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Republic of the Philippines
Department of Education
REGION XI
SCHOOLS DIVISION OF TAGUM CITY

Division Memorandum
No. 113 s. 2021

TO : The Division Inventory Committee
Team Leader : Ms. Ruth E. Ursolino,MPA
Regular Member: Ms. Ivy A. Palomo
Provisional Members:
ICT : Mr. Arian Aime T. Abatayo
Infra: Engr. Roque A. Malanguis
Unserviceable Goods: Mr. Jeffrey D. Santiago
Vehicle: Mr. Ryan Manuel H. Castillo
Supply & Other Equipment: Mr. Ross Chito G. Palo
Alternate: Mr. Eduard Mark Bautista
Mr. Jecson Oafallas

From : The Office of the Schools Division Superintendent

Subject: Management Action on Audit Observation Memorandum No. 21-016
Dated February 28,2021 Concerning Property, Plant and Equipment
Accounts

Date : 04 March 2021

On the basis of the herein attached Audit Observation Memorandum No. 21-016 dated February 28,2021, contents of which are self-explanatory, you are directed to comply with the following directives on or before March 8,2021:

1. Submit written explanation on:
 - a. Non-participation of the Inventory Committee during the physical count of Property, Plant and Equipment's;
 - b. The unreliable balance in the Report on the Physical Count of Property, Plant and Equipment due to partial/non-conduct of physical count of all the Property, Plant and Equipment's;
2. Submit the Division Inventory Committee's action plan on the conduct of the physical count to ensure that the list of properties to be physically counted is complete and reliable, as well as to ensure that the reconciliation of balances must be regularly made to avoid any discrepancies in the reports.




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Republic of the Philippines
Department of Education
REGION XI
SCHOOLS DIVISION OF TAGUM CITY

Sincerely yours,


DR. JOSEPHINE L. FADUL
Schools Division Superintendent

Cc: **DYNNA VEVIENE M. CONDE**
State Auditor III
Audit Team Leader

RITA ANGELYN T. TORINO
State Auditor IV
OIC – Regional Supervising Auditor

DEPARTMENT OF EDUCATION DIVISION OF TAGUM CITY RECORDS SECTION	
RELEASED	
By: _____	
Date: 3-4-21	Time: 4:40pm
Remarks: Disseminated # 113-2021-03	



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Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector
Cluster 5 – Education and Employment

Office of the Audit Team Leader
Department of Education-Division of Tagum City
Energy Park, Apokon, Tagum City

AOM No. 21-016
February 28, 2021

AUDIT OBSERVATION MEMORANDUM

DR. JOSEPHINE L. FADUL
Schools Division Superintendent (SDS)
Department of Education, Division of Tagum City
Apokon, Tagum City

Attention: **Ruth B. Ursolino**
Administrative Officer V
Division Inventory Committee Team Leader-Designate

Hilda J. Hildawa
Administrative Officer IV
Supply/Property Officer-Designate

Carlo U. Gonzales, CPA
Accountant III

We have examined the Property, Plant and Equipment accounts of the DepEd Division of Tagum City for Calendar Year (CY) 2020 and observed the following deficiency:

Property, Plant and Equipment accounts totaling P702,619,723.20 as at December 31, 2020 were not reconciled with the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) totaling P695,604,041.90 or leaving an unreconciled difference of P7,015,681.30, which may be attributed to the: (1) recorded Power Supply Systems and Construction in Progress accounts were not included in the RPCPPE; (2) accounted Motor Vehicle in the RPCPPE was not recognized in the books of accounts; (3) partial conduct of physical count of PPEs; (4) incomplete and unreliable Property Cards; (5) non-maintenance of Property Plant and Equipment Ledger Cards, and (6) non-participation of all the members of the Inventory Committee in the physical count of PPEs, inconsistent with the applicable provisions of GAM, thereby casting doubt on the accuracy and reliability of the reported balances in the financial reports as at year-end.

Section 1, Chapter 10, Volume 1 of the Government Accounting Manual (GAM) states that:

Property, Plant and Equipment (PPE) includes land; land improvements; buildings and other structures; machinery and equipment; transportation equipment; furniture, fixtures and books; leasehold improvements; and other PPE including specialist military equipment, infrastructure assets, and heritage assets. xxx

Section 38, Chapter 10 of the same manual requires that the Physical count of Property, Plant and Equipment should be conducted, as follows:

The entity shall have a periodic count of PPE which shall be done and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as at December 31 each year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division for proper accounting/recording. (Emphasis supplied)

Moreover, the Agency is also required to reconcile the RPCPPE with the Accounting and the Property records through their Property, Plant and Equipment Ledger Cards (PPELC) and Property Cards, respectively. Any discrepancy shall be verified and/or adjusted accordingly as provided by the provisions below:

Section 42, Chapter 10 of the same Manual:

The Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock etc. xxxxxx

For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

In CY 2020, the Division Office conducted the physical count of its PPEs, together with a representative from this Office, and submitted the required RPCPPE.

However, review of the agency's Financial Statements and RPCPPE as at December 31, 2020 disclosed the following deficiencies:

- 1. The balances reflected in the RPCPPE were different compared to the Accounting Records as follows:**

	Account	As of December 31, 2020		
		Per Financial Statements	Per RPCPPE	Difference
1	Land	107,760,590.50	107,760,590.50	-
2	Power Supply Systems	695,368.61	-	695,368.61

	Account	As of December 31, 2020		
		Per Financial Statements	Per RPCPPE	Difference
3	School Buildings	553,901,568.05	553,901,568.05	-
4	Other Structures	5,841,286.46	3,354,146.64	2,487,139.82
5	Office Equipment	2,330,039.00	2,330,039.00	-
6	Information and Communication Technology Equipment	24,840,727.71	25,598,227.71	-757,500.00
7	Communication Equipment	539,823.00	539,823.00	-
8	Furnitures and Fixtures	498,647.00	496,647.00	2,000.00
9	Construction in Progress- Buildings and Other Structures	6,211,672.87	-	6,211,672.87
10	Motor Vehicle	-	1,623,000.00	-1,623,000.00
	Total	702,619,723.20	695,604,041.90	7,015,681.30

Verification of the properties included in the RPCPPE and Accounting Records revealed that the Inventory Committee did not include in the RPCPPE the Property Supply Systems and Construction in Progress-Buildings and Other Structures accounts of the Division in violation of Section 1, Chapter 10 of the GAM.

Likewise, the Motor Vehicle amounting to P1,623,000.00 was not recorded in the books of accounts.

2. The Inventory Committee only conducted partial count of PPEs, in violation of Section 38, Chapter 10 of the GAM.

A representative from this Office witnessed the physical count of PPEs. It was observed during the count that out of the RPCPPE's total amount of P695,604,041.90, only a total of P27,944,986.87 was included in the list during the physical count, shown as follows:

Account Title	RPCPPE	PPEs included in the list during physical count	Difference
Land	107,760,590.50	-	107,760,590.50
Power Supply Systems	-	-	-
School Buildings	553,901,568.05	-	553,901,568.05
Other Structures	3,354,146.64	-	3,354,146.64
Office Equipment	2,330,039.00	2,273,189.00	56,850.00
Information and Communication Technology Equipment	25,598,227.71	24,694,872.87	903,354.84
Communication Equipment	539,823.00	480,278.00	59,545.00
Furnitures and Fixtures	496,647.00	496,647.00	-
Construction in Progress-Buildings and Other Structures	-	-	-
Motor Vehicle	1,623,000.00	-	1,623,000.00

Account Title	RPCPPE	PPEs included in the list during physical count	Difference
Total	695,604,041.90	27,944,986.87	667,659,055.03

As shown, the Office Equipment, Information and Communication Technology Equipment, Communication Equipment and Furnitures and Fixtures were the only accounts that were included in the list.

Moreover, out of the P27,944,986.87 included in the list, only a total of P3,192,827.15 PPEs were actually counted, thereby rendering the RPCPPE as misleading, not true and not reflective of the actual physical count conducted, shown as follows:

Account Title	Total	Counted	Not counted
Office Equipment	2,273,189.00	1,008,430.00	1,264,759.00
Information and Communication Technology Equipment	24,694,872.87	1,620,127.15	23,074,745.72
Communication Equipment	480,278.00	264,823.00	215,455.00
Furnitures and Fixtures	496,647.00	299,447.00	197,200.00
Total	27,944,986.87	3,192,827.15	24,752,159.72

3. The Property Cards maintained by the Supply/Property Section as of December 31, 2020 were incomplete and unreliable, in violation of Section 42, Chapter 10 of the GAM.

Review of the Property Cards of the Supply/Property Section revealed that only the following accounts were maintained. The rest of the PPEs were with no Property Cards. Also, it can be observed that the balances reflected were different from the balances in the books and in the RPCPPE.

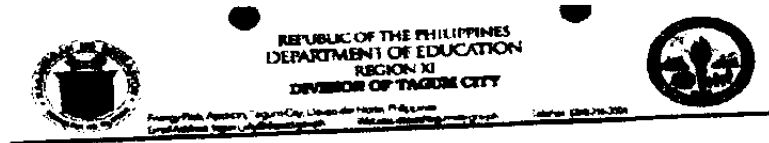
Account Title	Property Card	FS	RPCPPE
Office Equipment	2,301,334.00	2,330,039.00	2,330,039.00
Information and Communication Technology Equipment	34,157,911.90	24,840,727.71	25,598,227.71
Communication Equipment	517,823.00	539,823.00	539,823.00
Total	36,977,068.90	27,710,589.71	28,468,089.71

4. Non-maintenance of Property Plant and Equipment Ledger Cards by the Accounting Section, in violation of Section 42, Chapter 10 of the GAM

Inquiry with the Accounting Section of the PPELC disclosed that such were not prepared and maintained by them.

5. The Inventory Committee's Chairman and Members did not participate in the physical count of PPEs.

The Division Inventory Committee for the CY 2020 was created through a Division Memorandum dated January 10, 2020. The memorandum designated the following personnel:



**DIVISION INVENTORY COMMITTEE
FY 2020**

Team Leader:	Ruth F. Ursolino, AD V
Regular Member:	Ivy A. Palomo, EPS II-HRD
Provisional Members:	
ICT	Anan Alme T. Abetayo, IT Officer I
Infrastructure	Engr. Roque D. Malenguis, Engineer III
Unserviceable Goods	Jeffrey D. Santiago, Librarian II
Vehicle	Ryan Manuel H. Castillo, ADA IV
Supplies and Other Equipment	Ross Chito G. Palo, PSDS
Alternate	Edward Mark Bautista, SEPS-HRD Jecson Ojalica, PDO II-LRMS

DR. JOSEPHINE L. FADUL
Schools Division Superintendent

However, as observed during the conduct of the physical count, none of the above-enumerated Members were present, thereby showing non-compliance with the Division Memorandum and disregard of their functions/duties as members of the Inventory Committee. Only Mr. Jobert Ramos and Mr. John Kenneth Ramos, both Supply Section staff, were the Division personnel who conducted the physical count of PPEs.

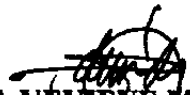
The conditions noted above—were the result of Management’s failure to follow appropriate rules and procedures to ascertain the existence of the PPEs of the Division. Also, the failure to conduct reconciliation between the Property Records and the Accounting Records hindered the Agency to identify any difference or variance which may be corrected accordingly. Thus, the accuracy and correctness of the Property, Plant and Equipment accounts reflected in the financial statements as at December 31, 2020 is doubtful and unreliable.


We recommend that the Management:

- a. **Direct the Inventory Committee to submit explanation on the:**
 - **non-participation on the physical count of PPEs; and**
 - **unreliable balances in the RPCPPE due to partial/non-conduct of physical count of all the PPEs.**

- b. Require the Inventory Committee to carefully plan the conduct of the physical count and ensure that the list of properties to be physically counted is complete and reliable. Also, the reconciliation of balances must be regularly made to avoid any discrepancies in the reports;**
- c. Direct the Accountant to prepare and maintain the Property, Plant and Equipment Ledger Cards;**
- d. Direct the Property Officer to prepare and maintain the lacking Property Cards of other PPE accounts and ensure the correctness of its balances;**
- e. Direct the Accountant and Property Officer to reconcile the discrepancies of their respective PPE balances.**

May we have your comments on the foregoing audit observations within five (5) calendar days from receipt hereof.


DYNNA VEVEENE M. CONDE
 State Auditor III
 OIC-Audit Team Leader


RITA ANGELYN T. TORINO
 State Auditor IV
 OIC-Regional Supervising Auditor

Proof of Receipt of AOM No. 2021-016 dated February 28, 2021

Name	Position/Designation	Date Received	Signature
Dr. Josephine L. Fadul	SDS		
Ruth E. Ursolino	Division Inventory Committee Team Leader-Designate		
Hilda J. Hildawa	Supply/Property Officer- Designate		
Carlo U. Gonzales	Accountant III		