



Republic of the Philippines  
**DEPARTMENT OF FINANCE**  
Roxas Boulevard Corner Pablo Ocampo, Sr. Street  
Manila 1004



08 August 2024

**MS. MARIA THERESA S. YAMBAO**

Director IV

Cluster 2 – Oversight and Public Debt Management Agencies

National Government Sector

Commission on Audit (COA)

Quezon City



**Thru: MS. ANGELITA C. LOMENTIGAR**

OIC – Supervising Auditor

DOF Audit Group

Dear **Director YAMBAO**:

Pursuant to Section 99 of the General Provisions of the General Appropriations Act of FY 2023 (Republic Act No. 11936), we are submitting herewith the management comments and actions taken on the audit observations and recommendations contained in the Annual Audit Report (AAR) of the Department of Finance – Office of the Secretary (DOF-OSEC) for the CY 2023. Attached are the duly accomplished Agency Plan and Status of Implementation (AAPSI) required per COA Memorandum No. 2014-002 dated 18 March 2014, and its supporting documents.

The DOF will comply and continue to pursue actions to implement the audit observations where the COA made recommendations for management's action including those from prior years' audit observations.

We hope the foregoing satisfies your requirements.

Thank you.

Very truly yours,

**NIÑO RAYMOND B. ALVINA**

OIC Undersecretary

Copy furnished: *Department of Budget and Management (DBM)*  
*Speaker of the House of Representatives*  
*President of the Senate of the Philippines*  
*House Committee on Appropriations*  
*Senate Committee on Finance*



**DEPARTMENT OF FINANCE**  
**AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION**  
For the Calendar Year 2023



6<sup>th</sup> Floor, DOF Building, BSP Complex, Roxas Boulevard, Manila

### Audit Observations and Recommendations

For the Calendar Year 2023

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					From	To			
	Equipment (RPCPPE), respectively, and unreconciled discrepancies between the books and the RPCPPE and related records/reports, among others, cast doubt on the existence and accuracy of the affected asset accounts balances.								
	a. <i>Non-recording of deliveries of semi-expendable properties in the SPC</i>	Management agreed to instruct the Procurement Management Division to promptly forward copies of Inspection Acceptance Reports, Purchase Orders and Delivery Receipts for delivered procurements to General Services Division (GSD) for timely recording in the SPCs of the deliveries.		<ul style="list-style-type: none"><li>• General Services Division</li><li>• Procurement Management Division</li></ul>			Implemented		<p>The Accounting Division (AD) has prepared various JEVs for the recording deliveries of semi-expendable properties (Annex B):</p> <ol style="list-style-type: none"><li>1. 2024-01-000582 dated 31 January 2024</li><li>2. 2024-01-00580 dated 26 January 2024</li></ol> <p>Moreover, as clarified at the Exit Conference, the PMD during the delivery of the items has already furnished the GSD and TPI of the copies of the IAR and Delivery Receipt/Sales Invoice.</p> <p>Likewise, in coordination/consultation with the PMD, the GSD employee in charge of</p>

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									the processing of documents for delivered items was instructed to immediately submit to the GSD's Stocking, Storage, and Disposal Section the OR, DR, IAR, Sales Invoice, and other pertinent documents for timely recording of procured assets and the immediate issuance of PAR and ICS.
	<i>b. Unrecorded and unmonitored PPE and intangible assets in the property records</i>	Management agreed to instruct the GSD to:  (a) maintain Property Cards for the RFID readers;  (b) assign them with property numbers, and issue the corresponding Property Acknowledgment Receipts;  (c) reconcile the records with Accounting Division (AD) to facilitate the recognition of the PPE and intangible assets in the books of accounts; and  (d) henceforth, include all existing PPE in the RPCPPE.		<ul style="list-style-type: none"><li>• General Services Division</li><li>• Accounting Division</li></ul>			Implemented  Implemented  Implemented  Implemented		RFID readers were already recorded in the GSD's Asset Registry and the corresponding PAR was issued to the accountable officer (Attached in Annex C).  The said asset is now reconciled with AD's Book of Accounts per attached JEV Nos. 2023-12-007013 and 2023-12-007015, dated December 29, 2023 (Annex D).
	<i>c. Unreconciled balances of PPE accounts per books and per RPCPPE</i>	Management agreed to:  (a) instruct the concerned accountable officers/employees to present the		<ul style="list-style-type: none"><li>• General Services Division</li></ul>			Ongoing		Through the continuous effort of GSD, in coordination

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		unaccounted PPEs for proper accounting by the GSD and the AD; and  (b) direct the AD and GSD to reconcile their records and make necessary adjustments to reflect the correct balance of the PPE accounts.		• Accounting Division			Ongoing		with the accountable employees, five (5) assets were able to be located and presented to GSD with a total cost of ₱702,962.20. The list of assets presented (Exhibited in Annex E) will be submitted to AD for recording and reconciliation.  The AD will make necessary adjustments and record to the books all the unaccounted properties once the GSD officially transmitted the list.
AAR 2023 Pages 48-50	3. The cash advances (CAs) granted to Petty Cash Fund Custodians (PCFCs) were 59 to 88 percent more than the amount needed for the recurring expenses of their offices, and the delayed liquidation of CAs ranging from 15 to 157 days from the time CA should have been liquidated, exposed excess funds to the risks of loss and/or misuse, and did not enable funds to be used for other programs, activities and projects of the agency.								

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	<i>a. Excessive grant of Petty Cash Fund (PCF) – ₱900,000.00</i>	Management agreed to review the amount of PCFs to be granted based on the average monthly disbursements so that excess funds in the hands of the PCFCs could be avoided.		<ul style="list-style-type: none"><li>• GSD - ₱500,000.00</li><li>• PMD - ₱100,000.00</li><li>• PRLO - ₱100,000.00</li><li>• Office of the Secretary - ₱200,000.00</li></ul>			Implemented		<ul style="list-style-type: none"><li>• GSD - ₱500,000.00 The GSD has already closed the ₱500,000.00 Petty Cash Fund last April 2023 in line with the implementation of the Government Purchase Card (GPC) last 20 February 2023. Attached is JEV No. 2023-11-005634 (Annex F) for the closing of PCF of GSD.</li><li>• PMD - ₱100,000.00 The PMD shall retain/ maintain the amount of the PCF to accommodate the requirements of the various DOF Offices for transactions such as, but not limited to, Non Common-Used Supplies and Equipment (Non-CSE) and emergency purchases.</li></ul>

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									<ul style="list-style-type: none"><li>PRLO P100,000.00 The PRLO PCF is sufficient for the Office's recurring petty operating expenses for one month, taking into consideration the continuous nature of the operating expenses vis-a-vis the time lag involved in the liquidation and replenishment process. We stress that the PRLO PCF balance does not represent "excess" and does not stay idle, precisely because the costs the fund is supposed to defray are, in fact, recurring. It is worth noting that the PRLO PCF has been, to date, operative for just less than a year, about two months of which are covered by the CY 2023 COA AAR. We submit the</li></ul>



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									<p>this short period does not provide adequate basis for a fair assessment of the PCF's supposed excessiveness. Attached in Annex G the detailed response of the PRLO.</p> <ul style="list-style-type: none"><li>• Office of the Secretary - P200,000.00 The amount was intended to cover expenses for fuel of the assigned government motor vehicles, meals for operational meetings and other meetings, toll fees, emergency purchases of supplies, and other miscellaneous expenses of the Office of the Secretary (OSEC). While the average monthly expenses remain comfortably below 50% of the cash advance, w</li></ul>

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									<p>recognize that the replenishment process can be time-consuming. To mitigate this, the PCF Custodian actively improves the cash allocation strategies. By better managing these processes, we aim to ensure the timely availability of funds, minimizing instances where payments for expenses are delayed due to temporary fund shortages.</p> <p>Considering the above, the cash P200,000.00 for OSEC PCF is fully utilized and liquidation is conducted regularly.</p>
	<i>b. CAs for specific activities not liquidated within the prescribed period and at year-end, and excess funds not refunded as at year-end</i>	Management agreed to: (a) require the Special Disbursing Officers (SDOs) to liquidate their CAs within the prescribed period to facilitate reporting of the expenses in the correct reporting period; and		• Accounting Division			Implemented		The AD continuously reminds the SDOs to liquidate/refund their Cash Advances within the timely reporting of the expenses.

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		(b) require the AD to monitor the CAs, and demand from the SDOs concerned the immediate liquidation/refund of CAs in case of delayed liquidation.					Implemented		Attached in Annex H are the copies of letters.
AAR 2023 Pages 50-51	4. Non-preparation of the Report of Semi-Expendable Property Issued (RSPI) by the GSD for the issuance of semi-expendable properties had not substantiated the completeness and accuracy of issued semi-expendable properties as at December 31, 2023.	Management agreed to:		• General Services Division			Implemented		In compliance, the GSD started submitting to AD RSPI (Annex I), on a weekly basis starting on May 2024.
		(a) instruct the GSD to regularly prepare the RSPIs to monitor the completeness of semi-expendable properties issued;					Implemented		
		(b) direct the Accountant to use the RSPIs in the preparation of JEV for all issued semi-expendable properties; and  (c) henceforth, require the GSD and AD to comply with Section 4.7 of COA Circular No. 2022-004.					Implemented		
AAR 2023 Pages 51-52	5. Procured RFID readers already installed remained unutilized and non-operational as at December 31, 2023 due to the non-readiness of the DOF to utilize the same, thus was not able to maximize its usage and had not served its purpose/objectives upon procurement.	Management agreed to instruct the GSD to:		• General Services Division			Ongoing		The guidelines on the use of the RFID reader are currently being revised and the final version will be submitted to OIC Usec. Alvina for endorsement to the Secretary of Finance. The target implementation is 4th quarter of this year.
		(a) fast track the: (i) preparation of the guidelines in the use of the RFID readers; (ii) tagging of properties to align with the RFID readers; and  (b) henceforth, ensure readiness in the utilization/operation of procured properties to avoid delays in the utilization and thereby maximizing the usability of the procured properties.					Ongoing		

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Prior Year's									
AAR CY 2022 Page 56	6.The existence, completeness and accuracy of the balances of several assets, liabilities, equity and expense accounts were not ascertained due to discrepancies between the books and related records/ reports, and non-compliance with accounting standards and other issuances, among others.  a. <i>Existence of negative SL balances of Due to BIR - ₱89,711.46 and Due to Pag-IBIG - ₱19,463.86</i>	Management agreed to require the Chief Accountant, AD to analyze and reconcile records relative to the negative SL balances of <i>Due to BIR</i> and <i>Due to Pag-IBIG</i> ; and to effect adjustments as necessary to reflect the correct balances of the accounts as of the end of reporting period.		• Accounting Division			Implemented as validated by COA		The balance of Due to BIR and Due to Pag-IBIG has been reconciled.
AAR CY 2022 Pages 57-59	7.Non-remittance of dividends of ₱1.694 billion by 18 Government Owned or Controlled Corporations (GOCCs) for Dividend Years (DYs) 2019 to 2021, and non-assessment of estimated penalties for non/late remittance of dividends within the prescribed period amounting ₱31,813 million and ₱448,664 million, respectively, thereby depriving the government of the much needed fund for its operations.								



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	<i>a. Non-assessment of penalties for non-remittance and/or late remittances of dividends by GOCCs for DIs 2019-2021</i>	Management agreed to direct the Director, CAG to:  (a) assess penalty as necessary and bill the GOCCs of the penalty due;  (b) furnish the Bureau of the Treasury (BTr) a copy of the bill for penalty for recognition of the receivables in the BTr books and monitoring of collections; and  (c) monitor collections of the penalty.		• Corporate Affairs and Strategic Infrastructure Group (former Corporate Affairs Group)			Implemented, subject to COA validation  Implemented, subject to COA validation  Implemented, subject to COA validation		The DOF discussed with Bureau of the Treasury (BTr) and COA the assessment of penalty under the Dividend Law IRR and reiterated that the enforcement of compliance on dividend payment was already addressed under the GCG guidelines for eligibility of granting PBBs. It is to be noted that majority of the GOCCs under the COA audit observation have already remitted dividends to BTr. The remaining GOCCs with outstanding dividends may have financial and/or legal constraints, such as, those under abolition.
AAR CY 2022 Pages 60-63	8. Outdated fees and charges imposed on tax exemption applications under DOF Department Order (DO) No. 54-2000 dated December 13, 2000 had not enabled the recovery of the cost of services rendered thereby straining the government's resources and precluding the sharing with the	Management agreed to facilitate the creation of a Committee to conduct careful study and evaluation of fees and charges in the processing of tax exemption applications and consider to: (a) impose filing fees on tax exemption applications processed under the Customs and Tariff Division (CTD) as necessary; and	Graduated table of existing rates of filing fees under the Mabuhay Lane and expand the coverage of	• Revenue Office  • DOF Revision of Fees Committee	June 2023	4th Quarter of 2024	Implemented		The DOF implemented the Reconstitution of the DOF Revision of Fees Committee pursuant to Department Order 013.2023 dated 07 March 2023.

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	end-users of the cost of providing such services.	(b) impose new fees and charges as necessary.	filing fees to the CTD.				Implemented		<p>The Committee convened last 07 June 2023 and deliberated on action steps to take to review and get public opinion on the review of filing fees.</p> <p>A memorandum by the Secretary of Finance dated 05 October 2023 approved the conduct of at least three (3) separate public hearings, as required by Administrative Order 31 s. 2012 and DOF-DBM-NEDA Joint Circular No. 1 Series of 2023.</p> <p>Three (3) separate public hearings were conducted for the purpose, as follows:</p> <ol style="list-style-type: none"><li>1. 12 December 2023</li><li>2. 28 February 2024 and</li><li>3. 27 June 2024</li></ol> <p>Attached in Annex J are the minutes of the public hearings that were conducted.</p>

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									A memorandum has been prepared for the Secretary's approval of the Department Order on the New Filing Fee in the Revenue Office.

Agency sign-off:



NIÑO RAYMOND B. ALVINA

OIC Undersecretary

Policy Development and Management Services Group

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Date