**OBSERVATIONS AND RECOMMENDATIONS**

**Value for Money Audit**

*Utilization of Fund 101 and Special Trust Fund*

1. Vacant positions for 52 faculty and 15 administrative personnel were not filled up instead, service contracts were entered into by PhilSCA, thus unobligated allotment for Personnel Services amounted to ₱15,929,467.81 as of year end. Further, the Agency has unobligated amount of ₱3,140,373.18 on its Maintenance and Other Operating Expenses (MOOE) for training and scholarship grants while spending ₱1,859,785.17 from the Special Trust Fund (STF) for the same expenses which can be covered fully by the GAA thereby decreasing the programs and projects that can be funded from the STF. Also, Capital Outlay for FY 2017 amounting to ₱5,949,000.00 was not utilized which delayed the procurement and delivery of services that should have redounded to benefit the Agency.
2. Section 45 of the General Provisions of RA No. 10924, the General Appropriations Act (GAA) for FY 2017 states that the “Appropriation for Personnel Services under this Act shall be used for the payment of personnel benefits authorized by law to be given to National Government personnel, computed based on the Government Manpower Information System. Any available allotment within a department or agency may be utilized by the said department or agency for the payment of deficiencies in authorized personnel benefits.”
3. Section 60 of the General Provisions on the Availability of Appropriations also states that “Appropriations authorized in this Act for MOOE and Capital Outlays shall be available for release and obligation for the purpose specified, and under the same special provisions applicable thereto, for a period extending to one fiscal year after the end of the year in which such items were appropriated”. (Conditional Implementation-President’s Veto Message, December 22, 2016-only one year)
4. Audit of the Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (FAR 1) for the period ending December 31, 2017, revealed that ₱20,018,840.99 and ₱5,026,596.31 were unutilized for current and continuing appropriations, respectively. Details are shown on the next page:
5. *Current Appropriations*

| **Particulars** | **Authorized Appropriations** | **Allotments** | **Current Year Obligations** | **Current Year Disbursements** | **Unobligated Allotments** | **Percentage of Unobligated Allotments** |
| --- | --- | --- | --- | --- | --- | --- |
| Personnel Services | 83,095,000.00 | 79,079,725.00 | 63,150,257.19 | 61,891,751.95 | 15,929,467.81 | 20.14 |
| MOOE | 25,548,000.00 | 25,548,000.00 | 22,407,626.82 | 20,622,510.08 | 3,140,373.18 | 12.29 |
| Capital Outlays | 59,949,000.00 | 54,949,000.00 | 54,000,000.00 | 8,100,000.00 | 949,000.00 | 1.73 |
| **Total** | **168,592,000.00** | **159,576,725.00** | **139,557,884.01** | **90,614,262.03** | **20,018,840.99** | **12.54** |

Personnel Services (PS)

1. For CY 2017, PhilSCA has 52 unfilled positions for faculty and 15 for administrative personnel. Instead of filling up these positions, PhilSCA resorted to entering into service contracts with 99 College Faculties excluding the 34 part-time College Faculties and 94 Administrative Support Staff.
2. Further verification reveals that the benefits allowed under RA No. 7305 on Magna Carta of Public Health Workers were not extended to the Medical personnel of the Agency composed of Medical Officer III and Nurse II. Although, the subsistence and laundry allowances were paid which were included in the FY 2017 GAA, the Hazard Pay for Public Health Workers was not included.

Maintenance and Other Operating Expenses (MOOE)

1. Summary of Appropriations, Allotments, Obligations and Balances by Object of Expenditures (FAR 1-A) for Current Appropriations for the period ending December 31, 2017 shows an unutilized MOOE allotment of ₱3,140,373.18, of which a large portion was intended for Training Expenses and Scholarship Grants Expenses amounting to ₱1,662,000.00 and ₱694,100.00, respectively, while the remaining unutilized MOOE allotments were intended for Traveling, Supplies and Materials, Professional Services, Taxes, Insurance and Other Fees, and Other Maintenance and Operating Expenses. Details are shown below:

| **Expenses** | **Authorized Appropriation** | **Allotments** | **Current Year Obligations** | **Current Year Disbursements** | **Unobligated Allotments** | **Percentage of Unobligated Allotments** |
| --- | --- | --- | --- | --- | --- | --- |
| Travelling | 2,000,000.00 | 2,000,000.00 | 1,625,203.35 | 1,529,920.67 | 374,796.65 | 18.74 |
| Training | 2,286,000.00 | 2,286,000.00 | 624,000.00 | 575,702.16 | 1,662,000.00 | 72.70 |
| Scholarship Grants | 2,506,000.00 | 2,506,000.00 | 1,811,900.00 | 1,811,900.00 | 694,100.00 | 27.70 |
| Supplies and Materials | 11,000,000.00 | 11,000,000.00 | 10,716,668.13 | 10,386,049.62 | 283,331.87 | 2.58 |
| Utility | 4,406,000.00 | 4,406,000.00 | 4,406,000.00 | 4,164,077.63 | - | - |
| Communication | 1,000,000.00 | 1,000,000.00 | 995,565.86 | 443,174.36 | 4,434.14 | 0.44 |
| Confidential, Intelligence and Extraordinary | 100,000.00 | 100,000.00 | 100,000.00 | 100,000.00 | - | - |
| Professional Services | 100,000.00 | 100,000.00 | 48,897.58 | 40,097.58 | 51,102.42 | 51.10 |
| Taxes, Insurance and other fees | 300,000.00 | 300,000.00 | 265,000.00 | 202,875.39 | 35,000.00 | 11.67 |
| Other Maintenance and Operating | 1,850,000.00 | 1,850,000.00 | 1,814,391.90 | 1,368,712.67 | 35,608.10 | 1.92 |
| **Total** | **25,548,000.00** | **25,548,000.00** | **22,407,626.82** | **20,622,510.08** | **3,140,373.18** | **12.29** |

1. The unutilized allotment of ₱1,662,000.00 and ₱694,100.00 for Training Expenses and Scholarship Grants Expenses, respectively, can fully fund the same expenses charged to Special Trust Fund (STF) amounting to ₱1,294,090.17 and ₱565,695.00, respectively.
2. The low utilization of MOOE fund from the GAA for Scholarship Grants of 27.30 percent and for Training of 72.70 percent respectively, and use of STF for the same expenses decrease the programs and projects that can still be funded from STF.

Capital Outlay (CO)

1. The breakdown of Capital Outlays for CY 2017 is as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Authorized Appropriations** | **Allotments** | **Current Year Obligations** | **Current Year Disbursements** | **Unallotted Budget** |
| Buildings and Other Structures | 36,000,000.00 | 32,000,000.00 | 32,000,000.00 | 4,800,000.00 | 4,000,000.00 |
| Office Equipment | 500,000.00 | - | - | - | 500,000.00 |
| Sports Equipment | 500,000.00 | - | - | - | 500,000.00 |
| Aircraft and Aircraft Ground Equipment | 22,949,000.00 | 22,949,000.00 | 22,000,000.00 | 3,300,000.00 | 949,000.00 |
| **Total** | **59,949,000.00** | **54,949,000.00** | **54,000,000.00** | **8,100,000.00** | **5,949,000.00** |

1. The unallotted portion of the budget for Capital Outlays amounting ₱5,949,000.00 pertains to the following:

| **Particulars** | **Authorized Appropriation** | **Allotments** | **Current Year Obligations** | **Current Year Disbursement** | **Unobligated Portion/ Unutilized Budget** | **Percentage of Unobligated Allotments** |
| --- | --- | --- | --- | --- | --- | --- |
| Construction and/or rehabilitation of multi-purpose building including ₱500,000.00 sports facilities | 1,500,000.00 | - | - | - | 1,500,000.00 | - |
| Repair and improvement of structures/facilities and acquisition of equipment | 3,500,000.00 | - | - | - | 3,500,000.00 | - |
| Instructional Static Aircraft | 949,000.00 | 949,000.00 | - | - | 949,000.00 | 100.00 |
| **Total** | **5,949,000.00** | **949,000.00** | - | - | **5,949,000.00** | **100.00** |

1. As per inquiry, congressional insertion cannot be traced for ₱1,500,000.00 intended for the construction and/or rehabilitation of multi-purpose building and ₱3,500,000.00 for repair and improvement of structures/facilities and acquisition of equipment, hence no allotment was released for the said projects. On the other hand, the non-utilization of ₱949,000.00 for acquisition of Instructional Static Aircraft was due to failed bidding.
2. The delay in the implementation/procurement of the abovementioned projects which resulted in unavailability of facilities that will be beneficial to the Agency and students.
3. *Continuing Appropriations*
4. Details of the continuing appropriations for CY 2017 are as follows:

| **Particulars** | **Authorized Appropriation** | **Allotments** | **Current Year Obligations** | **Current Year Disbursements** | **Unutilized Allotment** | **Percentage of Unutilized Allotment** |
| --- | --- | --- | --- | --- | --- | --- |
| MOOE | 6,057,715.36 | 5,978,715.36 | 952,119.05 | 952,119.05 | 5,026,596.31 | 84.07 |
| Capital Outlays | 40,000,000.00 | 40,000,000.00 | 40,000,000.00 | 6,000,000.00 | - | - |
| **Total** | **46,057,715.36** | **45,978,715.36** | **40,952,119.05** | **6,952,119.05** | **5,026,596.31** | **84.07** |

MOOE

1. FAR 1-A for Continuing Appropriations for the period ending December 31, 2017 shows that unutilized allotment on MOOE pertains to Office Supplies and Other Supplies and Materials. Details are shown in the table below:

| **Particulars** | **Authorized Appropriations** | **Allotments** | **Current Year Obligations** | **Current Year Disbursements** | **Unutilized Budget** | **Percentage of Unutilized Allotments** |
| --- | --- | --- | --- | --- | --- | --- |
| Office Supplies | 3,713,923.26 | 3,713,923.26 | 34,496.00 | 34,496.00 | 3,679,427.26 | 99.07 |
| Other Supplies and Materials | 1,779,592.10 | 1,779,592.10 | 432,423.05 | 432,423.05 | 1,347,169.05 | 75.70 |
| **Total** | **5,493,515.36** | **5,493,515.36** | **466,919.05** | **466,919.05** | **5,026,596.31** | **91.50** |

1. As at December 31, 2017, the Agency disbursed ₱2,142,600.61 and ₱4,432,675.39 for Office Supplies and Other Supplies and Materials, respectively, charged to Special Trust Fund (STF) which part thereof can be funded from the GAA budget which showed unutilized allotment of 99.07 percent for Office Supplies and 75.70 percent for Other Supplies and Materials.
2. The Agency can utilize the GAA fund in the procurement of supplies from the Department of Budget and Management- Procurement Services (DBM-PS) and use the STF instead for other projects/expenses that will directly benefit the students.

We recommended that the Management:

1. **fill up the 67 vacant positions and give priority to qualified service contract faculty and administrative personnel of the Agency to maximize the Personnel Services funds;**
2. **pay personnel entitled to benefits allowed by RA No. 7305 on Magna Carta of Public Health Workers and include in the budget of personnel benefits;**
3. **utilize and maximize the use of the MOOE fund specifically for Training and Scholarship Grants; and**
4. **identify the funding source of congressional insertion for the unreleased allotments on Capital Outlays and see to it that items covered under conditional implementation are utilized within the budget year.**
5. Management constituted a Selection Board that handles the filling up of the vacant positions to maximize the Personnel Services funds.

*Contract for Hangarage Services with OMNI Aviation Corporation*

1. Payments to OMNI Aviation Corporation for the hangarage services totalling ₱1,217,419.08 were not supported with the required Certificate of Availability of Funds and additional documentary requirements for rental contracts which casts doubt on the validity of the Service Agreement. Likewise, the Service Agreements entered into with OMNI Aviation Corporation did not undergo a competitive bidding, contrary to the provisions of the 2016 Revised Implementing Rules and Regulations (IRR) of RA No. 9184 on Alternative Mode of Procurement, thus casting doubt on the transparency and competitiveness in the procurement process.
   1. Section 3 of the 2016 Revised IRR of RA No. 9184 provides that:

“The procurement of the Government of the Philippines (GOP) shall be governed by these principles:

* 1. Transparency in the procurement process and in the implementation of procurement contracts through wide dissemination of bid opportunities and participation of pertinent non-government organizations.
  2. Competitiveness by extending equal opportunity to enable private contracting parties who are eligible and qualified to participate in public bidding.
  3. Streamlined procurement process that will uniformly apply to all government procurement. The procurement process shall be simple and made adaptable to advances in modern technology in order to ensure an effective and efficient method.
  4. System of accountability where both the public officials directly or indirectly involved in the procurement process as well as in the implementation of procurement contracts and the private parties that deal with GOP are, when warranted by circumstances, investigated and held liable for their actions relative thereto.
  5. Public monitoring of the procurement process and the implementation of awarded contracts with the end in view of guaranteeing that these contracts are awarded pursuant to the provisions of the Act and this IRR, and that all these contracts are performed strictly according to specifications.”
  6. On May 1, 2015, the PhilSCA entered into a one year Service Agreement with the OMNI Aviation Corporation where the latter agreed to provide hangarage services in the amount of ₱60,040.00 per month covering the following premises:
* Two Container Van Rooms with gross floor area of twenty square meters;
* Aircraft hangarage for two aircrafts at Hangar II at the monthly rate of ₱24,000.00 each; and
* Thirty-nine square meters of raw land to be used for fuel storage at ₱100.00 per sq. m. per month.
  1. The Service Agreement was renewed on May 1, 2016 and effective until April 30, 2017 at a monthly rent of ₱66,044.00 covering the same premises stated above with monthly rate increased to ₱26,400.00 and fuel storage at ₱110.00 per sq. m. per month.
  2. On May 1, 2017, the Service Agreement was again renewed for the amount of ₱72,648.40 per month covering the following premises with corresponding amounts, to wit:
* Two Container Van Rooms with gross floor area of twenty square meters at the rate of ₱492.47 per sq. m. per month;
* Aircraft hangarage for two aircraft at Hangar II at the monthly rate of ₱29,040.00 each; and
* Thirty-nine square meters of raw land to be used for fuel storage at ₱121.00 per sq. m. per month.
  1. We have observed that no Annual Procurement Plans (APP) for Calendar Years (CYs) 2016 and 2017 were prepared/submitted to show as proof that the Service Agreement was included in the APP. Section No. 7.2 of the 2016 Revised IRR of RA No. 9184 provides that:

“No procurement shall be undertaken unless it is in accordance with the approved APP of the procuring entity including approved changes thereto. The APP must be consistent with the duly approved yearly budget of the Procuring Entity and shall bear the approval of the HoPE or second-ranking official designated by the HoPE to act on his behalf.”

* 1. The Agency directly entered into a series of Service Agreements with OMNI Aviation Corporation without conducting a Competitive Bidding contrary to Section 10 of RA No. 9184 which provides that:

“All procurement shall be done through competitive bidding, except as provided in Rule XVI of this IRR.” (underscoring supplied)

* 1. In the conduct of alternative procurement, the Agency did not comply with the provisions of RA No. 9184, Rule XVI on Alternative Mode of Procurement, to wit:
* No submitted documents to show as proof that the Service Agreement was approved by the Board of Trustees contrary to Section 48.1 of RA 9184 which provides that:

“Subject to the prior approval of the HoPE, and whenever justified by the conditions provided in this Act, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in this Rule. In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained.” (underscoring supplied)

* No invitation or request for submission of price quotations was made by the Management contrary to Section 54 of Terms and Conditions for the use of Alternative Methods. Paragraph 54.2 of the said IRR provides that:

“For alternative methods of procurement, the Procuring Entity may dispense with the advertisement in the newspaper and posting requirement as prescribed in Section 21.2.1 of this IRR.

For the following modalities, however, the BAC, through its Secretariat, shall post the invitation or request for submission of price quotations/proposals in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity for a period of at least three (3) calendar days:

1. Section 49 Limited Source Bidding;
2. Section 52.1(b) Shopping for ordinary office supplies and equipment not available in DBM-PS (for ABC above Fifty Thousand Pesos (₱50,000.00));
3. Section 53.1 Two Failed Biddings;
4. Section 53.9 Small Value Procurement (For ABC above Fifty Thousand Pesos (₱50,000.00)); and
5. Section 53.11 NGO Participation.”

* Lastly, no notice of award was posted by the Agency contrary to Section 54.3 of RA No. 9184 which provides that:

“In all instances of alternative methods of procurement, the BAC, through the Secretariat, shall post, for information purposes, the notice of award, contract or purchase order, including notice to proceed if necessary, in the PhilGEPS website, the website of the Procuring Entity concerned, if available, and at any conspicuous place reserved for this purpose in the premises of the Procuring Entity, except for contracts with ABC of Fifty Thousand Pesos (₱50,000.00) and below.”

* 1. The College President through Travel/Mission Order No. 108, series of 2017 issued an order addressed to the Bids and Awards Committee (BAC) stating the following:

“1. Pursuant to the instructions of the Chairman of the PhilSCA Board of Trustees during its 2nd Regular Meeting held on June 27, 2017, the above-mentioned TWG Chairman and BAC Secretariat are instructed to get a Certification from CIAC or CDC that OMNI Aviation Inc., is the only company in that area that can provide a hangar for the aircraft of PhilSCA with provision for an office space for our Pilot and Aircraft Maintenance Technicians, flight operation room of student pilots and raw land for aviation gas storage. xxx”

* 1. However, no certification was submitted by the Management to show proof that OMNI Aviation Corporation is the only company in that area that can provide a hangar for the two aircrafts of PhilSCA.
  2. The payments to Omni Aviation Inc. for CYs 2016 and 2017 are summarized as follows:

| **Date** | **Check No.** | **Nature of Payment** | **Amount** |
| --- | --- | --- | --- |
| 2/15/2016 | 84498 | Payment for hangarage of two PhilSCA Trainer & Aircraft Rawland Jan. 2016 VAB | 55,236.80 |
| 3/17/2016 | 84530 | Payment for hangarage of two PhilSCA Trainer & Aircraft Rawland February-March 2016 VAB | 110,473.60 |
| 5/3/2016 | 84603 | Payment for Hangarage of two PhilSCA Trainer & aircraft Rawland April 2016 | 55,236.80 |
| 5/30/2016 | 84614 | Payment for hangarage of two PhilSCA Trainer & Aircraft Rawland May 2016 VAB | 60,760.48 |
| 6/22/2016 | 84631 | Payment for hangarage of two PhilSCA Trainer & Aircraft Rawland June 2016 VAB | 60,760.48 |
| 8/3/2016 | 84666 | Payment for Hangarage of PhilSCA Trainer & Aircraft Rawland July 2016 VAB | 60,760.48 |
| 9/8/2016 | 66340 | Payment for hangarage of two PhilSCA trainer August 2016 VAB | 60,760.48 |
| 9/30/2016 | 66486 | Payment for hangarage of two PhilSCA trainer & Aircraft Rawland (Container Van Room) Sept. 2016 | 60,760.48 |
| 11/8/2016 | 66662 | Payment for Hangarage of two PhilSCA Trainer & Aircraft Rawland October 2016 | 60,760.48 |
| 12/1/2016 | 66829 | Payment for hangarage of two PhilSCA Trainer & aircraft Rawland (container van room) Nov. 2016 | 60,760.48 |
| 12/3/2016 | 84759 | Payment for Hangarage of two PhilSCA trainer Aircraft Rawland & Container Van December 2016 | 60,760.48 |
| **Sub-total** | | | **707,031.04** |
| 2/8/2017 | 84803 | Payment for Hangarage of two Philsca Trainer and Aircraft Rawland (Container Van Room 1 & 2) for the month of January 2017 | 60,760.48 |
| 2/27/2017 | 84823 | Payment for Hangarage of two PhilSCA Trainer and Aircraft Rawland (Container Van Room 1 & 2) for the month of February 2017 | 60,760.48 |
| 3/30/2017 | 84855 | Payment for Hangarage of two PhilSCA Trainer and Aircraft Rawland (Container Van Room 1 & 2) for the month of March 2017 | 60,760.48 |
| 5/9/2017 | 84893 | Payment for Hangarage of two PhilSCA Trainer and Aircraft Rawland (Container Van Room 1 & 2) for the month of April 2017 | 60,760.48 |
| 6/29/2017 | 134502 | Payment for Hangarage two Philsca trainer and aircraft Rawland for the month May 2017 | 66,836.53 |
| 6/30/2017 | 134515 | Payment for Hangarage two Philsca trainer and aircraft Rawland for the month June 2017 | 66,836.53 |
| 7/26/2017 | 134554 | Payment for Hangarage two Philsca trainer Aircraft Rawland & container van for the month July 2017 | 66,836.53 |
| 9/28/2017 | 134801 | Payment for Hangarage two Philsca trainer Aircraft Rawland & container van for the month August 2017 | 66,836.53 |
| **Sub-total** | | | **510,388.04** |
| **Total** | | | **1,217,419.08** |

* 1. It was also observed that in the FY 2016 GAA, the budget appropriated for rent/lease expenses was only ₱500,000.00 while the actual disbursements for rental or hangarage fee amounted ₱707,031.04 or an excess of ₱207,031.04 from the budget. A total amount of ₱243,041.92 was drawn against the Special Trust Fund, to wit:

| **Date** | **Check No.** | **Nature of Payment** | **Amount** |
| --- | --- | --- | --- |
| 9/8/2016 | 66340 | Payment for hangarage of two PhilSCA trainer August 2016 VAB | 60,760.48 |
| 9/30/2016 | 66486 | Payment for hangarage of two PhilSCA trainer & Aircraft Rawland (Container Van Room) Sept.2016 | 60,760.48 |
| 11/8/2016 | 66662 | Payment for Hangarage of two PhilSCA Trainer & Aircraft Rawland October 2016 | 60,760.48 |
| 12/1/2016 | 66829 | Payment for hangarage of two PhilSCA Trainer & aircraft rawland (container van room) Nov.2016 | 60,760.48 |
| **Total** | | | **243,041.92** |

* 1. No Certificate of Availability of Funds was issued by the Accountant to support the payments for rental contrary to General Requirements for all Types of Disbursements as required by COA Circular No. 2012-001 dated June 14, 2012. Further, verification revealed that the payments were supported only by the following documents:

1. Duplicate of checks;
2. Disbursement Vouchers (DVs);
3. Obligation Requests and Status (OBRS);
4. Official Receipts (ORs);
5. Invoices; and
6. Copy of Service Agreement.
   1. It is also noted that the following documents as required under Paragraph 9.13.3 of COA Circular No. 2012-001were not submitted, to wit:
7. Complete copy of the building floor plans indicating in shaded colors the rentable space;
8. Copy of Certificate of Occupancy of the building or appropriate approved documents showing the date the building was constructed or age of the building;
9. Complete description of the building as to type, kind and class including its component parts and equipment facilities such as, but not limited to, parking areas, airconditioning systems, firefighting equipment, etc.;
10. List of prevailing comparable property within vicinity;
11. Vicinity map;
12. Request for payment; and
13. Certificate of Occupancy.

We recommended that the Management submit the following documents in compliance with RA No. 9184 and COA Circular No. 2012-001, to wit:

1. **Annual Procurement Plan (APP) for CYs 2016 and 2017;**
2. **approval of the Board of Trustees for the contract;**
3. **invitation or request for submission of price quotations;**
4. **Notice of Award to OMNI Aviation Corporation;**
5. **Certification from CIAC or CDC that OMNI Aviation Corporation is the only company in that area that can provide a hangar for the two aircrafts of PhilSCA;**
6. **Certificate of Availability of Funds;**
7. **Complete copy of the building floor plans indicating in shaded colors the rentable space;**
8. **Copy of Certificate of Occupancy of the building;**
9. **Complete description of the building as to type, kind and class including its component parts and equipment facilities such as, but not limited to, parking areas, airconditioning systems, firefighting equipment, etc.;**
10. **List of prevailing comparable property within vicinity;**
11. **Vicinity Map; and**
12. **Billing Statement.**
    1. The College President has brought the matter to the Board of Trustees during its 4th Regular Meeting FY 2017 and an ocular inspection of various aviation companies was also undertaken in order to have a full grasp of the situation and provide the necessary benchmark for reference of action.

*Payment of Honoraria*

1. Payments of Honoraria to the Officer-in-Charge (OIC), Director of Legal and Legislative Services of the Commission on Higher Education (CHED), as Chair of Technical Working Group (TWG)/Resource Speaker, for meetings of TWG held at CHED Office totalling ₱12,500.00 in CY 2017 is of doubtful validity due to grant of monthly Honoraria for the period after six months from the time the TWG formally convened contrary to the Board of Trustees (BOT) Referendum No. 02, series of 2012 dated October 8, 2012 which states that payment of Honoraria is allowed only for a period of six months from the time the aforementioned TWG formally convened; and payment of Honoraria not supported by an Office Order as required under COA Circular No. 2012-001.
   1. Verification of payments of Honorarium in CY 2017 showed that Honoraria of ₱12,500.00 was granted to the Chair of TWG/Resource Person for TWG for five meetings conducted at the CHED Executive Lounge, 4th Floor, CHED Central Office, CP Garcia Ave., UP Diliman Quezon City.
   2. Details are shown in the following table:

| **Check No.** | **Date of Check** | **Particulars** | **Date of meeting** | **Duration of Meeting** | **Amount** | **Remarks** |
| --- | --- | --- | --- | --- | --- | --- |
| 70134 | 4/4/2017 | Honorarium as Chief of TWG during the conduct of MOA & DOAS at CHED | April 4, 2017 | 12:35 to 2:55PM | 2,500.00 | Grant of Honoraria was beyond the authority granted by the BOT |
| 70259 | 5/5/2017 | Honorarium; RER (Liquidation No. 201700500068) | May 5, 2017 | 12:40 to 3:00PM | 2,500.00 | Purpose not indicated |
| 70321 | 5/16/2017 | Honorarium as Resource Speaker during meeting of the TWG on May 19, 2017 | May 19, 2017 | 11:18AM to 12:15PM | 2,500.00 | No Office Orders attached to the DV |
| 70428 | 6/15/2017 | Honorarium as Resource Speaker on June 16, 2017 at CHED | June 16, 2017 | 10:00AM to 12:30PM | 2,500.00 | No Office Orders attached to the DV |
| 130609 | 6/21/2017 | Honorarium as Resource Speaker of the TWG on June 23, 2017 at CHED | June 23, 2017 | 1:25PM to 2:25PM | 2,500.00 | No Office Orders attached to the DV |
| **Total** | | | | | **12,500.00** |  |

* 1. For each abovementioned meeting, the Chair of the TWG prepared the estimated/over-all budgetary requirements of at least ₱7,500.00 to ₱10,000.00 for the Honoraria, meals, and transportation to be incurred.
  2. The estimated/over-all budgetary requirements were signed by the Director for Finance and the OIC of the Office of the Vice President for Administration and Finance for recommending approval and PhilSCA President, for approval.
  3. The TWG was created by the PhilSCA BOT, through BOT Referendum No. 02, s. 2012 dated October 8, 2012 to prepare legal papers for the transfer and formal acceptance of the present relocation site of PhilSCA Villamor Campus which states that:

*“The Board resolved, as it hereby resolves: to pass a referendum approving the composition of the Technical Working Group to prepare within six month period or even earlier the necessary legal papers for the immediate transfer of the land title of the present relocation site of PhilSCA Villamor Campus at Piccio Garden, Villamor Air Base, Pasay City, from the Bases Conversion Development Authority (BCDA) as part of the swap agreement which relocation site shall serve as the permanent site without prejudice to the granting of an additional site and the granting of a monthly honorarium to the representative of CHED in the TWG for not being a regular member of the legal team of PhilSCA in the amount of twenty thousand pesos (Php20,000.00) only for a period of six months from the time the aforementioned TWG formally convened as reflected in the minutes of meeting.”* (underscoring supplied)

* 1. It is noted that the Chair of TWG was authorized by the BOT to collect Honoraria for a period of six months only from the time the TWG formally convened. The TWG convened on February 15, 2013 per Notice of Meeting and Attendance signed by the TWG. Henceforth, the Chair of TWG is no longer entitled to Honoraria for meeting of TWG conducted for the period after the six months authority.
  2. It was noted that the OIC-Director of Legal and Legislative Services of CHED was granted Honorarium in the amount of ₱2,500.00 on April 4, 2017 as Chairperson of the TWG which is beyond the authority granted under BOT No. 02, s. of 2012 dated October 8, 2012.
  3. It was also observed that the purpose for payment of Honorarium of ₱2,500.00 through cash advances for TWG meeting on May 5, 2017 was not stated which precludes the identification of documentary requirements needed in audit, thus, validity of the expense is doubtful.
  4. For payment of Honoraria as Resource Person for TWG meetings on May 16, 2017, June 15, 2017 and June 21, 2017, the payments were not supported by an Office Order as required under COA Circular No. 2012-001, prescribing an approved Office Order for payment of Honoraria to government personnel performing activities as resource speakers. Thus, payment of Honoraria without complete documentary requirements is irregular.

We recommended that the Management:

1. **submit an Office Order/authority to collect Honorarium/BOT Resolution as document required for the payment of Honoraria to the OIC Director of Legal and Legislative Services of CHED; or**
2. **require the payee to refund the Honoraria received from the Agency, upon failure to submit the abovementioned requirements.**
   1. The College President commented the payment of Honorarium of the OIC- Director of Legal and Legislative Services of CHED was stopped and that the Legal Team of the Office of the Solicitor General (OSG) took over the preparation of documents for the transfer and formal acceptance of the present relocation site of PhilSCA Villamor Campus, as part of their legal services to PhilSCA.

**Financial and Compliance Audit**

*Petty Cash Fund (PCF)*

Deficiencies were noted in the handling of Petty Cash Fund amounting to ₱55,492.01 as of December 31, 2017 due to: a) erroneous classification of accounts amounting to ₱200,000.00, which is not in accordance with the Revised Chart of Accounts, Volume III of the Government Accounting Manual (GAM) for National Government Agencies (NGAs); and b) delayed replenishment of the PCF, thus, related expenses were not recorded in the books, contrary to Section 35, Chapter 6 on Disbursements, Volume I of the GAM, and Petty Cash, Advances to Special Disbursing Officer and other related expense accounts were not presented fairly in the financial statements.

1. The Petty Cash Fund account balance as of September 30, 2017 is broken down as follows:

| **Name of Petty Cash Fund Custodian (PCFC)** | **Position/ Designation** | **Amount** | **Date Granted** | **Purpose** |
| --- | --- | --- | --- | --- |
| 1. Jonathan A. Nagasao | Supply Officer | 50,000.00 | 3/31/2016 | For the use of General Services |
| 1. Nonadel A. Soriano | Director, Mactan-Benito Ebuen Air Base Campus (MBEAB) | 50,000.00 | 1/27/2017 | For the use of MBEAB Campus |
| 1. Darby R. Esperanzate | Registrar | 50,000.00 | 1/27/2017 | For the use of Fernando Air Base (FAB) Campus |
| 1. Maura Gina D. Ramoso | Director, Basa Air Base (BAB) Campus | 50,000.00 | 1/27/2017 | For the use of BAB Campus |
| 1. Felix L. Alegado | Special Disbursing Officer (SDO) | 9,597.31 | 2/15/2017 | For the use of BAB Campus (Palmayo) |
| 1. Esteban M. Cordovilla | Director for Finance | 30,000.00 | 6/30/2017 | For the use of Finance Services- VAB |
| 1. Felix C. Boyles | Chief Administrative Officer | 50,000.00 | 6/30/2017 | For daily expenses of VAB Campus |
| 1. Rodante G. Flores | SDO | 200,000.00 | 12/1/2014 | Research Projects/ Activities |
| **Total** | | **489,597.31** |  |  |

1. *Erroneous Classification of Account*
2. Chapter 3, Volume III of the GAM for NGAs states that “Advances to Special Disbursing Officer account is used to recognize the amount granted to Agency’s accountable officer and employees for special purpose/time-bound undertakings to be liquidated within a specified period. It also includes labor payroll for the projects undertaken by administration.”
3. A Special Disbursing Officer (SDO) was designated for Research Projects/Activities of the College under Special Order No. 80, series of 2015, in reference to BOT Resolution No. 90, Approving Academic Council Resolution No. 90, relative to the CHED Funded Research entitled “Las Piñas-Parañaque Critical Habitat and Ecotourism Area Community Based Ecotourism: An Integrated Approach in Wetland Resource Management” per approved CHED Commission En Banc Resolution No. 754-2014 dated December 1, 2014.
4. The Memorandum of Agreement (MOA) executed by and between CHED and PhilSCA for the research program provides that the latter shall see to it that funds are used for the purpose for which the same are intended and subject to the usual accounting and auditing rules and regulations.
5. It reveals that the cash advance to the SDO amounting to ₱200,000.00 was erroneously classified as Petty Cash Fund instead of Advances to Special Disbursing Officer account (19901030) in accordance with Chapter 3, Volume III of the GAM for NGAs, thus overstating and understating the aforementioned accounts, respectively.
6. *Timely Replenishment of PCF*
7. Section 35, Chapter 6 on Disbursements, Volume I of the GAM provides that PCF shall be replenished as soon as the total disbursements reach at least 75 percent, or as needed.
8. The following PCFs granted were not liquidated upon reaching the total disbursements of at least 75 percent or as needed, are as follows.

| **Name of Petty Cash Fund Custodian (PCFC)** | **Position/ Designation** | **Amount** | **Date Granted** | **Replenishment/ Liquidation** | |
| --- | --- | --- | --- | --- | --- |
| **Date** | **Interval (in mos.) of Liquidation/ Replenishment** |
| Jonathan A. Nagasao | Supply Officer | 50,000.00 | 3/31/2016 | Dec. 31, 2017 | 21 months, liquidated on December 31, 2017 leaving a balance of ₱2,095.01 |
| Nonadel A. Soriano | Director, MBEAB Campus | 50,000.00 | 1/27/2017 | October 2017 | 10 months |
| Darby R. Esperanzate | Registrar | 50,000.00 | 1/27/2017 |  | No replenishment yet |
| Maura Gina D. Ramoso | Director, BAB Campus | 50,000.00 | 1/27/2017 | Dec. 31, 2017 | 11 months, liquidated on December 31, 2017 |
| Felix L. Alegado | SDO | 9,597.31 | 2/15/2017 | August 2017 | 6 months; Balance of the ₱50,000.00 PCF granted |
| Esteban M. Cordovilla | Director for Finance | 30,000.00 | 6/30/2017 | Dec. 31, 2017 | 6 months, liquidated on December 31, 2017 leaving a balance of ₱330.00 |
| Felix C. Boyles | Chief Adminis-trative Officer | 50,000.00 | 6/30/2017 | Dec. 31, 2017 | 6 months, liquidated on December 31, 2017 leaving a balance of ₱2,927.00 |
| **Total** |  | **294,597.31** |  |  | |

1. The PCF was set up to be available for the recurring petty operating expenses of the agency for one month.
2. There were five PCFs as of September 30, 2017 that has no liquidation or replenishment since the PCF was granted, totalling to ₱230,000.00.
3. The late replenishment and processing of PCF on a monthly basis leave the funds in the hands of the PCFC to be low or insufficient to take care of petty expenses, thus, defeats the purpose for which the funds were set up. Further, this resulted in late recognition of expenses in the books of accounts.

We recommended that the Management:

1. **require the Accountant to prepare the necessary adjusting entries to reclassify accounts covered by the PCF to their proper account; and**
2. **require the Accountant and the PCFC to adhere to the rules and regulations on PCF.**
3. The Management commented that PCFCs have already liquidated their PCF, thus leaving a balance of ₱55,352.01 as of December 31, 2017, as show below:

| **Petty Cash Fund Custodian (PCFC)** | **Balance** | **Date Granted** |
| --- | --- | --- |
| Jonathan A. Nagasao | 2,095.01 | 3/31/2016 |
| Darby R. Esperanzate | 50,000.00 | 1/27/2017 |
| Esteban M. Cordovilla | 330.00 | 6/30/2017 |
| Felix C. Boyles | 2,927.00 | 6/30/2017 |
| Maura Gina D. Ramoso | - | 1/27/2017 |
| Felix L. Alegado | - | 2/15/2017 |
| **Total** | **55,352.01** |  |

1. The Liquidation Reports for the abovementioned PCFCs were not yet submitted to the Audit Team as of date of this Report.

*Dormant Receivables*

1. Other Receivables amounting to ₱926,307.75 which remained dormant for more than nine to 17 years are of doubtful collectability and rendered the account balance unreliable, contrary to PPSAS No. 1 on the fair presentation of the Financial Statements. Moreover, only a minimal amount of ₱4,000.00 out of ₱883,000.00 Loans Receivables – Others was collected and the remaining amount of ₱879,000.00 remained outstanding for more than nine years.
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. COA Circular No. 2016-005 on the Guidelines and Procedures on Write-off of Dormant Receivable accounts dated December 19, 2016 provides that:

“Section 5.4 Dormant Receivable Accounts - accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.”

“Section 5.5 Dormant Unliquidated Cash Advances - advances granted to disbursing officers, agency officers and employees which remained non-moving for ten (10) years or more and where settlement/collectability could no longer be ascertained.”

1. The Other Receivables account (1-03-05-990-00) amounting to ₱926,307.75 which were dormant for a period of nine to 17 years is composed of the following:

| **Particulars** | **Amount** | **Age** |
| --- | --- | --- |
| 1. Unliquidated Cash Advances | 319,071.00 | Over 10 to 17 years |
| 1. Cash Shortage of former Collecting Officers | 158,211.32 | Over 11 years |
| 1. Other Miscellaneous Receivables to be collected from concerned personnel | 449,025.43 | Over 9 years |
| **Total** | **926,307.75** |  |

1. *Unliquidated Cash Advances*

The Management requested on October 10, 2014 for an authority to write-off the dormant accounts amounting to ₱319,071.00 which were outstanding for more than 10 to 17 years. However, the request was returned by the Audit Team due to lack of documents submitted to support the write-off as required by COA Circular No. 2016-005 such as the following:

*8.3 The request shall be supported by the following documents:*

*xxx*

*b. Certified relevant documents validating the existence of the condition applicable such as:*

*xxx*

*b.5 Certificate of no residence in the barangay of the municipality/city of last known address*

*b.6 Proof of exhaustion of all remedies to collect the receivables and demand to liquidate the cash advances and fund transfers, such as but not limited to copies of served or returned demand letters*

*b.7 Certification by Legal Officer of the Entity of no pending case relative to the account*

Analysis of account Other Receivables for the request of write-off is disclosed on below:

| **Particulars** | **Amount** | **Date of Check** | **Agency’s Reason for Request of Write-off** | **Remarks** |
| --- | --- | --- | --- | --- |
| Former College President | 65,000.00 | 1/14/1991 | Respondent was already convicted by a Sandiganbayan Decision in September 2012. Account will be transferred instead to the appropriate Registry of Dormant Accounts | Management provided Sandiganbayan the Decision per Criminal Case Nos. 24843, 24844, 24845, 26503, however no proof of no pending Appeal filed with the Court of Appeals/ Supreme Court by the former College President was submitted by the Agency. |
| Former SDO on AWOL | 30,000.00  28,580.00 | 11/17/1993  1/10/1994 | Unknown whereabouts of respondent. Cannot be located despite several demand letters sent to her last address | With one Registry Return Slip returned to sender dated 7/26/2010 with note: "Person moved out"; No Registry Return Slip/ Proof of mailing for other Demand Letters dated 11/11/1994; 4/17/1996; 5/15/2009; 11/29/2012 |
| Former BOT Member | 100,000.00 | 6/30/2000 | Unknown whereabouts of respondent. Cannot be located despite several demand letters sent to his last address | With one Registry Return Slip returned to sender 3/22/10 with note: "Party moved out"; No Registry Return Slip/ Proof of mailing for Demand Letters sent dated 5/15/2009; 6/7/2010; 11/29/2012 |
| Former COA Auditor PhilSCA | 14,400.00  9,361.00 | 4/25/2001  11/10/2003 | Account of respondent is outstanding for 10 years or more. If warranted, account shall be transferred instead to appropriate Registry of Dormant Accounts. | No Registry Return Slip/ Proof of mailing for Demand Letters sent dated 6/10/2009; 6/29/2010; 11/29/2012 |
| Former Acting Board Secretary/ Dean on AWOL | 10,660.00 | 2/16/2007 |  | Deceased (March 13, 2013); with NSO Death Certificate submitted by the Management; With proof of mailing for Demand Letters dated 6/10/2009; and 6/7/2010. |
| 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 Collecting Officers:*

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| Collecting Officer on Absence Without Official Leave (AWOL) since August 8, 2008 | 123,949.55 |
| Deceased Collecting Officer since May 25, 2007 | 34,261.77 |
| **Total** | **158,211.32** |

These cash shortage remained dormant in the books of the Agency from nine to 10 years. Follow-up of the action taken on prior years’ audit recommendations revealed that no action was taken by the Management. The cash shortage of AO was still uncollected despite the CY 2016 audit recommendation to find the whereabouts of the AWOL Collecting Officers (COs) and exhaust all legal efforts to recover the cash shortage incurred by her and that no request for write-off on the other receivables arising from cash shortage of the deceased Collecting Officer was submitted.

1. *Other Miscellaneous Receivables to be collected from concerned personnel:*

|  |  |  |  |
| --- | --- | --- | --- |
| **Payee** | **Date** | **Amount** | **Particulars** |
| Former PhilSCA President | 4/2/08 | 10,000.00 | Travelling expenses |
| Former PhilSCA President | 8/15/08 | 25,000.00 | Travelling expenses |
| Former Director for Administration | 9/12/08 | 14,425.43 | Publication for bidding |
| Former PhilSCA President | 11/25/08 | 199,600.00 | Travelling expenses and registration fee |
| Former PhilSCA President | 12/11/08 | 200,000.00 | Miscellaneous expenses |
| **Total** |  | **449,025.43** |  |

The Account Other Miscellaneous Receivables amounting to ₱449,025.43 pertains to unliquidated cash advances of two former officers of PhilSCA. No proof of final demand to settle the unliquidated cash advances was submitted, contrary to COA Circular No. 2012-004 dated November 28, 2012, which provides that:

“6.0 Final demand to settle unliquidated cash advance

Wherefore, final notice and demand is hereby made to all concerned to settle and liquidate all outstanding cash advances as of December 31, 2011 on or before January 31, 2013. Provided, however, that those who have been issued by the Commission on Audit notice and demand, prior to the issuance of this Circular, to settle and liquidate their cash advances within a specified period, shall do so within the period specified in the said notice.”

1. Account Loans Receivable–Others (1-03-01-990-00) refers to Student Assistance Fund for Education for a Strong Republic (SAFE-4-SR) released by CHED to PhilSCA in CY 2008 through its Student Financial Assistance Program (STUFAP). The amount of ₱879,000.00 has remained unpaid by student grantees for more than nine years.
2. For the current year, only a minimal amount of ₱4,000.00 was collected by the Agency. Moreover, despite the prior year’s recommendation to send demand letters to former students who received financial assistance fund, no compliance was made yet by the Management.
3. Due to the abovementioned observations, the balances reflected in the Statement of Financial Position on Other Receivables and Loans Receivable–Others accounts are of doubtful collectability and rendered the account balance unreliable.

We recommended that the Management:

1. **comply with the documentary requirements on write-off of dormant accounts as provided by COA Circular No. 2016-005;**
2. **exhaust all efforts to recover the cash shortage from former employee who incurred cash shortage;**
3. **request for write-off on the Other Receivables account arising from cash shortage of the deceased Collecting Officer;**
4. **send final demand letters to settle unliquidated cash advances made to concerned officials and submit a copy thereof to the Audit Team; and**
5. **send demand letters to the last known address of the grantees of (SAFE-4-SR) to enforce collection thereof.**
6. Management commented that: a) the Accounting Department will submit to the Audit Team request for write-off of dormant accounts; and b) that they will send demand letters to the grantees of (SAFE-4-SR) to enforce collection thereof.

*Due from National Government Agencies - Department of Budget and Management (DBM) – Procurement Service (PS)*

1. Out of the aggregate amount of ₱20,300,050.00 transferred to the DBM-PS as of December 31, 2017, only the procured items amounting to ₱11,183,894.90 were delivered leaving a balance of ₱9,116,155.10 in the custody of the DBM-PS, thus, funds were not put to immediate use by PhilSCA caused by the non-monitoring and lack of follow-up on the deliveries which deprived the students of the benefit from the immediate use of the equipment.
2. Fund transfers for the procurement of equipment to the DBM-PS amounted to ₱20,300,050.00. Aging of the account disclosed that these pertain to prior years. Details as follows:

| **No.** | **Check No.** | **Date** | **Purpose** | **Amount Transferred** | **Amount of Items Delivered** | **Balance as of December 31, 2017** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | 444652 | 9/7/12 | Purchase of One (1) unit Mini Bus | 3,000,000.00 | 2,943,200.00 | 56,800.00 |
| 2 | 444653 | 9/7/12 | Purchase of 90 units of Desktop computers to be used for INET Auto Cadd and ICS laboratory | 2,700,000.00 | 2,094,768.00 | 605,232.00 |
| 3 | 42969 | 12/17/12 | Purchase of 80 units of Desktop Computers for Computer Laboratory use | 3,227,550.00 | 2,743,686.40 | 211,550.00 |
| 272,313.60 |
| **Sub-total** | | | | **8,297,550.00** | **8,053,968.00** | **873,582.00** |
| 4 | 59716 | 6/26/14 | Purchase of 104 units Desktop Computers, 15 Printers and 5 units of laptop | 3,372,500.00 | 2,920,065.30 | 242,573.10 |
| 209,861.60 |
| 5 | 84470 | 12/28/15 | Payment of one unit of Flight Simulator Trainer | 8,000,000.00 | - | 8,000,000.00 |
| **Total** | | | | **20,300,050.00** | **11,183,894.90** | **9,166,155.10** |

1. Out of the transferred funds of ₱8,927,550.00 to DBM-PS, items amounting to ₱8,053,968.00 were completely delivered to the Agency, thereby leaving an overpayment of ₱873,582.00 with the DBM-PS for over three years.
2. On the purchase of 104 units of Desktop Computers, 15 units of printer and five units of Laptop Computers in the amount of ₱3,372,500.00, only 90 units of Desktop Computers and five units of Laptop Computers were delivered on July 29, 2014, thereby leaving an undelivered 14 units of Desktop Computers and 15 units of Printer for almost three years.
3. Furthermore, on the fund transfer per check no. 42969 dated December 17, 2012, the Accounting Office failed to record the amount of the delivered items in the amount of ₱272,313.60.
4. Also, on the fund transfer per check no. 59716 dated June 26, 2014, the Agency failed to record the amount of the delivered five units of laptop amounting to ₱209,861.60.
5. On the purchase of one unit Flight Simulator Trainer in the amount of ₱8,000,000.00 which was received by DBM – PS on January 7, 2016 under OR No. 152046, it was learned that only after two years was the bidding process completed. The Audit Team confirmed that on April 19, 2018 the Flight Simulator Trainer will arrive in the Port of Manila and will be available for customs clearance and release to PhilSCA. The delay in the acquisition of the equipment did not benefit the College from the immediate use of the Flight Simulator Trainer.

We recommended that the Management:

1. **make representation with the DBM-PS for the return of the balance of the fund transfers for the fully delivered items;**
2. **evaluate the need of the PhilSCA for the undelivered equipment, otherwise*,* make representation with the DBM-PS for the change of purchase requests for the different items included in the Annual Procurement Plan of the Agency to be charged against the advance payments made to enable the PhilSCA to use the same in its operations;**
3. **follow-up with DBM-PS/ closely monitor the timely bidding of Flight Simulator Trainer; and**
4. **require the Accountant to record subsequent deliveries fromDBM-PS to reflect the correct balance thereof.**
5. The Supply Officer reported that the said Simulator is for delivery on April 19, 2018.
6. Also, the College President coordinated with the General Services Department and Supply Office for the preparation of the Simulation Room.

*Property, Plant and Equipment*

1. The accuracy and completeness of the account Property Plant and Equipment (PPE) amounting to ₱326,182,133.22 as of December 31, 2017 are doubtful due to: a) unrecorded three parcels of land acquired through donation in CYs 2013, 2014, and 2016, contrary to Sections 5 and 13, Chapter 10 on PPE, Volume 1 of the GAM for NGAs; b) the recorded property in Villamor Air Base amounting to ₱255 million, subject of swap arrangement with the Bases Conversion Development Authority (BCDA), is still not covered by Transfer Certificate of Title in the name of PhilSCA; and c) non-reconciliation and non-maintenance of required Property Card (PC) and PPE Ledger Card (PPELC) under Section 42, Chapter 10 of the same Manual.
2. Section 1, Chapter 10 of GAM for NGAs Volume I, provides for the accounting treatment, recognition, measurement, derecognition of PPE to ensure that all items are properly valued and recorded, and the disclosure requirements are provided in reporting PPE.
3. The breakdown of PPE accounts totalling ₱326,182,133.22 as of December 31, 2017 is shown below:

| **Classification** | **Gross Cost as of 12/31/2016** | **As of December 31, 2017** | | | **Increase/ (Decrease)** |
| --- | --- | --- | --- | --- | --- |
| **Gross Cost** | **Accumulated Depreciation** | **Net Carrying Amount** |
| ***Land*** | | | | |  |
| Land | 255,000,000.00 | 255,000,000.00 |  | 255,000,000.00 | - |
| ***Furniture, Fixtures and Books*** | | | | |  |
| Furniture and fixtures | 8,465,830.38 | 8,383,680.38 | 1,206,352.53 | 7,177,327.85 | (82,150.00) |
| Books | 1,566,400.00 | 1,566,400.00 | 1,361,502.98 | 204,897.02 | - |
| ***Other Property, Plant and Equipment*** | | | | |  |
| Other Property, Plant and Equipment | 1,014,186.00 | 1,014,186.00 | 912,767.40 | 101,418.60 | - |
| ***Building and Other Structures*** | | | | |  |
| School Buildings | 37,094,459.59 | 37,094,459.59 | 21,091,880.83 | 16,002,578.76 | - |
| Other Structures | 6,977,372.74 | 6,977,372.74 |  | 6,977,372.74 | - |
| ***Machinery and Equipment*** | | | | |  |
| Information and Communications Technology Equipment | 33,876,728.38 | 33,985,728.38 | 24,057,206.28 | 9,928,522.10 | 109,000.00 |
| Office Equipment | 21,156,527.26 | 27,033,261.94 | 14,899,684.20 | 12,133,577.74 | 5,876,734.68 |
| Communications Equipment | 1,477,540.00 | 1,477,540.00 | 682,966.78 | 794,573.22 | - |
| Disaster Response and Rescue Equipment | 292,800.00 | 292,800.00 | 214,698.55 | 78,101.45 | - |
| Medical Equipment | 352,960.14 | 395,800.00 | 165,185.61 | 230,614.39 | 42,839.86 |
| Sport Equipment | 254,170.00 | 241,470.00 | 125,875.58 | 115,594.42 | (12,700.00) |
| Technical and Scientific Equipment | 20,822,451.82 | 20,712,474.82 | 14,507,527.48 | 6,204,947.34 | (109,977.00) |
| Other Machinery and Equipment | 3,424,827.05 | 3,424,827.05 | 1,013,906.77 | 2,410,920.28 | - |
| Motor Vehicles | 11,761,376.30 | 11,761,376.30 | 5,797,427.25 | 5,963,949.05 | - |
| Aircrafts and Aircraft Ground Equipment | 13,995,773.33 | 13,995,773.33 | 11,138,035.07 | 2,857,738.26 | - |
| **Total** | **417,533,402.99** | **423,357,150.53** | **97,175,017.31** | **326,182,133.22** | **5,823,747.54** |

1. In CYs 2013, 2014 and 2016, three parcels of land were acquired by PhilSCA thru donations as shown in the following table:

| **Date of Donation** | **Location** | **Description** | **Mode of Acquisition** | **Amount per GL** |
| --- | --- | --- | --- | --- |
| June 14, 2013 | Floridablanca Resettlement Center, Florida Pampanga | 15,809 sq m | Donated by the Municipality of Floridablanca represented by Hon. Mayor Eduardo D. Guerrero by virtue of a Deed of Donation | No recorded value |
| November 27, 2014 | Barangay Curva, Medellin, Cebu | 500 sq m | Donated by the Local Government of Medellin, Cebu represented by Hon. Mayor Ricardo R. Ramirez by a Deed of Donation | No recorded value |
| April 29, 2016 | Dalipit East, Cuenca Batangas | 15,000 sq. m. (forest land) | Donated by the heirs of Virgilio and Virginia Remo in a Deed of Donation | No recorded value |

1. It was observed that there was no recorded value of the donated land in the books of PhilSCA. Section 11, Chapter 10 on PPE, Volume 1 of the GAM, provides that the donated property should be valued at its fair market value at the time of its donation. Further, Section 13, of the same Chapter provides that where a PPE is acquired through donation with conditions or restrictions, a liability account shall be recognized until the conditions or restrictions have been fulfilled. Thus, the accounts Land and Other Deferred Credits (or any other appropriate account) were understated.
2. 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 despite the findings and recommendation in CY 2016 AAR.
3. Section 42, same Chapter of the GAM provides that the Accounting Unit shall maintain the Property, Plant and Equipment Ledger Card (PPELC) for each category of PPE. Likewise, the Supply/Property Unit shall maintain Property Card (PC) for PPE for check and balance.
4. Verification reveals that the Accounting and the Property Units do not conduct reconciliation of properties for check and balance, hence, the correctness of the existence of the properties was not validated.
5. Out of the 16 PPE accounts, six PPE accounts have adjustments with a net reduction amount of ₱5,823,747.54, as shown in the following table:

| **Classification** | **Gross Cost as of 12/31/2016** | **As of December 31, 2017** | | | |
| --- | --- | --- | --- | --- | --- |
| **Gross Cost** | **Accumulated Depreciation** | **Net Carrying Amount** | **Increase/ (Decrease)** |
| ***Furniture, Fixtures and Books*** | | | | | |
| Furniture and Fixtures | 8,465,830.38 | 8,383,680.38 | 1,206,352.53 | 7,177,327.85 | (82,150.00) |
| ***Machinery and Equipment*** | | | | | |
| Information and Communication Technology Equipment | 33,876,728.38 | 33,985,728.38 | 24,057,206.28 | 9,928,522.10 | 109,000.00 |
| Office Equipment | 21,156,527.26 | 27,033,261.94 | 14,899,684.20 | 12,133,577.74 | 5,876,734.68 |
| Medical Equipment | 352,960.14 | 395,800.00 | 165,185.61 | 230,614.39 | 42,839.86 |
| Sport Equipment | 254,170.00 | 241,470.00 | 125,875.58 | 115,594.42 | (12,700.00) |
| Technical and Scientific Equipment | 20,822,451.82 | 20,712,474.82 | 14,507,527.48 | 6,204,947.34 | (109,977.00) |
| **Total** | **84,928,667.98** | **90,752,415.52** | **54,961,831.68** | **35,790,583.84** | **5,823,747.54** |

1. The adjustment made under JEV No. GJ Local 17-07-10 dated July 31, 2017 was not supported by a Schedule or List of PPE per group classification and reason/justification for the adjustment.
2. Verification revealed that the PPE purchased in CY 2017 were not recorded in the Property Cards (PC) since the Property Office does not maintain the prescribed forms and/or were not updated.
3. For the 2016 Report on the Physical Count for PPE (RPCPPE) submitted by the Property Office, the PPEs were not classified as to category.
4. The Accounting Office did not submit a Schedule of PPE or its equivalent as of December 31, 2017, nor were the PPELC of the Accounting Office maintained, thus, reliability of the PPE accounts balance is doubtful.

We recommended that the Management:

1. **comply with Sections 11 and 13, Chapter 10 on PPE, Volume 1 of the GAM for NGAs on recognition in the books the fair market value of property acquired through donation and a liability account recognized for the PPE acquired with conditions or restrictions until these have been fulfilled;**
2. **exhaust all efforts to have the properties titled in the name of PhilSCA; and**
3. **instruct the Accounting Unit to maintain the PPELC for each category of PPE, likewise the Supply/Property Unit to maintain the PC for PPE; direct both Offices to conduct reconciliation of properties and require the Accounting Unit to submit a Schedule or List of PPE per group classification and the reason/justification for adjustment to support JEV No. GJ Local 17-07-10 dated July 31, 2017 and to submit a schedule of PPE or its equivalent as December 31, 2017.**
4. The Accounting Office submitted PPELC as of December 31, 2017 on February 13, 2018.
5. The Management commented that they already sought appraisal of the donated properties and supporting documents will be submitted to the Audit Team.
6. The College President also commented that all legal services of PhilSCA shall be handled by the Office of the Solicitor General (OSG) including the preparation of the necessary legal papers for the immediate transfer of the land title to PhilSCA.

*Rejoinder*

1. The documents for the appraisal of land have not yet been submitted to the Audit Team as of the date of this Report.

*Motor Vehicles*

1. Deficiencies in the maintenance of the Motor Vehicles were noted such as: a) covered garage not provided, thus exposing vehicles to deterioration; b) absence of proper maintenance plan; c) delayed registration of motor vehicles with Land Transportation Office (LTO) that resulted in penalty fine of ₱4,240.00; and d) the Property and Accounting Offices did not maintain the required forms in accordance with Chapter 10, Volume I of the GAM for NGAs.
2. Section 105 of Presidential Decree (PD) No. 1445 provides the responsibility and liability of accountable officer for the damages, or deterioration occasioned by negligence in the keeping or use of the property.
3. Section 1, Chapter 10, Volume I of the GAM for NGAs, provides for the accounting treatment, recognition, measurement, derecognition to ensure that all PPEs are properly valued and recorded, and the disclosure requirements in reporting PPE.
4. The motor vehicles with a total amount of ₱11,761,376.30 as of December 31, 2017 are shown as follows:

| **No.** | **Description** | **Plate No.** | **Date Purchased/ Received** | **Amount** | **Location** | **End-user/ Remarks** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Hyundai County Bus, 30 seater, Minibus | SLA 804 | February 27, 2013 | 2,943,200.00 | VAB Campus | School Bus; insured with GSIS Mar. 29, 2017- May 1, 2018 |
| 2 | Mitsubishi Adventure GX DSL Euro 2 | SJT 189 | August 1, 2010 | 739,880.00 | VAB Campus | College President; insured with GSIS Oct. 1, 2017- Oct. 1, 2018 |
| 3 | Mitsubishi L300 Exceed (D) | SJT 190 | August 1, 2010 | 728,220.00 | VAB Campus | Service/ College vehicle; insured with GSIS Nov. 1, 2017- Nov. 1, 2018 |
| 4 | Mitsubishi L300 Exceed (D) | SJT 191 | August 1, 2010 | 728,220.00 | VAB Campus | Service/College vehicle; insured with GSIS Feb. 1, 2017- Feb. 1, 2018 |
| 5 | Kinglong, Bus | SKE 644 | 2009 | 4,700,000.00 | VAB Campus | School Bus; Donated by MEGAWORLD; insured with GSIS- May 1, 2017- May 1, 2018 |
| 6 | Toyota Tamaraw FX (Revo) | SFU 653 | January 18, 2001 | 535,500.00 | VAB Campus | Service/College vehicle ; insured with GSIS- Apr. 1 , 2017- Apr. 1, 2018 |
| 7 | Mitsubishi L300 van FB | SFR 247 | January 13, 2000 | 510,000.00 | MBEAB Campus | Unserviceable; need to assess/ evaluate the extent of the damage of the MV; left at MBEAB- Medellin Campus since 2016 |
| 8 | Mitsubishi L300 | SFU 357 | July 15, 2000 | 398,285.30 | BAB Campus | Unserviceable; Insured with GSIS Aug. 1, 2017- Aug. 1, 2018 |
| 9 | Toyota Tamaraw FX | TSU 732 | January 17, 1995 | 478,071.00 | FAB Campus | Unserviceable; Insured with GSIS Mar. 1, 2017- Mar. 1, 2018 |
| **Total** | | | | **11,761,376.30** |  |  |

1. Review of the documents and inspection on the condition of Motor Vehicles disclosed the following:
2. Covered garage are not provided, thus exposing the Motor Vehicles to deterioration
3. It was observed that motor vehicles stationed at VAB campus have no covered garage which exposed the motor vehicles to deterioration.
4. The General Services Division prepared a Project Proposal for the construction of PhilSCA Motor Pool and submitted to the Management on January 20, 2015 but no action has been taken.
5. Motor vehicles not properly maintained/or no proper maintenance plan
6. Inspection at the VAB Campus showed the following physical condition of the motor vehicles:

| **Description** | **Plate Number** | **Status of the MV** |
| --- | --- | --- |
| Hyundai County Bus, 30 seater, Minibus | SLA 804 | College service vehicle, serviceable but air-condition is not functioning |
| Mitsubishi L300 Exceed (D) | SJT 190 | College service vehicle, serviceable but air-condition is not functioning |
| Kinglong, Bus | SKE 644 | College service vehicle, serviceable, but the physical appearance of the body is not in good condition, also the air- condition is not functioning |
| Toyota Tamaraw FX (Revo) | SFU 653 | College service vehicle, it was in the repair shop for the whole year of 2017, and newly delivered from repair shop on 2018, for test driving. |

1. Further, the VAB Campus has five drivers, three regular/permanent and two contracts of service personnel. It is the responsibility of the driver to have a proper daily and monthly inspection/maintenance of the motor vehicles to monitor and remind the person in charge of the deadline of registration and to report vehicle problems to proper authority concerning the motor vehicle assigned to them.
2. It was also learned that three out of nine vehicles of PhilSCA were rendered unserviceable.

|  |  |  |  |
| --- | --- | --- | --- |
| **Vehicle** | **Plate Number** | **Location** | **Remarks** |
| Mitsubishi L300 | SFR 247 | MBEAB Campus | The vehicle was acquired in 2000 and is unserviceable thus remained in Medellin site since 2016. |
| Mitsubishi L300 | SFU 357 | BAB Campus | The two vehicles acquired in 2000 and 1995, respectively, were unserviceable but still insured with GSIS until 2018. No explanation was given by the Management on reason of insuring the said vehicles. |
| Toyota Tamaraw FX | TSU 732 | FAB Campus |

1. Late registration with LTO
2. Further verification revealed that the following motor vehicles were registered late with the LTO.

| **Vehicle** | **Plate Number** | **Registration Month** | **Remarks** | **Penalty/Fine Incurred** |
| --- | --- | --- | --- | --- |
| Mitsubishi Adventure GX DSL Euro 2 | SJT 189 | September | Last renewal of registration was on Oct. 10, 2017 incurred penalty for late registration | 1,000.00 |
| Mitsubishi L300 Exceed (D) | SJT 190 | October | Last renewal of registration was on Nov. 24, 2017 incurred penalty for late registration | 1,100.00 |
| Mitsubishi L300 Exceed (D) | SJT 191 | January | Last renewal of registration was on Mar. 3, 2017 incurred penalty for late registration | 1,100.00 |
| Toyota Tamaraw FX (Revo) | SFU 653 | March | Last renewal of registration was on Apr. 4, 2016 incurred penalty for late registration.  Not register on 2017 | 1,040.00 |
| **Total** | | | | **4,240.00** |

1. The Agency incurred penalty for late registration of motor vehicles amounting to ₱4,240.00 which showed lack of proper monitoring on the part of the person in charge. Further, the Toyota Tamaraw FX (Revo) with Plate No. SFU 653 was not registered with the LTO in 2017, thus, this would entail additional penalty on top of the ₱4,240.00 already incurred. The said MV underwent repair due to damages and had been in the repair shop for one year in 2017 but the necessary diligence to avoid penalty for non- registration was not observed.
2. Further, registration of motor vehicles with LTO is the responsibility of the Property Officer while the payment of insurance is under the Administrative Office.
3. Non- maintenance of the PPE Ledger Cards for motor vehicles
4. The Accounting and Property Offices did not maintain PC and PPELC for each motor vehicle pursuant to Section 42, Chapter 10, Volume 1 of the GAM.
5. Also, the Accounting Office did not submit schedule of motor vehicle as of December 31, 2017 and the Property Office did not submit updated Report on the Physical Count of PPE owned by PhilSCA.

We recommended that the Management:

1. **consider construction of garage to safeguard its motor vehicles from deterioration;**
2. **designate personnel in-charge for the overall maintenance and monitoring of the use and registration of motor vehicles;**
3. **require the Accounting Unit to maintain PPELC for motor vehicles, likewise, the Supply/Property Unit to maintain PC for motor vehicles; and**
4. **direct the Accounting Office to submit the schedule of motor vehicles per record.**
5. Management commented that they conducted a survey of the vicinity to be used as garage to safeguard the motor vehicles. Also, the College President issued a Memorandum for the refund of the penalty to concerned officials and employees.

*Rejoinder*

1. The Audit Team has not yet received the proof of refund of the penalty paid by the concerned officials.

*Salaries and Wages – Regular Employees*

1. Deficiencies were noted in the audit of the Salaries and Wages of employees, such as: a) overpayment to various personnel totalling to ₱2,728.00; b) under-payment totalling ₱1,848.00 to one personnel; c) deductions from salaries of employees not in the order of preference contrary to Section 47 of the General Provisions of the GAA for Fiscal Year 2017; and d) net take home pay of employees below ₱4,000.00 a month was also not in accordance with the same section of the General Provisions of the same GAA.
2. The General Payroll (GP) for Salaries and Wages are prepared and initially processed by the Administrative Payroll Office.
3. The payroll of PhilSCA’s regular teaching and non-teaching personnel are paid thru the ATM account of employees twice a month for the periods 1-15 and 16-31, as shown in the table below:

| **Payroll No.** | **Amount** | | **Period Covered** |
| --- | --- | --- | --- |
| **Non-teaching** | **Teaching** | **CY 2017** |
| 201700100034 | 518,133.00 | 1,239,366.60 | January 1-15 |
| 201700100103 | 582,291.00 | 1,397,225.10 | January 16-31 |
| 201700200350 | 538,585.16 | 1,307,270.76 | February 1-15 |
| 201700200489 | 539,148.82 | 1,310,377.82 | February 16-28 |
| 201700300646 | 546,829.00 | 1,311,518.50 | March 1-15 |
| 201700300748 | 550,915.50 | 1,312,018.50 | March 16-31 |
| 201700300803 | 559,088.50 | 1,311,518.50 | April 1-15 |
| 201700400919 | 550,915.50 | 1,312,018.50 | April 16-30 |
| 201700501047 | 550,915.50 | 1,302,886.00 | May 1-15 |
| 201700501109 | 550,915.50 | 1,303,386.00 | May 16-31 |
| 201700601189 | 600,915.50 | 1,371,093.50 | June 1-15 |
| 201700601275 | 600,915.50 | 1,385,302.10 | June 16-30 |
| 201700601310 | 600,915.50 | 1,386,886.00 | July 1-15 |
| 201700701455 | 589,181.00 | 1,387,796.00 | July 16-31 |
| 201700801600 | 568,202.00 | 1,386,796.00 | August 1-15 |
| 201700801714 | 560,546.00 | 1,387,296.00 | August 16-31 |
| 201700301868 | 512,108.50 | 1,207,225.50 | September 1-15 |
| 201700901948 | 554,824.00 | 1,325,570.50 | September 16-30 |
| 201700901986 | 514,898.50 | 1,374,216.00 | October 1-15 |
| 201701002204 | 511,513.00 | 1,294,151.00 | October 16-31 |
| 201701102331 | 598,438.50 | 1,211,992.00 | November 1-15 |
| 201701102467 | 598,438.50 | 1,470,254.00 | November 16-30 |
| 201701202620 | 598,649.00 | 1,211,992.00 | December 1-15 |
| **Total** | **12,897,282.98** | **30,508,156.88** |  |

1. Overpayment of Salaries and Wages due to error in the amount given and paid to various employees totalling ₱2,728.00

Verification of the GPs revealed erroneous payments of salaries and wages for the months of February to May 2017. The amount paid per payroll to 12 employees was ₱1,211,312.00 instead of ₱1,208,584.00, which resulted in an overpayment of ₱2,728.00. Details as follows:

| **Position** | **Amount Paid per Payroll** | **Should be Salary** | **Variance/ month** | **Total Variance** |
| --- | --- | --- | --- | --- |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Assistant Professor I | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Administrative Officer II | 20,587.00 | 20,567.00 | 20.00 x 4 | 80.00 |
| Aircraft Maint. Tech. II | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Aircraft Maint. Tech. II | 27,585.00 | 27,565.00 | 20.00 x 4 | 80.00 |
| Librarian I | 20,587.00 | 20,567.00 | 20.00 x 4 | 80.00 |
| Administrative Aide IV | 13,389.00 | 12,927.00 | 462.00 x 4 | 1,848.00 |
| **Total** | | | **682.00** | **2,728.00** |

1. Underpayment of salaries and wages of one employee totalling ₱1,848.00 for the period February to May 2017

The errors occurred in the payment of salaries for the months of February to May. An employee was paid ₱53,556.00 instead of ₱55,404.00 which resulted in underpayment of ₱1,848.00. Details as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Position** | **Month** | **Amount Paid (in pesos)** | | | **Variance** |
| 1-15 | 16-31 | Total |
| Administrative Aide IV | February | 6,463.50 | 6,925.50 | 13,389.00 | 462.00 |
| March | 6,463.50 | 6,925.50 | 13,389.00 | 462.00 |
| April | 6,463.50 | 6,925.50 | 13,389.00 | 462.00 |
| May | 6,463.50 | 6,925.50 | 13,389.00 | 462.00 |
| **Total** | | | | **1,848.00** |

1. Deductions from salaries of employees were not in the order of preference as required in Section 47 of the General Provisions of the GAA for FY 2017
2. Section 47 of the General Provisions of the GAA for FY 2017 provides that :

“Deductions from salaries and other benefits accruing to any government employee, chargeable against the appropriations for Personnel Services, may be allowed for the payment of an individual employee’s contributions or obligations due the following, and in the order of preference stated below:

(a) The BIR, PhilHealth, GSIS and HDMF;

(b) Non-stock savings and loan associations and mutual benefits associations duly operating under existing laws and cooperatives which are managed by and/or for the benefit of government employees;

(c) Associations or provident funds organized and managed by government employees for their benefit and welfare;

(d) GFIs authorized by law and accredited by appropriate government regulating bodies to engage in lending;

(e) Licensed insurance companies; and

(f) Thrift banks and rural banks accredited by BSP.

In no case shall the foregoing deductions reduce the employee’s monthly net take home pay to an amount lower than Four Thousand Pesos (₱4,000).”

1. Verification of payroll revealed that the deductions from salaries and wages of employee for payment of contributions and obligations were made as follows:

| **Every 1-15 payroll** | **Every 16-31 payroll** |
| --- | --- |
| Payables to the following: | GSIS Life and Retirement |
| Value Care | Withholding Taxes |
| Manila Teachers | PhilHealth Contributions |
| PhilSCA Non-teaching Employee Association (PhilSCAntean) | Pag-IBIG Contributions |
| Fortune Care |  |
| PFA |  |
| Others |  |
| GSIS Loans |  |
| HDMF Loans |  |
| Leave Without Pay |  |
| Educational Assistance Loan |  |

1. The mandatory deductions which are the contributions and obligations to government agencies were not given preference as required in the above General Provisions.
2. Further, for the months of January to May 2017, there were five personnel whose net take home pay is lower than ₱4,000.

We recommended that the Management:

1. **take appropriate action to recover from the concerned personnel the excess salaries received and sternly remind the payroll clerk to be more careful in preparation and computation of the claim;**
2. **submit evidence of payment of the discrepancy to the underpaid employee; and**
3. **adjust the authorized deductions in the order of preference as required in Section 47 of the General Provisions of the GAA for FY 2017 and properly monitor the net take home pay of the employees and submit justification for non-compliance with the General Provision of the same GAA.**
4. Management commented that they: a) deducted overpayment of salaries of various employees determined liable thru payroll; b) paid the employee for underpayment thru payroll; c) complied with the provision of Section 47 for the authorized deductions; and d) monitored the net take home pay of the employees in compliance with the General Provisions of GAA 2017 effective payroll period September 2017*.*
5. The Audit Team issued ND Nos. 17-001-01(2017) and 17-002-01 (2017) dated July 4, 2017 for the overpayment of salaries. The said NDs were settled by the Management through salary deduction which resulted in the issuance of NSSDC Nos. 17-012 and 17-011 dated September 28, 2017.

*Salaries and Wages - Hours of Work Rendered*

1. The teaching personnel of PhilSCA rendered only six hours per day or 30 hours a week which was not in accordance with Sections 1 to 5, Rule XVII of the Omnibus Rules Implementing Book V of Executive Order No. 292 and of Civil Service Commission (CSC) Resolution No. 080096 dated January 28, 2008 that will affect the payment of salaries and wages.
2. Section 1, Rule XVII of the Omnibus Rules Implementing Book V of Executive Order No. 292 states that “It shall be the duty of each head of department or agency to require all officers and employees under him to strictly observe the prescribed office hours”. Section 5 thereof provides further that officers and employees of all departments and agencies except those covered by special laws shall render not less than eight hours of work a day for five days a week, or a total of forty hours a week exclusive of one hour time for lunch. In general, such hours shall be from eight o’clock in the morning to twelve o’clock noon and from one o’clock to five o’clock in the afternoon on all days, except Saturdays, Sundays and Holidays.
3. Civil Service Commission (CSC) Resolution No. 080096 dated January 28, 2008 states that “Public school teachers are not exempted from the eight (8) hours of work provided in RA No. 1880 and what is limited to six (6) hours as provided in RA No. 4670 is only the work hours devoted to actual classroom teaching”.
4. Section 1, Article 46 Chapter 9 of the College Code on Working Hours of PhilSCA provides that Members of the academic teaching staff shall serve thirty (30) hours a week, and faculty members with administrative assignments - forty (40) hours.
5. Article 60 of The College Code, Faculty Workload provides further that:

“Section 1. Faculty work load shall consist of teaching, research, extension work or a combination of teaching and any of the following research, creative teaching and writing, administrative, student consultation, extension works, or authorized graduate studies.

Section 4. Full-time faculty members shall have thirty hours (30) per week physical presence in the campus, five (5) hours a week of student consultation.

The following schedule on the reduction of teaching load shall apply to administrative work performed by members of the faculty covered by official appointments/designations.

* 1. Vice President for Academic Affairs-15 units
  2. Dean/ Director-12 units
  3. Associate/ Assistant Deans, Secretaries of Academic Units/ Coordinators/ Disciplinal Chairs, Heads of Academic Departments and Administrative Division, Guidance Counselors or their equivalent-9 units
  4. Faculty members with regular administrative non-teaching duties not included above-6 units

Section 5. Overload Teaching. Officially approved work load in excess of the normal workload shall be entitled an honorarium subject to existing rules and policies and subject to availability of funds.

Overload teaching shall not exceed the amount corresponding to a maximum of twelve (12) hours a week. Provided, however that those faculty members with administrative functions shall render eight (8) working hours a day while full-time faculty members shall render six (6) hours a day with a break of one (1) hour.”

1. PhilSCA has 163 regular employees composed of 80 Administrative and 83 Teaching personnel.
2. Per PhilSCA Organizational Structure, under Academic Affairs supervision are the Institute of Liberal Arts, Institute of Computer Science, Institute of Engineering and Technology, Flying School, Graduate School and the three Satellite Campuses namely: Basa Air Base Campus, Fernando Air Base and Mactan Benito Ebuen Air Base.
3. Verification of the schedule of Official Time and Teaching Work Load of PhilSCA teaching personnel revealed that it is the practice in the College for regular teaching personnel to render 30 hours a week only. Thus, faculty members with administrative designation did not render 40 hours a week.
4. Analysis of working hours being practiced by the academic teaching personnel is shown below:

| **Academic Teaching Staff** | **Office/ Working Hours** | | **Faculty Load** |
| --- | --- | --- | --- |
| **Per CSC** | **Practice** |
| Fulltime Faculty Member | 40 | 30 | 18 units |
| Vice President for Academic Affairs | 40 | 30 | 3 units |
| Dean/Director | 40 | 30 | 6 units |
| Associate/Assistant Deans, Secretaries of Academic Units/ Coordinators/Disciplinal Chairs, Heads of Academic Departments and Administrative Division, Guidance Counselors or their equivalent | 40 | 30 | 9 units |
| Faculty members with regular administrative non-teaching duties | 40 | 30 | 12 units |

1. Further, verification revealed that five personnel of flying school whose items or positions are under the Higher Education Services of Personal Services Itemization and Plantilla of Personnel (PSIPOP) do not carry teaching loads.
2. Schedule/Summary of subjects/class/room offered by the College for every semester did not indicate the name of faculty who will handle the class.
3. Working hours of 30 hours a week or six hours per day need to be satisfied first before the faculty can render services for approved overload teaching or work load in excess of the normal work load. It is provided in the College Code that faculty members are required to render 30 hours per week of physical presence in the Campus. The five hours a week of student consultation is included in the working hours.
4. The practice of the College in the implementation of office/working hours of 30 hours a week is not in accordance with Sections 1 to 5, Rule XVII of the Omnibus Rules Implementing Book V of Executive Order No. 292 and CSC Resolution No. 080096 dated January 28, 2008, which is 40 hours a week, exclusive of one hour time for lunch.
5. The practice regarding working/office hours affect the payment of the salaries and honorarium on overload teaching if found to be non-compliant with the existing rules and regulations on office/working hours. Also, the practice affects the computation of payment of salaries and wages that may result in over payment.
6. The rules and regulations of the College Code on Office Hours are not in accordance with the CSC hence, should be amended.

We recommended that the Management:

1. **comply with existing laws, rules and regulations on office/working hours;**
2. **amend the rules and regulation of the College Code on office hours to conform with laws, rules and regulations; and/ or**
3. **seek clarification with the CSC and CHED regarding office hours of teaching personnel to address and resolve the issue.**
4. Management commented that they a) will harmonize the College Code with the existing laws, rules and regulations on office/working hours; b) revisit the school policies; and c) seek clarification with the CSC and CHED regarding the office hours of teaching personnel.

*Salaries and Wages - Proportional Vacation Pay (PVP)*

1. Correctness of the Proportional Vacation Pay (PVP) paid to regular teaching personnel for the School Year (SY)/Academic Year (AY) 2016-2017 totalling ₱5,229,809.00 could not be ascertained due to: a) absence of supporting documents as basis for number of PVP days earned of each faculty pursuant to CSC Memorandum Circular No. 9 dated May 21, 2012; and b) the non-observance of the official working hours, contrary to Section 1, Article 64 of the PhilSCA College Code, CSC Memorandum Circular No. 9, s. 2012 and DepEd Memorandum No. 97, s. 2017.
2. CSC Memorandum Circular No. 9, s. 2012 dated May 21, 2012 on the Amendment to Section 6 (Teacher’s Leave) Rule XVI of the Omnibus Rules on Leave states that:

“Teachers shall not be entitled to the usual vacation and sick leave credits but to proportional vacation pay (PVP). The total PVP that shall be earned by teachers shall be based on the computation to be provided by the Department of Education (DepEd) every school year.

A teacher who has rendered continuous service in a school year without incurring absences without pay of not more than 1 ½ days shall be entitled to the total PVP earned from the number of summer and Christmas vacation days as determined by the DepEd.”

1. DepEd Memorandum No. 97, s. 2017 dated May 26, 2017 provides for the uniform basis for the computation of the Proportional Vacation Pay (PVP) for SY 2016-2017 for each of the teachers who have rendered continuous service from June 13, 2016 to April 7, 2017 or 70 days total of PVP from Summer and Christmas vacation days.
2. The PVP of regular teaching personnel for the months of April and May 2017 were paid thru the ATM account of employees as show below:

| **Date** | **Payroll No.** | **Net Amount** | **Period Covered** |
| --- | --- | --- | --- |
| 4/30/2017 | 201700300803 | 1,311,518.50 | April 1-15 |
| 4/30/2017 | 201700400919 | 1,312,018.50 | April 16-30 |
| 5/31/2017 | 201700501047 | 1,302,886.00 | May 1-15 |
| 5/31/2017 | 201700501109 | 1,303,386.00 | May 16-31 |
| **Total** | | **5,229,809.00** |  |

1. Audit of the General Payrolls (GPs) disclosed the following:
2. *No supporting documents as basis for payment of PVP days earned*
   * 1. It was noted that all faculty members were paid in full of their PVP for SY 2016-2017, although there were faculty members who have deductions for leave without pay during the period January to March 2017 and thus not entitled to the full PVP.
     2. The GPs have no supporting documents as basis for the computation and payment of the PVP/summer vacation of 2017 such as:
3. Records of absences without pay incurred during SY 2016-2017 per faculty member or its equivalent prepared by Human Resource Management Office and computation of PVP days earned per faculty
4. Faculty Compliance Reports or Clearance; and
5. Others documents that may be deemed necessary in the processing of PVP.
6. *Teacher’s Leave granted to faculty members with administrative functions was not in accordance with existing rules and guidelines on Leave:*
   * 1. Section 8 of the CSC Omnibus Rules on Leave provides that:

“Teachers who are designated to perform non-teaching functions and who render the same hours of service as other employees shall be entitled to vacation and sick leave.”

* + 1. Section 1, Article 64 of the College Code of PhilSCA states that Members of the academic teaching staff shall serve thirty (30) hours a week, and the faculty members with administrative assignments- forty (40) hours.
    2. Section 1, Article 68 on Teacher’s Leave of the College Code provides that:

“Teacher’s leave will be granted to full time member of faculty who does not perform administrative functions.”

* + 1. Section 1, Article 69 of the College Code also provides that cumulative leave shall be granted to regular faculty who additionally perform administrative functions as covered by an official designation.
    2. Verification revealed that faculty members with administrative assignments/functions were still granted the teacher’s leave contrary to the provision stated above.

1. Further, regular members of the faculty who additionally perform administrative functions as covered by an official designation did not observe the working hours and report to work on a regular basis during summer.
2. The official working hours of the regular members of the faculty were not clearly identified/specified.
3. The abovementioned deficiencies affect the correctness of the PVP paid if not fully supported with the required documentations.

We recommended that the Management:

* 1. **require the HRMO to: i) submit records of absences without pay or its equivalent per faculty member; and ii) computation of PVP days earned of each faculty in accordance with DepEd Memorandum No. 97, s. 2017 dated May 26, 2017;**
  2. **submit basis for granting Teacher’s Leave to faculty members with administrative functions and the non-observance of the working hours and not reporting to work on a regular basis during summer;**
  3. **submit updated official time of each faculty member for every semester of the SY/AY as basis for the recording of attendance, absences and undertimes, computation of salaries and wages, and honorarium; and**
  4. **submit List of Faculty members who are assigned additional functions which are administrative in nature together with their official designation to determine the extent of their administrative functions.**

1. The Management, per Payroll No. 201701102333, deducted a total of ₱31,550.10 from the year-end bonus and cash gift of the employees who were granted full PVP but incurred absences during the academic year. Details are shown below:

| **Employee** | **No. of Days Absent/ Lates/ Undertime** | **Equivalent Monetary Value for Deduction from Vacation Pay**  **(in pesos)** |
| --- | --- | --- |
| 1 | 38.618 | 8,122.13 |
| 2 | 14.437 | 3,070.44 |
| 3 | 3.195 | 555.76 |
| 4 | 22.412 | 3,986.19 |
| 5 | 5.470 | 951.49 |
| 6 | 56.275 | 11,575.32 |
| 7 | 6.272 | 1,091.00 |
| 8 | 3.124 | 772.32 |
| 9 | 6.930 | 1,425.45 |
| **Total** | **156.733** | **31,550.10** |

1. `The Audit Team verified the deductions made amounting to ₱31,550.10 per Payroll No. 201701102333.

*Telephone Expenses*

1. Deficiencies were noted in the audit of the Telephone Expenses account in CYs 2016 and 2017 amounting to ₱827,028.39 and ₱184,456.00, respectively, such as: a) payment by PhilSCA of usages in excess of the authorized postpaid plans of various officials and employees totalling ₱147,389.38; b) non-recognition of receivables in the books and weak monitoring resulted in uncollected balance of ₱105,634.94; c) doubtful validity of telephone bills paid amounting to ₱150,319.00 due to unknown users and physical existence of the equipment; and d) lack of documentation which included reimbursement of prepaid cellcards amounting to ₱91,834.00 of various officials and employees as required under Section 6.2 of the COA Circular No. 2012-001 dated June 14, 2012.
2. PhilSCA incurred telephone expenses for the four Campuses - the Villamor Air Base (VAB), Fernando Air Base (FAB), Basa Air Base (BAB) and Mactan Benito Ebuen Air Base (MBEAB). Three Campuses have landline telephone services, except the VAB Campus.
3. The telephone landlines are listed in following table:

| **Campus** | **Telephone Number** | **Location/Office** |
| --- | --- | --- |
| 1. FAB | 1. (043) 774-1210 | 1. Accounting |
|  | (043) 774-1209 | Registrar |
|  | (043) 757- 0882 | Rommel Pagkaliwangan |
| BAB | (045) 970-0813 | Office of the Director |
| MBEAB | (032) 340-5613 | Office of the Director |

1. PhilSCA availed from the Service Providers Sun Cellular/Smart Communication, Inc., the postpaid plans ₱599 and ₱350 for 30 month service with 35 cellphone units which were assigned to various College officials and employees**.**
2. Analysis of the Telephone Expenses account disclosed the following:
3. *Payment by PhilSCA of telephone usages in excess of the authorized Postpaid Plans of various officials and employees* 
   1. Section 5b, Chapter 2, Volume 1 of the GAM for NGAs, provides that all financial transactions and operations of any government entity shall be governed by the fundamental principle that government funds or property shall be spent or used solely for public purposes.
   2. Verification revealed that PhilSCA paid the telephone services for postpaid plan provided to various personnel which included usages in excess of the authorized postpaid plan totalling ₱147,389.38. No billing statement was prepared and served to concerned officials and employees for their excess usages. The total amount paid by the Agency for the postpaid plan amounted to ₱478,670.64 while the limit thereof amounts only to ₱331,281.26 which resulted in payment of the excess usage amounting to ₱147,389.38. The amount of ₱42,242.19 was collected from the employees concerned, with over collection of ₱487.74, thereby leaving a total uncollected balance of ₱105,634.93.
4. *Non-recognition in the books of the excess telephone usage as receivables and its weak monitoring of the Agency resulted in uncollected balance of ₱105,634.94*
5. Section 15, Chapter 2, Volume 1 of GAM for NGAs states that “Fair presentation requires the faithful representation of the effect of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS.”
6. The Agency failed to recognize as receivables from concerned officials and employees the excess usages totalling ₱147,389.38 paid by PhilSCA. The Agency still failed to recognize receivable amounting to ₱105,634.94. Thus, the account Due from Officers and Employees is understated by the amount of the uncollected balance.
7. Various concerned officials and employees paid their excess usages thru deduction from their salary. The Agency was able to collect only ₱42,242.19 or only 29 percent of the amount, indicating that settlement of accounts was not properly monitored. It was also noted that deductions from the salaries were not made to all concerned personnel. There were six accounts totalling ₱19,284.60 where no collections were received.
8. *Doubtful validity of unknown telephone bills paid*
9. Further, the Agency also paid billing of five accounts to service provider but the existence or location of the units cannot be verified and accounted for. Also, the users were not identified. Details of which are shown below:

| **Account Number** | **Description of Services** | **Amount of Monthly Subscription** |
| --- | --- | --- |
| 606447841 | Negosyo Internet Anywhere | 2,016.00 |
| 606437897 | Negosyo On-the-Go | 3,808.00 |
| 606447787 | Negosyo Internet Anywhere | 2,016.00 |
| 606447833 | Negosyo Internet Anywhere | 2,016.00 |
| 606526482 | Negosyo On-the-Go | 3,808.00 |
| **Total** | | **13,664.00** |

1. Based on the billing statement, it was a package plan which consisted of internet and telephone services. The expenses totalling to ₱150,319.00 were taken up in full as telephone expenses.
2. The Supply Officer (SO) could not identify the locations of the units, (the internet, the telephone-mobile and the landline phones) and its users. Neither the SO nor the Head, General Services Division (GSD) could pinpoint the person responsible who transacted with the service provider (PLDT, Co.) in behalf of the Agency. Accountable/ responsible personnel were not identified. The billing statement did not disclose the telephone number but only the PLDT Account Number. Nevertheless, the Administrative Unit continued to process payment for this billing statement, to which they may be held accountable as validity and legitimacy as a government expense has become doubtful and which have affected the correctness of the Telephone and Internet Expenses accounts.
3. *Lack of documentary requirements*
4. COA Circular No. 2012-001 dated June 14, 2012 provides the Revised Guidelines on the Documentary Requirements for the Common Government Transactions, particularly Section 6.2 on Telephone/Communication Services.
5. Verification revealed that payments of telephone expenses lack the supporting documents necessary as follows:

* Certification by the Agency Head or his authorized representatives that all calls made thru National Direct Dial (NDD) or National Operator Assisted Calls (NOAC) were official calls;
* Official Receipt (OR) as evidence of payment of concerned personnel if the calls made were personal;
* Basis or guidelines on who were authorized to receive and to be given prepaid cellcards or cellphone allowance

1. Also, the Agency reimbursed prepaid cellcards amounting to ₱91,834.00 to various officials and employees without clear guidelines.
2. Further, no certifications were attached for the usages of Mobile phones in the discharge of their official functions.
3. Due to incomplete supporting documents, validity of payments for telephone expenses is doubtful.
4. We recommended that the Management:
   1. **stop the practice of advancing government funds to pay for usages for excess billings of the postpaid plans; and should require concerned personnel to immediately refund/pay the balance of the excess payments made by the Agency in full;**
   2. **prepare and issue billing statements to concerned officials and employees for the excess usage of postpaid plan and prepare necessary entry to recognize the receivables. Henceforth, immediately deduct from the salaries of concerned personnel the full amount of excess usage on the next payroll;**
   3. **locate the five units of internet/telephone and identify the users by inquiry from the PLDT to trace the users. In case of failure to locate, stop the payment on the telephone bills; make representations with the service provider on the details of the telephone services, i.e. telephone numbers serviced and take appropriate action to protect the interest of the government and prepare a list of inventory of telephone and internet used by the College;**
   4. **review supporting documents required or necessary in each transaction in accordance with laws, rules and regulations; and submit basis or guidelines on who are authorized/entitled to receive and be given prepaid cellcards or cellphone allowance; and**
   5. **consider using prepaid cellcards or cellphone allowance instead of the postpaid plan considering the uncollected receivables and government funds being used other than for public purposes.**
5. Management commented that they already communicated with the postpaid service providers and taking studies to avoid the recurrence of the audit findings. Also, Management commented that prepaid cards or communication allowance instead of postpaid plans will be provided to entitled PhilSCA officials.
6. The Audit Team issued Notice of Disallowance (ND) No. 18-01-01(2017) dated April 19, 2018 for the payment of excess usage of postpaid plan.

*Various Expenses - Reimbursements*

1. Reimbursement of advances made by employees for petty expenses, travelling expenses and other expenses for special purpose activities amounted to ₱3,072,061.33 due to delayed processing of disbursement transactions affecting or hampering the efficiency of the operation of the Agency such as: a) no sufficient funds left from Petty Cash Fund (PCF) to pay for recurring petty operating expenses due to non-immediate replenishment of PCF; b) authorized travel of various officials and employees were not issued cash advances; c) special purpose activities were not also granted cash advances to authorized accountable officers; and d) the reimbursements of advances made by various employees ranging from ₱10,000.00 to more than ₱100,000.00 due to non-observance of the rules and regulations on Disbursements, Chapter 6, Volume I of the GAM for NGAs.
2. The Projects/Programs/Activities (PPA) of government agencies and subsidiaries were provided funds by the government per GAA of the Philippines sufficient enough to finance planned PPA.
3. COA Circular No. 2012-001 dated June 14, 2012 provides that the Petty Cash Fund (PCF) to be set up should be sufficient and available for the recurring petty operating expenses or items which are immediately needed in the operation of the Agency.
4. Thus, the late replenishment of PCF defeats the purpose for which it has been set up, if no sufficient funds are available to pay for recurring petty operating expenses pursuant to Section 35, Chapter 6, Volume I of GAM for NGAs.
5. Section 25.b, Chapter 6 on Disbursements, Volume 1 of GAM for NGAs states that “Official and employees authorized to travel shall be granted cash advance to cover traveling expenses”.
6. Further, Section 30, Chapter 6, Volume 1 of GAM for NGAs states that Cash Advance for special purpose/time-bound undertaking shall be granted only to duly authorized accountable officer/Special Disbursing Officer.
7. The Agency reimbursed the advances made by employees for petty expenses, traveling expenses, expenses for special purpose activities and expenses of the Office of the President and Office of the Vice-President for Academic Affairs of the Agency amounting to ₱636,315.62; ₱1,291,069.46; ₱1,004,716.44; and ₱139,959.81, respectively, or a total of ₱3,072,061.33. Such reimbursements comprise the 16 percent of the total disbursements of ₱116,113,084.16 made by the College.
8. Expenses incurred for Traveling and Special Purposes activities amounted to ₱1,291,069.46 and ₱1,004,716.44, respectively, or a total of ₱2,295,785.90 which are pre-planned programs/activities but were advanced by various officials and employees in violation of Sections 25.b and 30, Chapter 6, Volume 1 of the GAM for NGAs.
9. Officials and employees authorized to travel resort to use their own money due to delayed/non-processing of the claim for travel allowance.
10. Further, various official and employees were reimbursed for advances made for various expenses ranging from ₱10,000.00 to more than ₱100,000.00. Such reimbursements has an aggregate amount of ₱2,217,939.88 which casts doubt on the authenticity of the claims considering the big amount advanced personally by the concerned employees for expenses incurred in behalf of the government**.**

1. Further verification revealed that it is a common practice of some employees to resort to reimbursement of petty expenses due to insufficient PCF in the hands of Petty Cash Fund Custodian (PCFC) caused by the delay in the replenishments of PCF.
2. It should be noted that the government employees are not obliged to advance funds for the government. The government has sufficient fund to finance its operations as provided for in the GAA for its planned programs/projects and activities. It is the management’s responsibilityto see to it that requirements for MOOE/authorized expenses are available without need of its employees to advance for the government’s operations.
3. The number of disbursement transactions thru reimbursement of advances made by various officials and employees which is 16 percent of the total MOOE disbursements, raises questions on the procedure or process of disbursement to pay for financial transactions, wherein most reimbursements of expenses pertains to procurement of supplies and materials, travelling and of special purpose activities.
4. It should be noted that the procurement of an agency is governed by RA No. 9184 and other issuances of the Government Procurement Policy Board (GPPB).
5. Various complaints received by the COA Office from PhilSCA personnel pertain to grievances regarding processing of claims, which includes additional supporting documents that they deemed unnecessary or duplication of already attached documents, absence of signatories or more than three signatories, personnel in-charge to process/handle was absent, etc. and this Office advised them to follow up or trace the bottlenecks where the claims stopped. Relative to this, the Audit Team issued AOM No. 2018-004 dated January 23, 2018 which includes findings on the Agency’s disbursements process.
6. It was disclosed that it was not a standard operating procedure of some offices to log in or record receipt of the documents by their offices, thus, making it difficult to trace documents. No copy of agency procedure for disbursements was provided to COA Office.
7. Further, due to the slow processing of disbursement transactions, the efficiency of the operation of the Agency is hampered and the delivery of service is affected.
8. We recommended that the Management:
9. **prepare policy guidelines on the disbursement system of PhilSCA particularly on the availability of funds to finance its operations without need for its employees to resort to make personal advances for MOOE/authorized expenses to finance the operations of the agency;**
10. **comply with the documentary requirements of each transaction as prescribed under COA Circular No. 2012-001 and not to require additional unnecessary documents to minimize process of claim and streamline its operations;**
11. **make it a standard operating procedure to maintain logbook to record receipt/release of claim for proper pinpointing of responsibility; and**
12. **require the PCFC to timely replenish their PCF.**
13. Management commented that the Office of the President issued Memorandum as policy guidelines on the disbursement system of PhilSCA to be submitted to the Audit Team.
14. The abovementioned policy guidelines have not yet been submitted to the Audit Team as of the date of this Report.

*Agency Process on Various Procurements*

1. Documents such as Purchase Requests and Contracts of Service were not processed and completed within a reasonable time from the preparation to approval due to multiple numbers of required signatories from the College, contrary to Section 5 (c) of RA No. 6713 or the Code of Conduct and Ethical Standards for Public Officials and Employees and Administrative Manual of PhilSCA. Moreover, other documents such as Requisition and Issue Slip and Certificate of Emergency Purchase were required for all purchases even for stocks not carried by the Supply Office and for purchases already included in the Agency Procurement Plan (APP) which further hampers the expeditious process of documents and papers.
2. Section 124 of PD No. 1445, states that:

“It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.”

1. Paragraph 2.2 of the National Guidelines on Internal Control Systems (NGICS) on Concept of Internal Control provides that:

“xxx

By building in internal control, it is embedded with the management processes of planning, organizing, budgeting, staffing, implementing and monitoring. This way, an organization avoids unnecessary procedures and costs by not adding separate controls but integrating controls instead into the management and operating activities.

Xxx

This built-in characteristics of internal control minimizes bureaucratic red tape and avoids duplication of functions, thereby creating conditions that promote economy and efficiency in the delivery of government services. (underscoring supplied)

1. Furthermore, Section 5 (c) of RA No. 6713 or the Code of Conduct and Ethical Standards for Public Officials and Employees provides that:

“(c) Process documents and papers expeditiously. - All official papers and documents must be processed and completed within a reasonable time from the preparation thereof and must contain, as far as practicable, not more than three (3) signatories therein. In the absence of duly authorized signatories, the official next-in-rank or officer in charge shall sign for and in their behalf.” (underscoring supplied)

1. To ascertain the internal control of the PhilSCA for its significant process, the Audit Team conducted a walk-through of disbursement procedures on the purchases of the PhilSCA and noted the following deficiencies:

| **Agency Processes** | **Observation** | **Criteria/Remarks** |
| --- | --- | --- |
| ***Requisition and Purchases***  Goods- Inventory/PPE   * Preparation of Purchase Request (PR) | The Purchase Request was signed by three or more PhilSCA Officials.  Summary of which is shown as Annex A on page 128. | Section 5 (c) of RA No. 6713 or the Code of Conduct and Ethical Standards for Public Officials and Employees states:  *“(c) Process documents and papers expeditiously.*  The Requesting Office in need of the inventory items, after the Property and Supply Division/ Unit has determined that the items are not available in stock, shall prepare and cause the approval of the PR.  PR shall be used by the End-user to request for the purchase of inventory or items/not available in stock. It shall be the basis of preparing the PO. |
| * Preparation of Requisition and Issue Slip (RIS) | For all requests of inventory items, the Requisitioning Office submits to the Supply Office an RIS even for items not carried in stock by the Supply Office (ex. gasoline, drinking water etc.). | RIS is prepared and signed by Head of Requisitioning Office only for supplies/goods/ equipment/property carried in stock and approved by authorized person.  RIS shall be used by the end-user to request issue of supplies and materials that are carried in stock. It is also used by the Property and/or Supply Division/Unit to indicate availability or non-availability of items requisitioned and/or to record issues of item/s requisitioned. |
| * Preparation of Certificate of Emergency Purchase | Certification is signed by the Procurement Officer and attached to all purchases though the items to be procured are already included in the APP. | Certificate of Emergency Purchase is attached if necessary in payment thru cash advance or reimbursement. |
| * Preparation of Certificate of Reasonableness of Price | A Certificate of Reasonableness of Price is included in all purchases and signed by the Supply Officer. | Certificate of Reasonableness of Price is not required when procurement is either thru canvass or bidding. |

1. From the observations noted in the table above, the Agency processes do not create conditions that promote efficiency in the delivery of government services.
2. For processing of Contracts of Service (COS) entered into by PhilSCA and its contractual employee, the HRMO prepares the Contract for each of the employees upon expiration of their prior contract and the employees will sign thereon.
3. We have noted that in the Contracts of Service, the required signatories are five PhilSCA officials, shown as follows:

| **Signatories** | **Authority** |
| --- | --- |
| College President | Approval of Contract |
| Chief Accountant | Funds Availability |
| OIC, Office of the VPAF | Witness |
| Human Resource Management Office | Witness |
| Head of Office assignment of the COS personnel as required by the Agency | Witness |

1. Per observations and records, we have noted that the entire process for Contracts of Service takes one to 20 days since the time the Contracts were required to be signed by the abovementioned PhilSCA officials. As a consequence, salaries of employees under the Contract of Service were not paid on time considering that the Contract is a required attachment for the payment of their first salaries.

We recommended that the Management:

1. **streamline the operations and provide specific guidelines on the number of required signatories on PRs and Contracts of Service to minimize bureaucratic red tape and avoid duplication of functions for a more efficient delivery of government service; and**
2. **require the use of the RIS only for supplies/goods/equipment/ property carried on stock by the Supply and/or Property Division/ Unit.**
3. Management commented that they will abide with the recommendations of the Audit Team and they will expedite the processing of PRs and Contracts of Service.

*Non-submission of AAPSI*

1. The non-submission of the required Agency Action Plan and Status of Implementation (AAPSI) on the audit observations and recommendations contained in the Annual Audit Report (AAR) of CY 2016 as well as prior years precludes the validation and monitoring of compliance of the recommendations contained therein, contrary to Section 96 of the General Provisions of the General Appropriations Act (GAA) of FY 2016 and COA Memorandum No. 2014-002 dated March 18, 2014.
2. Section 96 of the General Provisions of the GAA of FY 2016 provides that:

“Report on Commission on Audit Findings and Recommendations. Within Sixty (60) days from receipt of the COA Annual Audit Report, agencies concerned shall submit to the COA, either in printed form or by way of electronic document, a status report on the actions taken on said audit findings and recommendations using the prescribed form under COA Memorandum No. 2014-002 dated March 18, 2014. xxx

The Head of Agency concerned and the agency’s web administrator or his/her equivalent shall be responsible for ensuring that said status reports are posted on the agency’s website.

Failure to submit said statement and report shall render any disbursement from said income void and subject the erring officials and employees to disciplinary actions in accordance with Section 43, Chapter 5, and Section 80, Chapter 7, Book VI of E.O. No. 292, and to appropriate criminal action under existing penal laws.” (underscoring supplied)

1. Moreover, to enhance the monitoring of compliance on the observations and recommendations contained in the AAR and to reveal a heightened awareness as well as the urgent need of the public to be kept abreast of what is done to implement the said audit recommendations, COA Memorandum No. 2014-002 dated March 18, 2014 was issued prescribing the use of the AAPSI Form, a combination of the action plan and the status of implementation of the previous year’s recommendations.
2. It also requires that the letter transmitting the AAR to the Head of Agency and/or those charged with governance shall contain a statement requesting the Agency to accomplish the AAPSI form on the audit observations and recommendations contained in the AAR and shall likewise be attached to the transmittal letter.
3. On May 23, 2017, the AAR for CY 2016 was transmitted to the Management with a request for a status report on the actions taken on the audit recommendations within 60 days from the receipt of the AAR, using the AAPSI form.
4. Despite verbal reminders and follow-ups received by the Management on October 6, 2017, no report on the actions taken on the audit recommendations was submitted by the Management.
5. COA Memorandum No. 2014-002 further states that within 30 days upon receipt of the AAPSI (hard and soft copies) from the agency, the Auditor shall validate the same, and submit a report to the Cluster/Regional Director concerned for monitoring purposes, using the revised Action Plan Monitoring Tool (APMT) within 30 days from validation.
6. The continued delay of its submission hinders the Audit Team of timely validation and monitoring of Management’s implementation of the audit recommendations contained in the AAR.

We recommended that the Head of the Agency ensures that the required AAPSI on the audit observations and recommendations contained in the CY 2016 AAR be submitted to COA within the prescribed period pursuant to the provisions in the GAA and COA Memorandum No. 2014-002.

1. The Management commented that they are in the processing of consolidating comments to the audit observations and recommendations from various officials and employees concerned.

*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, 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 insured the following properties in compliance with RA No. 656 as amended by PD No. 245 dated July 13, 1973, to wit:

| **Description (Category)** | **Amount Insured** | **Period Covered** | **Premium/ Amount Paid** | **Official Receipt No.** | **Date** |
| --- | --- | --- | --- | --- | --- |
| Buildings-VAB | 303,880,524.01 | July 5, 2017 to July 5, 2018 | 2,370,268.08 | 7550034789 | 7/14/2017 |
| *Motor Vehicles* | |  |  |  |  |
| 1. 2010 Mitsubishi L300- SJT 190 | 782,440.00 | November 1, 2017 to November 1, 2018 | 4,470.86 | 7700036364 | 10/11/2017 |
| 1. 2010 Mitsubishi Adventure- SJT 189 | 647,000.00 | October 1, 2017 to October 1, 2018 | 3,869.41 | 7400017776 | 9/15/2017 |
| 1. 1994 Mitsubishi L300- SEU 357 | 488,500.00 | August 1 2017 to August 1, 2018 | 2,884.61 | 8000026374 | 8/1/2017 |
| 1. 2001 Toyota Revo SFU 653 | 484,478.40 | April 1, 2018 to April 1, 2019 | 3,068.78 | 7400020214 | 3/1/2018 |
| 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 | 807,550.00 | February 1, 2018 to February 1, 2019 | 4,654.81 | 7550037068 | 1/25/2018 |
| *Various properties of four Campuses* | | | | | |
| 1. (Buildings, Office Equipment and Supplies and Materials | 152,731,380.57 | October 17, 2017 to October 16, 2018 | 680,418.77 | 7700036184 | 10/9/2017 |
| 1. Aircraft | 15,799,600.00 | October 17, 2017 to October 16, 2018 | 900,984.30 | 7700036183 | 10/9/2017 |
| **Total** | **479,637,872.98** |  | **3,987,217.27** |  |  |

*Gender and Development (GAD)*

PhilSCA accomplished minimal GAD activities. Only seven out of the 19 targeted activities were accomplished. Also, the submitted GAD Plan was not received by NCRFW and approved by PCW contrary to Section 5.1 of the Joint Circular and GAD Accomplishment Report does not include its complete budget and actual expenses incurred which precludes audit thereof.

1. 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) 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”.
2. Section 5.1 of the same Circular provides that, “The agency GAD Focal Point shall prepare the annual GAD plan and budget in coordination with the agency budget officers following the format and procedure prescribed in Annex A to be approved by the agency head. Agencies shall submit their annual GAD plans and budgets to the National Commission on the Role of Filipino Women (NCRFW) for review and endorsement prior to the submission of the agency budget proposal. Agencies shall submit to the DBM their NCRFW-endorsed annual GAD plans and budgets along with the agency budget proposals in accordance with the budget call.”
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 30 of the General Provisions of FY 2017 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. The GAD projected activities of PhilSCA and its budget for CY 2017 amounted to ₱3,670,000.00 or 2.18 percent of the total GAA of PhilSCA amounting to ₱168,592,000.00. Details as follows:

| **No.** | **GAD Activities** | **Budgeted Amount** |
| --- | --- | --- |
| 1 | Conduct of two day Gender Sensitivity Seminar with integration of Violence Against Women (VAW) laws in four PhilSCA Campuses | 310,000.00 |
| 2 | Posting of GAD Advocacy corner | 15,000.00 |
| 3 | Conduct of GAD Advocacy forum in the Aviation Industry | 240,000.00 |
| 4 | Conduct forum on Adolescent and reproductive health issues | 75,000.00 |
| 5 | Conduct of art exhibit on 10 women who contributed development in the country | 170,000.00 |
| 6 | Information dissemination in line with the Women’s month | 30,000.00 |
| 7 | Recognition of the outstanding GAD implementer in terms of gender mainstreaming in different activities | 35,000.00 |
| 8 | Conduct of information drive on VAW laws | 100,000.00 |
| 9 | Construction of new comfort rooms | 400,000.00 |
| 10 | Publication of Standard Operating Procedures (SOPs) to facilitate reporting of sexual harassment cases | 50,000.00 |
| 11 | Conduct of workshops to identify gender issues | 130,000.00 |
| 12 | Research or survey activity by the teaching and non-teaching personnel on gender issues | 70,000.00 |
| 13 | Development of sex-disaggregated database | 100,000.00 |
| 14 | Issuance of policy on the setting-up of the child minding center and lactation room | 75,000.00 |
| 15 | Develop and publish a GAD newsletter and research journal | 250,000.00 |
| 16 | Conduct of seminar on Magna Carta of Women (MCW) | 370,000.00 |
| 17 | Attendance and participation to seminars sponsored by other Agencies | 250,000.00 |
| 18 | Participation to United Nations Convention on Status of Women (UNCSW) and other international conferences | 850,000.00 |
| 19 | Review of existing policy/GAD programs and publication of the result of the study | 150,000.00 |
| **Total** |  | **3,670,000.00** |

1. The Audit Team noted that the submitted GAD Plan was not received by NCRFW and approved by PCW contrary to Section 5.1 of the Joint Circular.
2. Also, based on the submitted accomplishment report of GAD for CY 2017, only eight GAD related activities were implemented by the Agency. Details of which are shown below:

| **GAD Activities** | **Approved Budget** | **Actual Expenses** | **Difference between Actual Expenses and Approved Budget** | **Remarks** |
| --- | --- | --- | --- | --- |
| GAD Planning and Budgeting including review of GAD existing policies | 154,000.00 | 136,902.16 | 17,097.84 |  |
| Attendance to UNCSW 61st Conference in New York | 226,550.00 | 232,032.70 | (5,482.70) |  |
| Conduct of Gender Sensitivity Seminar on Anti Sexual Harassment through Self Defenses | 150,000.00 | - | - | Actual expenses incurred not provided and cannot be traced per Report of Checks Issued (RCI) |
| Attendance to ASEAN Conference on Gender Mainstreaming in Higher Education | 250,000.00 | - | - |
| Construction of new comfort rooms | 400,000.00 | - | - | On-going construction of new comfort rooms |
| Attendance to various GAD related seminars sponsored by other Agencies | 250,000.00 | 22,380.00 | 227,620.00 |  |
| Other GAD plans activities were integrated in the regular activities of the agency | - | 12,060.00 | (12,060.00) | Approved budget is not also provided by the Agency. |
| **Total** | **1,430,550.00** | **403,374.86** |  |  |

We recommended that the Management:

* + 1. **require the focal person to submit the GAD Plan and Budget duly approved by the PCW for the succeeding years; and**
    2. **submit complete details on GAD Accomplishment Report including its budget and actual expenses incurred.**

*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 (PWDs) in the College, contrary to Section 31 of the General Provisions of RA No. 10924, the GAA for FY 2017.
2. Section 31 of the General Provisions of RA No. 10924, the GAA for FY 2017, 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.

We recommended that the Management assign responsible unit and official to initiate the formulation and implementation of plans, program and projects to address concerns of SCs and PWDs.

*Compliance with Tax Laws*

1. The balance of Due to BIR account as of December 31, 2017 amounting to ₱2,266,506.07 is unreliable due to the following: a) unexplained variance between the actual remittances of taxes and remittances per schedule of Taxes Withheld and Remittances amounting to ₱917,973.85; b) unexplained overstatement in the Due to BIR account by ₱1,267,088.09; and c) non-maintenance of Subsidiary Ledger for taxes withheld from compensation and suppliers, in violation of Appendix No. 6, Volume II of GAM for NGAs.
2. Section 3 of BIR Regulation No. 10-2008 dated July 8, 2008 states that:

“(A) Requirement of Withholding – Every employer must withhold from compensation paid an amount computed in accordance with these Regulation.”

1. PPSAS No.1 - Presentation of Financial Statements provides that, “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”.
2. The Volume II of the GAM for NGAs provides, as follows: Subsidiary Ledger shows detail for each control account in the GL which is maintained per account and fund cluster by the Accounting Division/Unit.

At the end of each month, after all transactions in the journals have been posted, the debit and credit columns of each account shall be footed in pencil and the balance indicated in ink. The totals of the SL balances shall be reconciled with the corresponding GL controlling account.

At the end of the fiscal year, each SL shall be ruled and closed. All totals shall be written legibly in ink and the balance of the account carried forward as the opening balance of the new SL for the next fiscal year.

1. Verification of the account Due to BIR revealed the following discrepancies:
2. *Unexplained variance between the actual remittances of taxes and remittances per schedule of Taxes Withheld and Remittances*
3. As per submitted schedule of Taxes Withheld and Remittances of the Accounting Office, PhilSCA remitted a total amount of ₱12,607,310.26. Details are shown below:

| **Month** | **Taxes Withheld** | | | **Remittances Per Schedule** | **Unremitted Balance** |
| --- | --- | --- | --- | --- | --- |
| **From Compensation** | **From Supplier** | **Total** |
| Beginning Balance 1/1/2017 | - | 222,935.13 | 222,935.13 |  |  |
| January | 564,553.70 | 9,180.23 | 573,733.93 | 734,212.57 | 62,456.49 |
| February | 1,257,019.13 | 86,649.49 | 1,343,668.62 | 1,385,175.90 | 20,949.21 |
| March | 1,233,625.41 | 121,397.25 | 1,355,022.66 | 1,358,929.76 | 17,042.11 |
| April | 761,760.39 | 52,291.60 | 814,051.99 | 810,915.80 | 20,178.30 |
| May | 702,235.36 | 45,420.42 | 747,655.78 | 758,372.41 | 9,461.67 |
| June | 641,499.58 | 97,714.33 | 739,213.91 | 741,750.77 | 6,924.81 |
| July | 644,146.78 | 128,692.79 | 772,839.57 | 772,839.60 | 6,924.78 |
| August | 1,120,494.07 | 187,971.84 | 1,308,465.91 | 1,267,040.30 | 48,350.39 |
| September | 726,543.46 | 690,762.76 | 1,417,306.22 | 1,418,123.21 | 47,533.40 |
| October | 893,528.43 | 488,345.10 | 1,381,873.53 | 1,301,016.68 | 128,390.25 |
| November | 652,688.35 | 170,548.20 | 823,236.55 | 877,284.79 | 74,342.01 |
| December | 530,348.99 | 658,401.60 | 1,188,750.59 | 1,181,648.47 | 81,444.13 |
| **Total** | **9,728,443.65** | **2,960,310.74** | **12,688,754.39** | **12,607,310.26** |  |

1. Discrepancies were noted on the Schedule of Taxes Withheld and Remittances showing total remittances of ₱12,607,310.26 and per audit of RCI and TRA were the total remittances amounted to only ₱11,689,336.41. The difference of ₱917,973.85 between the schedule and actual remittance was not accounted for by the Accounting Office. Details are shown below:

| **Month** | **Remittances Per Schedule** | **Remittances Per Audit** | | | **Difference** |
| --- | --- | --- | --- | --- | --- |
| **Check** | **TRA** | **Total Remittances** |
| January | 734,212.57 | 546,760.51 | 568,154.36 | 1,114,914.87 | (380,720.30) |
| February | 1,385,175.90 | 166,058.21 | 676,720.55 | 842,778.76 | 542,397.14 |
| March | 1,358,929.76 | 708,455.35 | 829,772.43 | 1,518,227.78 | (159,298.02) |
| April | 810,915.80 | 549,157.33 | 626,110.35 | 1,175,267.68 | (364,351.88) |
| May | 758,372.41 | 184,805.45 | 650,565.68 | 835,371.13 | (76,998.72) |
| June | 741,750.77 | 107,806.72 | 674,542.27 | 782,349.19 | (40,598.42) |
| July | 772,839.60 | 67,208.30 | 623,412.11 | 690,620.41 | 82,219.19 |
| August | 1,267,040.30 | 149,427.49 | 663,775.28 | 813,202.77 | 453,837.53 |
| September | 1,418,123.21 | 603,265.02 | 687,499.36 | 1,290,764.38 | 127,358.83 |
| October | 1,301,016.68 | 730,623.85 | - | 730,623.85 | 570,392.83 |
| November | 877,284.79 | 729,020.63 | 577,520.35 | 1,306,540.98 | (429,256.19) |
| December | 1,181,648.47 | 299,764.44 | 288,910.17 | 588,674.61 | (592,973.86) |
| **Total** | **12,607,310.26** | **4,842,353.30** | **6,866,982.91** | **11,689,336.41** | **917,973.85** |

1. *Due to BIR account is overstated by ₱1,348,532.22*

The Due to BIR account per FS has a balance of ₱2,266,506.07, however, per audit of taxes withheld less actual remittances, the unremitted balances amounts only to ₱917,973.85. A discrepancy of ₱1,348,532.22 was noted and remained unexplained by the Accounting Department thus, overstating the Due to BIR account by the same amount.

1. *Non-maintenance of Subsidiary Ledgers for taxes withheld and remittances*
2. Verification revealed that Accounting does not maintain SLs for taxes withheld from compensation and supplier and remittances, in violation of the provisions of Volume II of the GAM.
3. The balance reflected in the CY 2017 Statement of Financial Position on the Due to BIR account is not fairly presented due to discrepancies per audit and balances reflected per FS; unexplained variance between the actual remittances of taxes and remittances per schedule of Taxes Withheld and Remittances; and non-maintenance of SLs.

We recommended that the Management:

1. **require the Accountant to reconcile the Due to BIR account balance per FS and** **the** **Schedule of Remittances and prepare the necessary adjustments, if warranted, on a timely basis; and**
2. **maintain an SLs for the Due to BIR and Other accounts applicable hereon.**

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

1. The balance of the Due to GSIS account as of December 31, 2017 amounting to ₱150,375.71 is unreliable due to the following: a) discrepancy of balances between the submitted schedule of deductions and remittances and account balance as reflected in the Financial Statements (FS) with the amount of zero and ₱150,375.71, respectively or a difference of ₱150,375.71; and b) Accounting Office does not maintain Subsidiary Ledgers (SL) for Life and Retirement Premium, Employees Compensation Commission (ECC), Salary Loan and Policy Loan, in violation of the provisions of Volume II of GAM for NGAs.
2. Section 3 of RA No. 8291 states that, “Membership in the GSIS shall be compulsory for all employees receiving compensation who have not reached the compulsory retirement age, irrespective of employment status.”
3. The same RA also provides in Section 5 that:

“It shall be mandatory for the member and employer to pay the monthly contributions specified in the following schedule:

|  |  |  |  |
| --- | --- | --- | --- |
| **Monthly Compensation** | | **Percentage of Monthly Compensation Payable by** | |
| **Member** | **Employer** |
| I. | Maximum Average |  |  |
| Monthly Compensation |  |  |
| (AMC) Limit and Below | 9.00% | 12.00% |
| II. | Over the Maximum AMC Limit |  |  |
| -Up to the Maximum AMC Limit | 9.00% | 12.00% |
| -In Excess of the AMC Limit | 2.00% | 12.00% |

1. PPSAS No.1 - Presentation of Financial Statements, provides that: “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”.
2. The Volume II of the GAM for NGAs provides, as follows: Subsidiary Ledger shows detail for each control account in the GL which is maintained per account and fund cluster by the Accounting Division/Unit

At the end of each month, after all transactions in the journals have been posted, the debit and credit columns of each account shall be footed in pencil and the balance indicated in ink. The totals of the SL balances shall be reconciled with the corresponding GL controlling account.

At the end of the fiscal year, each SL shall be ruled and closed. All totals shall be written legibly in ink and the balance of the account carried forward as the opening balance of the new SL for the next fiscal year.

1. Verification of GSIS contributions and remittances from General Payroll and Disbursement Vouchers disclosed that employees’ and employer’s contributions of ₱3,845,902.72 and ₱5,121,831.90, respectively, as of December 31, 2017 were fully remitted to GSIS in compliance with RA No. 8291. Details of payment are shown below*:*

| **Year Month** | **Life Retirement Premium** | | **Employees Compensa-tion Govern-ment Share** | **Employee Loans/ Repayments Amortization** | **Total** | **Amount Remitted** | **Un-remitted Balance** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Employee Share** | **Government Share** |
| CY 2017 Beginning Balance January 1 |  |  |  |  | 1,255,992.59 |  |  |
| January | 287,527.30 | 382,866.54 | 13,058.98 | 613,509.05 | 1,296,961.87 | 2,552,954.46 | - |
| February | 330,302.55 | 439,900.20 | 13,300.00 | 499,948.43 | 1,283,451.18 | 1,283,451.18 | - |
| March | 328,377.72 | 437,333.76 | 13,200.00 | 505,652.08 | 1,284,563.56 | 1,284,563.56 | - |
| April | 328,377.72 | 437,333.76 | 13,200.00 | 505,921.22 | 1,284,832.70 | 1,284,832.70 | - |
| May | 326,823.87 | 435,261.96 | 13,200.00 | 515,374.83 | 1,290,660.66 | 1,290,660.66 | - |
| June | 326,823.87 | 435,261.96 | 13,200.00 | 523,707.14 | 1,298,992.97 | 1,298,992.97 | - |
| July | 326,804.07 | 435,235.56 | 13,200.00 | 529,012.81 | 1,304,252.44 | 1,304,252.44 | - |
| August | 319,822.41 | 425,926.68 | 13,000.00 | 522,645.69 | 1,281,394.78 | 1,281,394.78 | - |
| September | 317,546.31 | 422,891.88 | 12,900.00 | 530,514.56 | 1,283,852.75 | 1,283,852.75 | - |
| October | 317,546.31 | 422,891.88 | 12,900.00 | 523,359.37 | 1,276,697.56 | 1,276,697.56 | - |
| November | 317,546.31 | 422,891.88 | 12,900.00 | 523,501.65 | 1,276,839.84 | 1,276,839.84 | - |
| December | 318,404.28 | 424,035.84 | 12,900.00 | 523,816.67 | 1,279,156.79 | 1,279,156.79 | - |
| **Total** | **3,845,902.72** | **5,121,831.90** | **156,958.98** | **6,316,963.50** | **16,697,649.69** | **16,697,649.69** | **-** |

1. However, a discrepancy in Due to GSIS account between the Schedule and the FS was noted as shown below:

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| Due to GSIS as of December 31, 2017 | 105,375.71 |
| Per Schedule | - |
| Difference | 105,375.71 |

1. Accounting Office did not maintain SLs for accounts Due to GSIS-Life and Retirement Premium, Due to GSIS-ECC, Due to GSIS-Salary Loan and Due to GSIS-Policy Loan in violation of Appendix No. 6 - Subsidiary Ledgers, Volume II of GAM which affects the fair presentation of the accounts in the Financial Statements (FS).

We recommended that the Management:

1. **require the Accountant to reconcile the Due to GSIS account balance per FS and** **Schedule and prepare the necessary adjustments, if needed, on a timely basis; and**
2. **maintain an SLs for the Due to GSIS** -**Life and Retirement Premium, Due to GSIS-ECC, Due to GSIS-Salary Loan and Due to GSIS -Policy Loan.**

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

The status of compliance with the suspensions, disallowance and charges in prior years and during CY 2017 of the PhilSCA are presented in the following table:

| **Particulars** | **Beginning Balance January 1, 2017** | **Issuance During the Year** | **Settlement During the Year** | **Ending Balance December 31, 2017** |
| --- | --- | --- | --- | --- |
| Audit Suspensions | - | 5,836,698.73 | 84,953.37 | 5,751,745.36 |
| Audit Disallowances | 30,218,007.05 | 2,839.20 | 18,849.99 | 30,201,996.26 |
| Audit Charges | - | - | - | - |
| **Total** | **30,218,007.05** | **5,839,537.93** | **103,803.56** | **35,953,741.62** |

1. Out of the total suspensions and disallowances of ₱5,836,689.73 and ₱30,220,846.25, respectively, only a ₱103,803.56 was settled, leaving a balance of ₱5,751,745.36 and ₱30,201,996.26, respectively, as of December 31, 2017.
2. The breakdown of disallowances amounting to ₱30,201,996.26 as of December 31, 2017 is shown below:

| **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 | NGS-Cluster 5 Decision was issued granting the exclusion of Ms. Imelda F. Navigar among persons liable thereon. |
| 11-003-164(10) | 6/28/2011 | 327,096.79 | Issued Notice of Finality of Decision (NFD) dated July 12, 2012. |
| 12-001-164(06&07) | 6/29/2012 | 1,371,750.00 | Non- compliance with the requirements within the reglementary period. | Answer to Order to Answer dated November 3, 2017 received by the Office of the Cluster Director on January 29, 2018. |
| 2012-164-01(2011) | 3/2/2012 | 479,031.31 | Non- compliance with the requirements within the reglementary period. | Pending appeal filed by Ms. Imelda F. Navigar, Chief Accountant. |
| 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 | Petition for Review filed by Ms. Imelda F. Navigar, one of the persons liable, docketed as COA CP Case No. 2015-023 dated December 18, 2015. |
| 13-002-164(2012) | 10/11/2013 | 216,000.00 |
| 2016-002-164(14) | 8/22/2016 | 8,554,353.16 | Payment of Personnel Welfare Benefit for CY 2014 non- conformance with RA No. 8292 | Appeal filed with the Office of the Cluster Director, Cluster 5 – NGS, COA. |
| 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 |
| 17-003-01(2017) | 7/20/2017 | 1,465.00 | Excess payment of payroll | Pending issuance of NSSDC for settlements made through payroll upon submission of the Admin Unit of proof of deduction. |
| **Total** | | **30,201,996.26** |  |  |

1. The disallowances issued prior to the implementation of the Rules and Regulations on Settlement of Accounts (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, 2017.

We recommended that the Management require the concerned persons determined liable to immediately settle their suspensions and disallowances in accordance with the Revised RRSA.