



AUG 04 2014

Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
Manila

097.13 DPWH
08-07-2014

DEPARTMENT ORDER)

NO. **85**)

Series of 2014)

SUBJECT: Reiteration on the Strict Adherence to the Implementing Rules and Regulations (IRR) of Republic Act 9184 (RA 9184) and existing Department Orders on the Procurement of Contracts for Civil Works Projects, Goods and Consultancy Services

The Internal Audit Service had reported through its Internal Audit Report for the 2nd Semester of 2013 (Annex "A"), that the most significant audit findings/observations in terms of seriousness and/or frequency of violations against the IRR of RA 9184 and existing Department Orders are in the bidding process, planning and programming and contract management, to wit:

- 1) Non-preparation of PPMP and APP for civil works and goods;
- 2) Observers not invited on all stages of procurement;
- 3) Notice to Proceed (NTP) issued beyond the prescribed period;
- 4) Resolution Recommending Award and Notice of Award not prepared;
- 5) Notice of bid result not issued to losing bidders;
- 6) NOA, NTP and approved contract not posted in the website;
- 7) Non verification of bidders' pledge equipment;
- 8) Insufficient validity period of Performance Security;
- 9) Signatures on BAC documents not dated;
- 10) PERT/CPM not prepared; and
- 11) Contractor's Construction Safety & Health Program not approved by DOLE.

Some of these findings/observations were also reported by the Commission on Audit (COA) on its Special Audit Report on the implementation of projects by DPWH in 2009-2010 wherein Memorandum dated June 20, 2014 was issued to serve as strong warning to all to ensure that the projects are strictly implemented in accordance with the rules and regulations, plans and specifications (Annex "B").

In view of such adverse audit findings/observations, all officials/employees involved in procurement and in the processing and approval of contracts are hereby mandated to ensure:

1. strict adherence to the rules and regulations, and existing Department Orders relative to procurement of contracts;
2. that no member of the Bids and Awards Committee and its Secretariat/Technical Working Group shall be designated without completing a training course on RA 9184 and its IRR and no Job Order (JO) personnel shall be a member of the TWG; and
3. that monitoring on compliance of this directive shall be under the responsibility of the Procurement Service.

All erring officials and employees found to have failed to comply with the rules and regulations, and existing policies on procurement shall be subject to administrative sanctions in accordance with the Civil Service Rules and Procedures.

This Order shall take effect immediately.


ROGELIO L. SINGSON
Secretary

Department of Public Works and Highways
Office of the Secretary



Encls: IAS Audit Report for the 2nd Semester of 2013
Memorandum dated June 20, 2014

4.7 EDY/NEP/JAP

FOR MANCOM

- 1) For discussion & course of action to address common violations
- 2) IAS recommendations.

Pls photo copy &
give MANCOM
members copy for
discussion on
Monday. ✓

3

Key Audit Findings, Observations and Recommendations

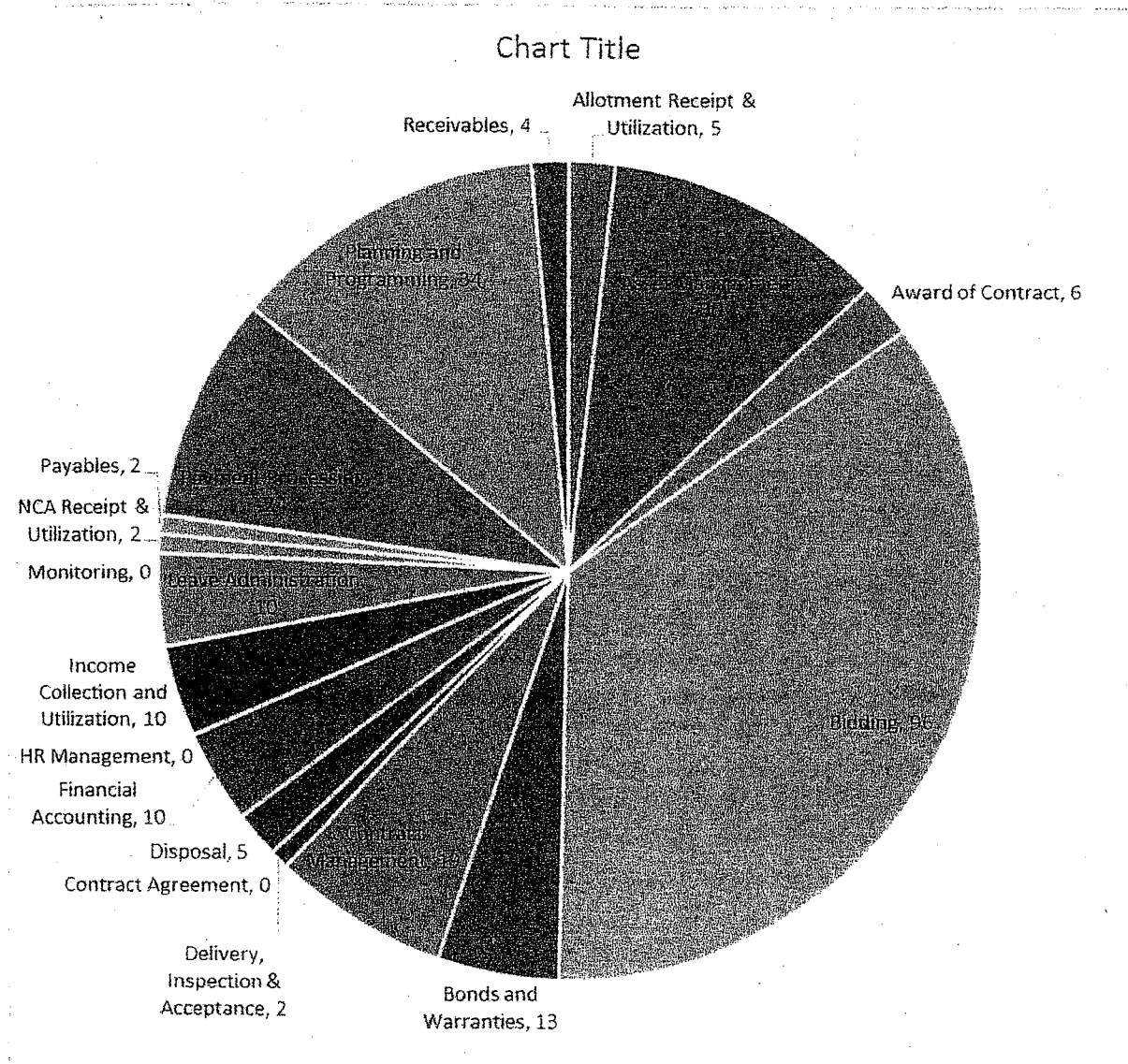
16. Based on the Summary of Audit Findings/Observations (Appendix 6.4), IAS has identified 272 audit findings/observations from the 12 regular audits conducted during the 2nd semester of CY 2013.

3.1 Audit Findings/Observations – By Area/Process

17. The audit findings/observations were sorted out by areas/processes with the corresponding data from the 1st and 2nd semesters of CY 2013 and full years of CY 2010, 2011 & 2012 audits as follows:

Table 2 - Frequency of violations per Audit Area

Area/Process	Total Number of Audit Findings/Observations				
	CY 2013 2 nd SEM.	CY 2013 1 st SEM.	CY 2012 TOTAL	CY 2011 TOTAL	CY 2010 TOTAL
Allotment Receipt & Utilization	5	13	47	24	13
Asset Management	30	44	101	90	55
Award of Contract	6	16	39	0	0
Bidding	96	151	332	386	235
Bonds and Warranties	13	18	20	10	0
Contract Management	19	33	81	58	63
Contract Agreement	0	0	4	0	0
Delivery, Inspection & Acceptance	2	13	46	44	17
Disposal	5	0	10	13	0
Financial Accounting	10	12	27	19	13
HR Management	0	0	0	0	1
Income Collection and Utilization	10	17	51	22	0
Leave Administration	10	19	31	43	41
Monitoring	0	0	0	13	28
NCA Receipt & Utilization	2	3	8	13	1
Payables	2	1	3	2	11
Payment Processing	24	52	122	115	51
Planning and Programming	34	57	142	177	105
Receivables	4	16	33	24	21
Total	272	465	1,097	1,053	654



18. Based on the number of audit findings/observations for the 1st and 2nd semesters of CY 2013 and full years of CY 2012, 2011 & 2010, bidding and planning and programming were consistently in the 1st and 2nd ranks among all the audit areas/process.
19. For the 2nd semester of CY 2013, the most significant audit findings/observations in terms of seriousness and/or frequency which should be given utmost importance is in the bidding process and planning and programming wherein:
- Observers not invited on all stages of procurement;
 - Notice to Proceed (NTP) issued beyond the prescribed period
 - Resolution Recommending Award and Notice of Award not prepared;
 - Notice of bid result not issued to losing bidders;
 - Non verification of bidder's pledge equipment;
 - Signatures on BAC documents not dated; and
 - PERT/CPM not prepared.

20. Prevalent audit findings/observations are also noted in the areas of planning and programming, bidding and contract management to wit:

1. Non-preparation of PPMP and APP for civil works and goods
2. NOA, NTP and approved contract not posted in the website
3. Insufficient validity period of Performance Security
4. Losing bidders not notified on the bidding results
5. Contractor's Construction Safety & Health Program not approved by DOLE

3.2 Criteria for Audit Findings/Observations (laws, regulations and standards that have been violated)

21. Section 1.3, Part II Practices of the draft PGIAM sets out the detailed guidelines in preparing draft audit reports. One of these is the identification of criteria or standards that apply to each of the audit findings/recommendations.
22. Since the major focus of internal audit is compliance, the audit findings/observations have been based on the Implementing Rules and Regulations of the Government Procurement Act (RA 9184), General Appropriations Act FY 2012 to FY 2013, Departmental Orders, COA Circulars, etc. that have been violated. For each of these audit findings/observations, the relevant criteria are mapped against each audit finding.
23. The specific provisions or criteria that have been violated and their occurrence are tabulated/summarized below:

Table 3 – Frequency of Violations per Criteria

Criteria (Phil. Laws, etc)	Total Number of Violations
Revised IRR of RA 9184	111
DPWH Department Order	57
NGAS Vol. I	1
NGAS Vol. II	21
General Appropriations Act	9
COA Circular	14
DBM Circular	6
DPWH Memo Circular	12
DPWH Memorandum	10
GAAM Vol. I	15
GAAM Vol. II	2
GAAM Vol. III	9
Chapter II COA-PTTAF	2

P.D. No. 1445	10
P.D. 1177	1
Executive Order No. 292	12
Ministry Order	1
Letter of Instruction No. 968	1
National Internal Revenue Code	1
BIR Revenue Regulation	2
Contract Agreement/MOA	4
LTO Traffic Code Manual	3
Terms of Reference (TOR)	1
Total	305

24. Based on Table 3, the criteria most commonly violated in terms of hierarchy are RA 9184, DPWH Department Orders and NGAS Vol. II.

3.3 Key Audit Findings/Observations

25. Based on the herein given samples of audit findings and violations of the field offices, it is of utmost priority that IAS must focus on the key control deficiencies in bidding more effectively in all audit engagements to ensure that audit programs/procedures are followed (See Appendix 6.5)

3.4 Key Audit Recommendations

26. The key audit recommendations for the 2nd semester of CY 2013 that should be given due attention are:

- ✓ a) Imposition of sanctions to erring officials/employees with critical violations;
- ✓ b) Re-training/workshop seminars in RA 9184; and
- ✓ c) Reiteration of strict adherence to rules and regulations.

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Status of Audit Recommendations

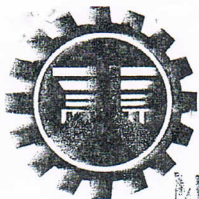
27. As reported to WB per transmittal letter dated November 9, 2012 signed by USEC Rafael Yabut, IAS has identified 465 audit findings with the same number of recommendations from 25 regular audits undertaken in the 1st Semester CY 2013 from DPWH Regional Office and District Engineering Offices.
28. To date, all 37 audit reports of regular audits for CY 2013 have been finalized and approved by Secretary.
29. A total of 727 audit findings/observations were noted with a total 730 audit recommendations during the review of the final audit reports for CY 2013. (see *breakdown on Table 4*).
30. Based on the analysis or actual count of the total number of findings/observations is not equal to the number of recommendations. There are cases that a single finding has more than 2 recommendations, this is because there are audit findings violating several criteria/policies, hence, more recommendations are indicated.
31. All (37) auditees have fully complied with all audit recommendations and outstanding recommendations are being monitored regularly until all recommendations have been fully complied with.
32. Table 4 illustrates the status of implementation of audit recommendations per auditee. It is pleasing to note the high percentage (100%) of recommendations that have already been implemented for CY 2013 audits. Results of these have proven to strengthen internal controls within the offices audited.

Table 4 – Status of CY 2013 Audit Recommendations

Name of Offices	Total No. of Audit Findings	Audit Recommendations				
		Total	Implemented	%	Outstanding	%
NRIMP2 (8 th Sem.)	3	3	3	100	0	0
Rizal 2 nd DEO	12	12	12	100	0	0
Quezon City 2 nd DEO	37	37	37	100	0	0
Metro Manila 1 st DEO	20	20	20	100	0	0
Metro Manila 3 rd DEO	23	23	23	100	0	0
Ifugao 1 st DEO	29	29	29	100	0	0
Bataan 1 st DEO	11	11	11	100	0	0
Regional Office III	14	14	14	100	0	0
Bataan 2 nd DEO, Limay	15	15	15	100	0	0
Billiran DEO	16	16	16	100	0	0
Zambales 1 st DEO, Iba	16	16	16	100	0	0

Southern Leyte, Maasin	14	14	14	100	0	0
Samar 1 st DEO, Calbayog	16	16	16	100	0	0
Leyte 2 nd DEO, Carigara	22	22	22	100	0	0
Palawan 3 rd DEO, P. Princesa	19	19	19	100	0	0
Palawan 1 st , Roxas	29	29	29	100	0	0
Davao Oriental 2 nd DEO, Mati	11	11	11	100	0	0
Cebu 6 th DEO, Mandaue	18	18	18	100	0	0
Negros Occ. 1 st DEO, Talisay	22	22	22	100	0	0
Negros Or. 1 st DEO, Guinhulman	40	40	40	100	0	0
Bohol 3 rd DEO, Guindulman	12	12	12	100	0	0
Negros Or. 3 rd DEO, Siaton	20	20	20	100	0	0
Lanao del Norte 1 st DEO	11	12	12	100	0	0
Bukidnon 2 nd DEO	22	22	22	100	0	0
Misamis Occidental 2 nd DEO	29	30	30	100	0	0
Sultan Kudarat 2 nd DEO	14	14	14	100	0	0
Camarines Norte DEO	17	17	17	100	0	0
Sorsogon 2 nd DEO	23	23	23	100	0	0
Albay 3 rd DEO	28	28	28	100	0	0
Masbate 3 rd DEO	27	27	27	100	0	0
Eastern Samar DEO	36	36	36	100	0	0
Butuan City DEO	18	19	19	100	0	0
Dinagat Island DEO	16	16	16	100	0	0
Isabela 4 th DEO	17	17	17	100	0	0
Cagayan 1 st DEO	16	16	16	100	0	0
Paragasihan 2 nd DEO	24	24	24	100	0	0
NRIMP2 (9 th Sem)	10	10	10	100	0	0
Total	727	730	730	100	0	0

33. Part of the audit process of IAS is the monitoring of the status of audit recommendations. Implementation of Recommendations Progress Report (IRPR) form was devised to monitor auditee's compliance to IAS recommendations.
34. IAS is committed to fulfill its mandate of providing reasonable assurance for a stronger DPWH internal control system, which is important in achieving the new administration's pursuit of honest and effective governance, particularly transparency and optimum use of financial and other resources.



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JUN 20 2014

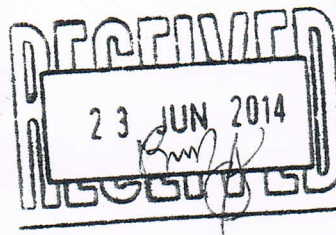
MEMORANDUM

**TO ALL: Regional Directors/District Engineers
Project Directors/Project Managers
This Department**

**SUBJECT: SPECIAL AUDIT CONDUCTED ON INFRASTRUCTURE PROJECTS
(2009-2010) IMPLEMENTED BY SELECTED CONTRACTORS OF
DPWH**

The COA Special Audit Report yielded several findings which I want to highlight, among others, in the implementation of projects by DPWH in 2009-2010:


1. Project not supported by SAROs for change of location and/or modification
2. Project funded from DPWH savings without appropriate realignment authority
3. Appropriation codes not identifiable in the GAA and ABM
4. Multiple contracts that grossly exceeded contractors' NFCC
5. Assigning the same set of equipment and personnel to multiple, simultaneous projects
6. Delayed/substandard/poorly supervised/poorly implemented projects
7. Payment of bid documents were made AFTER submission of bids
8. Contract/Bidding deficiencies
 - a. No POW, Plans/Drawings/Specs/ABC
 - b. No contract duration/procurement schedule/timelines
 - c. No warranty/bid security (or for another project)
 - d. No proof of posting of ITB, Philgeps, Agency Website
 - e. Bids not opened immediately after deadline
 - f. No Minutes of Bidding and post qualifications
 - g. No representative from Private sector, NGOs and COA
 - h. No BAC Resolution declaring Lowest Calculated Bid
 - i. Approval of Head of Entity undated; also Notice of Award, Performance Bond
 - j. No proof "losing bidders" were notified
9. Unauthorized signatories to contracts (contracts signed by BAC Chair)
10. Level of Signing Authorities prescribed exceeded
11. Contracts were split to fall within signing authorities
12. No inspection conducted after project completion and defects liability period
13. Unstamped and unnotarized Bank Guarantee and denied by the Bank
14. Surety Bond replacing Retention Money was effective for less than 1 year
15. No warranty security required
16. Certificate of Acceptance issued immediately upon completion of project instead of end of one year from completion
17. Noted defects by QAU remained uncorrected even as Contractor/s have been paid 98% of contract price and surety bonds have expired
18. Excessive contract costs per COA Technical Review

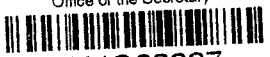


19. Excessive quantities of materials used/procured (i.e. Chevron, metal guardrails, railings, road signs)
20. Non-disposal of waste material – dredged materials merely dumped by river bank
21. Incompleteness of projects

Proper sanctions will be meted to erring Contractors and DPWH personnel subject to due process and validation.

Let this serve as a strong warning to all to ensure that the Projects are strictly implemented in accordance with rules and regulations and plans and specifications.


ROGELIO L. SINGSON
Secretary

Department of Public Works and Highways
Office of the Secretary

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All Undersecretaries/Assistant Secretaries