



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

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DEPARTMENT ORDER)

**SUBJECT : Guidelines and Procedures on the
Audit of Approved Variation Order
and Time Variance**

NO. 102)

Series of 2022 At 6/9/2022)

In line with the Department's Quality Policy to implement projects at the right cost and time, and in order to ensure compliance with existing laws, rules and regulations, and policies, particularly D.O. 42, Series of 2020 and D.O. 45, Series of 2020, as well as to improve the capability and performance of the DPWH Implementing Offices, the Guidelines and Procedures on the Audit of Variation Order and Time Variance, hereto attached as Annex 1, is hereby issued for the annual assessment of DPWH field offices.

To ensure continuous and proper implementation, the Bureau of Construction (BOC) is hereby designated to conduct the annual audit of DPWH Implementing Offices.

This Order shall take effect immediately.

ROGER G. MERCADO

Acting Secretary

Department of Public Works and Highways
Office of the Secretary



WIN2W02179

6.1.AMD/MLC

Guidelines and Procedures on the Audit of Approved Variation Order and Time Variance

1.0 SCOPE AND APPLICATION

This guidelines and procedures shall be applicable only for the audit of civil works projects with approved Variation Order (VO) and Time Variance (TV) (TV refers to Contract Time Extension, Work Suspension Order, Continuance of Work Suspension Order, and Work Resumption Order) implemented by the Unified Project Management Offices (UPMOs), Bureaus, Regional Offices (ROs), and District Engineering Offices (DEOs).

2.0 GUIDELINES

2.1 Areas to be Audited

The following are the areas and aspects to be audited:

2.1.1 Conformance with Existing Laws and Department Orders

2.1.1.1 Republic Act 9184 and its 2016 Revised Implementing Rules and Regulations

The preparation and approval of all VOs and TVs shall conform with the provisions set forth in this law.

This covers the utilization of DPWH issuances relevant to Variation Orders and Time Variances (or as amended) stipulating guidelines, procedures, applicability and limitations of provisions therein, such as, but not limited to the following:

2.1.1.2 D.O. 11, Series of 2021 – Implementation of the Document Tracking System (DoTS) for Civil Works Projects

2.1.1.3 D.O. 45, Series of 2020 – Clarification on the Limits of Authority of Regional Directors and District Engineers in the Approval of Variation Orders and Construction Schedule (PERT-CPM/PDM)

2.1.1.4 D.O. 42, Series of 2020 – Approval of Work Suspension Order, Work Resumption Order, and Contract Time Extension for Civil Works Project

2.1.1.5 D.O. 66, Series of 2017 – Condition as to When “As-Built” Plan can be Used as Reason for Final Variation Order

2.1.1.6 D.O. 28, Series of 2015 – Specific Guidelines to Manage and Control Variation Orders for DPWH Infrastructure Contracts

- 2.1.1.7 D.O. 47, Series of 2012 – Authority to Approve Variation Order Covering Additional Scope of Works Utilizing Savings for Locally-Funded Projects
- 2.1.1.8 D.O. 62, Series of 1998 – Prescribing Guidelines for the Preparation, Processing, and Approval of Variation Order and "As-Staked" Plans
- 2.1.1.9 D.O. 133, Series of 2015 – Adoption of Precedence Diagram Method (PDM) as Project Scheduling Technique in DPWH Projects
- 2.1.1.10 Fédération Internationale Des Ingénieurs-Conseils (FIDIC)
- 2.1.1.11 General Conditions of Contract (GCC) / Conditions of Particular Application (COPA) / Special Conditions of Contract (SCC)
- 2.1.1.12 Section 85 of Presidential Decree No. 1445
- 2.1.1.13 Other Applicable Existing Guidelines and latest issuances as well as D.O.s affecting the review and processing of VOs and TVs shall also be covered by this Guidelines and Procedures

2.1.2 Appropriateness/Correctness of Approved Variation Order and Time Variance

This refers to the technical aspect of the audit for approved VOs and TVs which includes checking of the appropriateness of the unit costs utilized in the computation of the approved Variation Order and the extension of contract time granted due to the additional quantities, the computation of the contract time extension, the correctness of the date of work suspension/resumption as shown in **Annexes "F", "G", "H", and "I"**.

For Variation Orders, this includes, but not limited to the following:

- 3.2.1.a Consistency of the Itemized Cost of Revision
- 3.2.1.b Correctness of the derivation of additional contract time
- 3.2.1.c The computation in the Detailed Quantity Calculation has no error
- 3.2.1.d The Variation Order conforms with the standard format
- 3.2.1.e The ICR conforms with the standard format
- 3.2.1.f The straight line diagram clearly shows the changes made in the VO, viz a viz, with the original scope of works

As for Contract Time Extension, the audit will focus in checking of the following, which includes, but not limited to:

- 3.2.2.a Correctness/appropriateness of Time Extension
- 3.2.2.b Consistency of the period of suspension in the Executive Summary

- with the approved WSO and WRO
- 3.2.2.c Duly signed Straight Line Diagram showing the milestone of the Project
- 3.2.2.d Duly signed Straight Line Diagram showing the critical activities of the project
- 3.2.2.e The Sworn Affidavit of Quit Claim is duly notarized, appropriate and corresponds to the project
- 3.2.2.f The letter request of the contractor is duly received, stamped, and recorded by the IO
- 3.2.2.g Specific requirements per conditions (**Annex "J-1 & J-2"**)

As for the Work Suspension Order/ Continuance of Work Suspension Order, the audit will focus in checking of the following, but not limited to:

- 3.2.3.a Appropriateness of the period of suspension/s
- 3.2.3.b The WSO was duly acknowledged by the contractor
- 3.2.3.c The letter request of the contractor is duly received, stamped, and recorded by the IO
- 3.2.3.d Duly signed Straight Line Diagram showing the milestone of the project
- 3.2.3.f Duly signed Straight Line Diagram showing the critical activities of the project
- 3.2.3.g Specific requirements per condition (**Annex "K-1" & "K-2"**)

As for the Work Resumption Order, the audit will focus in checking of the following, but not limited to:

- 3.2.3.a Appropriateness of the Resumption Order
- 3.2.3.b The letter request of the contractor is duly received, stamped, and recorded by the IO
- 3.2.3.c Specific requirements per conditions (**Annex "L-1" & "L-2"**)

2.1.3 Completeness of Documents on the Checklist of Requirements in the Document Tracking System (DoTS) for Civil Works

This pertains to the necessary documents listed in the checklist of the DoTS for Civil Works related request such as VO, CTE, WSO/CWSO, and WRO which are presented in **Annexes "M", "N", "O", and "P"**, of this guidelines and procedures, respectively. The checklist indicated in the aforementioned annexes will be checked in terms of the existence or non-existence of the documents except for requirements which are not applicable.

3.0 PROCEDURES

3.1 VARIATION ORDER AND TIME VARIANCE AUDIT TEAM (AUDIT TEAM) COMPOSITION AND ACTIVITIES

3.1.1 Audit Team Composition

3.1.1.1 Bureau of Construction (shall be endorsed by the Claims Review Division)

One (1) – Engineer III

One (1) – Engineer II

3.1.2 Pre-Audit Activities

3.1.2.1 Upon receipt of the BOC Director's directive to undertake Variation Order and Time Variance Audit on a specific IO, the Audit Team shall immediately prepare a memorandum addressed to the concerned RO/DEO/UPMO, to be signed by the BOC Director with the following contents:

- a. Advance information (at least three working days prior to first day of audit) regarding the schedule of audit to give ample time for the IO to arrange schedules and itinerary.
- b. Request for the UPMO, RO and/or DEO concerned to prepare all the necessary documents relative to the said audit.
- c. Shortlist of projects from where the team will randomly select projects to be audited.

3.1.2.2 The Chief of Claims Review Division shall conduct a pre-departure briefing to the Audit Team.

3.1.3 Audit Activities

3.1.3.1 Coordination Meeting at UPMO, Regional and/or District Engineering Offices

The Audit Team must coordinate with the head of the concerned IO - Project Director, Regional Director and/or District Engineers and/or any authorized representative and shall request the presence of the Chief of Division/Section in-charge in the review, evaluation, and processing of VO and TV.

3.1.3.2 Review/ Evaluation of Approved Variation Orders/ Time Variances

This covers the audit proper. The Audit Team must check/evaluate the approved VO and TV per audit area defined in Section 2.1 of this Guidelines.

3.1.3.3 Exit Conference

The Audit Team shall present the rating to the Head of Office or its authorized representative thru an exit conference to be conducted after the said audit. The Audit Team shall also discuss the conformities and non-conformities observed on the audited documents.

3.1.3.4 Preparation and Submission of Variation Order and Time Variance Audit Report

The Audit Team must establish findings and recommendations based on the facts and documents gathered. The following Audit Reports must be established:

3.1.3.4.1.1 Final Draft of Audit Report that should include the computation of ratings and corresponding recommendations, thoroughly checked by the Section Chief concerned and the Chief of Claims Review Division prior to submission to the BOC Director thru the Assistant Director, for review and perusal. Corresponding checklists shall be attached thereto.

3.1.3.4.1.2 Final Variation Order and Time Variance Audit Report to be submitted to the Undersecretary for Technical Services for information, together with the Memorandum to the concerned IO, for signature, informing their corresponding rating and appropriate measures for the noted defects/deficiencies.

3.1.4 Post-Audit Activities

Based on the Variation Order and Time Variance Audit Report, appropriate actions must be undertaken to implement the measures that will be given to the concerned IOs based on their final rating and the possible interventions in order to improve the IOs capability to process/ approve such documents.

3.1.4.1 Details on how to Improve the Performance of IOs / How to Eliminate Non-Compliance

The Audit Team shall undertake an analysis which will determine the root cause of the existence of the non-compliance to the applicable laws, rules, and regulations, committed by the concerned personnel of an implementing

office. Based on the result of such analysis, the Audit Team shall recommend appropriate actions that will improve the performance of IOs or a set of procedures that will eliminate the existence of such non-compliance committed by the IOs. These actions shall include workshops, trainings, seminars, which are configured based on the actual needs of the IO. Likewise, the Audit Team shall also explore other means to cater the needs of the IO in terms of perfecting the processing of requests for VOs and TVs.

3.1.4.2 Preventive Actions

The Undersecretary for Operations concerned, thru the recommendation of the Undersecretary for Technical Services, shall impose appropriate sanctions to the concerned personnel in the IOs that have been found to have major lapses in the preparation and approval of VOs and TVs.

3.1.4.3 Determination of Sanctions

OFFENSE OFFICIAL	1st Degree	2nd Degree	3rd Degree	4th Degree
ACTION OFFICERS <i>(Project Engineers/ Managers)</i>	Reprimand	3 months Suspension	6 months Suspension	1 year Suspension
DIVISION CHIEFS / SECTION CHIEFS	Reprimand	2 months Suspension	4 months Suspension	6 months Suspension
HEADS OF OFFICE <i>(DE/RD/PD and their assistants)</i>	Reprimand	1 month Suspension	2 months Suspension	3 months Suspension

The degree of offense is described hereunder and shall be applied whichever is applicable:

1 st Degree	7 (VO), 5 (TE), 4 (SO), 3 (RO) non-conformances with Existing Laws and Department Orders or a non-conformance score of 30 points
2 nd Degree	9 (VO), 6 (TE), 5 (SO), 4 (RO) non-conformances with Existing Laws and Department Orders or a non-conformance score of 45 points
3 rd Degree	11 (VO), 7 (TE), 6 (SO), 5 (RO) non-conformances with Existing Laws and Department Orders or a non-conformance score of 60 points
4 th Degree	13 (VO), 9 (TE), 7 (SO), 6 (RO) non-conformances with Existing Laws and Department Orders or a non-conformance score of 75 points

The highest degree committed among all the categories would be the corresponding sanction to be used.

The number of non-conformances shall be counted separately for each project category and is not accumulated across categories. The sanctions will be imposed in a per year basis.

3.1.5 Conduct of Audit During Extraordinary Circumstances/ Fortuitous Events

3.1.5.1 Upon receipt of the BOC Director's directive to undertake Variation Order and Time Variance Audit on a specific IO, the Audit Team shall immediately prepare a memorandum addressed to the concerned RO/DEO/UPMO, to be signed by the BOC Director with the following contents:

- a. Informing the IO regarding the schedule of audit and the virtual meeting details.
- b. Request for the UPMO, RO and/or DEO concerned to prepare scanned copies of all the necessary documents relative to the said audit to be sent to the email of the Audit Team.
- c. Shortlist of projects from where the team will randomly select projects to be audited.

3.1.5.2 The Audit proper activities will follow the same procedures. However, it shall be a virtual and document-based audit where only electronic copies of the requirements will be sent to the auditors and discussions with concerned IOs will be conducted through any web conferencing platforms (e.g. Zoom, Google Teams, Viber, etc.).

3.1.5.3 The same Post Audit activities will be followed.

3.2 PROJECTS TO BE AUDITED

3.2.1 Project Selection

3.2.1.1 The Audit Team shall select list of projects from the Project Monitoring Division based on the projects with approved VO/CTE/WSO/WRO as reported in the PCMA.

3.2.1.2 On-going and completed projects may be selected by the Audit Team for the current CY or the preceding CY infra program.

3.2.1.3 The Audit Team may audit the same project representing the approved VO, CTE, WSO, or WRO.

- 3.2.1.4 All infrastructure projects must be well represented and sorted per category: Category 1 – Roads; Category 2 – Bridges/Buildings/Flood Control and Drainage Structures.
- 3.2.1.5 From the shortlist, the Undersecretary for Technical Services shall select projects to be audited randomly per category.
- 3.2.1.6 The Chief of Claims Review Division shall only release the projects selected by the Undersecretary for Technical Services upon arrival of the Auditing Team on site.

3.2.2 Quantity of Contracts/ Projects to be Audited

- 3.2.2.1 For Regional Offices and District Engineering Offices implemented projects, the Audit Team shall evaluate the number of projects per categories listed in the table hereunder:

Project Category	Document Type	No. of Projects	
		RO	DEO
1 - Road	Variation Order	1	1
	Work Suspension Order	1	1
	Resumption Order	1	1
	Contract Time Extension	1	1
2 - Bridge/ Building/ Flood Control and Drainage Structure	Variation Order	1	1
	Work Suspension Order	1	1
	Resumption Order	1	1
	Contract Time Extension	1	1

- 3.2.2.2 For UPMO, the Audit Team shall evaluate two (2) approved VO, WSO, WRO, and CTE, for any project category.
- 3.2.2.3 In case that the UPMO/RO/DEO does not have any project/contract with approved Variation Order/Time Variance from any of the categories:
- 3.2.2.3.1 The Audit Team shall request for a certification duly signed by Head of Implementing Office that no project has an approved Variation Order/ Contract Time Extension / Work Suspension Order/ Work Resume Order at the time of audit.
- 3.2.2.3.2 The Audit Team shall request for project for any available category to compensate for the unavailable project category in order to perform the audit for the required minimum number of projects.

3.3 FREQUENCY AND DURATION OF VARIATION ORDER AND TIME VARIANCE AUDIT

3.3.1 Frequency of Audit

- 3.3.1.1 All UPMO, Regional and District Engineering Offices must be audited once a year; the schedule of audit is random and not fixed.
- 3.3.1.2 The Claims Review Division shall be responsible for the annual scheduling of audit ensuring that all of the UPMOs, ROs and DEOs will be audited once a year, for approval of the BOC Director.

3.3.2 Duration of Audit

- 3.3.2.1 The duration of Audit in the Regional and District Offices shall not be longer than two (2) weeks per Region while the same duration shall cover all UPMOs.
- 3.3.2.2 The Variation Order and Time Variance Audit Report shall be submitted within five (5) working days upon return of the audit team.

3.4 RATING SYSTEM

3.4.1 Rating Areas

The Audit Team shall accomplish a Variation Order and Time Variance Audit checklist (**Annexes "B", "C", "D", "E", "F", "G", "H", "I", "M", "N", "O", and "P"**) during the audit proper. The performance of the IOs in the approval of VO, WSO, WRO, and CTE, shall be evaluated based on the following areas:

- 3.4.1.1 Conformance with Existing Laws and Department Orders **(50%)**

This refers to Section 2.1.1 of this guidelines and procedures.

- 3.4.1.2 Appropriateness and Correctness **(25%)**

This refers to Section 2.1.2 of this guidelines and procedures.

- 3.4.1.3 Completeness of approved VO, CTE, WSO, WRO **(25%)**

This refers to Section 2.1.3 of this guidelines and procedures.

3.4.2 Rating Mechanics

The score of each evaluation area per project to be audited shall be the basis of the overall rating of the UPMO, Regional and District Engineering Office; the overall rating to be established by the Audit Team will describe the capability of the DPWH IO to approve Variation Order, Work Suspension Order, Work Resumption Order, and Contract Time Extension. This section deals with how scores for each rating area are computed:

3.4.2.1 Rating through the Conformance of VO-TV with Existing Laws, Rules, and Regulations, and Department Issuances (**Annexes "B", "C", "D", and "E"**)

For each applicable requirement, the maximum score shall be credited if the documents are in accordance with the requirements stipulated therein, otherwise, no point shall be given. If the document/requirement is not applicable, no point shall be given and its maximum score should not also be considered in the computation of the total possible score.

3.4.2.2 Rating through the appropriateness/correctness of the approved VO, CTE, WSO, WRO (**Annexes "F", "G", "H", and "I"**)

For each applicable requirement, the maximum score shall be credited if the documents are in accordance with the requirements stipulated therein, otherwise, no point shall be given. If the document/requirement is not applicable, no point shall be given and its maximum score should not also be considered in the computation of the total possible score.

3.4.2.3 Rating through the completeness of documents in accordance with the DoTS Checklist of the approved VO, CTE, WSO, WRO (**Annexes "M", "N", "O", and "P"**)

For each applicable requirement, the maximum score shall be credited if the documents are in accordance with the requirements stipulated therein, otherwise, no point shall be given. If the document/requirement is not applicable, no point shall be given and its maximum score should not also be considered in the computation of the total possible score.

3.4.2.4 To compute the rating of a project for a particular process (VO/TV):

$$S_{\text{Conformance}} = \frac{\sum \text{Actual Score}}{\sum \text{Total Possible Score}} \times 100$$

$$S_{\text{Appropriateness}} = \frac{\sum \text{Actual Score}}{\sum \text{Total Possible Score}} \times 100$$

$$S_{\text{Completeness}} = \frac{\sum \text{Actual Score}}{\sum \text{Total Possible Score}} \times 100$$

$$R_{\text{Project}} = 0.5S_{\text{Conformance}} + 0.25S_{\text{Appropriateness}} + 0.25S_{\text{Completeness}}$$

- 3.4.2.5 In case the IO does not provide the pertinent documents even though it is proven from the PCMA Report that an approval has been made for a VO/CTE/WSO/WRO, the specific process rating shall automatically get a score of zero (0) since there will be no other means for the audit team to conduct the audit without the said pertinent documents.

3.4.3 Performance Rating

- 3.4.3.1 Overall Average Rating of the Implementing Office (OAR_{IO})

Performance of the IO to be audited will have its OAR. It is the average of the computed rating per process:

$$OR_{VO} = \frac{R_{\text{Project}}(VO)}{\text{No. of Projects Evaluated}(VO)}$$

$$OR_{WSO} = \frac{R_{\text{Project}}(SO)}{\text{No. of Projects Evaluated}(SO)}$$

$$OR_{WRO} = \frac{R_{\text{Project}}(RO)}{\text{No. of Projects Evaluated}(RO)}$$

$$OR_{CTE} = \frac{R_{\text{Project}}(TE)}{\text{No. of Projects Evaluated}(TE)}$$

$$OAR_{IO} = \frac{(OR_{VO} + OR_{SO} + OR_{RO} + OR_{TE})}{4}$$

OAR	Adjective Rating	Remarks
91 - 100	Outstanding	5 points
81 - 90	Very Satisfactory	4 points
71 - 80	Satisfactory	3 points
61 - 70	Fair	2 points
Below 61	Unsatisfactory	1 point

- 3.4.3.2 Bearings of Rating

- The IO shall be required to explain their non-compliance on the existing laws, rules and regulation and department policies, as noted by the Audit Team.
- The Audit Team shall recommend to the IO to conduct Project Documentation Seminar in their respective Office whose overall rating is noted to be below 61. The Audit Team shall likewise assist those Offices whose overall

rating is Fair (61-70) if the latter opted to conduct a Project Documentation Seminar.

3.4.4 Result of Audit

- 3.4.4.1 The Undersecretary and Assistant Secretary for Operations concerned shall be duly notified of the Performance Rating and the Non-compliance committed by the Implementing Offices under their jurisdiction for their information and perusal.
- 3.4.4.2 The Bureau of Construction thru the Undersecretary for Technical Services shall recommend the appropriate sanctions to the Undersecretary for Operations concerned, in accordance with RA 9184 and other relevant laws, should there be major non-conformance with the law, as observed on the approved VOs and TVs during the audit.
- 3.4.4.3 The Bureau of Construction shall likewise include the actual result of the Post Audit in the memorandum which includes the recommended sanction (if any), Performance Rating, and other comments/observations of the Audit Team.
- 3.4.4.4 The Bureau of Construction shall also keep a record/database of all the ratings, documentations and findings for analysis and future reference.