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Republika ng Pilipinas  
**Kagawaran ng Edukasyon**  
Tanggapan ng Pangalawang Kalihim

**OUA MEMO 00-0321-0176**  
**MEMORANDUM**  
12 March 2021

**For: Division of Surigao del Norte**  
**Division of Quezon**  
**Division of Ligao City**  
**Division of Iligan City**  
**Division of Camarines Sur**

**Subject: COA-AOM No. 2021-004 (2020) ON FUND TRANSFERS**  
**MADE BY DEPED TO LOCAL GOVERNMENT UNITS (LGUs)**

This refers to the final Audit Observation Memorandum (AOM) issued by the Commission of Audit (COA) dated 22 February 2021 requiring the department to submit the final liquidation report as attached that was transferred to the Local Government Units (LGUs), as presented in table below:

Region	Municipality/Division	Balance (Php)
CARAGA	Surigao del Norte	433,422.00
IV-A	Quezon	8,149,811.06
V	Ligao City	293,955.75
X	Iligan City	19,763.58
V	Camarines Sur	65,573.75
<b>Total</b>		<b>8,962,526.14</b>

In this regard, we would like to follow up the submission of the Liquidation reports for the mentioned Divisions. This is a follow-up memorandum, the 1st memo was dated 02 March 2020.

For all future correspondence and queries on the above subject, please contact Ms. Czarina Suzette D. Santiago, Administrative Assistant II of the Education Facilities Division (EFD), through +63 917 676 0559 or email at [czarina.santiago@deped.gov.ph](mailto:czarina.santiago@deped.gov.ph).

  
**ALAIN DEL B. PASCUA**  
Undersecretary



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**Office of the Undersecretary for Administration (OUA)**

[Administrative Service (AS), Information and Communications Technology Service (ICTS), Disaster Risk Reduction and Management Service (BLSS), Bureau of Learner Support Services (BLSS), Baguio Teachers' Camp (BTC), Central Security & Safety Office (CSSO)]

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Republic of the Philippines  
**COMMISSION ON AUDIT**  
**National Government Sector**  
**Cluster 5-Education and Employment**  
*Office of the Supervising Auditor*  
Department of Education  
Meralco Avenue, Pasig City

AOM No.: 2021-004 (2020)  
Date : February 22, 2021

## **AUDIT OBSERVATION MEMORANDUM (AOM)**

**Secretary LEONOR M. BRIONES**

Department of Education  
Meralco Ave., Pasig City

Attention: **ANNALYN M. SEVILLA**  
Undersecretary for Finance

**MA. RHUNNA L. CATALAN**  
Chief Accountant

We have audited the Inter-Agency Receivables [*not including the outstanding balance from Department of Budget and Management – Procurement Service (DBM-PS)*] of the Department of Education – Central Office/Office of the Secretary (DepEd CO/OSEC) as of December 31, 2020 and observed the following deficiencies:

### **COMPLIANCE AUDIT**

*Unliquidated Fund Transfers to National Government Agencies (NGAs), Local Government Units (LGUs), Government-Owned Controlled Corporations (GOCCs) and Non-Government Organizations (NGOs)*

**Fund transfers made by the DepEd CO/OSEC to various NGAs, LGUs, GOCCs, and NGOs for the implementation of several projects/programs aggregating ₱1.819 billion consists of long outstanding accounts amounting to ₱1.724 billion which aged over one year to ten years and ₱95.258 million aging more than ten years due to leniency in requiring and monitoring the submission of liquidation and/or fund utilization reports from the Implementing Agencies (IAs) contrary to COA Circular Nos. 94-013, 2007-001 and 2016-005 dated December 13, 1994, October 25, 2007, and December 9, 2016, respectively. Hence, casting doubts on the collectability of receivables and affect the reliability of the account balances presented in the Financial Statements (FSs).**

1. Section 4.6 of COA Circular No. 94-013 dated December 13, 1994 provides that *“Within 10 (ten) days after the end of each month/end of agreed period for the project, the Implementing Agency (IA) shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (ROD) to report the utilization of funds,*

*after which the Source Agency (SA) shall draw a Journal Vouchers to take up the reports.”*

2. Paragraph 6.4 of the same Circular provides that *“The Source Agency (SA) shall require the IA to submit the reports duly verified by the Accountant and approved by the Agency Head.”*
3. Sections 5.3 and 5.4 of COA Circular No. 2007-001 dated October 25, 2007, amending COA Circular No. 96-003 dated February 27, 1996, provides that:

Section 5.3 - The signing officials of the Government Organizations (GO) to the Memorandum of Agreement (MOA) shall cause close monitoring and inspection of project implementation and verification of financial records and reports of the Non-Government Organizations (NGO) and shall ensure compliance with the provisions of the MOA and the Circular.

Section 5.4 - Within 60 days after completion of the project, the NGO/PO shall submit the final fund utilization report certified by its Accountant and approved by its President/Chairman of the GO, together with the inspection report and certificate of project completion rendered/issued by the GO authorized representative. List of beneficiaries with their acceptance/acknowledgement of the project/funds/goods/services received. The validity of these documents shall be verified by the internal auditor or equivalent official of the GO and shall be the basis of the GO in recording the fund utilization in its books of accounts. These documents shall support the liquidation of funds granted to the LGUs/NGOs/POs.

4. COA Circular No. 2016-005 dated December 9, 2016, on Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of NGAs, LGUs and GOCCs, prescribes the following:
  - Dormant Unliquidated Fund Transfers refer to advances granted by the source entity to implementing entity for the implementation of programs/projects which remained non-moving for ten years or more and where settlement could no longer be ascertained.
  - Write-off of Dormant Accounts is the process of derecognizing the asset account and the corresponding allowance for impairment from the books of accounts and transferring the same to the Registry of Accounts Written Off (RAWO). This does not mean condoning/extinguishing the obligation of the accountable officer/debtor.
  - This Circular shall not cover the write-off of loans and advances of Government Financial Institutions which are governed by pertinent provisions of the General Banking Act.
  - Likewise, it shall not cover the following:

- Receivables arising from disallowances and charges;
  - Receivables arising from cash shortages; and
  - Claims from entities' officers and employees and other parties for transactions which are the subject of a pending case in court or before investigative authorities.
- The Head of the government entity shall file the request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA). No filing fee is required.
- The request shall be supported by the following documents:
- a. Schedule of dormant accounts by accountable officer/debtor/government entity and by account, certified by the accountant and approved by the Head of the government entity;
  - b. Certified relevant documents validating the existence of the conditions, as applicable (*ten items were mentioned in the Circular to support the request for write-off*).
5. Transfers made by the DepEd CO/OSEC to various agencies amounted to ₱1,818,885,285.17 as December 31, 2020. Out of the total transferred funds, the amount of ₱1,723,627,115.56 aged from over one year to ten years, whereas the amount of ₱95,258,169.61 remained dormant for more than ten years. Details are as follows:

Account Title	Outstanding Balance as of December 31, 2020	Current Year	Prior Years		
			Over 1-5 years	6-10 years	Over 10 years
Due from NGAs <sup>1</sup>	224,585,026.03	-	155,691,583.45	6,080,961.97	62,812,480.61
Due from GOCCs	346,209,749.87	-	344,777,100.87		1,432,649.00
Due from LGUs	36,368,366.95	-	17,403,800.81	8,962,526.14	10,002,040.00
Due from NGOs/POs	1,211,722,142.32	-	1,190,711,142.32		21,011,000.00
<b>Total</b>	<b>1,818,885,285.17</b>	-	<b>1,708,583,627.45</b>	<b>15,043,488.11</b>	<b>95,258,169.61</b>
		-	<b>1,723,627,115.56</b>		

**a) Due from NGAs**

6. The Aging Schedule for the account Due from NGAs, apart from DBM-PS, with outstanding balance of ₱224,585,026.03 as of December 31, 2020 pertains to the following agencies, to wit:

Name of IA	Balance	Current Year	Prior Years		
			Over 1-5 years	6-10 years	Over 10 years
Department of Public Works and Highways (DPWH)	32,009,246.46	-			32,009,246.46
Department of Environment and Natural Resources (DENR)	3,169,054.54	-	2,533,092.57	635,961.97	

<sup>1</sup> Excluding long outstanding fund transfers to DBM-PS amounting to ₱6,649,118,034.80

Name of IA	Balance	Current Year	Prior Years		
			Over 1-5 years	6-10 years	Over 10 years
Department of National Defense (DND)	914,346.15	-			914,346.15
National Development Support Command (NADESCOM)	5,445,000.00	-		5,445,000.00	
Technical Education and Skills Development Authority (TESDA)	29,888,888.00	-			29,888,888.00
Department of Social Welfare and Development (DSWD)	123,158,490.88	-	123,158,490.88		
National Historical Commission of the Philippines (NHCP)	30,000,000.00	-	30,000,000.00		
<b>Total</b>	<b>224,585,026.03</b>	-	<b>155,691,583.45</b>	<b>6,080,961.97</b>	<b>62,812,480.61</b>
		-	<b>161,772,545.42</b>		<b>62,812,480.61</b>

7. The following are the intended purposes of the fund transfers made to the aforesaid NGAs amounting to ₱161,772,545.42 aged over one year to ten years:

Name of IA	Particulars	Balance
DENR	Includes Surveying and Titling of School Sites of Regional Office (RO) I, II, III, IV-A, and V.	3,169,054.54
NADESCOM <sup>2</sup>	Pertains to fund transfer to the 2nd District of Bohol for the Requirement of Basic Education Facilities (BEF).	5,445,000.00
DSWD	For the construction of 605 classrooms in RO IX, X, XI, XII, and XIII for Indigenous Peoples (IPs) communities.	123,158,490.88
NHCP	For the restoration of Gabaldon Bldg. in Burobud ES, Sorsogon City and Bahay na Bato in Prudencia D. Fule Memorial National High School, San Pablo City.	30,000,000.00
<b>Total</b>		<b>161,772,545.42</b>

8. On the other hand, the long outstanding balance of ₱62,812,480.61 aged more than ten years pertains to the following agencies:

Name of IA	Particulars	Balance
DPWH	Pertains to school building construction which also includes regional transfers to Autonomous Region of Muslim Mindanao (ARMM), as this is part of the Regular School Building Program (RSBP) spearheaded by DPWH.	32,007,192.96
DND	For the Rehabilitation of schools in Mindanao which represents the two percent remaining balance from the fund transfers made in Calendar Year (CY) 2010.	914,346.15
TESDA	Pertains to the Alternative Learning System Cum Madrasah Education for Muslim Out-of-School Youth (OSY) program which covers Technical and Vocational Education and Training (TVET) with ALIVE (Arabic Language and Islamic Values Education).	29,888,888.00
<b>Total</b>		<b>62,812,480.61</b>

**b) Due from GOCCs**

9. The account Due from GOCCs showed a balance of ₱346,209,749.87 as of December 31, 2020 wherein the amount of ₱344,777,100.87 was outstanding from over one to five years, while the amount of ₱1,432,649.00 continued to be dormant for more than ten years. Details are shown in the next page:

<sup>2</sup> The Agency was reportedly abolished in May 2012.

Name of GOCC	Year Granted	Particulars	Balance
Development Academy of the Philippines (DAP)	2017	Collaborative Initiative of the DepEd and the DAP for an Intensified ABOT ALAM PROGRAM.	344,777,100.87
Landbank of the Philippines (LBP)	2007-2008	For the TechVoc Daily Subsistence Allowance for the training conducted by DepEd and TESDA.	1,432,649.00
<b>Total</b>			<b>346,209,749.87</b>

*c) Due from LGUs*

10. The Due from LGUs account balance of ₱36,368,366.95 as of December 31, 2020, included transferred funds to 21 LGUs of which 47.86 percent or ₱17,403,800.81 were outstanding accounts from over one to five years, while 24.64 percent or ₱8,962,526.14 was long outstanding from six to ten years and 27.50 percent or ₱10,002,040.00 remained dormant for more than ten years. The details are presented in the table below.

No.	Name of LGU	Balance	Aging of Outstanding Balance		
			Over 1-5 years	6-10 years	Over 10 years
1	Municipality of Sta. Barbara Pangasinan	2,040.00			2,040.00
2	City of Puerto Princesa	10,000,000.00			10,000,000.00
3	Provincial Government of Surigao Del Norte	433,422.00		433,422.00	
4	Provincial Government of Quezon	8,149,811.06		8,149,811.06	
5	City Government of Ligao	293,955.75		293,955.75	
6	City Government of Iligan	19,763.58		19,763.58	
7	Provincial Government of Camarines Sur	65,573.75		65,573.75	
8	Municipality of Tigbauan	1,500,000.00	1,500,000.00		
9	Bayugan City	1,500,000.00	1,500,000.00		
10	City of Balanga	1,500,000.00	1,500,000.00		
11	Municipality of Lupi	1,500,000.00	1,500,000.00		
12	Municipality of Tanay	276,334.91	276,334.91		
13	Antipolo City	1,500,000.00	1,500,000.00		
14	Municipality of Daet	1,500,000.00	1,500,000.00		
15	Municipality of Marilao	1,450,971.90	1,450,971.90		
16	Butuan City	727,424.00	727,424.00		
17	Tagaytay City	942,345.00	942,345.00		
18	General Santos City	506,725.00	506,725.00		
19	Baguio City	1,500,000.00	1,500,000.00		
20	Cagayan De Oro City	1,500,000.00	1,500,000.00		
21	Naga City	1,500,000.00	1,500,000.00		
<b>Total</b>		<b>36,368,366.95</b>	<b>17,403,800.81</b>	<b>8,962,526.14</b>	<b>10,002,040.00</b>
<b>Percentage</b>		<b>100.00</b>	<b>47.86</b>	<b>24.64</b>	<b>27.50</b>

11. The unliquidated amount of ₱17,403,800.81 was the financial assistance granted to the recipient 14 LGUs from March to May 2017 for the implementation of the Abot Alam Program which is a nationwide program of various government agencies and NGOs under the leadership of the DepEd. It aimed at integrating programs for Out of School Youth (OSY), and who have not completed basic education through interventions comprising education, entrepreneurship, or

employment. Upon execution of the MOA, the project shall remain valid for ten months, and the LGUs shall return to DepEd any unused balance upon the termination of the project. Whereas, the unliquidated funds transferred of ₱8,962,526.14 to the five aforesaid LGUs were intended for the construction of school buildings under the "School Building Program".

12. The dormant Due from LGUs account balance of ₱10,002,040.00 as of December 31, 2020 was granted to the City of Puerto Princesa amounting to ₱10,000,000.00 for the repair and rehabilitation of various school buildings in School Year (SY) 2008 to 2009 but was disallowed in audit since the fund was used in MIMAROPA Meet and Palarong Pambansa CY 2008 while the remaining amount of ₱2,040.00 pertains to unliquidated funds transferred to the Municipality of Sta. Barbara, Pangasinan for the construction of school buildings.

**d) Due from NGOs/POs**

13. The Due from NGOs/POs account as of December 31, 2020 showed a total balance of ₱1,211,722,142.32 of which the amount of ₱1,190,711,142.32 was fund transferred to the United Nations Development Programme (UNDP) for the sole purpose of implementing the project of procurement and delivery for and in behalf of DepEd.
14. The remaining Due from NGOs/POs account balance of ₱21,011,000.00 as of December 31, 2020 pertains to the prior years' long outstanding/dormant accounts of NGOs aging from 14 to 24 years. Details are as follows:

No.	Name of NGO	Balance	Year Granted	No. of Years Dormant
1	Buklod ng Pagkakaisa ng Bacood	711,000.00	1996	24
2	Quest Foundation	6,000,000.00	1999	21
3	YMCA Open Education Development Foundation, Inc.	2,800,000.00	2006	14
4	Philippine Federation of Teachers and Employees Cooperatives (PFTEC)	11,500,000.00	1997	23
<b>Total</b>		<b>21,011,000.00</b>		

15. It is expected that the various programs/projects for which these funds were transferred have already been accomplished considering the span of period that lapsed. Yet, unliquidated fund transfers accumulated to ₱1.798 billion and dormant balances of ₱95.258 million continuously existed, rendering the account balances unreliable.
16. This may be attributable to the laxity of the Management in requiring and/or monitoring of the submission of required reports, such as but not limited to Liquidation Reports (LRs) and Report on the Utilization of Funds, from the respective IAs. Accordingly, the Management made follow-ups and sent demand letters in the previous years for these long overdue accounts; however, it appears that that these were not sufficient to address the deficiencies noted rendering the collectability of these receivables doubtful.
17. This is a reiteration of our prior years' observation wherein courses of actions were recommended but remained unimplemented.

## OTHER ACCOUNTING DEFICIENCIES

18. Section 6, Chapter 19 of the Government Accounting Manual (GAM) for NGAs, Volume I enumerated the qualitative characteristics of financial reporting. Among which, are reliability, faithful representation and completeness defined as follows:
- ✓ Reliability – reliable information is free from material error and bias, and can be depended on by the users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
  - ✓ Faithful representation – information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form.
  - ✓ Completeness – the information in FSs should be complete within the bounds of materiality and cost.
19. Section 7, Chapter 19 of the GAM for NGAs, Volume I, states that “*FSs shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSASs.*”
20. Verification of the SL balances of the Inter-Agency Receivable accounts and confirmation with the concerned agencies disclosed the following deficiencies which rendered the account unreliable.

Audit Observation	Account Affected	Balance, Per SL	Balance, Per Confirmation	Variance
The amount of ₱30 million was transferred to NHCP for the restoration of Gabaldon Building in Burobud Elementary School (ES), Sorsogon City and Bahay na Bato in Prudencia D. Fule Memorial National High School, San Pablo City. Previous confirmation sent to NHCP revealed that the restoration of Gabaldon Building is already 100 percent complete. Accordingly, the total fund had a remaining balance of ₱7,291,770.12, thus a discrepancy of ₱22,708,229.88.	Due from NGAs - NHCP	30,000,000.00	2,564,900.44	27,435,099.56
The amount of ₱1,500,000.00 was transferred to the LGU of Balanga City for the implementation of Balanga City O.N.E. (Out of School Youth Network for E-Learning) Project. Previous confirmation sent to Balanga City disclosed that the total fund had no remaining balance, thus a difference in confirmation of ₱1,500,000.00.	Due from LGUs – Balanga City	1,500,000.00	-	1,500,000.00
The amount of ₱1,500,000.00 was transferred to the Municipality of Tanay for the implementation and improvement of the LGU - initiated literacy program/project entitled "Tanay Literacy Program".	Due from LGUs – Municipality of Tanay	276,334.91	-	276,334.91



<b>Audit Observation</b>	<b>Account Affected</b>	<b>Balance, Per SL</b>	<b>Balance, Per Confirmation</b>	<b>Variance</b>
Confirmation sent to the Municipality of Tanay revealed that the remaining balance of ₱276,334.91 was already refunded to Bureau of Treasury (BTr) on September 4, 2018.				
The amount of ₱942,345.00 was transferred to the LGU of Tagaytay City for the implementation and improvement of the LGU - initiated literacy program/project. Confirmation sent to Tagaytay City disclosed that the total fund had a balance of ₱0.00, thus a discrepancy amounting to ₱942,345.00.	Due from LGUs – Tagaytay City	942,345.00	-	942,345.00
The amount of ₱1,500,000.00 was transferred to the LGU of General Santos City for the implementation and improvement of the LGU - initiated literacy program/project entitled "Likay Droga: Lingap Kabataan Ayaw sa Droga" wherein the amount of ₱506,725.00 remained unliquidated. However, confirmation previously sent to the LGU of General Santos City revealed that the total fund had a remaining balance of ₱485,778.40, hence a difference in confirmation of ₱20,946.60.	Due from LGUs – General Santos City	506,725.00	485,778.40	20,946.60
The amount of ₱1,500,000.00 was transferred to the LGU of Baguio City for the implementation and improvement of the LGU - initiated literacy program/project. Previous confirmation sent to Baguio City disclosed that the total fund had only a balance of ₱211,048.39, thus a discrepancy amounting to ₱1,288,951.61.	Due from LGUs – Baguio City	1,500,000.00	211,048.39	1,288,951.61
The amount of ₱11,500,000.00 were entrusted to PFTEC under DepEd Memo No. 229 s. 1997 intended for grant loans to DECS teachers' and employees' cooperatives that are duly registered with the Cooperative Development Authority (CDA), and affiliate members who are in need of additional capital for their various projects. Confirmation sent to PFTEC in the previous audit years up to CY 2013 revealed that the total fund had a remaining balance of ₱1,252,274.00, thus a difference in confirmation of ₱10,247,726.00.	Due from NGOs - PFTEC	11,500,000.00	1,252,274.00	10,247,726.00
<b>Total</b>		<b>46,225,404.91</b>	<b>4,514,001.23</b>	<b>41,711,403.68</b>

21. The results of the confirmation made showed that there had been a material difference between the books of DepEd and the concerned agencies that would affect the reliability of the account balances in the FS.
22. **We reiterate our prior years' recommendations that the Management:**
  - a. **coordinate directly with the concerned IAs requiring the submission of LRs/RODs on transferred funds for finished programs/projects for proper recording;**

- b. validate the status of unliquidated fund transfers, demand immediate liquidation thereof, and/or take appropriate legal actions/courses demanding strict observance with the 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 in accordance with COA Circular No. 2016-005 dated December 9, 2016, duly supported with required documents.**
- d. As for the results of confirmation, verify and account immediately within 10 days from receipt hereof the discrepancy of ₱36,042,189.00.**

May we have your comments on the foregoing audit observations within fifteen (15) calendar days from receipt hereof.

**REGEN B. VOLOSO**  
 Audit Team Leader  
 DepEd OSEC/Team No. 1

**JOB O. AGUIRRE, JR.**  
 OIC - Supervising Auditor  
 DepEd 1 Audit Group

**Proof of Receipt of AOM:**

<b>Name:</b>	<b>Position:</b>	<b>By:</b>	<b>Date:</b>
Leonor M. Briones	DepEd Secretary		
Annalyn M. Sevilla	Undersecretary for Finance		
Ma. Rhunna L. Catalan	Chief Accountant		