



Boy Scouts of the Philippines

National Office

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JUN 16 2017




NATIONAL OFFICE MEMORANDUM

No. 31 , Series of 2017

TO : REGIONAL SCOUT DIRECTORS, COUNCIL SCOUT EXECUTIVES,
AND OFFICERS-IN-CHARGE

SUBJECT : REPLY OF THE COMMISSION ON AUDIT ON THE APPEAL OF THE
BOY SCOUTS OF THE PHILIPPINES (BSP) TO FAVORABLY
CONSIDER REVERTING BACK THE ORIGINAL POLICY OF THE
FINANCIAL ASSISTANCE PROGRAM (FAP) OF COVERING BOTH
SCOUTING AND NON-SCOUTING RELATED ACTIVITIES

1. On 17 April 2017, the National Office of the Boy Scouts of the Philippines formally appealed before the Office of the Chairperson of the Commission on Audit (COA) to consider reverting back the original policy of the Financial Assistance Program (FAP) of the BSP in covering both scouting and non-scouting incidents upon the clamor of various stakeholders of the BSP, most notably the scout members, parents of scout members, and scout leaders. In the said letter of appeal, the National Office provided several arguments that would further beef up and solidify the BSP's appeal and prayer before the Office of the COA Chairperson.
2. In the unfortunate turn of events, however, COA repudiated and denied anew on 05 June 2017, through a letter-reply, the aforementioned appeal and maintain instead its previous position that providing financial assistance to scout-member claimants for non-scouting related incidents is not within the ambit of the mandated purpose and existence of the BSP.
3. Attached herewith is the aforesaid letter-reply of COA for your perusal and reference. We expect you to disseminate this information to all concerned most especially the scout members, parents of scout members, and scout leaders in your respective areas of jurisdiction.
4. For information, guidance, and dissemination.


ROGELIO S. VILLA, JR.
Acting Secretary General

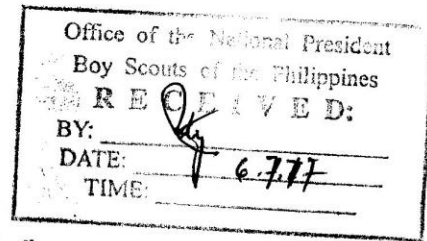
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Republic of the Philippines
COMMISSION ON AUDIT
Corporate Government Sector
Cluster 6

Office of the Auditor
Boy Scouts of the Philippines (BSP)
181 Natividad Almada-Lopez St., Ermita, Manila



June 5, 2017

ATTY. WENDEL E. AVISADO

President

Boy Scouts of the Philippines

Dear Atty. Avisado:

This letter is in line with your letter, dated April 17, 2017 addressed to Atty. Michael G. Aguinaldo, Chairman, Commission on Audit **re: request of BSP to favorably consider the plea of the 2.6 million scout members and their parents for the BSP to revert back the original policy of the Financial Assistance Program of covering both scouting and non-scouting related incidents** which was indorsed to the Audit Team by Director Wilfredo A. Agito, Director IV, this Cluster (copy attached).

BACKGROUND

Based on the Financial Assistance Program manual, the National Executive Board established the BSP Financial Assistance Program (FAP) effective June 1, 2000 to assist Scout members in case of death and hospitalization **during scouting activities**. The rational of the program was appropriately disclosed in the manual as:

"Becoming a member of the Boy Scout of the Philippines will automatically entitle a Scout/Scouter to be part of the World Organization of the Scout Movement. He will also have the right to wear the Scout Uniform, which is internationally recognized because of the existence of the world badge on it – an expression of world brotherhood,

Being a member will give the Scout/Scouter the full privilege to take part and join in any activities and events offered in Scouting to develop its members physically, mentally, emotionally, socially and spiritually.

As a member, he is entitled to a limited financial assistance in cases of death and hospitalization caused by **accident during scouting activities**."

The funds of the program were derived solely from its share of the gross membership as presented below:

| Classification of Membership | Membership Rate | Share of FAP Fund |
|---|-----------------|-------------------|
| <i>Scouts</i> | | |
| <i>Scouters:</i> | P50.00 | P5.00 |
| Unit Leaders/Assistants | P60.00 | P5.00 |
| Rover Peers, Unit Comm. Chairman/ Members, Inst'l. Comm. Members, Circle Exec. Committee, Circle Mngrs./ Asst. CM, Institutional Head, Institutional Representative, District Comm., Mun./ District Chairman, CMAL/ DMAL/ Others, Support Staff | P100.00 | P5.00 |
| NO Staff/ RO Staff/ CSE/ OIC/ FSE | P300.00 | P5.00 |
| LCEB | P400.00 | P5.00 |
| RCC/NODIR/RSD/CMP/MGRS | P400.00 | P5.00 |
| Council Chairman | P1,000.00 | P5.00 |
| NEBM | P2,000.00 | P5.00 |

The claims to the FAP were as follows:

- Death by accident or natural cause;
- Dismemberment; and
- In-patient and out-patient medical reimbursement for whatever cause

In the audit of the 2014 transactions relating to FAP, the Audit Team issued Audit Observation Memorandum No. 2015-018 (2014) dated May 26, 2015 with the subject "Legality of Financial Assistance Program (FAP) to Non-scouting Related Activities". The following were the highlights of the AOM:

- BSP's creation was mainly for the propagation of the scouting movement in general to support its existence and purpose to build, enhance the ability of its members to do useful things for themselves and others, to train them in scoutcraft, and to inculcate in them patriotism, civic consciousness, and responsibility to encourage self-reliance, discipline, and kindred virtues and moral values using methods that are commonly used by Boy Scouts. BSP's statutory mandate encompasses the will to plan and conduct scouting related activities that include, among others, Scout Jamboree, Seminars, Skill Workshops, Conferences, Training Courses, Forums, Leadership, Developmental and Environmental Programs and Outdoor Activities that promote the youth's physical, moral, spiritual, intellectual, and social well-being. **BSP's charter/mandate does not authorize the Organization to extend financial assistance for non-scouting activities to its members, youth or adult, in cases of death, dismemberment, in-patient and out-patient medical reimbursement for whatever cause.**

2. The features of the FAP, in substance, partakes of an insurance contract since BSP plays a role of an insurer who agrees/undertakes to indemnify another in the event of loss or damage in exchange of a five (5) peso share in the annual membership fee **except in cases where the financial assistance granted to the claimants were for the injuries/perils sustained by them in scouting-related activities since it is incidental to the purpose of the BSP.**

On May 29, 2015 the BSP replied and raised the following matters:

1. The BSP wants to show how much it cares for its members on and off the arena of scouting life through the said program. This is the will of the National Council that represents all the BSP members and for which the NEB is bound to honor and implement;
2. The interpretation that the allocation of P5.00 from the annual membership fee of P50.00 from every registrant is an insurance premium is incorrect and misplaced. The BSP's allocation of P5.00 from the membership fee is not an insurance premium but as the main source of the FAP purposely to put up benefit to its members;
3. One of the significant elements of an insurance contract is the insurance policy; and
4. The very existence of the FAP is not all synonymous to what is characterized under the insurance law and they are not engaged in an insurance business but are simply implementing the decision of the National Council.

In the Audit Team's rejoinder as presented in the Management Letter for Calendar Year 2014, the following were raised:

1. It is to be emphasized that the primary issue in the said AOM is the granting of financial assistance to non-scouting related activities which is not within the mandated purpose of the BSP. We noted in the reply that the said program was decided and approved by the National Council. However, no reason was provided or mentioned to explain or clarify that the financial assistance given to members even though the accident, death, dismemberment or hospitalization were suffered by the members during **non-scouting related activities was in line with the mandated purpose of BSP.**
2. The reply, however, focused more on the secondary issue that the program may fall within the ambit of the insurance contract as defined and regulated in RA No. 10607.

3. As discussed in the subject AOM, the Audit Team only pointed out that the feature of the FAP, in substance, partakes the nature of an insurance contract since BSP plays a role of an insurer who agrees/undertakes to indemnify another in the event of loss or damage to BSP members from or out of the accumulated P5 share in the annual membership fee. The main issue however, was centered on the grant of FAP to **non-scouting related activities** being not in line with the mandated purpose of BSP.

Hence, your letter request for the COA to favorably consider the plea of the 2.6 million scout members and their parent to revert back the original policy of the FAP of covering both scouting and non-scouting related incidents raising the following matters:

1. COA has never dipped its fingers on the implementation of the similar program of the GSP which is also a Government Owned or Controlled Corporation;
2. COA is disregarding and disrespecting the will and decision of scout members to be covered with financial assistance for both scouting and non-scouting related incidents out of the budget allocation generated from membership fees when it is their own money and the government has not provided or allocated any single centavo for the payment of registration fee; and
3. The interest of members and prospective members in joining and re-joining with the BSP as well as the support from the BSP's partner and benefactors have been drastically waning attributed mainly to the new FAP policy.

THE AUDIT TEAM'S POSITION

It is the position of the Audit Team to adhere with the recommendation to discontinue the practice of giving financial assistance to its members **for non-scouting related death, accidents, and hospitalization whether inpatient or outpatient** due to the following reasons discussed hereunder:

1. The Audit Team is constrained to stick with its recommendation because the Management, time and again, was unable to point out that the giving of financial assistance to members even on injuries/illness/death acquired or suffered during non-scouting activities is indeed in line with the purpose or mandate of the BSP. As aptly discussed in the subject AOM, BSP's creation was mainly for the propagation of the scouting movement in general and there is no mention nor can be inferred incidental to BSP's purpose or mandate that would justify the granting of financial assistance to members in

cases of injuries/illness/death of whatever cause even during non-scouting activities. Also, the points raised in the rejoinder were not at all rebutted.

2. Great respect is accorded to the will, policy, programs and activities as envisioned and decided by the National Executive Board, National Councils, and the members in general but it must be borne in mind that those acts should not be *ultra vires*. In other words, the will, policy, programs, activities and the resolutions should be within the parameters of the purpose and mandate of the BSP.
3. May we invite your attention to the pertinent provision of P.D. 1445 which states:

xxx Unnecessary expenditures are those not responsive of the implementation of the objective and mission of the agency relative to the nature of its operation. xxx The mission and thrusts of the agency in incurring the expenditures must be considered in determining whether or not an expenditure is necessary.
4. It is also proper to discuss certain points of AOM No. 2013-043 (2012) dated June 3, 2013 with subject "Various audit observations regarding the transactions and internal control of FAP". In this AOM, the Audit Team commented that BSP does not have good investment and fund management to generate high yield of return which increases the risk of cash out/shortage and/or liquidity and solvency problems of FAP. The benefits provided by FAP were not appropriately disclosed in the membership card or any other separate sheet, thus, doubting the members being properly apprised. Lastly, there is absence of technical staff like physician/doctor, lawyer and underwriter as required by the FAP Manual.
5. If the FAP will be extended once again to the non-scouting activities and proper disclosure were made to members of the FAP benefits, these risks will just be amplified considering the magnitude of the scope of the claim and the number of members of BSP. Furthermore, the fund balance was just deposited in bank that does not generate high yield of return nor are there personnel qualified, both by training and experience, to undertake the management of the fund. It is also noteworthy that one of the major problems that BSP is facing is the lack of regular personnel in the Local Councils and even in the National Office to make assessment on the validity of claim. Notably, no doctor/physician, lawyer of reputable firm and an underwriter who will see to it that all claims are valid and no background investigation was conducted to ensure that the members does not have pre-existing medical conditions, as required in the FAP manual. This

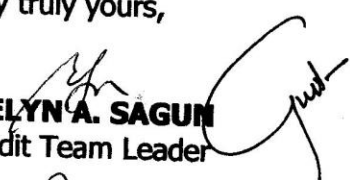
inherent risk is very critical since this claim encompasses almost all forms of injury/ illness/ accident/ death, if not all.

6. To specifically answer other points raised in your letter, the Audit Team would like to inform you the following:
 - a. With regard to your reference to GSP, the Audit Team, as of this date, has yet to audit GSP due to pending resolution of some legal issues.
 - b. The Audit Team respects the decision of the NEB and Council and we are not disregarding it. However, it is also one of the duties of the Audit Team to inform/call the attention of the NEB/Council if there are already programs, activities and projects that are deviating from the mandate, thrust, mission and/or objective of BSP.
 - c. Lastly, the Audit Team recognizes the noble intention and purpose of scouting and truly believes that these were all rooted in the hearts and minds of the partners, members and benefactors. Thus, it is an understatement of the scouting programs and activities of the BSP if the non-coverage of non-scouting related incidents in the FAP would drastically affect the support from them. It is just so sad to note that because they would not be receiving money related benefits, their intention to join and support the noble organization would be significantly affected.

Based on the foregoing, we are inclined to stick with our recommendations as pointed out in the subject AOM No. 2015-018 (2014) dated May 26, 2015.

Thank you and we hope we have clarified the issue.

Very truly yours,


EVELYN A. SAGUN
Audit Team Leader


PEDRO P. PABELONIA
OIC-Supervising Auditor

Cc: Dir. Wilfredo A. Agito
CGS - 6

Dir. Fortunata M. Rubico
LSS



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

Corporate Government Sector
Cluster VI – Social, Cultural, Trading, Promotional and
Other Services

Subject: Letter dated April 7, 2017 from the Boy Scouts of the Philippines re: request to consider the plea of the 2.6 million scout members and their parents for the BSP to revert back the original policy of the Financial Assistance Program relative to AOM No. 2015-018 (2014) dated May 26, 2016

2nd Indorsement
May 19, 2017

Respectfully forwarded to Mr. Pedro P. Pabelonia, State Auditor IV, OIC-Supervising Auditor, Boy Scouts of the Philippines (BSoP), the within documents, inviting attention to the penultimate paragraph of the 1st Indorsement dated April 21, 2017 of Director Fortunata M. Rubico, Director IV, Prosecution and Litigation Office, Legal Services Sector, stating that there being no legal matters that needs action in relation to COA Circular No. 2009-006 dated September 15, 2009, otherwise known as the Revised Rules on Settlement of Accounts.

For your information and appropriate action, please.


WILFREDO A. AGITO
Director IV

CGS-VI
WAA/MTC/EVM/vpc
D/2017/Indorsements/2nd Indorsement SA-BSoP – plea of 2.6 million scout members
05/17/17 9:55AM



Republic of the Philippines
COMMISSION ON AUDIT

Commonwealth Avenue, Quezon City, Philippines

LEGAL SERVICES SECTOR
Prosecution and Litigation Office

Subject: Letter dated April 7, 2017 of Atty. Wendel E. Avisado, President, Boy Scouts of the Philippines (BSP), requesting reconsideration on the observations made by the Audit Team Leader under Audit By :
Observation Memorandum (AOM) Date :
No. 2015-018 (2014) dated May 26, 2015 Time :

COMMISSION ON AUDIT
Office of the Assistant Commissioner
Corporate Government Sector

RECEIVED

APR 20

2:45 AM

1st Indorsement
April 21, 2017

Respectfully referred through the Assistant Commissioners, this Sector and the Corporate Government Sector, to the Cluster Director and the Supervising Auditor concerned, both of the Cluster 6 – Social, Cultural, Trading, Promotional and Other Services [Attention: the Audit Team Leader, BSP, Manila], the above-subject letter addressed to the Chairperson, this Commission, for appropriate action, there being no legal matter that needs action by this office at this time.

Please reply directly to the agency head, copy furnished this office for records/monitoring purposes.

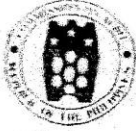
Thank you.

FORTUNATA M. RUBICO
Director IV

FMR/HJS/EEC/CLA
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PLO-2016-6361

065-MC-399

LSS-04767-0066



COMMISSION ON AUDIT
OFFICE OF THE CHAIRPERSON
Commonwealth Avenue, Quezon City, Philippines

MEMORANDUM FOR:

Dir. Fortunata Rubico
Prosecution and Litigation Office

DATE: April 13, 2017
Ref. No. CHO 17-3145

SUBJECT:

Letter dated April 7, 2017 from The Boy Scout of the Philippines re: request to consider the plea of the 2.6 million scout members and their parents for the BSP to revert back the original policy of the Financial Assistance Program relative to AOM No. 2015-018 (2014) dated May 26, 2015

FOR:

- | | | |
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| <input checked="" type="checkbox"/> Appropriate action | <input type="checkbox"/> Comments/Recommendation | <input type="checkbox"/> See me |
| <input type="checkbox"/> Review/Evaluation | <input type="checkbox"/> Information & Disposition | <input type="checkbox"/> File |
| <input type="checkbox"/> Compliance | <input type="checkbox"/> For signature | <input type="checkbox"/> Others: _____ |

REMARKS:

Atty. Carmina Pamela B. Juguilon Pagayawan
Chief Executive Staff

COMMISSION ON AUDIT
Legal Services Sector
Office of the General Counsel

Received by:
Date/Time:
Ref. No.: