Republic of the Philippines

HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE RESOLUTION No. 1004

Introduced by
BAYAN MUNA Representatives CARLOS ISAGANI T. ZARATE,
FERDINAND R. GAITE and EUFEMIA C. CULLAMAT

RESOLUTION
DIRECTING THE COMMITTEE ON GOVERNMENT ENTERPRISES AND
PRIVATIZATION TO INVESTIGATE, IN AID OF LEGISLATION, THE SUPPOSED
ANOMALIES ON THE CAPITAL EXPENDITURES – INFORMATION AND
COMMUNICATION TECHNOLOGY RESOURCES OF THE PHILIPPINE HEALTH
INSURANCE CORPORATION

WHEREAS, one of the components of the proposed Corporate Operating Budget (COB) of
Philippine Health Insurance Corporation (PhilHealth) is the Capital Expenditures (CapEx) –
Information and Communications Technology (ICT) Resources;

WHEREAS, the Medium-Term Information and Communications Technology Harmonization
Initiative (MITHI) Joint Memorandum Circular (JMC) Nos. 2012-01\(^1\) and 2014-01\(^2\) mandated all
national government agencies, state universities and colleges, and government-owned and/or -
controlled corporations to include all existing and proposed ICT-related resources, programs and
projects, and their resource requirements in the agency’s Information Systems Strategic Plan (ISSP);

WHEREAS, Philippine Health Insurance Corporation issued Corporate Order No. 2018-0046 re:
Information and Communication Technology (ICT) Resources Pre-Procurement Guidelines to comply with the
MITHI JMCs, to improve the timeliness of the ICT procurement as planned in the ISSP, and to
standardize the process of procurement of ICT resources;

WHEREAS, PhilHealth issued Corporate Order No. 2019-0037 re: Guidelines in the Preparation of
Corporate Operating Budgets for CY 2020-2021 to ensure efficient and effective formulation of the CY
2020 PhilHealth COB that is aligned to RA No. 1123 or the Universal Health Care (UHC) Act;

WHEREAS, there were 38 categories with 97 kinds of ICT resources having an amount of
P1,566,809,854 which were proposed in the CY 2020 COB for ICT. The amount was 45.81% of the
overall proposed COB 2020 for Capital Expenditures amounting to P3,419,834,918;

WHEREAS, during the meeting held last January 28, 2020, the Internal Audit Group (IAG) – Task Force IT Audit was directed through Corporate Personnel Order No. 2020-0200 to conduct an information systems audit in the Head Office on ICT Resources with a particular focus on the inventory of hardware and software as well as appraisal of relevant documents supporting the CY 2020 COB for ICT Expenditures;

WHEREAS, the Board of Directors (BOD) of the PhilHealth initially rejected the budget proposal submitted by the Information Technology (IT) Sector amounting to P2.1 billion, which was later reduced to P1.9 billion allegedly due to “typographical errors;”

WHEREAS, on March 15, 2020, the board was allegedly constrained to approve the P382-million IT Supplemental Budget otherwise, “the entire PhilHealth system will collapse;”

WHEREAS, on April 2020, Senior Vice President (SVP) Chief Information Officer Jovita V. Aragona supposedly proposed a P750-million budget for the procurement of items. The BOD required the Internal Audit Report (IAR) on the inventory of software and hardware to be presented before the approval. During the meeting, the board was informed that an ISSP must be submitted to and approved by the Department of Information and Communication Technology (DICT) to allow a government entity to procure IT items;

WHEREAS, on May 2020, the IAR was submitted but not presented to the Board. Instead, the proposal of the IT Sector for the approval of P215 million was presented. Ms. Aragona’s argument in support of the proposal was that the items included in the proposal were not included in the IAR;

WHEREAS, the Internal Audit Report on ICT Resources (ITA-ICT0420-02) conducted from February 10 to 21, 2020 contained the discovery of the major discrepancies between the Summary Report supporting the Proposed CY 2020 COB for CapEx-ICT, the Detailed Report supporting the Proposed CY 2020 COB for CapEx-ICT and the ISSP;

WHEREAS, according to the IAR, the following are some of the discrepancies between the Summary Report and the Detailed Report supporting the Proposed CY 2020 COB for CapEx-ICT:

1. Difference in quantity per ICT resource item

   a. There were five ICT resources in the Summary Report with quantities higher than what were indicated in the Detailed Report of CapEx-ICT. The total discrepancy in quantity is 4,906 units amounting to P99,050,000.00. The Structure Cabling for PROs has the highest discrepancy in quantity (4,867), to be followed by Desktop Computer with standard specification (27 units amounting to P2,322,000.00);

   b. There were three ICT resources in the Summary Report with quantities lower than what were indicated in the Detailed Report of CapEx-ICT. The total discrepancy in quantity is 9 units amounting to P736,147.00;

2. Difference in quantity and total cost of Adobe Master Collection for Mac, Combined Software for Print and Video Production

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<td>Adobe Master Collection for Mac</td>
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<td>Combined Software for Print and Video Production</td>
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3. Different specification/description of an ICT resource item

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<th>Summary CapEx</th>
<th>Detailed CapEx</th>
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<td>Specification/</td>
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<td>Description</td>
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<td>ANALYTIC</td>
<td>Fraud Analytic</td>
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<td>SOLUTION</td>
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The total discrepancy in quantity is 43 units amounting to P40,717,500.00, which were not included in the Detailed Report but appeared in the Summary Report. The Communication Device (Disaster Response) – Portable WIFI hotspot for Satellite Phones has the highest proposed quantity (21 units amounting to P840,000.00), to be followed by Queuing Machine (14 units amounting to P302,500.00);

WHEREAS, there were 16 ICT resources in the Summary Report of CapEx-ICT with quantities higher than what were indicated in the ISSP CY 2018-2020 (Revision 1). According to the IAR, the total difference in quantity is 6,726 units. The following are the top ICT resources with notably high difference in quantity:

1. Structured cabling for PROs 6,362
2. Desktop Computer, with Specific Specifications 74
3. Barcode scanner 60
4. Close Circuit Television (CCTV) system 40
5. IP-Phone 37

WHEREAS, there were 11 ICT resources in the Summary Report of CapEx-ICT with lower quantity than what were indicated in the ISSP. The report further noted that there is also a difference between the unit cost indicated in the Summary Report and the ISSP;

WHEREAS, there were 15 ICT resources in the Summary Report of CapEx-ICT with unit amounts higher than what were indicated in the ISSP CY 2018-2020 (Revision 1). The following items have a difference in unit amount ranging in millions:

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<tr>
<th>Item</th>
<th>Summary</th>
<th>ISSP</th>
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<tr>
<td>1. Identity Management (IT Security Solution)</td>
<td>P 42,000,000.00</td>
<td>P 20,000,000.00</td>
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<tr>
<td>2. Adobe Master Collection for Mac, Combined Software for Print and Video Production</td>
<td>P 21,000,000.00</td>
<td>P 168,000.00</td>
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<tr>
<td>3. Office Productivity Software (Volume License)</td>
<td>P 21,000,000.00</td>
<td>P 5,000,000.00</td>
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4. Application Server and Virtualization Licenses P 40,000,000.00 P 25,000,000.00

5. Integrated Security Suite P 25,000,000.00 P 14,800,000.00

6. Structured Cabling for HO (IT Cabling Service) P 5,000,000.00 P 500,000.00

WHEREAS, there were 15 ICT resources in the Summary Report of CapEx-ICT with unit amounts lower than what were indicated in the ISSP CY 2018-2020 (Revision 1). The Structure Cabling for PROs has the highest discrepancy amounting to P485,000.00;

WHEREAS, there were 44 ICT resources amounting to P734,014,120.58 included in the Proposed CY 2020 COB for CapEx-ICT that were not existing in the Approved ISSP CY 2018-2020 (Revision 1). The amount comprises 46.84% of the total amount of the proposed budget for ICT for CY 2020.

In terms of quantity, the Rack Cabinet Enclosure is the highest with 76 units. In terms of amount, the Fraud Analytic Tool is the highest with the amount of P132,250,876.58;

WHEREAS, there were 8 ICT resource items’ names and/or specifications/descriptions in the Summary report that are different from what is indicated in the Approved ISSP CY 2018-2020 (Revision 1);

WHEREAS, the IAR also pointed out anomalies and inconsistencies that pose unnecessary risks and affect decision-making of approving authorities;

WHEREAS, the comparison between the Information Management Sector (IMS) Proposed CY 2020 Budget Proposal and the Summary Report of CapEx-ICT CY 2020 Budget Proposal of the Comptrollership Department revealed the following observations:

1. The details of the project Various Laptops in the IMS Proposed CY 2020 Budget Proposal do not exist;
2. Laptops were indicated twice in the IMS Proposed CY 2020 Budget Proposal (Item Nos. 1 and 20) with different amounts of P4,111,413.00 and P115,326,000.00;
3. There were three projects listed in the IMS Proposed CY 2020 Budget Proposal with total amount of P98,075,508.40 that were not found in the Summary Report of CapEx-ICT CY 2020 Budget Proposal of the Comptrollership Department;
4. The name/specification in the IMS Proposed CY 2020 Budget Proposal is general or somehow different in the specification in the Summary Report of CapEx-ICT CY 2020 Budget Proposal of the Comptrollership Department;
5. The amount for Laptop, with standard specifications in IMS Proposed CY 2020 Budget Proposal is higher than what is indicated in the Summary Report of CapEx-ICT CY 2020 Budget Proposal of the Comptrollership Department;

WHEREAS, the Audit Query Memorandum (AQM) No. 2020-003(18) HO of the Commission on Audit (COA) dated January 31, 2020. The AQM pointed out anomalies on the procurement of One Lot Redundancy for Production Database Server amounting to P19,618,000 and One Lot Redundancy: ISP for PhilHealth Online Services for Two Years amounting to P10,000,200. According to the AQM, the Information Technology Audit Office (ITAO) determined the non-compliance of the winning bidders on the technical specifications of the items delivered;
WHEREAS, the ITAO found the following observations on the procurement of the One Lot Redundancy for Production Database Server:

1. PhilHealth requirements are vague, which allows the supplier to deliver items that are not required;
2. PhilHealth failed to provide specifications relative to existing systems in the Bidding Documents/Terms of Reference;
3. The procurement was delayed by 118 calendar days;
4. Training certificated and technical briefing documentation were not provided/submitted to confirm the performance and completion of all components of the Technology Transfer as required in the contract;
5. Only 13 out of 20 units of transceiver received by the agency were installed on the production database server. The remaining seven units were missing at the time of inspection;
6. The presented eight units of transceiver installed on a Core Switch cannot be considered part of the contract requirement due to lack of details in the submitted delivery receipts;

WHEREAS, the ITAO noted that the agency did not submit the test results of the One Lot Redundancy ISP for PhilHealth Online Services for Two Years to determine the efficiency of the internet service;

WHEREAS, it is now becoming apparent that, despite the many issues and problems that continue to hound PhilHealth, affecting gravely its delivery of services to its members, especially in this time of crisis aggravated by the Covid19 pandemic, there are still more anomalous issues that continue to arise, like this questionable capital expenditures on its ICT resources. Congress, thus, should not let this matter go unnoticed and unaccountable as this will also seriously affect and impact on the delivery of much needed services to our people;

NOW THEREFORE BE IT RESOLVED, that the House of Representatives, through its Committee on Government Enterprises and Privatization, to investigate, in aid of legislation, the anomalies on the Capital Expenditures – Information and Communication Technology Resources of the Philippine Health Insurance Corporation.

Adopted,

REP. CARLOS ISAGANI T. ZARATE
Bayan Muna Partylist

REP. FERNANDO R. GAITE
Bayan Muna Partylist

REP. EUFEMIA C. CULLAMAT
Bayan Muna Partylist