
Total	3,546,702,892.77	3,322,649,846.77	2,966,231,687.82	1,890,380,146.47	356,418,158.95

The total appropriation of ₱3,546,702,892.77 consist of the (a) agency specific appropriations under the Fiscal Year (FY) 2019 General Appropriations Act amounting to ₱3,349,484,508.77; (b) automatic appropriation of ₱34,183,000.00; and (c) Special Provisions which pertained to the use of Tourism Development Fund and DOT share in

Duty Free Philippines Corporation net income in the amount of ₱4,578,000.00 and ₱150,000,000.00, respectively.

In addition to the regular appropriations of DOT, the agency has appropriations under special provisions of ₱4,578,000.00 for Tourism Development Fund (TDF) and ₱150,000,000.00 for Income from Merchandising Operations. The Tourism Development Fund shall be used for the development, promotion and marketing of tourism in the country sourced from accreditation, identification card, sticker and code fees in accordance with Section 16 of RA No. 9593. The release of funds shall be subject to the submission of a Special Budget pursuant to Section 35, Chapter 5, Book VI of EO No. 292, s. 1987. Income from Merchandising Operations shall be used for tourism related projects and activities sourced from the net profits of the merchandising operations of the Duty Free Philippines in accordance with EO No. 46, s. 1986.

The comparative financial position and financial performance of the DOT for CYs 2019 and 2018 is shown below:

Particulars	2019	2018 (Restated)	Increase/ (Decrease)	%
	(in PhP)			
Financial Position				
Assets	2,309,205,613.90	1,848,265,769.01	460,939,844.89	24.94
Liabilities	374,607,159.84	1,042,369,408.07	(667,762,248.23)	(64.06)
Net Assets/Equity	1,934,598,454.06	805,896,360.94	1,128,702,093.12	140.05
Financial Performance				
Revenue	63,406,093.53	116,132,827.23	(52,726,733.70)	(45.40)
Expenses	1,738,648,209.50	2,733,193,304.35	(994,545,094.85)	(36.38)
Net Financial Assistance/ Subsidy	2,833,610,560.74	2,670,009,702.26	163,600,858.48	6.13
Gains (Losses)	3,099,935.52	(4,906,653.38)	1,806,717.86	(36.82)
Surplus/(Deficit) for the period	1,155,268,509.25	48,042,571.76	1,107,225,937.49	2,304.68

C. Operational Highlights

The following is a comparative analysis of the reported accomplishments for CY 2019 viz-a-viz its targets:

Programs/Activities/ Projects	Targets	Accomplish-ments	% of Accomplish-ments Over Targets
Part A – Operations			
Tourism Revenue, Employment and Arrivals Increased			
Tourism Policy Formulation and Planning Program			
Outcome Indicator (s)			
1. No. of tourism strategies, policies and action plans implemented	6	16	267
Output Indicator (s)			
1. No. of technical assistance provided to tourism stakeholders	3,353	2,944	88

Programs/Activities/ Projects	Targets	Accomplish-ments	% of Accomplish-ments Over Targets
2. No. of technical assistance provided to LGUs	2,961	2,630	89
3. % of entities assisted who rated the technical assistance as satisfactory	92%	97.50%	106
Tourism Industry Training Program			
Outcome Indicator (s)			
1. % of target industry personnel trained that rated the services as satisfactory	90%	97%	108
Output Indicator (s)			
1. No. of training days delivered	3,763	1,555	41
2. % of attendees/trainees that completed the training	90%	98.75%	110
3. No. of LGUs trained	2,438	8,556	351
Standards Development and Enforcement Program			
Outcome Indicator (s)			
1. % of accredited tourism enterprises that maintained the tourism standards and regulations	90%	100%	111
Output Indicator (s)			
1. No. of tourism standards reviewed	2	12	600
2. No. of inspection of tourism enterprises conducted	6,076	6,213	102
3. % of accreditation applications acted upon within the prescribed period	90%	98%	109
Market and Product Development Program			
Outcome Indicator (s)			
1. % increase in the no. of travel partners selling the Philippines in the identified Opportunity Markets	10%	10%	100
2. % increase in the no. of Philippine properties considering to venture into the new markets and/or willing to offer new activities	10%	10%	100
Output Indicator (s)			
1. No. of trade development/ trade support activities conducted facilitated-invitational/ familiarization tours/missions product presentations facilitated	125	154	123
2. No. of consumer activations conducted-joint and consumer promotions, production of collaterals, tactical ads placed/initiated, public relations (PR) and publicity activities	120	204	170
3. No. of products developed and product partners engaged	155	2,599	1677

Most of the physical accomplishments of the DOT exceeded the set targets due to the following:

- a. Tourism Policy Formulation and Planning Program – Overperformance is attributed to the increase in number of programs/activities/projects (PAPs) targeting the implementation of tourism place in support to the new administrations thrust and international policies. While underperformance in the number of technical assistance provided to tourism stakeholders and Local Government Units (LGUs) is attributed to unavailability of counterparts in the private and public sector during the scheduled activities which resulted to cancellation/rescheduling of said activities. This is also attributed to election of new officials in LGU.
- b. Tourism Industry Training Program – Stakeholders and LGUs were satisfied with the assistance received and were interested in the training conducted by

DOT thus more LGU personnel were interested in the training conducted by DOT. The decrease in the number of training days delivered was attributed to shortened training period.

- c. Standards Development and Enforcement Program – Underperformance in the number of inspections of tourism enterprises conducted by DOT was attributed to the longer validity of Accreditation Certificated. Despite of that, tourism-related establishments were compliant with the standards set by DOT and accreditation officers were efficient in processing the accreditation applications of tourism enterprises within the prescribed period.
- d. Market and Product Development Program – Over performance was due to the increase in the number of activities and destinations being offered during various events hosted/organized by the DOT. It was also attributed to additional print and online publications to promote various events organized/hosted by DOT thus increases the interest of private stakeholders in Philippine travel products.

D. Scope of Audit

The audit covered the operations and financial transactions of the DOT as of December 31, 2019. The objectives of the audit were to: (a) verify the level of assurance that may be placed on Management’s assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years’ audit recommendations.

The Financial Statements (FS) as of December 31, 2019 consist of the FS of all funds of the Office of the Secretary and all Regional Offices.

E. Independent Auditor’s Report

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the DOT as of December 31, 2019.

F. Summary of Significant Observations and Recommendations

The significant audit observations and recommendations which are discussed in detail in Part II of this Report, are as follows:

1. There were misstatements affecting the following accounts due to accounting errors and omissions, but considered not material enough to affect the fair presentation of the financial statements as of December 31, 2019 of the DOT:
 - a) The account Cash and Cash Equivalents is misstated by ₱9,414,275.11 due to: error in recording fund transfer to Cash in Bank – Local Currency Current

Account (LCCA) – Forex Accommodation account for ₱12,774,510.23; non-recognition of bank debit transactions/memos amounting to ₱3,842,538.19; and unreleased checks not restored to cash account of ₱482,303.07. **(Observation No. 1)**

We recommended and Management agreed that they will: a) ensure that all errors noted in the Bank Reconciliation Statement (BRS) which requires adjustments in the book shall be immediately corrected and/or effected before year-end to reflect the correct balance of Cash in Bank in the Financial Statements; b) make representation with the depository banks for the immediate submission of the supporting documents for the bank debit memos amounting to ₱3,769,042.19 and facilitate the preparation of Journal Entry Voucher (JEV) to recognize the reconciling items in the books; and c) require the Disbursing Officer and the Accountant to strictly comply with the provisions of Government Accounting Manual (GAM) for National Government Agencies (NGAs) Volume I relative to the year-end preparation of Unreleased Checks and JEV recognizing the restoration of cash and liabilities in order to present the accurate balances of both in the financial statements.

b) The Property, Plant and Equipment (PPE) has misstatement of ₱1,325,466.21 due to: non-recognition of acquired PPE items valued at ₱1,443,196.75; and misclassified semi-expendable items amounting to ₱117,730.54. **(Observation No. 1)**

We recommended that Management instruct the concerned Accounting Division of DOT Central Office (CO), Regional Offices (ROs) IV-A, V and VI to take up the necessary adjustments to recognize all unrecorded PPE items, and to reclassify PPE items below the capitalization threshold of ₱15,000.00 to semi-expendable property account and/or related expense account to conform to Section 4, Chapter 10 of the GAM for NGAs.

2. Out of the total allotments of ₱3,322,649,846.77 received by DOT in CY 2019, ₱2,966,231,687.82 or 89% were obligated, leaving an unobligated balance of ₱356,418,158.55. Of the obligated amount, only 57% or ₱1,890,380,146.48 of the allotments was actually utilized and disbursed due to the delayed implementation of projects and activities including locally-funded projects for Branding Campaign as a result of inadequate procurement planning thus, resulting in non-attainment of the agency's program targets for the year. **(Observation No. 3)**

We recommended and Management agreed to direct the concerned officials in CO and ROs to: a) maximize the utilization of allotments through conduct of adequate and realistic planning of work by prioritizing more important projects/activities, to ensure that time schedule for the procurement and implementation of program/activities contained therein are attainable and projects are ready for implementation upon release of funds to prevent the reversion of allocations;

b) prepare realistic estimates of the cash requirements to be included in the Monthly Disbursement Program; and c) maximize the utilization of Notice of Cash Allocations (NCAs) received through closed supervision and monitoring of its utilization to avoid lapsing and reversion thereof and to immediately realize the benefits that can be derived from the funded programs, projects and activities.

3. Of the ₱97,945,332.98 balance of Cash In Bank – LCCA – Forex Accommodation account, the total amount of ₱95,430,595.37 is no longer necessary for currency remittance to DOT foreign offices and creditors for their operational needs and special projects which should have been reverted to the Bureau of the Treasury (BTr) to allow the government to use such funds for other projects. **(Observation No. 6)**

We recommended that Management: a) coordinate with Foreign Offices and Depository Banks to hasten the identification of the amounts from unidentified sources deposited in the Forex Accommodation account amounting to ₱21,493,129.90 and thereafter effect the necessary reversion to the BTr; and b) immediately cause the reversion of the unnecessary funds to the BTr that are still deposited in the LCCA bank accounts.

4. The Due from National Government Agencies (NGAs), LGUs, ROs and Non-Government Organizations/People's Organization (NGOs/POs) accounts accumulated to ₱556,912,995.95 as of December 31, 2019, of which ₱545,379,700.51 remained unliquidated for over one year to over five years due to laxity of Management in enforcing liquidation of fund transfers by the concerned Implementing Agencies (IAs). **(Observation No. 8)**

We recommended and Management agreed to: a) continuously send demand letters and/or make representation/proper coordination to the heads or to the project officer of the concerned IAs/NGOs/POs/LGUs to compel them to immediately submit their liquidation reports and to settle/refund of any unutilized balance of the transferred funds to DOT so that the necessary adjusting entries to account the liquidation of the projects involved can be made and effected; b) consider to reduce and/or withdraw the ₱8M deposit to Procurement Service-Department of Budget and Management (PS-DBM) for procurement of airline tickets; and c) evaluate the status of long outstanding and dormant fund transfers due from various IAs/NGOs/POs and determine whether these advances can be requested for write off in accordance to COA Circular No. 2016-005 dated December 19, 2016.

5. Iloilo Convention Center (ICC) which is built on the land donated by Megaworld Corporation to DOT was not recognized in DOT's books despite being completely constructed and fully operational due to lack of supervision and coordination with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and the Department of Public Works and Highways (DPWH). **(Observation No. 9)**

We recommended that Management: a) revisit and review the provisions of the executed agreements/contracts with TIEZA and make necessary revisions thereon,

if necessary, to eliminate contradicting/conflicting stipulations and to ensure that conditions are in consonance with the Deed of Donation and are beneficial to the National Government; and b) coordinate with the Management of TIEZA and DPWH to initiate proper turnover of the ICC building to DOT.

6. Failure of Management to strictly monitor and supervise the implementation of the Maestranza Curtain Wall Reconstruction Project resulted in: a) abandonment of project by the contractor for a period of more than seven years without the contract being terminated; and b) unauthorized charging of payments of administrative costs and security services against the Project Fund. **(Observation No. 10)**

We recommend that Management: a) require IA to submit an explanation why there is no action undertaken to facilitate the continuity of the project; b) submit an explanation why there is no action/ letter of demand sent to the contractor on the delay of the project and that no contract termination was sent to the contractor or possible recommendation to the Construction Industry Authority of the Philippines (CIAP) on the blacklisting of the contractor for abandoning the project for more than seven years; c) compute and charge the contractor the liquidated damages for the delay and abandonment of the project; d) impose administrative sanctions to contractor in case of delays in project, which may either consist of restitution for the damage done in favor of the Government pursuant to the provisions of Section 68 and Annex "E" of 2016 Revised Implementing Rules and Regulations of Republic Act No. 9184 and immediately terminate the contract with the contractor, if warranted, and ensure that the unperformed portion of the Project will be completed using the available grant through alternative mode of procurements in accordance to the aforementioned Republic Act; e) submit concurrence of Government of Japan for the incurrence of additional expenses relative to the hiring of the security guards, otherwise, cause the replenishment of the amount used to avoid disallowance in audit; f) require IA to submit details of income earned from the parking fee using the Maestranza facilities; and g) require IA to submit an explanation why the security expenses were not charged to the earned income from the parking fee using Maestranza facilities.

7. Failure of the DOT Management to remit the share of Tourism Promotions Board (TPB) from the Income of the Duty Free Philippines Corporation (DFPC) precludes the TPB to use such fund in marketing project that contributes in the promotion of Philippine Tourism. **(Observation No. 12)**

We recommended and Management agreed to make representation or coordinate with the DFPC and require them to strictly comply with the provisions of Tourism Act 2009 by directly remitting to TPB their share from the earnings of DFPC in order for TPB to timely utilize the funds in marketing projects to increase Philippine Tourism.

8. Disbursements in the amount of ₱6,678,878.07 contravened some of the existing government rules and regulations or deviated from the proper standard process/ procedures on disbursements, as defined in COA Circular No. 2012-003 dated

October 29, 2012, thus, casting doubts on the validity and propriety of the expenditures. **(Observation No. 14)**

We recommended that Management ensure compliance with COA Circular No. 2012-003 dated October 29, 2012 and to submit required documents and justifications to avoid suspensions/disallowances in audit.

The foregoing observations and recommendations were communicated with the concerned Management officials through Audit Observations Memoranda (AOMs) and issuance of Management Letter. Due to limitations in the holding of gatherings during General Community Quarantine (GCQ) in Metro Manila as a measure in fighting against the spread of Corona Virus Disease 19 (COVID 19), the Exit Conference was conducted through a virtual conference last September 03, 2020. Management comments and replies to AOMs previously issued were incorporated in this Report, where appropriate.

G. Summary of Total Suspensions, Disallowances and Charges

Unsettled audit disallowances and suspensions as of December 31, 2019 amounted to ₱490,503,578.59 and ₱11,976,986.01, respectively. Details are shown in Part II of this Report.

H. Implementation of Prior Years' Audit Recommendations

The results of validation of the implementation of prior year's audit recommendations showed that of the 81 prior years' audit recommendations as at January 1, 2019, 17 were reiterated in Part II of this Report. Moreover, 39 were implemented and 25 are not yet implemented as at year-end, details of which are presented in Part III of this Report.