

**DEVELOPMENT ACADEMY OF THE PHILIPPINES  
ANNUAL AUDIT REPORT FOR CY 2011**

**EXECUTIVE SUMMARY**

**Introduction**

The Development Academy of the Philippines (DAP) with registered office address at DAP Building, San Miguel Avenue, Pasig City, Philippines is primarily tasked to support the developmental forces at work in the nation's economy through selective human resource development programs, research, data collection, and information services to the end that optimization of wealth may be achieved in a manner congruent with the maximization of public security and welfare and to conduct an array of programs for the fostering and enrichment of development perspective in the leadership of key sectors of the economy. It also discharges a regional role in initiating and catalyzing exchange of ideas and expertise on development activities in Asia and the Far East.

The DAP's core businesses include, among others, education, technical assistance, consultancy, research and training. These are being done by the Graduate School for Public and Development Management (GSPDM) for education and the various operating centers, such as the Centers for Knowledge Management (CKM), Center for Quality and Competitiveness (CQC), Center for Sustainable and Human Development (CSHD), Center for Governance (CFG), that hold offices in Pasig. A center with similar activities is in operation in Davao City, the DAP sa Mindanao (DSM).

In addition, the DAP Convention Center (DAPCC) which is located in Tagaytay, is used as a seminar and training venue. It also offers lodging and dining facilities to the public which generates additional income for the Academy.

The members of the DAP's Board of Trustees as at December 31, 2011 are the following:

Chairman	: Cayetano W. Paderanga, Jr.	NEDA
Vice Chairman	: Francisco T. Duque III	CSC
Members	: Michael N. Alimurung	OP
	: Bro. Armin Luistro	DEPED
	: Proceso J. Alcala	DA
	: Virgilio R. Delos Reyes	DAR
	: Ramon JP. Paje	DENR
	: Cesar V. Purisima	DOF
	: Enrique T. Ona	DOH
	: Florencio B. Abad	DBM
	: Antonio D. Kalaw, Jr.	DAP

For the same period, DAP has a total of 202 personnel complement composed of 42 regular and 160 co-terminus and its principal officers are as follows:

President : Antonio D. Kalaw, Jr.  
 Senior Vice President for Programs : Magdalena L. Mendoza  
 Senior Vice President for Support Operations : Bernardo A. Dizon  
 Group  
 Senior Vice President and Dean  
 Graduate School for Public and  
 Development Management : Dr. Gloria J. Mercado  
  
 Vice President-APO Liaison Officer : Mr. Carlos A. Sayco, Jr.

## Financial Profile

Shown below are the comparative financial position and financial performance of DAP for CY 2011 and CY 2010, as well as financial performance versus Corporate Operating Budget (COB).

Particulars	Comparative Financial Position		
	2011	2010 (As restated)	Increase (Decrease)
Assets	482,473,630	448,599,169	33,874,461
Liabilities	226,919,760	195,009,867	31,909,893
Equity	255,553,870	253,589,302	1,964,568

Particulars	Comparative Financial Performance		
	2011	2010	Increase (Decrease)
Gross Profit	215,722,056	176,697,326	39,024,730
Subsidy Income-NG	43,274,559	49,443,856	(6,169,297)
Other Income (Loss)	17,977,706	8,433,352	9,544,354
Total Operating Income	276,974,321	234,574,534	42,399,787
Operating Expenses	275,009,753	233,114,192	41,895,561
<b>Net Income</b>	<b>1,964,568</b>	<b>1,460,342</b>	<b>504,226</b>

### Financial Performance vs. COB

Particulars	Actual	COB	Over(Under)
Gross Profit	215,722,056	353,019,000	(137,296,944)
NG Support	43,274,559	45,000,000	(1,725,441)
Other Income (Loss)	17,977,706	none	17,977,706
Total Operating Income	276,974,321	398,019,000	(121,044,679)
Operating Expenses	275,009,753	381,148,000	106,138,247
<b>Net Income</b>	<b>1,964,568</b>	<b>16,871,000</b>	<b>(14,906,432)</b>

## Scope of Audit

The audit covered the financial transactions and operations of DAP for CY 2011. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected are based on the professional judgment of the auditor including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

## State Auditor's Report on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the DAP for the year 2011 for reasons stated in the Audit Certificate in Part I of the Report.

## Summary of Audit Findings and Observations

Below is a summary of the audit findings and recommendations for CY 2011 as detailed in Part II A of the Report.

- 1. Allowance for Doubtful Accounts for Accounts Receivable with year-end balance of ₱125.32 million was overstated by ₱48.74 million due to the adoption of rates ranging from 12 to 100 percent instead of from one to five percent prescribed in Section 66 of the NGAS Manual, Volume I. Also, Accounts Receivable which pertained to government agencies and Other Receivables pertaining to the cash shortage and disallowance in audit of a former cashier were subjected to allowance for bad debts, which was inconsistent with Section 66 of NGAS Manual, Volume I.**

We recommended that Management :

- a. Direct the FAS to adjust the established rates in the determination of allowance for bad debts pursuant to Section 66, NGAS, Volume I, and adjust accordingly the computed allowance for bad debts by ₱48.74Million, and include thereto allowance for bad debts for 2011 accounts aged 1-60 days, 61-180 days and 181-one year at 1, 2 and 3 percent, respectively; and
  - b. Henceforth, use the prescribed rates in the computation of the allowance for bad debts and exclude in the computation accounts receivable from government agencies and from the absconded cashier.
- 2. Of the total Accounts Receivable of ₱ 125.32 million as of December 31, 2011, ₱ 44.19 million or 35% pertained to 2008 accounts and prior years' which remained uncollected since then, and which non-collectibility may have been affected by the policy that accounts receivables aged three years and above are considered 100 percent bad debts. Moreover, non-submission of final project reports, non-availability of funds, closing of agencies, resignation**

**of Project Manager, also influenced the efficiency of collections of Accounts Receivable.**

We recommended that Management :

- a. Intensify collections of accounts receivables from government agencies because funds should have been actually been available prior to the signing of the subject contracts;
  - b. Submit justifications why Project Managers were allowed to resign without settling their accountabilities of submitting their required project reports;
  - c. Direct the Center Heads to assign the other members of the team that undertook the project to complete the required reports and submit same to the concerned government/private agencies so that collection of the accounts receivable is facilitated;
  - d. For those accounts receivables arising from the use of DAP facilities, study the possibilities that use of same should be on a cash basis as is the practice of other government agencies;
  - d. Make follow-up of the submission of ITW/TCC from concerned parties to adjust the balances of certain accounts receivables; and
  - e. Henceforth, establish a policy relative to resignation of Project Managers, Project Assistants and other members of a Project Team who are hired on job orders or contract of services, that is, submission of clearance from all accountabilities such as submission of the required project reports prior to resignation; and act upon resignation only after receipt of said clearance, otherwise submission of final output should be on the account of the Center Head which undertook the project.
3. **Lessees of office spaces incurred delays in paying rentals from 21 days to more than two years as of December 31, 2011, amounting ₱2.26 million without being charged the interest for delayed payment, contrary to the contract of lease that rentals will be paid within the first five days of each month without need for any demand from the Lessor and that interest shall be charged until payment is made.**

We recommended that Management direct the Billing Section of the Financial Accounting Services to:

- a. Send Notice of Late Payments to concerned tenants in case of delay, instead of the Billing Statements in pursuance of the lease contracts;
- b. Compute the interest for delayed payments of concerned lessees from the time delayed payments were incurred and bill accordingly the concerned tenants; and

- c. Enhance its computerized billing system to include in the system the automatic computation of interest once a tenant has delayed its payment.
4. **A private organization was allowed to use a 60-square meter office space with an approximate value of ₱24,330.00 a month or ₱291,960.00 per annum, without due consideration except for the use of electricity and other charges which nonetheless reneged in the payment of the same for at least two years in the total amount of ₱ 61,921.26, contrary to Section 4(2), PD 1445 that government funds shall be spent or used solely for public purpose.**

We recommended that Management:

- a. Direct the payment by PCEPSDI its office rental for the year under audit amounting ₱291,960.00 and its unpaid bill for electricity for ₱ 61,921.26; and
  - b. Amend the MOA between DAP and PCEPSDI insofar as the provision for free rental of the 60sqm office space it occupies and state instead its monthly lease rental of P405.50/sqm or ₱24,330.00 a month, and require monthly payments thereafter.
5. **Procurement of common supplies and materials was not posted in the PhilGEPS and same was not made from PS-DBM in violation of Section 54.2 of RA 9184 and Administrative Order No. 17, respectively. Also, copies of approved POs covering the period from January 2011 to December 2011 were not furnished the Office of the Auditor within five working days after approval, in violation of COA Circular 2009-001.**

We recommended that Management:

- a. Properly accomplish Purchase Orders (POs) , as follows:
  - i. Include the purpose of requisition in the PO itself;
  - ii. Indicate the complete specifications of the items to be delivered in the POs, noting down the correct unit of measurement;
  - iii. Indicate in every copy of approved PO the dates of delivery; and
  - iv. Include date of acceptance or “conforme” by the suppliers in every copy of POs.
- b. Submit to COA copies of POs, together with the supporting documents within five working days after their approval;
- c. Submit to COA a copy of the approved Annual Procurement Plan (APP) to check on whether or not the subject requisitions are in accordance with the approved APP;
- d. Strictly comply with AO 17 directing the procurement of common supplies and materials and others from PS-DBM; and
- e. Direct the Bids and Award Committee/Purchasing Unit to post in the PhilGEPS invitations for procurement thru shopping for seven calendar

days to attract more prospective suppliers to bid for the subject procurement requirements of the Academy to secure the most economical price viz said procurement.

6. **Promotional items in the total amount of ₱226,345.60 were purchased in excess of what were actually needed as these remained undistributed and in the stock room as at year-end, considering that these were purchased in prior years. Also, these items were not taken up as Inventory items but, as direct expense, contrary to Section 44 of the New Government Accounting System (NGAS) Volume I requiring that purchases of supplies and materials for stock, regardless of whether or not they are consumed within the accounting period, shall be recorded under the appropriate inventory accounts.**

We recommended that Management:

- a. Direct the Property Management Services Office (PMSO) and the CMCO to conduct a joint physical inventory of the promotional items at the stock room and account the same viz total requisitions, distributions and balances at the stock room;
  - b. Instruct the PMSO and CMCO to submit the physical inventory report to the Accounting Office as its basis to record in the books of account the amount of inventory of corporate give-away items; and
  - c. Limit procurement of corporate promotional items for what is necessary and reasonable to avoid overstocking.
7. **Reimbursement of meal expenses by the designated Dean of the Graduate School of Public and Development Management (GSPDM) charged to Extraordinary and Miscellaneous Expenses (EME) amounting to ₱85,075.48 was not in accordance with the positions determined and approved by the DBM to be of equivalent rank to those authorized to receive EME pursuant to the General Appropriations Act. Also, of the amount of ₱85,075.48, ₱38,000.00 were not supported with receipts and were just credited to the ATM account of the Dean, contrary to COA Circular 2006-001.**

We recommended that Management:

- a. Request clarification from the DBM on whether an official holding the position of Fellow III with SG 27 with designation with the rank of Senior Vice President can be considered with the equivalent rank position of Senior Vice-President and therefore entitled to claim EME;
- b. Should the clarification issued by the DBM be in favor of the GSPDM Dean, direct the GSPDM Dean to submit receipts for the ₱38,000 amount claimed without receipts, and in case of failure to submit receipts, require the GSPDM to refund the said amount; however, should the clarification be in the negative, require the refund of the entire amount of ₱85,075.48; and
- c. Henceforth, direct the Accountant to process the grant of EME in

compliance with the DBM authority and COA Circular 2006-001.

8. **Of the amount of ₱1.37 million Bid and Award Committee collections, ₱1.35 million were spent for snacks, Christmas parties, consultancy services, preparation/reproductions of bid documents, etc., contrary to Budget Circular (BC) No. 2004-5 as amended by BC No. 2004-5A dated October 7, 2005.**

We recommended that Management:

- a. Direct the BAC to justify its practice of charging its Christmas Party expenses and other expenses such as costs of snacks, preparation of bidding documents and the costs of their reproductions, consultancy and others charges against the BAC funds/trust receipts; and
  - b. Stop the practice of charging to the Trust Fund the above expenses, except for the BAC honorarium and overtime pay, and henceforth, strictly comply the provisions of the above Circulars.
9. **The Academy failed to formulate a Gender and Development (GAD) Plan. However, it had set aside ₱243,673.45 or five percent of its Staff Development budget of ₱4,873,469, of which ₱ 233,336.33 was spent to implement some activities supportive of GAD.**

We recommended that Management:

- a. Formulate a GAD Plan to address the gender issues of its female employees;
- b. Appoint a GAD Focal Point to speed up and facilitate the institutionalization of gender mainstreaming and women's empowerment within the agency, as the GAD Focal Point who advocates for, coordinates, guides and monitors the development and implementation of the agency's GAD Plan; and
- c. Set aside at least five percent of the COB to implement the GAD Plan, all in pursuance of the DBM-NEDA-NCRFW JC No. 2004-1.

### **Status of Implementation of Prior Year's Recommendations**

Of the 16 audit recommendations included in last year's Annual Audit Report, 12 were implemented and 4 were partially implemented

### **COA-DAP Audit Team**

The DAP was audited by Team 3, Audit Group G – OWWA and Development Centers Group, headed by **Ms. Fe G. Engo**, OIC,-Supervising Auditor. The Team is composed of the following:

<u>Name</u>	<u>Designation</u>
Crescencia L. Escurel State Auditor IV	Audit Team Leader
Evelyn M. Martinez State Auditor III	Audit Team Member
Marita B. Holgado State Auditor III	Audit Team Member
Alfredo G. Ocampo Administrative Aide II	Audit Team Member