**OBSERVATIONS AND RECOMMENDATIONS**

**Value for Money Audit**

*Special Trust Fund (STF)*

1. Out of the collected Special Trust Fund (STF)–Fiduciary Fees of ₱34,582,920.50, only ₱12,032,246.69 or equivalent to 35 percent was utilized, leaving an unutilized amount of ₱22,550,673.81 or 65 percent thereof; while of the total STF - Other Fees, collections of ₱22,474,052.00, only ₱10,367,640.63 or 46 percent was utilized, and the rest or a substantial amount of ₱12,106,411.37 or 65 percent was unutilized. Moreover, the balance of STF amounting to ₱271,668,774.83 as of December 31, 2016 was not included in the Special Budget Utilization. Thus, the paying students did not benefit much from the additional school charges imposed on them.

1. CHED Memorandum Order (CMO) No. 20 series of 2011 dated August 4, 2011 pertains to the Policies and Guidelines for the Use of Income, Special Trust Fund and Programs of Receipts and Expenditures of the State Universities and Colleges. Pertinent provisions thereof are as follows:

“Section 3(v) Article I - Special Trust Fund (STF) refers to income of the SUC arising from the collection of tuition fees, miscellaneous fees, service and other income. This is broken down into:

* 1. Tuition Fees for use by the SUC in carrying out its trifocal function: instruction, research and extension, and production, as well as defray its administrative costs (general administrative support);
  2. Fiduciary Fund;
  3. Revenues collected by self-liquidating units;
  4. Revenues generated by IGUs;
  5. Regular and other Trust Fund without separate depository account (NSTP, ROTC, NEDA or DOST Funding, or other NGA Funding for the implementation of projects through the State College).”

Section 22, Article IV- The budget for the use of income shall be submitted for approval to the BOR/T. However, no budget shall be submitted for approval by the BOR/T unless the same is accompanied by a certificate duly signed by the Accountant that collections have been made, duly receipted and deposited in the official government depository bank xxx.

Section 23, Article IV - Upon approval of the budget, the Office of the Board Secretary shall furnish a copy of the BOT approved budget to the COA resident auditor, DBM Regional Office, the Chief Accountant and all the fund administrators, and attach thereto the excerpt of minutes of the meeting and the Board Resolution with control number thereon for reference of the users of the budget document.

Section 36, Article VII - It shall be the responsibility of the SUC to formulate internal procedures and process flows to implement the provisions in this guidelines, and the same shall be modified periodically in compliance with rules and regulations that may be passed by other concerned national government agencies from time to time, particularly those originating from CHED, DBM, COA, NEDA, DOST, DA and agencies which functions or mandate are allied with the functions and mandate of the SUC.”

1. Section 4 (b and d) of RA No. 8292, the Higher Education Modernization Act of 1997, provides the powers and duties of the Governing Board as follows:

(b) to receive and appropriate all sums as may be provided, for the support of the university or college in the manner it may determine, in its discretion, to carry out the purposes and functions of the university or college;

(d) to fix the tuition fees and other necessary charges, such as but not limited to matriculation fees, graduation fees and laboratory fees, as their respective boards may deem proper to impose after due consultations with the involved sectors.”

1. Section 4 (d) of RA No. 8292 further provides that:

“all fiduciary fees shall be disbursed for the specific purposes for which they are collected. If, for reason of control, the university or college, shall not be able to pursue any project for which funds have been appropriated and, allocated under its approved program of expenditures, the Board of Regents/Trustees may authorize the use of said funds for any reasonable purpose which, in its discretion, may be necessary and urgent for the attainment of the objectives and goals of the university or college.”

1. Analysis of collections against actual utilization as of November 30, 2016, the latest data that the Management provided as of audit, showed that Registration, Matriculation, School ID, Student Handbook, and Job fair fees were entirely not utilized. On the other hand, majority of miscellaneous/fiduciary fees such as Athletic, Medical/Dental, Library, Center for International Research and Policy Studies, School Organ, Physical Education (PE), Cultural, Student Council, Development, Power Generation and Guidance fees were under-utilized. On the next page is the breakdown of Fiduciary Fees utilization:

| **Particulars** | **Collection as of 11/30/2016** | **Obligation as of 11/30/2016** | **Unutilized / (Over Utilized) Budget** | **Percent of Un-utilized Budget** |
| --- | --- | --- | --- | --- |
| **Miscellaneous Fee/Fiduciary Fee** | | | | |
| Registration | 2,969,056.46 | - | 2,969,056.46 | 100.00 |
| Athletic | 2,225,706.29 | 246,950.87 | 1,978,755.42 | 88.90 |
| Matriculation | 1,855,662.00 | - | 1,855,662.00 | 100.00 |
| Medical/ Dental | 1,850,651.46 | 220,156.19 | 1,630,495.27 | 88.10 |
| Library Fee | 2,982,343.84 | 890,147.17 | 2,092,196.67 | 70.15 |
| SCUAA | 4,885,465.62 | 1,699,697.75 | 3,185,767.87 | 65.21 |
| Center for International Research and Policy Studies (CIRPS) Fee | 2,753,675.94 | 313,575.00 | 2,440,100.94 | 88.61 |
| School Organ | 1,832,392.96 | 238,504.00 | 1,593,888.96 | 86.98 |
| Physical Education (PE) Fee | 2,744,996.69 | 929,232.57 | 1,815,764.12 | 66.15 |
| Cultural Fee | 2,739,319.94 | 1,024,835.72 | 1,714,484.22 | 62.59 |
| Student Council | 1,275,418.02 | 606,626.32 | 668,791.70 | 52.44 |
| School ID | 687,819.50 | - | 687,819.50 | 100.00 |
| Security and sanitation fee | 728,113.08 | 3,633,935.44 | (2,905,822.36) | - |
| Development Fee | 909,544.23 | 439,630.29 | 469,913.94 | 51.66 |
| Power Generation Fee | 1,363,021.85 | 125,261.63 | 1,237,760.22 | 90.81 |
| Guidance Fee | 892,007.62 | 2,509.15 | 889,498.47 | 99.72 |
| Student Handbook | 43,485.00 | - | 43,485.00 | 100.00 |
| **Other Miscellaneous Fee** | | | | |
| Civil Welfare Training Services (CWTS) Fees | 209,929.00 | 264,054.72 | (54,125.72) | - |
| Reserve Officer Training Course (ROTC) Fees | 528,337.50 | 722,039.87 | (193,702.37) | - |
| Insurance | 997,320.50 | 675,090.00 | 322,230.50 | 32.31 |
| Job Fair Fee | 108,653.00 | - | 108,653.00 | 100.00 |
| **Total** | **34,582,920.50** | **12,032,246.69** | **22,550,673.81** | **65.21** |

1. The College also collected other fees which were also under-utilized. Out of the other fees collected amounting to ₱22,474,052.00, only ₱10,367,640.63 equivalent to 46 percent was utilized and the remaining amount of ₱12,106,411.37 corresponding to 54 percent of the total collected other fees remained unutilized as shown in the table on the next page. It is noted that skills testing, speech laboratory, internship, registration fees – undergraduate school, comprehensive exam, graduation fee, alumni and thesis fees were entirely unutilized without justification given by the Management.

| **Particulars** | **Collection as of November 2016** | **Obligation as of November 2016** | **Unutilized/ (Over Utilized) Budget** | **Percent of Unutilized Budget** |
| --- | --- | --- | --- | --- |
| Engineering | 8,011,899.80 | 2,273,875.09 | 5,738,024.71 | 71.62 |
| Skills Testing | 1,017,360.00 | - | 1,017,360.00 | 100.00 |
| Computer | 3,747,929.00 | 2,260,135.02 | 1,487,793.98 | 39.70 |
| Chemistry / Physics | 2,045,283.05 | 433,214.10 | 1,612,068.95 | 78.82 |
| Speech Laboratory Fee | 681,148.00 | - | 681,148.00 | 100.00 |
| Internship Fee | 194,100.00 | - | 194,100.00 | 100.00 |
| Registration and other fees - Undergraduate | 3,014,677.05 | 4,188,729.18 | (1,174,052.13) | - |
| Registration and other fees - Graduate School | 13,740.00 | - | 13,740.00 | 100.00 |
| College Entrance Test (CET) | 1,195,124.25 | 1,001,717.48 | 193,406.77 | 16.18 |
| Comprehensive | 42,700.00 | - | 42,700.00 | 100.00 |
| Graduation Fee | 1,678,786.00 | - | 1,678,786.00 | 100.00 |
| Diploma Fee | 358,280.00 | 209,969.76 | 148,310.24 | 541.90 |
| Alumni Fee | 248,400.00 | - | 248,400.00 | 100.00 |
| Thesis | 224,624.85 | - | 224,624.85 | 100.00 |
| **Total** | **22,474,052.00** | **10,367,640.63** | **12,106,411.37** | **53.87** |

1. On the other hand, the following tuition fees were collected and consequently utilized as of November 2016:

| **Particulars** | **Collection as of November 2016** | **Utilization as of November 2016** | **Unutilized/ (Over Utilized) Budget** | **Percent of Unutilized Budget** |
| --- | --- | --- | --- | --- |
| Undergraduate programs | 86,210,723.79 | 49,799,692.95 | 36,411,030.84 | 42 |
| Graduate School | 983,597.00 | 20,248,126.51 | (19,264,529.51) | - |
| Flying Fees | - | 851,526.89 | (851,526.89) | - |
| Income Generating Projects (IGP) | 4,342,045.41 | 31,998.00 | 4,310,047.41 | 99 |
| **Total** | **91,536,366.20** | **70,931,344.35** | **20,605,021.85** | **23** |

1. Out of the tuition fees of ₱983,597.00 collected for graduate school, an over-utilization of ₱19,264,529.51 was incurred while an obligation amounting to ₱851,526.89 under Flying School was incurred without corresponding collections. The over-utilized amount was taken from the tuition fees collected under the undergraduate programs.
2. Thus, the paying students did not benefit from the additional school charges imposed to them.
3. The Special Budget for CY 2016 was based only on the unutilized budget as of December 31, 2015 and actual collections for the months of January and February 2016 which were hugely inadequate to serve as basis of budget estimate for the whole year which resulted in the under-utilization of fiduciary and other fees by 65.21 and 53.87 percent, respectively.
4. Review of budget utilization over approved budget showed inadequate budgeting, details are shown in the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **CY 2015 Actual Collection** | **CY 2016 Special Budget** | **Variance** |
| School Fees | 112,913,423.14 | 59,256,799.87 | 53,656,623.27 |
| Fiduciary Fees | 29,284,360.75 | 8,869,685.80 | 20,414,674.95 |
| Other Fiduciary Fees | 31,918,784.25 | 6,041,983.49 | 25,876,800.76 |
| **Total** | **174,116,568.14** | **74,168,469.16** | **99,948,098.98** |

1. It is also noted that the Special Budget for CY 2016 submitted by the Management was not supported by a certificate duly signed by the Accountant that collections have been made, duly receipted and deposited in the official government depositary bank. Further, no Schedule of Fiduciary Fees broken down by college, campus, and fund showing the details of the fees collected was submitted contrary to CMO Order No. 20 series of 2011.
2. Moreover, the Budget Office failed to prepare budgeted revenue for Fiduciary Fees on a per item/charges basis. In the Special Budget for 2016, the budget was lumped into single amounts for fiduciary and other fiduciary fees totalling to ₱8,869,685.80 and ₱6,041,983.49, respectively. Since the budget were not set on a per item basis such as athletic, medical/dental, library, development fee and other miscellaneous fees, the utilization and assessment of each fiduciary fee imposed to students cannot be directly associated with the budgeted STF contrary to Section 4 (d) of RA No. 8292 which provides that all fiduciary fees shall be disbursed for the specific purposes for which they are collected.
3. During the exit conference, the Budget Office commented that they will submit a detailed Special Budget for 2016 wherein the budget for fiduciary and other fees are listed per item however, the said report is not yet submitted as of audit.
4. The College maintains a bank account for STF with book balance of ₱271,668,774.83 as of December 31, 2016, composed of: a) collections from tuition fees, registration fees, miscellaneous fees and those fees intended for fiduciary fund such as development fee, laboratory fee, library fee; b) income from IGP; c) fund transfers; and d) Other Fiduciary Fund.
5. The inefficient budgeting of STF resulted to unprecedented huge increase in the balance of the Cash - in - Bank, Local Currency Current Account under Bank Account No. 3562-1003-25. Authority from the BOT to use excess income for University’s priority projects was not requested by the Management.
6. Sections 4.5 and 4.6 of COA and DBM Joint Circular No. 2014-1 dated July 2, 2014 prescribe the use of the Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) or Financial Accountability Report (FAR) No. 2 which reflects the approved budget, utilizations, disbursements and balances of the agency authorized by law to use their income such as Overseas Workers and Welfare Administration (OWWA)/SUC, and approved by the Board of Trustees/Regents, while Statement of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) or FAR No. 2 A (for Off-Budget Fund) reflect the details of approved budget, utilizations, disbursement and balances of the agency authorized by law to use their income presented by object of expenditures consistent with COA Revised Chart of Accounts.
7. Audit of the SABUDB (FAR No. 2) and SABUDBOE (FAR No. 2-A) for the period ending December 31, 2016, revealed a minimal utilization of personal services (PS) and capital outlays (CO), as shown below:

| **Classification** | **Approved Budget Revenue** | **Allocation as of 12/31/16** | **Total Adjusted Budget** | **Obligations** | **Unutilized Budget** | **Percent of Unutilized Budget** |
| --- | --- | --- | --- | --- | --- | --- |
| PS | 22,237,940.69 | 22,237,940.69 | 22,237,940.69 | 4,135,760.04 | 18,102,180.65 | 81 |
| MOOE | 102,970,621.94 | 102,970,621.94 | 102,970,621.94 | 83,987,371.26 | 18,983,250.68 | 18 |
| CO | 20,237,940.69 | 20,237,940.69 | 20,237,940.69 | 1,819,875.00 | 18,418,065.69 | 91 |
| **Total** | **145,446,503.32** | **145,446,503.32** | **145,446,503.32** | **89,943,006.30** | **55,503,497.02** | **64** |

We recommended that Management:

1. **prepare a STF budget that will reflect the approximate collection as basis for utilization, and be efficient in spending thereof in accordance with existing laws and regulations;**
2. **support the Special Budget with the Schedule of Fiduciary Fees broken down as to college, campus, and fund showing the details of the fees collected in accordance with CMO No. 20 series of 2011;**

1. **implement programs and projects appropriately chargeable from the fiduciary funds to assure timely benefits to the paying students. If the funds are not yet needed, consider returning the same to the paying students or to stop imposing those fees to ease their financial burden; and**
2. **request approval from BOT for the budget on the use of income as provided under Section 22, Article 10 of CMO No. 20 series of 2011 to use excess income for University priority projects.**
3. Management committed to submit a certificate duly signed by the Accountant that collections have been made, duly receipted and deposited in the official government depositary bank as well as the schedule of fiduciary fees broken down by college, campus, and fund showing the details of the fees.
4. As of the date of this report, the above-mentioned documents were not submitted yet to the Audit Team.

*Implementation of Expanded Students’ Grant-in-Aid Program for Poverty Alleviation (ESGP-PA)*

1. Out of the appropriated amount of ₱2,182,000.00 intended for the ESGP-PA scholars, only ₱1,005,200.00 equivalent to 46 percent was obligated and disbursed to the student-grantees for SY 2016-2017, leaving an unobligated balance of ₱1,176,800.00 or 54 percent, thus, denying the student grantees prompt access of their scholarship benefits to defray school expenses.
   1. Joint Memorandum Circular No. 2014-1 dated February 3, 2014 was issued on the implementation of the ESGP-PA of which the State Universities and Colleges (SUCs) is one of the implementers along with the Department of Social Welfare and Development (DSWD), Commission on Higher Education (CHED) and the Department of Budget and Management (DBM). The Program aims to contribute to National Government’s thrusts in effectively addressing poverty alleviation by increasing the number of graduates in higher education among poor households and to get those graduates employed in high-value added occupation in order to lift their families out of poverty and contribute to national development.
   2. The program was initially implemented in SY 2014-2015 of which under RA No. 10633, the FY 2014 GAA, the approved budget for its implementation amounted to ₱2,182,000.00 intended to cover the scholarship grants of the 35 targeted student-grantees for the school year. Included in the approved budget is the three percent Administrative and Miscellaneous Cost (AMC) which covers expenses for monitoring activities such as office supplies and materials, hiring of project technical staff/s or job order, communication, transportation/travel, Information Technology (IT) equipment, remedial/mentoring programs and meetings/orientations and assembly. Each grantee shall be entitled to scholarship grant of ₱60,000.00 per academic year or ₱30,000.00 per semester to cover the cost of tuition and other school fees, textbooks/other learning materials and stipend.
   3. In the FY 2016 GAA, PhilSCA had an appropriation of ₱2,182,00.00 allocated for 35 student-grantees of the ESGP-PA, which consist of ₱60,000.00 scholarship grant and ₱1,800.00 administrative charge per year for each student. Of the amount of ₱2,182,00.00, only ₱1,005,200.00 or 46 percent was obligated, hence leaving an unobligated amount of ₱1,176,800.00.
   4. The unutilized appropriations of ₱1,176,800.00 was transferred from Fund 01 to Fund 05 and are accounted for as follows:

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| Appropriation for 2nd Semester @ ₱30,000 for 35 grantees | 1,050,000.00 |
| Unobligated appropriations for 1st semester (7 grantees x 10,000) | 70,000.00 |
| Add: Unutilized Obligation for Administrative Fees |  |
| Obligated Administrative Charges (₱63,000 less ₱25,200) | 37,800.00 |
| Excess allocation | 19,000.00 |
| **Total Unutilized Obligations** | **1,176,800.00** |

* 1. Audit disclosed that there was a delay in the release of funds to the student grantees of the ESGP- PA to cover school expenses which denied them of prompt access to their scholarship benefits.
  2. Based on our interview, one of the main reasons given by the College for the said delay was the need to evaluate first the grades of each scholar at the end of the semester and to monitor their academic performance at the end of each academic year until graduation pursuant to Paragraph 8.4.9 of the CHED/DBM/PASUC/DSWD/DOLE Joint Memorandum Circular No. 2014–01 dated February 3, 2014. As per inquiry with the Admission Office, the College is in the process of completing the documents required for the preparation of checks that will be released in payroll to the student grantees.
  3. As a remedy for the late release of scholarship to the ESGP-PA scholars, the PhilSCA President Bernard Ramirez approved in June 2016 the recommendation of the Finance Unit, Registrar, Cashier and Director for Admission in their letter dated May 25, 2016 to allow the scholars to enroll without payment of tuition and miscellaneous fees subject to reimbursement from the appropriations released by the DBM.
  4. Consequently, ESGP-PA grantees were allowed to enroll despite late releases of their allowance thereby giving assurance of continuity of their studies. However, notwithstanding said remedy, it is reminded that the remaining funds for scholars should be released promptly to defray their school expenses.
  5. There are 35 allocated grantees for PhilSCA as per GAA for FY 2014. For SY 2014 – 2015, out of the 20 qualified grantees, seven students has dropped and two students has graduated. In SY 2015 – 2016, of the 24 qualified scholars, four grantees has graduated, two dropped out while six slots were unutilized. For the first semester of SY 2016-2017, the remaining six slots were filled up or a total of 35 fully utilized slots. In the second semester, however, one student grantee dropped out. Details are summarized in table below:

| **Particulars** | **SY 2014-2015** | | **SY 2015-2016** | | **SY 2016-2017** | |
| --- | --- | --- | --- | --- | --- | --- |
| **Semester** | | **Semester** | | **Semester** | |
| **1st** | **2nd** | **1st** | **2nd** | **1st** | **2nd** |
| Continuing grantees | - | 20 | 11 | 35 | 29 | 35 |
| Slots awarded | 20 | - | 24 |  | 6 | - |
| No. of graduates | - | 2 | - | 4 | - | - |
| No. of grantees dropped | - | 7 | - | 2 | - | 1 |
| **Total** | 20 | 11 | 35 | 29 | 35 | 34 |
| Allocation per GAA | 35 | 35 | 35 | 35 | 35 | 35 |
| **Unutilized slots** | **15** | **24** | **-** | **6** | **-** | **1** |

* 1. Paragraph 8.4.13 of said CHED/DBM/PASUC/DSWD/DOLE Joint Memorandum Circular provides the responsibility of the College to encourage each student grantee to open an Automated Teller Machine (ATM) Savings account with Land Bank of the Philippines (LBP) or the Development Bank of the Philippines (DBP). It is noted however that the funds were still released to student-grantees in cash through cash advances of disbursing officers.
  2. We recommended that Management:

1. **facilitate the timely release of the scholarship grant considering that the grantees of the program are less privileged but deserving students and the funds are intended to cover the cost of tuition and other school fees, textbooks/other learning materials and stipend; and**
2. **address the delayed release of benefits for efficient and effective implementation of the program.**
   1. Management commented that:
3. The evaluation of grades of the grantees was made in November 2016 and the grants for 2nd semester was released in December 2016;
4. Grantees were able to enroll last 2nd semester of SY 2016-2017 without payment of tuition and miscellaneous fee, as implementation of the letter request approved by the College President last June 2016;
5. The slots being vacated by the grantees who graduated and dropped were filled-up, for the College to comply with the Policy of this Scholarship program.
6. The following are the proposed actions on the matter:

* The verification of grades will be done in April to May 2017 and the recommendation from the DSWD will be requested to be submitted earlier so that their claims will be processed as early as June 2017, for them to enjoy the grants at the start of their classes; and
* To propose Operational Plan of Activities and request for equipment and supplies in order to utilize the three percent AMC of the program.
  1. The grantees were able to enroll last 2nd semester of SY 2016-2017, without payment of tuition and miscellaneous fee due to the implementation of the letter request dated May 25, 2016 which was approved by the College President last June 2016.

**Financial and Compliance Audit**

*Understatement of account Cash in Bank- Local Currency, Current Account*

1. Account Cash in Bank- Local Currency, Current Account is understated by ₱11,421,198.06 due to: a) unrecorded collections of tuition fees directly deposited to the bank totalling ₱9,767,159.09; b) unrecorded fund transfers for tuition fee of ESGP-PA scholars and Tulong Dunong grantees totalling ₱1,440,136.00; and c) unrecorded interest income from deposits totalling to ₱213,902.99. Moreover, no regular reconciliation of cash account per book and bank is done.
2. The account Cash in Bank- Local Currency, Current Account balance as of December 31, 2016 amounted to ₱272,310,451.82, consisting of the following:

|  |  |  |  |
| --- | --- | --- | --- |
| **Depository Bank** | **Bank Account No.** | **Purpose** | **Amount** |
| LBP- Villamor Air Base Extension Office | LBP CA# 3562-1003-25 | Special Trust Fund (STF) | 271,668,774.83 |
| LBP- Villamor Air Base Extension Office | LBP CA# 3562-1003-84 | Payroll Fund | 332,331.55 |
| LBP- Villamor Air Base Extension Office | LBP CA# 3562-1005-11 | Senior High | 309,345.44 |
| **Total** | |  | **272,310,451.82** |

1. On February 28, 2017, the Audit Team received confirmation reply of the said accounts from LBP Villamor Air Base Extension Office showing the following balances as of December 31, 2016.

| **Account Description** | **Account No.** | **Fund** | **Amount** | **Remarks** |
| --- | --- | --- | --- | --- |
| Regular Checking Account | 3562-1003-25 | 05 | 285,736,356.12 | With interest rate of .25% |
| 3562-1003-84 | 01 | 334,107.41 |
| 3562-1005-11 | 05 | 319,345.44 |
| **Total** | | | **286,389,808.97** |  |

1. The difference of ₱14,079,357.15 from the book balance as against the bank balance pertains to the following:

| **Account Number** | **Balance as of December 31, 2016** | | **Difference** | **Remarks** |
| --- | --- | --- | --- | --- |
| Per Books | Per Bank |
| 3562-1003-25 | 271,668,774.83 | 285,736,356.12 | 14,067,581.29 | Reconciling Items (such as Interest income, Unrecorded collections of tuition fees directly deposited to bank, and Unrecorded fund transfer) |
| 3562-1003-84 | 332,331.55 | 334,107.41 | 1,775.86 | Interest Income |
| 3562-1005-11 | 309,345.44 | 319,345.44 | 10,000.00 | Unrecorded deposit |
| **Total** | **272,310,451.82** | **286,389,808.97** | **14,079,357.15** |  |

1. It was observed that the LBP Account No. 3562-1005-11 was opened on August 5, 2016 for Senior High Account when the Agency accepted senior high students for SY 2016-2017 in compliance with Department of Education (DepEd) Order No. 38, series of 2016 dated June 10, 2016.
2. For CY 2016, the latest Bank Reconciliation Statement (BRS) submitted by Accounting Service Office were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date of Bank Reconciliation** | **Date BRS submitted to COA** | | |
| **Bank Account No.** | | |
| **3562-1003-25** | **3562-1003-84** | **3562-1005-11** |
| September 2016 | March 14, 2017 | February 8, 2017 | March 2, 2017 |
| October 2016 |
| November 2016 |
| December 2016 |

1. Section 7, Chapter 21 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume 1, states that:

“The Chief Accountant shall submit the BRS within twenty days after receipt of the monthly BS to COA Auditor (with all the supporting documents and JEVs).”

1. Based on the BRS submitted, the Audit Team learned that reconciling items totaling ₱11,421,198.06were not taken up nor adjusted in the books of the Agency as at year-end.

| **Particulars** | **Amount** |
| --- | --- |
| 1. **unrecorded collections of tuition fees directly deposited to the bank** | |
| Unrecorded collections (deposit of tuition fees from online collections) | 8,522,807.63 |
| Unrecorded collections (direct deposits of payment of tuition fees to bank) | 1,244,351.44 |
| **Total** | **9,767,159.09** |
| 1. **unrecorded fund transfers for tuition fee of ESGP-PA scholars and Tulong Dunong grantees** |  |
|  |
| Unrecorded fund transfer for tuition fee of ESGP-PA Scholar (from Fund 01 to 05) | 719,400.00 |
| Unrecorded fund transfer for tuition fee of Tulong Dunong Grantees (from Fund 01 to 05) | 78,000.00 |
| Unrecorded fund released from CHED for payment of tuition fees | 642,736.00 |
| **Total** | **1,440,136.00** |
| 1. **unrecorded interest income from deposits** | |
| Unrecorded deposit on August 5, 2016 (personal fund of PhilSCA official was used for the opening of the account) | 10,000.00 |
| Credit Memo 12/13/16 Interest Income | 1,606.66 |
| Interest Income (4th quarter 2016) from deposits | 169.20 |
| Interest Income (4th quarter 2016) from deposits | 202,127.13 |
| **Total** | **213,902.99** |
| **Grand Total** | **11,421,198.06** |

1. Henceforth, the following accounts that were affected due to non-adjustment of the above reconciling items in the books of the Agency are:

* Cash in Bank- Local Currency, Current Account was understated by the amount of ₱11,421,198.06 due to unrecognized various credits to Bank accounts;
* School Fees was understated totalling to ₱9,767,159.07 due to non- recognition of collections of tuition fee which was directly deposited through Bank; and
* Interest Income was understated by the amount of ₱213,902.99 for the interest earned for the 4th quarter 2016 of Agency bank deposits which was not recognized.

1. Section 6, Charter 21 of GAM for NGAs, Volume 1, states that:

“The Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.”

1. We recommended that Management:
2. **submit** **BRS** **within the prescribed period in accordance with Section 7, Chapter 21 of GAM for NGAs, Volume 1, to COA Auditor; and**
3. **prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.**
4. Management commented that they will prepare the necessary adjusting entries and will submit BRS within prescribed period.
5. The Accounting Service Office prepared Journal Entry Voucher (JEV) No. GJ Loc 17-03-004 on March 31, 2017 for the adjustment of the reconciling items.

*Petty Cash Fund*

1. Deficiencies in managing the Petty Cash Fund (PCF) were noted such as: a) PCF in excess by the amount of ₱294,261.19 based on the average monthly expenses incurred; b) PCF Record (PCFR) prescribed to monitor, control and report transactions was not maintained contrary to Section 35 and 37, Chapter 6 on Disbursements of the Government Accounting Manual; c) expenses were not adequately supported by documentary requirements contrary to COA Circular No. 2012-001 dated June 14, 2012; and d) meal expenses totalling to ₱26,870.40 incurred by various official and employees while on liaison within Metro Manila were charged to PCF which are not in conformity with Paragraph 4.1 of COA Circular No. 2012-003 dated October 29, 2012, thus, exposed the fund to risk of loss or probable misuse.
2. For CY 2016, the Agency authorized and granted PCFs to the following personnel:

| **PCF Custodian (PCFC)** | **Amount** | **Purpose/Office** |
| --- | --- | --- |
| 1. Felix L. Alegado | 50,000.00 | PCF for Basa-Palmayo Campus |
| 2. Esteban M. Cordovilla | 50,000.00 | PCF for Finance Department |
| 3. Ameja C. Custodio | 4,999.00 | PCF for Disbursing Office |
| 4. Darby P. Esperanzate | 50,000.00 | PCF for Fernando Air Base Campus |
| 5. Rodante G. Flores | 200,000.00 | PCF for Research and Development- Villamor Air Base Campus |
| 6. Jonathan M. Nagasao | 50,000.00 | PCF for General Services |
| 7. Noel R. Navigar | 50,000.00 | PCF for Flying Department |
| 8. Maura Gina D. Ramoso | 50,000.00 | PCF for Basa-Palmayo Campus |
| 9. Nonadel A. Soriano | 50,000.00 | PCF for Mactan and Medellin Campus |
| **Total** | **554,999.00** |  |

1. It was noted that the PCF handled by the above custodians were in excess of their monthly authorized amount as shown in the following table:

| **PCFC** | **Amount of PCF Fund** | **Average Monthly Expenses** | **Excess** | **Balance as of December 31, 2016** | **Average Interval of liquidation/ replenish-ment (In months)** |
| --- | --- | --- | --- | --- | --- |
| Jonathan M. Nagasao | 50,000.00 | 7,290.58 | 42,709.42 | 50,000.00 | 4 |
| Esteban M. Cordovilla | 50,000.00 | 19,618.79 | 30,381.21 | 50,000.00 | 3 |
| Noel R. Navigar | 50,000.00 | 24,057.60 | 25,942.40 | 28,820.25 | 1 |
| Darby P. Esperanzate | 50,000.00 | 37,383.37 | 12,616.63 | - | 1 |
| Felix L. Alegado | 50,000.00 | 21,016.75 | 28,983.25 | - | 2 |
| Ameja C. Custodio | 4,999.00 | 2,222.78 | 2,776.22 | 11,169.35 | 2 |
| Rodante G. Flores | 200,000.00 | 78,772.8 | 121,227.20 | 66,455.59 | 2 |
| Maura Gina D. Ramoso | 50,000.00 | 36,305.07 | 13,694.93 | - | 1 |
| Nonadel A. Soriano | 50,000.00 | 34,070.07 | 15,929.93 | - | 1 |
| **Total** | **554,999.00** |  | **294,261.19** | **206,445.19** |  |

1. Section 35 on Disbursements, Volume I, of GAM for NGAs, states that the PCF to be set up shall be sufficient to defray the recurring petty operating expenses of the agency for one month. It also prescribes that payment out of PCF shall be made through a Petty Cash Voucher (PCV).
2. Also, Section 37 of GAM, Volume 1, states that the PCFC shall prepare the Report on Paid Petty Cash Voucher (RPPCV) and maintain the PCFR to monitor and control the granting and utilization of the fund.
3. Further review of PCFR reveal the following deficiencies:
4. The two PCFCs did not maintain PCFR. Instead they prepared a summary or list of disbursements to monitor their cash on hand which resulted in difficulty in validating the correctness of the PCF balance at the time of cash count.
5. The PCFCs were not properly briefed/instructed in the discharge of their duties such as the proper recording of the transactions and other matters related to their work as petty cash custodian as required under COA Circular No.97-002 dated February 10, 1997 which affected their performance as such.
6. COA Circular No. 2012-001 dated June 14, 2012 on the General Requirements for All Types of Disbursement requires disbursements to be supported by sufficient and relevant documents to establish validity of claim.
7. The following documentary requirements were not attached to the PCV on various claims such as:

* Certificate of inspection and acceptance or equivalent for the supplies procured;
* Basis or authority for payment of per diem; and
* Inspection Report

1. Further, meal expenses of various officials and employees while on liaison within Metro Manila amounting to ₱26,870.40 were charged to the PCF but which are not in conformity with Paragraph 4.1 of COA Circular No. 2012-003 dated October 29, 2012 on “Updated Guidelines for the Prevention and Disallowance of Irregular, Unnecessary, Excessive, Extravagant and Unconscionable Expenditures”.
2. Lastly, the non-submission of unreplenished PCVs to the Accounting Unit as of December 31, 2016 resulted in the understatement of various expenses totalling to ₱111,169.35, thus exposed the fund to risk of loss or probable misuse.
3. We recommended that Management and the PCFCs:
4. **reduce the amount of petty cash fund that should be sufficient for the recurring petty operating expenses of the office for one month;**
5. **abide by the rules and regulations in handling petty cash fund particularly on the use of the prescribed records and forms required in maintaining the Fund;**
6. **review required supporting documents for each transaction in accordance with laws, rules and regulations;**
7. **stop the practice of charging/reimbursing food expenses of various officials and employees to PCF while on liaison within Metro Manila; and**
8. **submit to the Accounting Unit all unreplenished PCVs for recording in the books of accounts.**
9. Management commented that a memorandum was issued to PCFCs to stop the practice of charging food expenses while on liaison within Metro Manila.

*Receivables*

1. The account Loans Receivables-Others amounting to ₱883,000.00 arising from Student Assistance Fund for Education for a Strong Republic (SAFE-4-SR) remained outstanding for more than six years with doubtful collectability since the grantees have already graduated and are not anymore connected with PhilSCA. Likewise, Other Receivables account with a total amount of ₱1,189,307.75 remained dormant formore than eight to 13 years which rendered the account balances unreliable.
2. PPSAS No. 1 – Presentation of Financial Statements: Financial Statements (FS) shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, conditions in accordance with the definitions and other events, and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS.
3. PPSAS No. 1 – The Conceptual Framework for General Purpose Financial Reporting (GPFRS) by Public Sector Entities, paragraph 3.10 states that to be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.
4. CHED Memorandum Order No. 25 series of 2008 provides that SAFE-4-SR aims to provide assistance to the financially needy 3rd year, 4th year, 5th year, or graduating college students in all higher education institutions nationwide through easy, accessible, and interest-free student loan program. Qualified loan grantees can borrow as much as ₱8,000.00 depending on individual circumstances and requirements. The grantees shall pay the loan within two to five years after graduation.
5. The account Loan Receivables-Others amounting to ₱883,000.00 pertains to SAFE-4-SR released by CHED to PhilSCA in CY 2008 through its Student Financial Assistance Program (StuFAP). The said amount remain unpaid by 112 student grantees for more than six years. For the current year, only one student working as Job Order employee of PhilSCA paid his loan through salary deduction of ₱500.00 starting September to December 2016, or a total amount of ₱3,500.00.
6. The Loan Receivables-Others account was decreased by ₱44,325.00 by the amount of the allowance for impairment. The allowance for impairment was based on the outstanding balance of ₱886,500.00 in the year 2015, instead of the current year balance of ₱883,000.00.
7. The Other Receivables account balance of ₱1,189,307.75 is composed of the following:

| **Particulars** | **Amount** | **Age** |
| --- | --- | --- |
| 1. Excess allowance from members of the BOT due for refund | 263,000.00 | Over 13 years |
| 1. Dormant Account for over eight years with pending request for write-off | 319,071.00 | Over 8 to 15 years |
| 1. Cash Shortage of former Collecting Officers | 158,211.32 | Over 10 years |
| 1. Other Miscellaneous receivables to be collected from concerned personnel | 449,025.43 | Over 8 years |
| **Total** | **1,189,307.75** |  |

1. Excess allowance from members of the Board of Trustees (BOT) due for refund amounts to ₱263,000.00.

The amount representing excess payment of honorarium to the members of the BOT was disallowed in audit due to lack of sufficient legal basis and is contrary to Section 4.4 of Budget Circular No. 2003- 06 dated September 29, 2003 as per Notice of Disallowance (ND) No. 08-001-164 and ND No. 08-002-164 dated August 19, 2008 and October 30, 2008, respectively.

The abovementioned NDs are due for issuance of Notice of Finality of Decision (NFD).

1. Dormant Account for over eight to 15 years with pending request for write-off with the Adjudication and Settlement Board per Management’s letter dated October 2, 2014:

| **Name** | **Accumulated Cash Advance** | **Date of Check** | **Reason for Write off** |
| --- | --- | --- | --- |
| Former College President | 65,000.00 | 1/14/1991 | Respondent was already convicted by a Sandiganbayan Decision in September 2012. Account shall be transferred instead to the appropriate Registry of Dormant Accounts |
| Former SDO on AWOL | 30,000.00 | 11/17/1993 | Unknown whereabouts of respondent. Cannot be located despite several demand letters sent to her last address |
| 28,580.00 | 1/10/1994 |
| Former BOT Member | 100,000.00 | 6/30/2000 | Unknown whereabouts of respondent. Cannot be located despite several demand letters sent to her last address |
| Former COA Auditor PhilSCA | 14,400.00 | 4/25/2001 | Account of respondent is unliquidated cash advance for 10 years or more. If warranted, account shall be transferred instead to appropriate Registry of Dormant Accounts. |
| 9,361.00 | 11/10/2003 |
| Former Acting Board Secretary/ Dean on AWOL | 10,660.00 | 2/16/2007 | Insolvency of the Respondent until his death on March 2013. |
| 14,760.00 | 3/9/2007 |
| 6,470.00 | 3/9/2007 |
| 10,242.00 | 4/18/2007 |
| 4,999.00 | 5/3/2007 |
| 2,400.00 | 8/23/2007 |
| 12,200.00 | 10/7/2007 |
| 4,999.00 | 11/12/2007 |
| 5,000.00 | 2/26/2008 |
| **Total** | **319,071.00** |  |  |

1. Cash Shortage of former accountable Collecting Officers:

| **Name** | **Amount** |
| --- | --- |
| Collecting Officer on absence without leave (AWOL) since August 8, 2008 | 123,949.55 |
| Collecting Officer deceased since May 25, 2007 | 34,261.77 |
| **Total** | **158,211.32** |

The cash shortage was included in CYs 2006 and 2007 Annual Audit Reports (AAR). The late cash collecting officer’s original shortage amounted to ₱63,042.56 which was reduced to ₱34,261.77 through partial settlement made by her husband in the amount of ₱28,780.79. However, it is noted that the recommendation in the CY 2007 AAR to file a claim against the fidelity fund pursuant to Section 1 Rule VIII of Treasury Memorandum Circular No. 1-71 dated March 17, 1971, thru the COA in the event that the salary and other emoluments of the deceased collecting officer may not be enough to cover the shortage, was not taken by the Management hence, the amount remained uncollectible. It is also noted that the late collecting officer has no unpaid salary and other emoluments to satisfy her shortage.

The cash shortage of collecting officer who went on AWOL was incurred in CY 2006. Aside from withholding of salaries and other emoluments of the former collecting officer, no further action was taken by the Management since the year 2010 as per Status of Prior Year’s Recommendation of CY 2010 AAR. The said collecting officer went on AWOL in 2008. Neither administrative nor criminal case was filed against the said former collecting officer and her whereabouts is unknown.

The Other Miscellaneous Receivables amounting to ₱449,025.43 pertain to unliquidated cash advances of former PhilSCA officers. A case against the said officials was filed by the College and pending in the Sandiganbayan for decision as per inquiry. The Audit Team requested from Management for information and documents on the abovementioned case however, no documents and information were submitted.

1. The account balances are doubtful of collectability due to lack of intensified effort to collect the abovementioned receivables.
2. We recommended that Management:
3. **send demand letters to former students who received financial assistance fund and to the Board of Directors or their representatives who received excess allowance from the College;**
4. **find the whereabouts of concerned individuals who incurred cash shortage and exhaust all legal efforts to recover the asset;**
5. **request for write off on the other receivables arising from cash shortage of the deceased person following the prescribed procedures; and**
6. **submit documents and information on the individuals with pending case as supporting document of the other miscellaneous receivable accounts.**

*Land*

1. The three parcels of land donated to PhilSCA in CYs 2013, 2014 and 2016 were not recognized in the books of accounts due to lack of appraisal value at the time of its donation, thus, understating the land account by the amount of its appraised value; the recorded property in Villamor Air Base amounting to ₱255 million, subject of swap arrangement with the Bases Conversion Development Authority (BCDA), is not covered by Transfer Certificate of Title in the name of PhilSCA due to non-execution of the basic documents of amended Memorandum of Agreement (MOA) and Deed of Absolute Sale (DOAS) needed for its transfer, thus, ownership of the property is still not registered in the name of PhilSCA.
2. Paragraph 14, 27 and 28 of PPSAS 17 provide that:
   * 1. The cost of an item of property, plant and equipment shall be recognized as an asset, if and only if:
3. It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
4. The cost of fair value of the item can be measured reliably.
   * + 1. Where an asset is acquired through non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.
       2. An item of property, plant and equipment may be acquired through a non-exchange transaction. For example, land may be contributed to a local government by a developer at no or nominal consideration to enable the local government xxx.
5. Section 5, Chapter 10 of the GAM, Volume 1, provides that:

PPE that qualifies for recognition as an asset shall be measured at cost. However, where the PPE is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition. The cost of an item of PPE comprises of: (Pars. 30 and 31, PPSAS 17)

* 1. Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
  2. Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1. As at December 31, 2016, the account Land has a balance of ₱255,000,000.00. This pertains to the property acquired thru land swapping agreement under a MOA dated June 10, 2010 entered into among BCDA, Megaworld Corporations and PhilSCA. It is situated in Villamor Air Base, Pasay City with an area of 17,454 square meters more or less. In addition, there are three other properties acquired by PhilSCA thru donations in CYs 2013, 2014 and 2016. However, these lands remain unrecorded in the books of accounts as follows:

| **No.** | **Location** | **Description** | **Mode of Acquisition** | **Remarks** |
| --- | --- | --- | --- | --- |
| 1 | Floridablanca Resettlement Center, Florida Pampanga | 15,809 sq. m | Donated by Municipality of Floridablanca represented by Hon. Mayor Eduardo D. Guerrero by virtue of a Deed of Donation dated June 14, 2013. | Not in the books of accounts |
| 2 | Barangay Curva, Medellin, Cebu | 500 sq. m. | Donated by Local Government of Medellin, Cebu represented by Hon. Mayor Ricardo R. Ramirez by a Deed of Donation dated November 27, 2014. |
| 3 | Dalipit East, Cuenca Batangas | 15,000 sq m. (forest land) | Donated by heirs of Virgilio and Virginia Remo in a Deed of Donation dated April 29, 2016. |

1. For the land occupied by PhilSCA at Villamor Air Base (VAB) Campus located at Piccio Garden, West Service Road, SLEX Villamor Air Base, Pasay City, with an approximate area of 17,454 square meters, we observed that PhilSCA’s absolute ownership over the said land is still uncertain due to the absence of Transfer Certificate of Title (TCT) in its name up to this date. The chronology of events is summarized as follows:
2. On September 7, 1999, a Contract to Sell was entered into by PhilSCA and BCDA for a parcel of land amounting to ₱95,997,000.00 with an area of approximately 17,454 square meters, which was the lot previously occupied by PhilSCA at Malunas St., Villamor Air Base. The said contract contains a condition in Paragraph No. 6 which states:

xxx in the event that the final master development plan of BCDA for Villamor Air Base will necessitate the re-development or re-zoning of the property subject of this Contract to other uses, both parties shall enter into a swap arangement involving their respective properties in Villamor Air Base. Both parties shall exert their utmost effort to settle the issues regarding the swap arrangement. In case of disagreement, the parties will resort to arbitration in accordance with laws applicable to both agencies. Otherwise, the matter shall be settled pursuant to Philippine Arbitration Law.

1. On June 8, 2001, a Deed of Absolute Sale was executed between PhilSCA and BCDA stating that the Contract to Sell dated September 7, 1999 is attached as Annex A as integral part of the Deed of Absolute Sale.
2. Two years thereafter, the BCDA sent a letter dated November 4, 2003 to PhilSCA Board of Trustees (BOT) informing that the 17,454 square meter property inside VAB being occupied by PhilSCA, subject of Deed of Absolute Sale on June 8, 2001 between BCDA and PhilSCA, is part of the disposed property in Villamor Air Base by BCDA and assuring that PhilSCA buildings and facilities will not be demolished unless the replication in the new site are completed.
3. Consequently, on June 10, 2010 a Memorandum of Agreement (MOA) was entered into by PhilSCA, BCDA and Megaworld Corporation which contained agreements such as:

**Permanent Relocation Site:** The transfer of the PhilSCA VAB campus to the PhilSCA Relocation Site is understood to be **temporary**. After completion of such transfer to the PhilSCA Relocation Site, PhilSCA in coordination with Basa Air Base officials shall identify at least twenty (20) hectares within Basa Air Base at Basa, Floridablanca, Pampanga and the BCDA shall favorably endorse the segregation of the said site for use as the permanent site for the PhilSCA main campus (emphasis ours);

**Approval of Government Corporate Counsel:** This MOA shall be subject to the review of the Office of the Government Corporate Counsel (OGCC) whose review, comments and amendments insofar as consistent with the corporate action taken by the Parties' governing Boards shall be incorporated herewith.

1. Megaworld Corporation is the joint venture partner of the BCDA in the development of the Villamor Gateway Center.
2. On July 12, 2010, the abovementioned MOA was approved by PhilSCA’s BOT by virtue of Board Resolution No. 045 series of 2010. A Resolution of the PhilSCA BOT during its third regular meeting approved and confirmed the MOA entered into between the PhilSCA, BCDA and Megaworld Corporation implementing PhilSCA Board Resolution No. 35, S. 2010, setting the terms and conditions for actual transfer of PhilSCA Villamor Air Base Campus to the BCDA - Proposed site near the former driving range Villamor Golf Course along the South Luzon Expressway.
3. The previous resident auditor sent a letter dated August 1, 2011 to the President of BCDA requesting for the status of compliance in executing proper transfer of title of the relocation site and its registration in the Registry of Deeds of Pasay City in the name of PhilSCA.
4. In response to the above mentioned letter, BCDA in its letter dated August 24, 2011 stated that a new MOA between the latter and PhilSCA was drafted for approval of PhilSCA BOT. The new MOA provides that:

**Permanent Relocation Site:**

The Parties herein agree that Lot 4, Pcs – 00- 013512 under Transfer Certificate Title No. 003-201100568 particularly described above shall be the Permanent Relocation Site of PhilSCA.

The parties agree that BCDA will no longer be obligated to favorably endorse the segregation of at least twenty (20) hectares within Basa Air Base as PhilSCA's final relocation site, since BCDA does not have any property within and jurisdiction over the Basa Air Base. While BCDA is no longer bound by the said obligation, it shall however, exert best efforts to identify and segregate a portion of land under its title and within its jurisdiction and transfer or convey the same to PhilSCA for the operation of Flying School and/or other consistent with its purpose. The first paragraph of Section 6 of the MOA dated June 10, 2010 is hereby amended accordingly.

1. On October 8, 2012, PhilSCA President requested the approval of the BOT through a Referendum for the composition of a Technical Working Group (TWG) to cause the preparation of the necessary legal papers for the transfer and formal acceptance of the relocation site of PhilSCA. The said BOT Referendum No. 02, series of 2012 was approved by the BOT on the same day.
2. On February 15, 2013, the TWG constituted a meeting and on September 19, 2013, the latest version of MOA was drafted. The permanency of PhilSCA in its relocated site is also stated in the latest version of MOA.
3. The latest drafted MOA was received by CHED Legal Office on September 20, 2013.

1. The new MOA was also received and reviewed by the Office of the Solicitor General (OSG). In its letter dated December 1, 2011, it stated in Paragraph No. 3 that:

There is no legal impediment for the present site of PhilSCA at the former driving range of Villamor Golf Course along the South Luzon Expressway to be its permanent relocation site.

1. The said new MOA was likewise reviewed by the OGCC in its Contract Review No. 193 Series of 2012 dated June 15, 2012, and found the draft agreements to be in order. Accordingly, the MOA and DOAS may be given due course.
2. On February 15, 2015, the BCDA sent an email to the acting Board Secretary of PhilSCA to follow up on the amended MOA and DOA. It stated that:

The duly signed MOA and DOAS will be the basic document for the transfer of the title of the property from BCDA to PhilSCA, hence, we are requesting for the execution of the said agreements the earliest time possible.

1. It was endorsed by the acting board secretary to the College President on February 26, 2015.
2. After favorable review by the OSG and OGCC, the latest draft of MOA and DOAS were still left unsigned by both parties because no review yet was concluded by the CHED Legal Office since its receipt on September 20, 2013.
3. On October 27, 2016, BCDA sent a letter to CHED Commissioner, Chair-designate, PhilSCA Governing Board, re: Request for Assistance in Facilitating the Execution of the Memorandum of Agreement and Deed of Absolute Sale between BCDA and PhilSCA. It stated that:

We were informed by PhilSCA that the said agreements are still pending with the office of OIC Legal and Legislative Services of CHED since 2013. Our Legal Services Department has also talked to the handling lawyer of the OSG, who confirmed that OSG has already approved the said MOA and DOAS.

We would like to reiterate that the BCDA needs the executed MOA and DOAS for BCDA to facilitate the transfer for the title of the subject property in the name of PhilSCA since BCDA already completed the delivery of the land to PhilSCA and the construction of its buildings and facilities.

1. As a consequence of the unsigned new MOA and DOAS, the Transfer Certificate of Title of the subject land is still not released to PhilSCA. Moreover, the permanency of PhilSCA in its relocated site is still at risk since the prior MOA states that the relocation site is only temporary. Pending the approval of the new MOA and DOAS which amends the temporary relocation of PhilSCA to a permanent one, the prior MOA remains valid and subsisting.
2. On November 7, 2016 CHED Commissioner replied that he has requested the Office of the Legal and Legislative Service of the Commission to expedite the review of the above-mentioned documents so that the PhilSCA BOT can approve them during its fourth quarter regular meeting this December.
3. Last December 19, 2016 the fourth quarter regular meeting of the BOT was held but no approval of MOA and DOAS happened since the said MOA and DOAS are still with the Office of the Legal and Legislative Services of CHEDfor review as per “Matters Arising from the Minutes of Meeting” prepared by the acting Board Secretary.

We recommended that the Management:

1. **appraise and recognize in PhilSCA books the value of the three donated lands at its fair market value at the time of donation and work for on issuance of the TCT;**
2. **continuously follow-up with the CHED for the reviewed MOA and DOAS which are documents needed by the BCDA to facilitate the transfer of title of the property located at Piccio Garden, West Service Road, SLEX Villamor Air Base, Pasay City in the name of PhilSCA; and**
3. **exhaust all efforts to have the properties titled in the name of PhilSCA.**

*Under Collection of Rental*

1. The Rent/Lease Income account with balance of ₱1,129,431.92 as of December 31, 2016 is doubtful due to: a) uncollected rent of ₱377,000.00 from consignees/lessees not recognized in the books; b) unascertained completeness of the recorded collections of ₱105,902.92 due to lack of copy of contract on five lessees; c) lack of clear policies on the use/operation of dormitory (Guestel) of PhilSCA-VAB Campus which resulted to failure on charging guests of the amount of rental fee for their stay at the Guestel; and d) unrecorded adjustment in the amount of ₱266,123.00, thus overstating the Rent/Lease Income account by the same amount.
2. CHED Memorandum Order (CMO) No. 20 series of 2011 dated August 4, 2011 provides the policy and guidelines to be observed by the SUC in the use and disposition of all internally generated funds in accordance with the pertinent provisions of RA No. 7722, known as the Higher Education Act of 1994.
3. Section 3.j of CMO No. 20 s. 2011 - Definition of Terms states that “Income Generating Projects (IGPs) - refer to activities which generate additional revenue for specific purpose for which it was created.” Also, Section 3.k states that “Income Generating Units (IGUs) - refers to the fund classification of entities in the SUC which undertakes the management of IGPs which has become a regular part of the operations and activities of the SUC.”
4. Under PhilSCA Special Order No. 35, s. 2014 dated April 2, 2014, Dr. Mariam C. Fabrigar was designated as Acting Director for Auxiliary Services and was tasked to supervise the health and sanitation as well as the general services of PhilSCA Villamor Campus, the Flight Lounge and Cafeteria, Guestel, Stalls and the IGPs of all the four campuses of the College.
5. It is provided in the PhilSCA Administrative Manual 2010 Edition that the Auxiliary Services shall cover all Productions/IGPs and Food Services, such as:

* Canteen/Fast foods/ Cafeteria
* Rental for School Facilities
* Stall Rentals
* Other IGPs

1. As at December 31, 2016, the Rent/Lease Income account had a balance of ₱1,129,431.92, summarized as to campus as follows:

| **Campus** | **Amount** |
| --- | --- |
| Villamor Air Base | 1,030,255.92 |
| Basa Air Base | 89,656.00 |
| Fernando Air Base | 7,500.00 |
| Mactan Benito Ebuen Air Base | 2,020.00 |
| **Total** | **1,129,431.92** |

1. The College entered into contracts with consignees/lessees for CY 2016, namely:

| **Name of Lessee** | **Location** | **Duration of Contract** | **Monthly Rental** |
| --- | --- | --- | --- |
| 1. JMR Canteen | PhilSCA Concession-aires Area | January 4, 2016- December 31, 2016 | 12,000.00 |
| 1. Shepapa Eatery | 6,000.00 |
| 1. Noodle House | 12,000.00 |
| 1. Express Burger | 7,400.00 |
| 1. Fruitshake | 7,000.00 |
| 1. CRMQ Copy Center | Bldg. B Ground Floor | 6,000.00 |
| **Subtotal** |  |  | **50,400.00** |
| 1. Llanes Sari-Sari Store and Canteen | Beside the Security Office | June 10, 2008 - June 10, 2011; if Lessee continues to occupy the premises with the consent of the Lessor, extension of lease shall be from a month to month basis only. | 1,500.00 |
| **Subtotal** |  |  | **1,500.00** |
| **Total** |  |  | **51,900.00** |

1. The VAB Campus contracts provide that the monthly rental shall be paid by the Lessee at the Cashier’s Office of the Lessor on or before the fifth (5th) day of every month. It further provides that the Lessor shall have the right and authority to unilaterally close the leased premises if the Lessee fails to pay his/her rentals on time. However, the Lessee shall be allowed to resume his/her business operation upon payment of his/her financial obligation with additional one percent interest per month as penalty for non-payment of rental fee on time.
2. *uncollected rental from consignees/lessees*
3. For VAB and FAB Campuses, the expected revenue from rental of lessees for CY 2016 is ₱622,800.00 (excluding the one percent penalty per month for late payment). However, the total income recognized was ₱245,800.00 as shown in the following table, thus, resulting to an uncollected income of ₱377,000.00.

| **Name of Lessee** | **Amount to be Collected** | **Amount Collected as of December 31, 2016** | **Uncollected Income** | **Remarks** |
| --- | --- | --- | --- | --- |
| **VAB** | | | | |
| 1. JMR Canteen | 144,000.00 | - | 144,000.00 | No payment received for CY 2016 |
| 1. Shepapa Eatery | 72,000.00 | - | 72,000.00 |
| 1. Noodle House | 144,000.00 | 108,000.00 | 36,000.00 |  |
| 1. Express Burger | 88,800.00 | 88,800.00 | - |  |
| 1. Fruitshake | 84,000.00 | 28,000.00 | 56,000.00 |  |
| 1. CRMQ Copy Center | 72,000.00 | 6,000.00 | 66,000.00 |  |
| **FAB** | | | | |
| Llanes Sari-Sari Store and Canteen | 18,000.00 | 15,000.00 | 3,000.00 |  |
| **Total** | **622,800.00** | **245,800.00** | **377,000.00** |  |

1. *unascertained completeness of the recorded collections of ₱105,902.92 due to lack of copy of contract on five lessees*
2. Further verification revealed that there were no copy of contract with PhilSCA for a Vendo Machine of the Philippine Vending Corp. located at Building B ground floor of PhilSCA-VAB Campus and four lessees for Basa Air Base Campus. The breakdown of collections is shown in the following table.

| **Name of Lessee** | **Amount** |
| --- | --- |
| **Villamor Air Base Campus (VAB)** |  |
| 1. Philippine Vending Corp. | 36,402.92 |
| **Basa Air Base Campus (BAB)** |  |
| 1. Canteen | 31,500.00 |
| 1. Fish Ball Cart | 5,000.00 |
| 1. Canteen | 26,000.00 |
| 1. Xerox Machine | 7,000.00 |
| **Total** | **105,902.92** |

1. Due to absence of contract/agreement, the completeness of the amount collected from the said lessees could not be ascertained.
2. *lack**of clear policies on the use/operation of dormitory (Guestel)*
3. Furthermore, the Agency operates a Dormitory (Guestel) at VAB Campus. The Guestel has 18 guest rooms, nine in the ground floor and nine in the second floor, with a minimum capacity of at least two guests per room.
4. In October 2016, the Audit Team conducted inspection of the College facilities at PhilSCA-VAB, and discovered/confirmed that there were 12 varsity players occupying Room Nos. 105 and 109 at the ground floor. While at the second floor, one contractual personnel occupied the President Lounge room on a permanent basis since CY 2012.
5. For the last three years, the income recognized in the books generated from the use of Guestel is as follows:

| **Month** | **2016** | **2015** | **2014** |
| --- | --- | --- | --- |
| January | - | - | - |
| February | - | - | - |
| March | - | - | - |
| April | 2,100.00 | - | - |
| May | - | - | - |
| June | - | 2,100.00 | - |
| July | 72,700.00 | - | 9,600.00 |
| August | - | - | - |
| September | - | - | - |
| October | - | - | - |
| November | - | - | - |
| December | - | - | 12,050.00 |
| **Total** | **74,800.00** | **2,100.00** | **21,650.00** |

1. Based on logbook, 95 guests stayed at the Guestel from January 1, 2016 to December 31, 2016. However, out of the 95 reported guests, only 29 guests paid rental fees totaling ₱74,800.00. The Guestel can accommodate a minimum of 38 guests in a day stay with an equivalent earnings of approximately ₱3,800.00 per day. The Agency charged ₱100.00 per guest per day based on the records of collections for the stay in Guestel. However, the logbook maintained by the caretaker of Guestel is unreliable because of its incomplete information regarding the number of days stay of guest. The 12 College varsity players occupying Room Nos. 105 and 109 at the ground floor and the one contractual personnel occupying the President Lounge room on a permanent basis since CY 2012 were not charged of rental. Also, the Guestel uses electricity and water supplies and has one caretaker for maintenance of the facility.
2. The Agency has no written copy of policies and guidelines on the use of the dormitory.
3. Based on the foregoing information, due to non-payment of the 66 guests in 2016 and collections in CYs 2015, 2014 of ₱2,100.00 and ₱21,650.00, respectively, the Rent/Lease Income account is understated by the amount of what should be collected from guests for stay at Guestel but due to absence of written policies/guidelines and incomplete information, the Audit Team cannot determine the amount that should have been collected .
4. *unrecorded* *adjustments*
5. The amount of Rent/Lease Income account is overstated by ₱266,123.00 due to unrecorded adjustments below:

| **Description** | **Amount** |
| --- | --- |
| Collection from Test Booklets that should be classified as School Fees | (270,365.00) |
| Collection from the Library Xerox Machine that should be recorded as Other Business Income | (1,238.00) |
| Collection erroneously recorded as Other Business Income | 7,500.00 |
| Collection for fines and penalties | (2,020.00) |
| **Total** | **(266,123.00** |

1. We recommended that Management:
2. **demand payment from the defaulting consignees, and impose penalty stipulated in the provisions of the Contract of Lease ;**
3. **furnish COA Office with copies of contracts between Philippine Vending Corp. and the four lessees from FAB and BAB Campuses respectively;**
4. **prepare clear policies and guidelines on the use of dormitory (Guestel); and make the necessary operational plan and maintenance of the Guestel to generate more income;**
5. **submit justification/explanation why not all guests were charged with rental fee for the stay at the Guestel; and**
6. **properly classify accounts to rent/lease income and make appropriate adjustments to correct the books.**

*Deficiencies on the Audit of PhilSCA Campus-FAB*

1. Various deficiencies were noted during the audit of the Fernando Air Base (FAB) campus such as non-adherence to established controls in property management and operation of Income Generating Project (IGP) and pertinent rules and regulations under the Government Accounting Manuals which may expose the property to risk of loss or probable misuse*.*
   1. Pursuant to its constitutional mandate and in line with its continuing commitments to provide value-added services for the improvement of the governance and accountability structure of government agencies, the Audit Team conducted evaluation of IGP operations and site inspection of the facilities of FAB Campus, Lipa City, Batangas.
   2. The audit included property accountabilities of the accountable officers assigned thereat, review and evaluation of existing procedures relative to IGP operation and property management of the Campus.
   3. The significant audit observations and recommendations are summarized in the following table:

| **No.** | **Audit Observations** | **Recommendations** | **Management Comments/ Action** |
| --- | --- | --- | --- |
| 1. **Property Management** | | |  |
|  | The two-storey school building (Recto Building) used by PhilSCA located in Fernando Air Base campus was not supported with complete documentation. Thus, property was not recorded in the PhilSCA books. | * Require concerned official to produce and turnover the documents on Recto Building; and * Coordinate with concerned government agencies to facilitate completion of documentation for proper accounting and recording of the property in the PhilSCA books of accounts. | The Director submitted xerox copy of the documents related to Recto Building |
| 1. 2 | The Property Custodian did not prepare Property Acknowledgement Receipt (PAR) for every property of PhilSCA-FAB issued to end user contrary to Section 45 Chapter 10 of GAM, Volume 1, and thus, exposed the property to risk of loss or probable misuse. | * Require the Property Custodian to prepare Property Acknowledge-ment Receipt (PAR) to be acknowledged by end-users for the property issued/received and maintain copy on file. |  |
| 1. **IGP Operation** | | |  |
| 1. | Revenue derived from IGP operations were not properly monitored by the Auxiliary Services, thus, no report of Income from IGP operations were prepared and the expired contract since 2011 was not renewed. | * Require the IGP coordinator to prepare and submit Report of Income derived from Productions/ Income-Generating Projects and Food Services, such as: * Canteen/Fast foods/ Cafeteria * Rental for School Facilities * Stall Rentals * Other income Generating projects * Prepare general policies and guidelines on rental of school facilities that will apply to all campuses. * Prepare/renew the contract between the lessee and lessor for the rental for the canteen. * Furnish the COA office copy of policies on:   1. revenue generation involving the operation of Auxiliary Services, land utilization and other physical assets of the campuses; and   2. operation and management of all income generating structures, facilities and equipment such as grounds, gym/covered court, building, cafeteria, Guestel, stall/ concessionaires, water, electricity, vehicles and other related structures, facilities and equipment. |  |

* 1. We recommended that Management require the concerned officials to comply with the provisions of pertinent laws, rules and regulations on property management and IGP operation for a more efficient Campus operation.

***Compliance with Property Insurance Law (RA No. 656)***

1. The Property, Plant and Equipment of the Agency are insured with the General Insurance Fund (GIF) of the GSIS in compliance with RA No. 656 as amended by Presidential Decree (PD) No. 245 dated July 13, 1973.
2. RA No. 656 or the Property Insurance Law, as amended by PD No. 245 dated July 13, 1973 requires all government agencies to have their insurable properties, assets, and interests insured with the GIF administered by the GSIS to ensure compensation of the equivalent value thereof in case of loss thru fire, theft or any unforeseen events.
3. Section 3.1 of COA Circular No. 92-390 dated November 17, 1992 provides that, all Heads of national agencies, local government units and government owned or controlled corporations shall be responsible for the preparation and submission of the inventory of all insurable physical assets while Section 3.2 thereof requires submission of the said inventory report to the GSIS not later than October 31 of the ensuing year.
4. The Agency insuredthe following properties in compliance with RA No. 656 as amended by Presidential Decree (PD) No. 245 dated July 13, 1973.

| **Description (Category)** | **Amount Insured** | **Period Covered** | **Premium/ Amount Paid** | **Official Receipt No.** | **Date** |
| --- | --- | --- | --- | --- | --- |
| Buildings-VAB | 303,880,524.01 | July 5, 2016 to July 5, 2017 | 2,370,268.08 | 7850013897 | 7/4/2016 |
| *Motor Vehicles* | |  |  |  |  |
| 1. 2010 Mitsubishi L300- SJT 190 | 811,600.00 | November 1, 2016 to November 1, 2017 | 3,590.98 | 7400010539 | 10/06/2016 |
| 1. 2010 Mitsubishi Adventure- SJT 189 | 670,000.00 | October 1, 2016 to October 1, 2017 | 3,134.73 | 7700028817 | 9/2/2016 |
| 1. 1994 Mitsubishi L300- SEU 357 | 488,500.00 | August 10, 2016 to August 1, 2017 | 2,429.05 | 8300005870 | 8/17/2016 |
| 1. 2001 Toyota Revo SFU 653 | 494,976.00 | April 1, 2017 to April 1, 2018 | 2,567.88 | 8000024309 | 3/22/2017 |
| 1. 2013 Hyundai County Bus | 100,000.00 | March 29, 2017 to May 1, 2018 | 1,044.70 | 8000024310 | 3/22/2017 |
| 1. 2009 Nissan Bus- SKE 644 | 3,494,000.00 | May 1, 2017- May1, 2018 | 13,285.10 | 8000024308 | 3/22/2017 |
| 1. 1994 Toyota Tamaraw FX- TSU 732 | 422,400.00 | March 1, 2017- March 1, 2018 | 2,267.85 | 8000023755 | 2/16/2017 |
| 1. 2010 Mitsubishi L300- SJT 191 | 839,500.00 | February 1, 2017 to February 1, 2018 | 3,706.32 | 8000023754 | 2/16/2017 |
| *Various properties of four campuses* | | | | | |
| 1. (Buildings, Office Equipment and Supplies and Materials | 152,731,380.00 | September 28, 2016 to September 28, 2017 | 604,816.27 | 7400010196 | 9/14/2016 |
| 1. Aircraft | 16,099,600.00 | October 17, 2015 to October 16, 2016 | 800,874.80 | 7700022791 | 10/7/2015 |
| **Total** | **48,0032,480.01** |  | **3,807,985.76** |  |  |

***Gender and Development (GAD)***

1. PhilSCA accomplished minimal GAD activities. Seven out of the 20 targeted activities were accomplished with total amount of ₱500,811.87. However, ₱309,589.00 of the expenses incurred for GAD activities pertains to foreign travel of the GAD focal person for attending the 60th session of UN Commission on the Status of Women, where, the said travel and other GAD activities were not supported by other necessary documentary requirements as required under COA Circular No. 2012-001 dated June 14, 2012; hence accomplishment report of GAD may not be accurately or completely reported rendering the report doubtful.
2. Section 2.4 of Joint Circular No. 2004-1 dated April 5, 2004 issued by the Department of Budget and Management (DBM), National Economic Development Authority (NEDA) and the Philippine Commission on Women (PCW) (formerly the National Commission on the Role of Filipino Women) provides that pursuant to the annual General Appropriations Act, “agencies are tasked to formulate a GAD plan and to implement the same by utilizing at least five percent of their total budget appropriations”.
3. Annex A of the Joint Circular in the Identification of GAD activities provides that the objective of this action is “to identify corresponding interventions for each gender issue that the agency commits to address”. Said interventions may take the form of the agency’s existing Programs/Activities/Projects (PAP) but enhanced with GAD perspective or it may take in the form of a reformulated PAP.
4. Pursuant to Section 35 of the General Provisions of FY 2016 GAA, the ***GAD plan shall be integrated in the regular activities of the agencies*** which shall be at least five percent of the budget.
5. An Annual GAD Plan and Budget (GPB) for 2016 which was formulated to address gender related issues/concerns of the PhilSCA was submitted to the PCW on March 9, 2016.
6. The GAD projected activities of PhilSCA and its budget for CY 2016 are as follows:

| **No.** | **GAD Activities** | **Performance Indicators/ Target** | **Budgeted Amount** |
| --- | --- | --- | --- |
| 1 | Conduct of the two-day gender sensitivity seminar with integration of VAW Laws for students, faculty and admin personnel | No. of students, faculty and admin personnel oriented on GAD issues and concerns, and laws on women (Villamor campus) - one batch of Gender Sensitivity Seminar 300 students and 200 faculty and admin personnel oriented on GAD issues and concerns | 50,000.00 |
| 2 | Posting of updates in the GAD Advocacy Corner or as the needs arises | No. of advocacy corners in four campuses updated with all gender issues - four advocacy corners in 4 campuses updated with all gender issues - e.g latest laws on women, thematic concepts like nutrition, mother's day, earth month, etc. | 15,000.00 |
| 3 | Conduct of GAD advocacy forum in the aviation industry | No. of advocacy forum for aviation industry conducted - one advocacy forum participated by 150 personnel from different local airlines operating in Manila, MIA and NAIA airport | 240,000.00 |
| 4 | Conduct of two-day gender sensitivity seminar with integration of RA No. 7877 for students, faculty and admin personnel of 4 PhilSCA campuses | No. of batches of GSS conducted - four batches;  No. of faculty and admin personnel participated in the seminar. | - |
| 5 | Publication of Standard Operating Procedures (SOPs) | No. of SOPs published - five SOPs published by 2016 | 50,000.00 |
| 6 | Conduct of workshops to identify gender integration in the curriculum conducted - one seminar/workshop on gender integration in the curriculum conducted by the end of 2nd semester | No. of seminar/workshop on gender integration in the curriculum conducted-one seminar/workshop on gender integration in the curriculum conducted by the end of 2nd semester;  No. of syllabus integrated with gender and development - 10 syllabus integrated with gender and development by the 2nd semester | 130,000.00 |
| 7 | Conduct of forum on adolescent and reproductive health issues and perspectives in all PhilSCA campuses | No. of forum on Adolescent and reproductive health issues and perspective conducted - four forum participated by 84 faculty members, 49 admin personnel and 2,500 students conducted by 3rd quarter | 80,000.00 |
| 8 | Develop a survey tool to administer to all PhilSCA Campuses | No. of research conducted and published - one research published by 4th  quarter | 75,000.00 |
| 9 | Develop and publish a GAD newsletter and research journal | No. of GAD newsletter and research journal published - two GAD newsletter and research journal published | 150,000.00 |
| 10 | Develop and publish GAD Annual Magazine | No. of GAD annual magazine - 500 copies published and distributed by end of 2016 | 180,000.00 |
| 11 | Conduct of the following in connection with the set theme: Art exhibit on ten women who contributed in the development of the country; film showing; seminar/forum in connection with the women's month theme | No. of tarpaulin/displayed - eight tarpaulins;  No. of film showing conducted - four film showing;  No. of photo/art exhibit done - one photo exhibit;  No. of forum/seminar on reproductive rights conducted - one forum seminar;  No. of faculty members, admin personnel and women in the barangay participated - 50 faculty members, 40 admin personnel, 2,500 students and 500 women in barangay | 175,000.00 |
| 12 | Information dissemination through flyers and leaflets during flag ceremonies for the whole month of March | No. of flyers and leaflets distributed in four campuses - 5,000 flyers and leaflets | 30,000.00 |
| 13 | Recognition of outstanding GAD implementor in terms of Gender Mainstreaming | No. of faculty and admin personnel recognized - one faculty and one admin personnel recognized during the women's month celebration. | 35,000.00 |
| 14 | Conduct of information drive on VAW in different PhilSCA campuses | No. of information drive campaigns on VAW conducted by 2nd semester. | 50,000.00 |
| 15 | Conduct of Gender Sensitivity Training (GST) for PhilSCA | No. of GST - one GST | 200,000.00 |
| 16 | Orientation on Magna Carta for Women | No. of orientation on MCW conducted - one orientation | 150,000.00 |
| 17 | GAD related seminars/ trainings outside PhilSCA | No. of seminars on GAD related seminars/trainings outside PhilSCA - five seminars | 100,000.00 |
| 18 | Participation in United Nations Convention on Status of Women (UNCSW) International Conference | No. of participant in UNCSW - one participant attended | 410,000.00 |
| 19 | Development of sex - disaggregated in place and used in gender analysis | Percentage of sex disaggregated data completed - 90 percent data completed | 100,000.00 |
| 20 | Issuance of policy on the setting - up of the child minding center and lactation room | No. of policy on the setting-up of the child minding center and lactation room issued - one policy on the setting up of child minding center and lactation room issued. | 80,000.00 |
| **Total** |  |  | **2,300,000.00** |

1. Based on the submitted accomplishment report of GAD for CY 2016, only seven out of 20 targeted activities were implemented. Details of which are as follows:

| **Activity per GPB** | **Budget Amount** | **Accomplishment** | **Check No.** | **Amount per RCI** | **Remarks** |
| --- | --- | --- | --- | --- | --- |
| Participation in UNCSW International Conference | 410,000.00 | Focal person participated in the UN Commission on the Status of Women 60th session from March 12-26, 2016 at the UN Headquarters, New York | 84500 | 309,589.00 | Please see paragraph no. 10.7 for further observations |
| General faculty meeting/gender sensitivity seminar for the opening of classes for 1st semester AY 2016-2017 | 50,000.00 | General faculty/ Gender sensitivity seminar for the opening of classes for 1st semester SY 2016 - 2017 |  |  | No data on disbursement voucher was provided by GAD and Disbursing Office; Disbursement as per accomplishment report of GAD is ₱50,000.00 |
| Conduct of information drive on VAW in different PhilSCA campuses | 50,000.00 | Supreme Student organization oriented in GAD issues and concerns and laws in women |  |  | No data on disbursement voucher was provided by the GAD and Disbursing Office; The disbursement as per accomplishment report of GAD is ₱15,000.00 |
|  |  | GAD Office various expenses | 84626 | 6,701.00 | Reimbursement of travelling expenses VAB |
| Capacity on development on the use of Gender Analysis Tool | 75,000.00 | GAD focal point attended on CAPDEV | 84721 | 16,125.00 | Reimbursement of AM snacks, Lunch and PM snacks for 60 persons who attended CAPDEV |
| Conduct of forum on adolescent and reproductive health issues and perspectives in all PhilSCA campuses | 80,000.00 | 2000 Students and faculty attended the seminar on adolescent and reproductive health issues in VAB campuses | 84679 | 50,000.00 | CA expenses on conduct of Barkada- Kontra Droga on Sept.14, 2016 VAB; With liquidation as per Liquidation Report No. 201609000118 |
| Gender Sensitivity Training ++ for the GFPS members | 200,000.00 | Gender Sensitivity Training | 84613 | 118,396.87 | Please see paragraph no. 10.8.c for further observations |
| **Total** | **865,000.00** |  |  | **500,811.87** |  |

1. It is noted that ₱309,589.00 of the reported expenses related to GAD accomplishments for CY 2016 pertains to travel abroad of the GAD focal person in attendance to 60th session of UN Commission on the Status of Women of which activity was included in the GPB for CY 2016. No report of re-echo seminar/training was conducted to share what was learned and acquired/ achieved as a result of attending the seminar to justify that it will be beneficial to the agency.
2. The following observations were noted in the review of GAD transactions:
3. Audit of Liquidation Report No. 201604000056 under JEV No. CDJ MO 16-04-022 dated April 30, 2016 revealed the following:

| **Date** | **OR No.** | **Particulars** | **Amount Paid** | **Amount per audit** | **Variance** | **Remarks** |
| --- | --- | --- | --- | --- | --- | --- |
| 2/26/2016 | 792167018248 | Air Fare (MNL - New York, San Francisco - MNL) | 70,500.00 | 64,551.00 | 5,949.00 | Overpayment of ₱5,949.00 |
|  |  | Travel Protection (US$23.00 x ₱47.00) | 1,081.00 | - | 1,081.00 | No Official Receipt (OR) |
| 3/13/2016 |  | Taxi (JFK - Wyndham Hotel - JFK) | 7,050.00 | 7,050.00 | - |  |
| **Total** | | | **78,631.00** | **71,601.00** | **7,030.00** |  |

* Per OR No. 792167018248, the actual amount paid for two-way airfare of GAD focal person from Manila to New York was only ₱64,551.00 but the amount given was ₱70,500.00 hence, an excess of ₱5,949.00.
* The following documentary requirements for liquidation of cash advances on foreign travel as per paragraph 1.2.4 of the COA Circular 2012-001 dated June 14, 2012 were not submitted:
* Revised/Post Itinerary of Travel;
* Narrative report on trip undertaken/report on participation; and
* Plan for the re-echo training seminar to relay information gathered through the said travel for the benefit of PhilSCA.

1. Check No. 84500 dated February 17, 2016 amounting to ₱309,589.00 under JEV# CkDJ MO 16-02-024 dated February 29, 2016 pertaining to cash advance for the abovementioned travel has no attached documentary requirements required under paragraph 1.1.4 of the COA Circular No. 2012-001 dated June 14, 2012, to wit:

* Document to show the dollar to peso exchange rate at the date of grant of cash advance*;*
* Invitation addressed to the agency inviting participants (issued by the foreign country). It is noted that the invitation submitted was issued by the PCW and not issued from foreign country;
* Acceptance of nominees as participants (issued by the foreign country);
* Program Agenda and Logistics Information; and
* Certification from the accountant that the previous cash advance has been liquidated and accounted for in the books.

1. Check No. 84613 dated May 19, 2016 amounting to ₱118,396.87 (₱126,290.00, net of tax of ₱7,893.13) under JEV No. CkDJ MO 16-05-81 dated May 31, 2016 for food and accommodation expense of 50 participants on Gender Sensitivity Training which was conducted on May 28 to 29, 2016 lacks the following necessary supporting documents, such as:

* Program of Activities
* List of Attendees/Participants
* Accomplishment Report

1. Also, we noted the absence of allocation cost for administrative functions of GAD Center in the GAD Plan and Budget since the GAD plan shall be integrated in the regular activities of the agencies.
2. In view of the abovementioned observations, the accomplishment report of GAD activities may not be accurately reported.
3. We recommended Management to require the GAD Focal Person to:
4. **submit the required documents for travel abroad and for other transactions as stated in paragraph 10.8.a and 10.8.c; and**
5. **submit Plan and Report on the conduct of the re-echo training seminar to relay information gathered in attendance to the 60th session of UN Commission on the Status of Women.**
6. Management commented that:
7. Re-echo of the information gathered in attendance to 60th session of UN Commission on the Status of Women has been incorporated in all gender sensitivity seminars;
8. Terminal reports were duly submitted to the Office of the President of the Republic and no copy was given to the delegates; and
9. Plans and programs of activities as stated in the GPB 2016 were not fully implemented because operational plans appropriately submitted were not acted upon by concerned offices.

***Senior Citizens and Differently-Abled Persons***

1. The PhilSCA did not allocate from its approved budget nor prepare/formulate corresponding plans, program and projects to address the concerns of the Senior Citizens (SC) and Persons With Disability (PWD) in the College, contrary to Section 35 of the General Provisions of RA No. 10651 or the GAA for FY 2015.
2. Section 35 of the General Provisions of RA No. 10651, the GAA for FY 2015, provides that “All agencies of the government shall formulate plans, programs and projects intended to address the concerns of Senior citizens and persons with disability, insofar as it relates to their mandated functions and integrate the same in their regular activities”.
3. The Management had no responsible unit and official assigned to initiate formulation and implementation of plans, programs and projects addressing the concerns of SCs and PWDs.
4. We recommended that Management assign responsible unit and official to initiate formulation and implementation of plans, program and projects to address concerns of SC and PWDs.

***Compliance with Tax Laws***

1. PhilSCA was able to withhold and remit taxes amounting to ₱12,391,017.67 in CY 2016, in compliance with the Bureau of Internal Revenue (BIR) Tax Revenue Regulation No. 10-2008 dated July 8, 2008 for compensation and Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 for government money payment due or payable to all suppliers of goods and/or services.
2. As of December 31, 2016, the Due to BIR account has a balance of ₱1,059,604.51 as summarized in the following table.

| **Period** | **Withheld** | **Remittance** | **Date of Remittance** | **Unremitted Balance** |
| --- | --- | --- | --- | --- |
| Beginning Balance |  |  | January 7, 2016 | 1,769,255.67 |
| January | 629,977.48 | 1,094,059.39 | February 9, 2016 | 1,332,173.76 |
| February | 1,070,192.07 | 1,097,166.89 | March 7, 2016 | 1,305,198.94 |
| March | 1,080,234.88 | 1,108,472.94 | April 6, 2016 | 1,276,960.88 |
| April | 849,046.75 | 1,199,514.06 | May 5, 2016 | 926,493.57 |
| May | 766,662.22 | 799,245.63 | June 8, 2016 | 893,910.16 |
| June | 612,556.13 | 1,180,861.84 | July 7, 2016 | 325,604.45 |
| July | 1,019,551.48 | 680,283.95 | August 8, 2016 | 664,871.98 |
| August | 1,392,866.51 | 1,137,480.12 | September 7, 2016 | 920,258.37 |
| September | 1,400,104.44 | 1,453,508.31 | October 7, 2016 | 866,854.50 |
| October | 909,636.78 | 1,094,163.31 | November 9, 2016 | 682,327.97 |
| November | 831,379.07 | 906,038.40 | December 8, 2016 | 607,668.64 |
| December | 1,092,158.70 | 640,222.83 | January 9 and 11, 2017 | 1,059,604.51 |
| **Total** | **11,654,366.51** | **12,391,017.67** |  | **1,059,604.51** |

1. Out of the ₱1,059,604.51 unremitted balance, ₱546,760.51 were paid under Check Nos. 69475 to 69477 dated January 9 and 11, 2017 and the remaining balance of ₱512,844.00 was paid thru TRA.

***Compliance with RA No. 8291 on Proper Deductions and Remittances of Government Services Insurance System (GSIS) Premiums***

1. Timely remittances of GSIS Life and Retirement premiums contribution for personal and government shares, loan amortizations and Employees Compensation Premiums (ECC) in the total amount of ₱15,382,100.66 were made by the Agency.

1. Verification of GSIS contributions and remittances from General Payroll and Disbursement Vouchers disclosed that employees’ and employer’s contributions of ₱10,123,333.90 and ₱5,258,766.76 respectively, as of December 31, 2016 were fully remitted to GSIS in compliance with RA No. 8291. Details of payment are shown below*:*

| **Period** | **Total Employees’ Share** | **Total Employer’s Share** | **Total Employees and Employer’s Share** | **Amount Remitted** |
| --- | --- | --- | --- | --- |
| Beginning Balance | 140,691.92 |  | 140,691.92 |  |
| January | 809,008.63 | 395,925.52 | 1,204,934.15 | 1,207,124.60 |
| February | 809,449.41 | 396,082.54 | 1,205,531.95 | 1,208,264.27 |
| March | 881,644.19 | 316,310.05 | 1,197,954.24 | 1,184,342.86 |
| April | 832,553.06 | 440,710.47 | 1,273,263.53 | 1,284,653.12 |
| May | 855,418.89 | 491,336.32 | 1,346,755.21 | 1,370,870.69 |
| June | 840,963.27 | 619,158.66 | 1,460,121.93 | 1,573,997.39 |
| July | 829,285.19 | 434,563.34 | 1,263,848.53 | 1,262,369.95 |
| August | 828,672.33 | 434,563.34 | 1,263,235.67 | 1,263,268.99 |
| September | 830,439.99 | 434,563.34 | 1,265,003.33 | 1,261,280.05 |
| October | 820,014.62 | 431,851.06 | 1,251,865.68 | 1,253,136.00 |
| November | 821,184.40 | 431,851.06 | 1,253,035.46 | 1,256,800.15 |
| December | 824,008.00 | 431,851.06 | 1,255,859.06 | 1,255,992.59 |
| **Total** | **10,123,333.90** | **5,258,766.76** | **15,382,100.66** | **15,382,100.66** |

1. The employees’ and employer’s contributions totaling ₱1,255,859.06 for the month of December 2016 were entirely remitted on December 27, 2016 per Check Nos. 122821-122825 both dated December 21, 2016.

***Status of Settlement of Audit Suspensions, Disallowances and Charg*es**

1. The status of compliance with the suspensions, disallowance and charges in prior years and during CY 2016 of the PhilSCA are presented in the following table:

| **Particulars** | **Beginning Balance January 1, 2016** | **Issuance During the Year** | **Settlement During the Year** | **Ending Balance December 31, 2016** |
| --- | --- | --- | --- | --- |
| Audit Suspensions | 18,681,300.00 | ~~-~~ | 18,681,300.00 | ~~-~~ |
| Audit Disallowances | 2,964,878.10 | 27,253,128.95 | ~~-~~ | 30,218,007.05 |
| Audit Charges | ~~-~~ | ~~-~~ | ~~-~~ | ~~-~~ |
| **Total** | **21,646,178.10** | **27,253,128.95** | **18,681,300.00** | **30,218,007.05** |

* 1. The breakdown of disallowances amounting to ₱30,218,007.05 as of December 31, 2016 are shown in the following table:

| **Notice of Disallowance** | | | **Description/**  **Nature** | **Status** |
| --- | --- | --- | --- | --- |
| **Number** | **Date** | **Amount** |
| 11-001-164(07-09) | 2/25/2011 | 355,000.00 | Hiring of private legal counsel without concurrence of COA | Notice of Finality of Decision (NFD) was issued on 7/12/2012, hence for issuance of COA Order of Execution (COE). |
| 11-003-164(10) | 6/28/2011 | 327,096.79 |
| 12-001-164(06&07) | 6/29/2012 | 1,371,750.00 | Non- compliance with the requirements within the reglementary period. | For issuance of NFD except that of Capt. Joseph Lopena and Mr. Edwin Mangangan who requested for reconsideration from COA to exclude among the persons liable. |
| 2012-164-01(2011) | 3/2/2012 | 479,031.31 | Non- compliance with the requirements within the reglementary period. | For issuance of NFD except that of the Chief Accountant who requested from COA to exclude her from liability |
| 13-001-164(2011) | 10/7/2013 | 216,000.00 | Payment of services rendered by private legal counsel contrary to COA Circular No. 95-011 dated December 4, 1995 | For issuance of NFD. |
| 13-002-164(2012) | 10/11/2013 | 216,000.00 |
| 16-001-101(07) | 10/4/2016 | 17,475.79 | Reimbursement of personal expenses | Settlement was made on January 24, 2017 under OR# 0539638 thru postal money orders. |
| 2016-002-164(14) | 8/22/2016 | 8,554,353.16 | Payment Personnel Welfare Benefit for CY 2014 non- conformance with RA No. 8292 | Notices of Disallowances were received by Management on October 21, 2016. |
| 2016-002-164 (12&13) | 8/22/2016 | 18,681,300.00 | Payment of Personnel Welfare Benefit for CYs 2012 and 2013- non- conformance with RA No. 8292 |
| **Total** | | **30,218,007.05** |  |  |

* 1. The disallowances issued prior to the implementation of the RRSA amounting to ₱263,000.00 were not included in balance of Statement of Audit Suspensions, Disallowances and Charges (SASDC) for the period ending December 31, 2016.
  2. The suspensions amounting to ₱18,681,300.00 have matured into disallowance, which subsequently an ND No. 2016-002-164(12 and 13) dated August 22, 2016 was issued.