

**Republic of the Philippines**  
**Department of Environment and Natural Resources**

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**MEMORANDUM**

**TO :** **THE REGIONAL EXECUTIVE DIRECTORS**  
DENR Region 1, 2, 3, 4-B, 5, 6, 7, 11, 13, NCR and CAR

**THE STAFF BUREAU DIRECTORS**  
LMB and FMB

**FROM :** **The Undersecretary**  
Finance, Information Systems and Climate Change

**SUBJECT :** **REQUEST FOR UPDATE ON STATUS OF THE UNLIQUIDATED**  
**BALANCES OF FUND TRANSFER TO PROCUREMENT**  
**SERVICE-DBM (PS-DBM).**

**DATE :** **OCT 07 2021**

This refers to the audit findings number 8 of the Consolidated Annual Audit Report (CAAR) for FY 2020 with regard to the delayed/non-delivery of items procured from the PS-DBM, which resulted in the accumulated balance of fund transfers amounting to P1,309,417,599. The balance consist of Current and Prior Years fund transfer amounting to P22,869,000 and 1,286,548,599 respectively.

Based on the records of the Accounting Division as of 31 August 2021, the amount of P157,613,682 out of P1,309,417,599 was liquidated which is equivalent to 12%, leaving a balance of P1,151,803,918. The details of the fund transfer are shown in Annex A.

In this regard, kindly submit not later than **15 October 2021** the updated status of implementation of audit recommendations and the unliquidated balance of fund transfer. The details of Audit Observations and Recommendations are indicated on pages 28-32 of CAAR, which are attached for your reference.

For clarification, you may contact Mr. Francis Jan V. Castro / Mr. Carl Louie C. Quiohilag of the Accounting Division thru Telephone No. (02)8928-0254 or VOIP 1018.

For your immediate and appropriate action.

  
**ATTY. ANALIZA REBUELTA-TEH**

Cc: Dir. Roland R. Castro  
Administrative Service

MEMO NO. 2021 - 684

**DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES**  
**Status of Fund Transfer to Procurement Service - Department of Budget and Management (PS-DBM)**  
 As of August 31, 2021

Implementing Office	Balance as of December 31, 2020	Liquidation Jan-Aug 31. 2021	Balance as of Aug. 31, 2021	Percentage of Liquidation
Central Office	1,259,553,599	(130,901,682)	1,128,651,918	10%
LMB	9,231,000		9,231,000	0%
FMB	35,349,000	(26,573,000)	8,776,000	75%
NCR	1,485,000		1,485,000	0%
CAR/ PENRO	116,000		116,000	0%
RO I	364,000		364,000	0%
RO II	48,000		48,000	0%
RO III/ PENRO	29,000	(5,000)	24,000	17%
Oriental Mindoro	5,000	(5,000)	0	100%
RO V/ PENRO	1,041,000	(129,000)	912,000	12%
Bohol	983,000		983,000	0%
Davao Oriental	123,000		123,000	0%
RO XIII/ PENROs	690,000		690,000	0%
Negros Oriental	400,000		400,000	0%
<b>Total</b>	<b>1,309,417,599</b>	<b>(157,613,682)</b>	<b>1,151,803,918</b>	<b>12%</b>



Republic of the Philippines  
COMMISSION ON AUDIT  
Commonwealth Avenue, Quezon City

## **ANNUAL AUDIT REPORT**

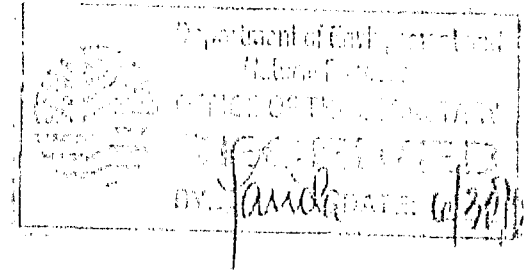
**on the**

**DEPARTMENT OF ENVIRONMENT AND  
NATURAL RESOURCES**

**For the Year Ended December 31, 2020**



Republic of the Philippines  
COMMISSION ON AUDIT  
NATIONAL GOVERNMENT SECTOR  
Cluster 8 – Agriculture and Environment  
Quezon City



Honorable ROY A. CIMATU  
Secretary  
Department of Environment and Natural Resources  
Visayas Avenue, Diliman, Quezon City

Dear Secretary Cimatu:

We are pleased to transmit the Annual Audit Report on the Department of Environment and Natural Resources (DENR) for the Calendar Year 2020, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Auditing Code of the Philippines (Presidential Decree No. 1445).

The audit was conducted to (a) ascertain 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 attached report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations and the Status of Implementation of Prior Years' Audit Recommendations which were discussed with the concerned Management officials and staff.

We request that a status report on the actions taken on the recommendations be submitted within sixty (60) days from the date of receipt of the report hereof, pursuant to Section 89 of the General Provisions of the General Appropriations Act of FY 2020 (Republic Act No. 11465) using the attached Agency Action Plan and Status of Implementation (Annex A), copy furnished the Secretary of the Department of Budget and Management, Speaker of the House of Representatives, President of the Senate of the Philippines, House Committee on Appropriations and the Senate Committee on Finance.

We express our appreciation for the valuable support and cooperation extended to the audit team by the officials and staff of that Agency.

Very truly yours,

MARIBETH P. DE JESUS  
Director IV

Implementing Agency (IA)	Fund Transfer		Liquidation		Balance, 12/31/2020	
LMB	-	0.030	-	-	-	0.030
RO I /PENRO	-	0.301	-	-	-	0.301
RO II/ PENROs	-	6.410	-	6.116	-	0.293
RO III/ PENROs	6.380	29.961	0.380	28.013	6.000	1.948
Oriental Mindoro	2.176	0.763	-	-	2.176	0.763
RO V	-	9.200	-	7.467	-	1.733
RO VI/ PENROs	-	18.779	-	8.817	-	9.961
RO VII/ PENRO	-	1.464	-	-	-	1.464
RO VIII/ PENROs	-	6.717	-	-	-	6.717
Misamis Oriental	-	0.114	-	-	-	0.114
RO XI/ PENRO	-	2.635	-	0.200	-	2.435
Agusan del Sur	-	4.887	-	-	-	4.887
Negros Occidental	-	0.606	-	-	-	0.606
<b>Subtotal</b>	<b>8.556</b>	<b>93.435</b>	<b>0.380</b>	<b>50.821</b>	<b>8.176</b>	<b>42.614</b>
<b>Total LGU</b>						<b>50.790</b>
<b>NGO/POs</b>						
CO	-	178.219	-	-	-	178.219
INREMP	44.794	61.218	-	22.021	44.794	39.198
CAR/ PENROs	45.189	-	-	-	45.189	-
Oriental Mindoro	1.100	-	-	-	1.100	-
RO VII/ PENRO	0.014	3.548	-	-	-	3.548
RO VIII/ PENROs	0.630	1.016	-	-	0.630	1.016
RO IX/ PENROs	-	2.085	-	-	-	2.085
RO XI	-	2.092	-	0.112	-	1.980
Dinagat Island	-	0.270	-	-	-	0.270
Negros Occidental	1.486	-	-	-	1.486	-
<b>Subtotal</b>	<b>93.213</b>	<b>248.937</b>	<b>-</b>	<b>22.133</b>	<b>93.213</b>	<b>226.805</b>
<b>Total NGOs/POs</b>						<b>320.017</b>
<b>Total</b>	<b>364.571</b>	<b>2,771.800</b>	<b>111.675</b>	<b>360.301</b>	<b>252.896</b>	<b>2,411.499</b>
<b>Total Unliquidated balance</b>						<b>2,664.395</b>

We recommended and Management agreed to direct the Chief Accountants of DENR CO and ROs and the Accountants of Bureaus and PENROs to:

- a. closely monitor the implementation of projects and the status of fund transfers, and enforce the liquidation right after the completion of the projects; and
- b. send demand letters to IAs and NGOs/POs with unliquidated fund transfers.

*Advances to PS-DBM and PITC*

8. Delayed/non-delivery of items procured from the Procurement Service-DBM (PS-DBM) and the Philippine International Trading Corporation (PITC) resulted in

the accumulated balance of fund transfers amounting to ₱1,309.418 million and ₱121.917 million, respectively.

Executive Order No. 359 dated June 2, 1989 provides that *“the Procurement Service (PS) of the Department of Budget and Management xxx shall be maintained as the regular organizational unit to implement and operate a central procurement system.”*

Section 4 (b) thereof further provides that *“agencies shall remit to the Procurement Service the funds needed to service their requirements for supplies, materials and equipment as reflected in the Work and Financial Plan.”*

Implementing Guidelines on Agency-to-Agency Agreements Negotiated Procurement under Section 53 (e) of IRR-A:

- Paragraph 1.0

*“It is the general policy of government to purchase its requirements from the private sector. However, it acknowledges that, in some exceptional cases, procurement from another agency of the government is more efficient and economical for the government, subject to the following conditions:”*

- Paragraph 5.0

*“The Procuring Entity shall justify that entering into an Agency-to-Agency Agreement with the Servicing Agency is more efficient and economical to the government;*

- iii. *Servicing Agency has the mandate to deliver the goods and services required to be procured or to undertake the infrastructure project or consultancy required by the Procuring Agency;”*

Section V.D.5(a-b) of Annex “H” Re: Consolidated Guidelines for the Alternative Methods of Procurement of the 2016 Revised Implementing Rules and Regulations of RA 9184-Government Procurement Reform Act:

*“Procurement from another agency of the government (i.e., Servicing Agency) that has the mandate to deliver goods or services or to undertake infrastructure projects or consultancy services as required by the Procuring Entity (Annex H. item V.D.5)”*

Section 5, PD 1071 (REVISING THE CHARTER OF THE PHILIPPINE INTERNATIONAL TRADING CORPORATION) states the purposes of the PITC:

*“To engage in or handle for Philippine and third country enterprises through methods, systems, devices and facilities intended to achieve economies of scale and better terms of trade for Philippine business, both foreign procurement as well as foreign marketing and distribution; in general, to undertake such activities as would be appropriate to an institution created for the purposes of international trading.”*

The status of advances to PS-DBM and PITC are presented below:

IAs	Fund Transfer		Liquidation		Balance	
	CY	PYs	CY	PYs	CY	PYs
(In Million ₱)						
PS DBM	46.791	1,327.751	23.922	41.202	22.869	1,286.549
Subtotal						1,309.418
PITC	13.582	402.265	13.582	280.348	-	121.917
<b>Total</b>	<b>60.373</b>	<b>1,730.016</b>	<b>37.504</b>	<b>321.550</b>	<b>22.869</b>	<b>1,408.466</b>

Advances to PS-DBM of DENR CO, two Bureaus, seven ROs and nine PENROs showed an unliquidated amount of ₱1,309.42 million as of 31 December 2020. Of this amount, 96.90 percent is over one year, as shown in table below:

Office	Fund Transfer		Liquidation		Balance	
	CY	PYs	CY	PYs	CY	PYs
(In Million ₱)						
CO	24.166	1,271.433	20.184	15.861	3.982	1,255.572
LMB	7.856	2.327	0.693	0.258	7.163	2.069
FMB	8.855	41.209	-	14.715	8.855	26.494
NCR	-	1.485	-	-	0.000	1.485
FMB	0.083	-	0.083	-	0.000	0.000
CAR/ PENRO	0.455	-	0.339	-	0.116	0.000
RO I	0.667	0.135	0.325	0.113	0.342	0.022
RO II	0.147	-	0.099	-	0.048	0.000
RO III/ PENRO	0.563	1.103	0.539	1.098	0.024	0.005
Oriental Mindoro	-	1.404	-	1.399	0.000	0.005
RO V/ PENRO	0.437	8.320	0.207	7.509	0.230	0.811
Bohol	0.983	-	-	-	0.983	0.000
Davao Oriental	0.358	-	0.235	-	0.123	0.000
RO XIII/ PENROs	1.822	0.335	1.218	0.249	0.604	0.086
Negros Oriental	0.400	-	-	-	0.400	0.000
<b>Total</b>	<b>46.791</b>	<b>1,327.751</b>	<b>23.922</b>	<b>41.202</b>	<b>22.869</b>	<b>1,286.549</b>
	<b>Unliquidated balance</b>					<b>1,309.418</b>
	<b>Percentage</b>					<b>96.90%</b>

On the other hand, advances to PITC amounted to ₱121.917 million as of 31 December 2020. Deliveries/refund were made by the PITC during the year amounting to ₱13.582 million and ₱280.348 million for the current and prior years, respectively, as found in table below:

Agency/	Fund Transfer		Liquidation		Balance as of 12/31/2020	
	CY	PYs	CY	PYs	CY	PYs

	<b>(In Million ₱)</b>					
CO	-	385.976	-	270.259	-	115.717
RO I	-	10.229	-	4.029	-	6.200
LMB	-	19.642	-	19.642	-	0.000
<b>Total</b>	-	<b>415.847</b>	-	<b>296.930</b>	-	<b>121.917</b>

It was observed in audit that the procurement of the infrastructure and land improvement projects by the DENR CO with the PITC is not within the function of the Agency. These projects can be properly implemented through an Agency-to-Agency agreement with the Department of Public Works and Highways, a proper agency to implement projects or the DENR itself to implement these projects either through contract or by administration, as authorized in RA No. 9184:

<b>Purpose</b>	<b>Date transferred</b>	<b>Amount (In Million ₱)</b>
Renovation of the Legal Service Office, 3rd Floor, DENR Main Building	4/25/2018	4.916
Construction of Flag Pole	7/25/2018	0.804
Land Improvement of DENR CO vicinities	7/25/2018	3.325
<b>Total</b>		<b>9.045</b>

Moreover, as to funds transferred by DENR Region I to PITC in CY 2018 for the procurement of various Motor Vehicles, three (3) Motor Vehicles were delivered during the year but liquidation was not yet taken up in the books of the DENR RO I due to failure of the Property Officer to submit the delivery receipts, inspection report and other documents to the Accounting Unit as basis for the recording of the items delivered in the books.

In the case of LMB, of the total amount of ₱19.642 million, ₱18.524 million was returned to the BTr since this fund remained unutilized for four years and the procurement of two elevator units can no longer be undertaken since the building, where the elevators were supposed to be installed, was gutted by fire in May 2018. While the amount of ₱1.118 million was used to procure vehicle, which was delivered in CY 2020.

Likewise, the non-delivery/delayed delivery of the common-used supplies requested from the DBM-PS and the non-implementation of the infrastructure projects requested from the PITC were due to the lack of coordination and proper follow-up by concerned agency officials, and the absence of reconciliation between the DENR and the PS/PITC records, which resulted in the non-liquidation of the fund transfers and the balance remained outstanding in the books for more than a year.

The non-availability of the needed supplies and equipment as these are needed affects the operating performance of the DENR in terms of the achievement of its mandate.

This has been an audit observation in the prior years and we deemed it important to reiterate these observations since implementation of the audit recommendations during



the year was only 52.35 percent and 3.10 percent for the current and prior years' fund transfers, respectively.

**We reiterated our recommendation and Management agreed to:**

- a. make representation with the PS-DBM and PITC to request for the immediate delivery of the undelivered supplies, equipment and services covered by the advances made by the DENR or require them to return the cost of all undelivered supplies, if said supplies and materials are no longer be needed by the Agency due to the lapse of time; and**
- b. stop the practice of procuring infrastructure and land improvement projects with the PITC instead enter into an agency-to-agency agreement with the DPWH or to implement the projects, either by administration or by contract, in accordance with the provisions in RA No. 9184.**

***Dormant receivable not requested for write-off***

- 9. Dormant receivable accounts, unliquidated cash advances, and fund transfers amounting to ₱30.949 million were not requested for write-off, as allowed under Section 8.2 of COA Circular No. 2016-005 dated December 19, 2016, thus, casting doubt to their validity and existence.**

Item 6.1 and 6.2 of COA Circular No. 2016-005 dated December 19, 2016 provides that *“All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon the nature and purpose”* and *“shall prepare the schedule of all receivables, unliquidated cash advances and fund transfers as of December 31, 2015 and quarterly thereafter.”*

Section 8 of the same Circular provides for the procedures in the write-off of dormant accounts as follows:

- 8.2 *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.***
- 8.3 *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 Agency***
  - b. Certified relevant documents validating the existence of the conditions, as applicable***