

## PART II - OBSERVATIONS AND RECOMMENDATIONS

### FINANCIAL AUDIT

#### *Accounting Errors/Omissions*

1. **Total misstatements in seven accounts under the Assets, Liabilities and Expenses categories aggregating to ₱8,239,196.73, resulting from errors, omissions and improper accounting treatment of transactions as of December 31, 2019, exceeded the materiality threshold of ₱2,430,731.63, hence the accuracy, completeness, occurrence, cut-off, classification and existence of the said accounts could not be relied upon, thereby affecting the fair presentation of the FSs.**

- 1.1 Section 27 of the Philippine Public Sector Accounting Standards (PPSAS) 1 and Section 15, Chapter 2, Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, states that *“The Financial Statements 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, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS. The application of PPSAS, with appropriate disclosures, if necessary, would result in fair presentation of the FS.”*
- 1.2 Also, Section 111 of PD No. 1445 requires agencies to keep accounts in such detail as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government; and that the highest standard of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.
- 1.3 Furthermore, Section 112 of the same Decree requires that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.
- 1.4 Audit of the FSs disclosed misstatements/uncorrected errors in several accounts totaling ₱8,239,196.73, summarized as follows:

Account Class	Nature of Deficiency/ Misstatement	Amount (In PhP)	Affected Accounts	Amount Under/ (Over) (In PhP)
Cash and Cash Equivalents	Understatement of Cash in Bank – Local Currency, Current Account	590,234.80	Cash in Bank – LCCA	590,234.80
			Interest Income	307,838.08

Account Class	Nature of Deficiency/ Misstatement	Amount (In PhP)	Affected Accounts	Amount Under/ (Over) (In PhP)
			Accumulated Surplus/ (Deficit)	282,396.72
Receivables	Unpaid/Uncollected graduation fees of graduating class for AY 2017-2018 recorded as Other Receivables instead of Accounts Receivable	–	Accounts Receivable	222,600.00
			Other Receivables	(222,600.00)
	Misstatements in the recording/ recognition of Due from NGAs account for fund transfers, advance payments and deliveries	776,098.17	Due from NGAs – DBM-PS	(776,098.17)
			Other Supplies and Materials Expense	340,165.45
			Office Supplies Expense	311,866.26
			Accumulated Surplus	124,066.46
	Net Overstatement in Receivables		776,098.17	
Advances	Erroneous recording of Advances to Officers and Employees/ Other Receivables.	75,000.00	Cash Advances – Officers and Employees	(75,000.00)
			Other Receivables	75,000.00
Inventories	Discrepancy in the balance of Inventory Held for Consumption account due to erroneous recording of Expense accounts	908,142.20	Office Supplies Inventory	1,009,472.70
			Accountable Forms, Plates & Stickers Inventory	(101,330.50)
			Office Supplies Expense	(1,009,472.70)
			Accountable Forms Expense	101,330.50
Property, Plant & Equipment	Erroneous recognition of major overhaul of Lycoming Engine of Tampico Trainer Aircraft under Repairs and Maintenance – Transportation Equipment account	3,197,300.00	Transportation Equipment - Aircrafts & Aircrafts Ground Equipment	3,197,300.00
			Repairs and Maintenance – Transportation Equipment	(3,197,300.00)
	Erroneous recording of the costs of two repainting and rehabilitation projects on Buildings and Other Structures at PhilSCA-VAB Campus	(6,098,483.10)	School Buildings	(3,099,198.90)
			Buildings	(2,999,284.20)
			Accounts Payable	(5,717,327.90)
			Due to BIR	(381,155.20)
	Net Overstatement of PPE		2,901,183.10	
Liabilities	Erroneous recording of taxes withheld and remitted.	(124,318.81)	Due to BIR	(124,318.81)
			Cash in Bank, LCCA	124,318.81

Account Class	Nature of Deficiency/ Misstatement	Amount (In PhP)	Affected Accounts	Amount Under/ (Over) (In PhP)
	Erroneous recording of Due to GSIS, Retirement and Life Insurance Premiums, and ECI Premiums accounts	673,265.74	Due to GSIS	673,265.74
			Retirement and Life Insurance Premiums	580,765.74
			ECI Premiums	92,500.00
	Non-recording in the books of the payment of premiums on Due to Pag-IBIG account	(92,095.08)	Due to Pag-IBIG	(92,095.08)
			Cash-National Treasury, MDS, Regular	92,095.08
	Recorded payments for housing loans during CY 2019 unsupported by Official Receipts (ORs)	(15,239.76)	Due to Pag-IBIG	(15,239.76)
			Cash-National Treasury, MDS, Regular	(15,239.76)
	Improper recognition of the receipt and release of CHED Tulong-Dunong Program (TDP) financial assistance for AY 2018-2019. Trust liability was not recognized.	414,000.00	Advances to Special Disbursing Officer (SDO)	(378,000.00)
			Due to Officers and Employees	(378,000.00)
			School Fees	(378,000.00)
			Scholarship/ Grants Expense	(30,000.00)
			Trust Liability	414,000.00
Net Understatement, Liabilities		855,612.09		855,612.09
Expenses	Erroneous classification of Terminal Leave Benefits account for the payment of monetization of employees' leave credits.	2,132,926.37	Terminal Leave Benefits	2,132,926.37
			Other Personnel Benefits	(2,132,926.37)
Total Misstatements (Sum of absolute values per Account Class)		8,239,196.73		

1.5 The concept of materiality is applied in evaluating the effect of identified misstatement or omission in the FSs. The overall materiality threshold of ₱2,430,731.63 is set on one percent of the total expenses of ₱243,073,163.47 per Statement of Financial Performance for the year ended December 31, 2019.

1.6 We recommended that Management:

- a. comply with the provisions of the PD No. 1445, the COA Circulars and the GAM for NGAs in the recording/recognition of accounts; and
- b. effect the necessary adjustments to correct/reclassify the affected financial accounts.

- 1.7 The detailed discussions of the causes of misstatements and corresponding recommendations are presented in the succeeding paragraphs.

## **CASH AND CASH EQUIVALENTS**

### ***a) Understatement of Cash in Bank – Local Currency Current Account- ₱590,234.80***

- 1.8 The balance of the Cash in Bank-Local Currency, Current Account of PhilSCA as of December 31,2019 amounting to ₱561,349,793.81 consisting of four bank accounts with the Lank Bank of the Philippines (LBP) was unreliable due to delayed recording of interest income and other reconciling items since CY 2018.
- 1.9 Sound internal control on cash requires prompt and correct recording and reporting of transactions to ensure that financial information are reliable, accurate and reported within the given accounting period.
- 1.10 Section 74 of PD No. 1445 states that the head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.
- 1.11 Section 7, Chapter 21, GAM for NGAs, Volume I provides that the Chief Accountant shall submit the BRS within twenty days after receipt of the monthly bank statements to the COA Auditor with all the supporting documents and Journal Entry Vouchers.
- 1.12 Also, Section 6, Chapter 21 of the same GAM states that the Chief Accountant shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.
- 1.13 Section 2, Chapter 2, General Provisions, Basic Standards and Policies, Volume I of the same GAM requires the SL as one of the books of accounts and registries of the National Government entities. The SL 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.

- 1.14 The totals of the SL balances shall be reconciled with the corresponding GL controlling account. At the end of the 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.
- 1.15 The account Cash-in-Bank LCCA maintained with Land Bank of the Philippines (LBP)-Villamor Airbase, Pasay City Branch has a reported balance of ₱561,349,793.81 as of yearend.
- 1.16 The table below shows the details of the bank account balances per bank confirmation inquiry (BCI) with the LBP and per submitted Bank Reconciliation Statement (BRS) by the Accounting Office as of December 31, 2019. These balances cannot be validated yet due to late recording/ reporting of transactions and or reconciling items in the College' books of accounts.

<b>LBP Account Balances as of December 31, 2019</b>				
<b>Current Account Name</b>	<b>Balance per BRS 12/31/2019</b>	<b>Balance per BCI 12/31/2019</b>	<b>Balance per Books 12/31/2019</b>	<b>Remarks</b>
PhilSCA Payroll Fund Account	₱ 187,613.05	₱ 187,613.05	-	<i>No subsidiary records per bank account</i>
PhilSCA SHS VP	5,647,078.99	5,647,078.99	-	
PhilSCA-Special Trust Fund (STF) Account	-	562,715,852.46	561,349,793.81	No submitted BRS since January 2018
PhilSCA Online Collection	-	-	-	Submitted BRS up to March 2019
<b>Total</b>	<b>₱ 5,834,692.04</b>	<b>₱ 568,550,544.50</b>	<b>₱ 561,349,793.81</b>	

- 1.17 Audit of the submitted BRS of the Payroll Fund and SHS VP accounts together with the requested advance copies of LBP bank statements (BS) revealed that interest income earned for CYs 2018 to Y 2019 were not fully recognized in the books, thus understated the reported balances of Interest Income, Cash in Bank-LCCA and Accumulated Surplus accounts in the books of accounts.
- 1.18 Analysis of the following banks accounts disclosed that the interest earned for CYs 2018 and 2019 amounting to ₱307,838.08 were not recognized nor recorded in the books at yearend, hence resulted in an understatement of the Cash in Bank-LCCA, Interest Income and Accumulated Surplus accounts by ₱590,234.80, ₱307,838.08 and ₱282,396.72, respectively .

<b>Interest Income CYs 2018 and 2019</b>			
<b>Account Name</b>	<b>Interest Income per BS for CY 2018</b>	<b>Interest Income per BS for CY 2019</b>	<b>Total</b>
PhilSCA Payroll Fund Account	₱ 318.55	₱ 146.34	₱ 464.90
PhilSCA SHS VP	4,102.96	4,578.09	8,681.05
PhilSCA-Special Trust Fund (STF) Account	277,975.21	330,711.36	608,686.57
Total Interest Income Earned	₱ 282,396.72	₱ 335,435.79	₱ 617,832.51
Interest Income recognized in the FSs for CY 2019	-	27,597.71	27,597.71
Unrecognized Interest Income in the books	₱ 282,396.72	₱ 307,838.08	₱ 590,234.80
<b><i>Effects: Understatement of Interest Income account</i></b>			<b><i>307,838.08</i></b>
<b><i>Understatement of Cash In Bank-LCCA</i></b>			<b><i>590,234.80</i></b>
<b><i>Understatement of Accumulated Surplus account</i></b>			<b><i>282,396.72</i></b>

- 1.19 On the other hand, verification of the Special Trust Fund (STF) Current Account with cash balance amounting to ₱ 562,715,852.46 was not made complete since BRSs were not prepared and submitted since January 2018, thus reconciling items for unrecorded deposits, collections and credit or debit memos cannot be validated.
- 1.20 Further verification revealed that the Accounting Office did not maintain Subsidiary Ledgers (SLs) for Cash in Bank accounts to facilitate the reconciliation of the book and bank balances, contrary to the provisions of Section 2, Chapter 2, General Provisions, Basic Standards and Policies, GAM for NGAs, Volume I.
- 1.21 The balance reported in the submitted FSs for CY 2019 of Cash in Bank-LCCA was unreliable due to the discrepancies noted in audit and balances reflected per FSs; untimely preparation and submission of BRS; and non-maintenance of SLs.
- 1.22 **We recommended that Management:**
- a. **identify and record in the books the reconciling items for unrecorded deposits, collections and credit or debit memos;**
  - b. **prepare Journal Entry Voucher/s (JEV) to adjust the understatement of accounts noted in the audit;**
- 1.23 The College President commented that they have ongoing compliance in reconciling the Cash in Bank (SLs, BSs, and BRSs) and instructed the Accountant to book up the adjustments.

## RECEIVABLES

**b) *Unpaid/Uncollected graduation fees of graduating class for AY 2017-2018 recorded as Other Receivables instead of Accounts Receivable - ₱222,600.00***

- 1.24 The Other Receivables account with a balance of ₱1,148,907.75 as of December 31, 2019 refers to unliquidated cash advances and cash shortages from separated officers and employees; and unpaid graduation fees from students, which remained dormant and inactive for more than 10 years. Details are presented in the table below:

<b>Aging of Other Receivables as of December 31, 2019</b>		
<b>Particulars</b>	<b>Amount</b>	<b>Aging of Other Receivables</b>
a. Unliquidated cash advances	₱768,096.43	More than 12 to 30 years
b. Cash shortages of former collecting officers	158,211.32	More than 10 years
c. Unpaid graduation fees	222,600.00	More than 1 year
<b>Balance as of December 31, 2019</b>	<b>₱1,148,907.75</b>	

- 1.25 Audit of the Other Receivables account revealed that the outstanding amount of ₱222,600.00 refers to the unpaid/uncollected graduation fees of the graduating class of AY 2017-2018.
- 1.26 Since the collection of graduation fees arises from the regular operations of the College, it should have been reclassified to *Accounts Receivables* account.
- 1.27 The non-reclassification of the amount of ₱222,600.00 from Other Receivables to Accounts Receivables overstated and understated these accounts, respectively, by the same amount.
- 1.28 **We recommended that Management reclassify, thru the Accounting Office, the Other Receivable account to Accounts Receivable amounting to ₱222,600.00.**

**c) *Misstatements in the recording/ recognition of Due from NGAs account for fund transfers, advance payments and deliveries - ₱776,098.17***

- 1.29 The Due from NGAs account balance amounting to ₱1,931,493.35 as of December 31, 2019 was unreliable due to: a) discrepancy of ₱776,098.17 of PhilSCA's book balance with the DBM-PS records; b) misstatements amounting to ₱776,098.17 in the recording/recognition of Due from NGAs account for fund transfers, advance payments and deliveries.

- 1.30 The balance of the Due from NGAs account should at all times be reconciled with the account maintained in the other national agencies where the advances or fund transfers were made to ascertain the completeness and accuracy of the recorded transactions
- 1.31 The submitted Combined Financial Statements (Fund 01 & Fund 05) of PhilSCA showed that the reported outstanding balance of Due from NGAs account as of December 31, 2019 amounted to ₱1,931,493.35, representing advance payments it made to DBM-PS.
- 1.32 Confirmation made last February 19, 2020 by the Audit Team with the Chief Accountant of the DBM- Procurement Services on the PhilSCA account balance as of December 31, 2019 disclosed discrepancies amounting to ₱776,098.17, wherein DBM-PS confirmed balance of only ₱1,155,395.18, compared to the PhilSCA book balance of ₱1,931,493.35, shown as follows:

<b>Due from NGAs Account as of December 31, Comparison Between PhilSCA and DBM- PS Balances</b>	
Due from NGAs	Balances as of 12-31-19
Per PhilSCA Books	₱ 1,931,493.35
Per DBM-PS records	1,155,395.18
<b>Discrepancy</b>	<b>₱776,098.17</b>

- 1.33 The discrepancy of ₱776,098.17 resulted from the erroneous recording/recognition by the Accounting Office of the various financial transactions made with the DBM-PS. The summary table is presented as follows:

<b>Summary of Errors in Recording <i>Due from NGAs account</i></b>	
<b>Particulars - Due from NGAs</b>	<b>Amount</b>
<i>Deficiencies in the Recording/ Recognition of Due from NGAs:</i>	
Overstatement due to difference between the reported balance per FS and per submitted schedule of Due from NGAs as of December 31, 2019 – <i>due to unrecognized delivery made by DBM-PS</i>	₱489,387.00
Understatement due to erroneous/improper recognition on advance payments/ fund transfer and deliveries with DBM-PS	(652,031.69)
Overstatement in the recognition of Flight Simulator	320.00
<b>Sub-Total</b>	<b>₱ <u>(162,324.69)</u></b>
<i>Other Items For Reconciliation:</i>	
Unrecorded adjustment made by DBM-PS, for reconciliation in the books of PhilSCA	626,284.61
Other items due for reconciliation between PhilSCA's books and DBM-PS records, due to failure of Accounting Office to observe the timely and proper process of recording/recognition of Due from NGAs account	312,138.45
<b>Sub-Total</b>	<b>₱ <u>938,423.06</u></b>
<b>Net Discrepancy</b>	<b>₱ <u>776,098.17</u></b>



1.34 The Audit Team made detailed discussion on the discrepancy of the book balance with the DBM-PS records of the Due from NGAs account of the College.

1.35 The Accounting Office submitted to the Audit Team a schedule on the status of fund transfers to other government/implementing agencies (IAs) as of December 31, 2019 which showed a balance of ₱1,442,016.70 transferred to DBM-PS, to wit:

<b>PhilSCA's Fund Transfers to DBM-PS as of December 31, 2019</b>			
<b>No.</b>	<b>Purpose</b>	<b>Date Granted</b>	<b>Balance as of December 31, 2019</b>
1	Purchase of One (1) unit Mini Bus	7/5/2013	₱ 56,800.00
2	Purchase of Ninety (90) unit of Desktop Computers	1/24/2014	605,232.00
3	Purchase ICT Equipment	6/29/2014	452,434.70
4	Purchase of Eighty (80) unit of Desktop Computers	10/18/2015	327,550.00
<b>Total Balance per Schedule, 12/31/2019</b>			<b>1,442,016.70</b>
<b>Balance reflected in the FSs, 12/31/2019</b>			<b>1,931,493.35</b>
<b><i>Difference</i></b>			<b><i>₱ 489,476.65</i></b>

1.36 The balance reflected in the FSs of Due from NGAs account did not reconcile with the schedule submitted by the Accounting Office showing a difference of ₱489,476.65. This pertains to the unrecognized delivery made by DBM-PS to PhilSCA.

1.37 Audit of the transactions revealed that the difference of ₱489,476.65 referred to the fund transfer made to DBM-PS for the purchase of various supplies and materials for the four campuses of PhilSCA. These were delivered on September 17, 2018 amounting to ₱332,880.20 and on February 12, 2019 amounting to ₱156,506.80, leaving an unliquidated balance of ₱89.65, presented as follows:

<b>Details of Difference in Fund Transfers to DBM-PS</b>			
<b>Date</b>	<b>Particulars</b>	<b>Check No/ DR No.</b>	<b>Amount</b>
9/12/2018	Fund Transfer to DBM-PS for the purchase of various supplies and materials for the four campuses	144019	₱489,476.65
<b>Less: Deliveries made by DBM-PS</b>			
9/17/2018	DBM-PS first delivery	M18-012099-CSE	(332,880.20)
2/12/2019	DBM-PS second delivery	M19-002219-CSE	(156,506.80)
<b>Sub-total (DBM-PS deliveries)</b>			<b><u>489,387.00</u></b>
<b>Unliquidated Balance</b>			<b>₱ <u>89.65</u></b>

1.38 The Accounting Office did not make the timely recognition of the delivered supplies and materials totaling ₱489,387.00, in its books, thus overstated the Due from NGAs account.

1.39 Further, advance payments to DBM-PS totaling ₱1,337,686.59 were not recorded as Due from NGAs account, but instead directly recognized as Office Supplies Expenses (5-02-03-010-00) and Other Supplies and Materials Expenses (5-02-03-990-00). The Accounting Office did not timely and properly recognize the deliveries made by DBM-PS totaling ₱785,654.90, thus understated the Due from NGAs account in the amount of ₱652,031.69, presented as follows:

<b>Computation of Understatement in DBM-PS Deliveries</b>	
<b>Particulars</b>	<b>Amount</b>
Advance payments to DBM-PS	₱ 1,337,686.59
Deliveries made by DBM-PS	(785,654.90)
<b>Understatement</b>	<b>₱ 652,031.69</b>

1.40 Moreover, due to the improper use of account title in the recording made by the Accounting Office, *Other Supplies and Materials Expense and Office Supplies Expense accounts (closed to Income Summary/ Net Equity)* were overstated in the amount of ₱340,165.45 and ₱311,866.26, respectively, shown as follows:

<b>Understatement/Overstatement Due to Improper Recognition</b>					
<b>Date</b>	<b>Particulars</b>	<b>Check No./ DR No.</b>	<b>Due from NGAs Under/(Over)</b>	<b>Other Supplies and Materials Under/(Over)</b>	<b>Office Supplies Under/(Over)</b>
7/12/2018	Payment for purchase of janitorial materials	140940	₱143,821.60	₱ (143,821.60)	-
7/13/2018	First Delivery of DBM-PS for Check No. 140940	M18-008044-CSE	(55,995.00)	55,995.00	-
2/12/2019	Second Delivery of DBM-PS for Check No. 140940	M19-002208-CSE	(64,405.94)	64,405.94	-
4/26/2019	Third Delivery of DBM-PS for Check No. 140940	M19-006292-CSE	(23,799.75)	23,799.75	-
<b>Sub-Total - CY 2018</b>			<b>(379.09)</b>	<b>379.09</b>	-
12/17/2018	Purchase of various supplies and materials needed by the four campuses	144240	348,853.94	(348,853.94)	-
1/21/2019	Partial Delivery of DBM-PS for Check	M19-000569	(140,133.80)	140,133.80	-

Understatement/Overstatement Due to Improper Recognition					
Date	Particulars	Check No./ DR No.	Due from NGAs Under/(Over)	Other Supplies and Materials Under/(Over)	Office Supplies Under/(Over)
	No. 144240	-CSE			
3/6/2019	Purchase of various janitorial supplies and materials	146652	145,458.84	(145,458.84)	-
4/13/2019	Partial Delivery of DBM-PS for Check No. 146652	M19-006291 -CSE	(88,929.47)	88,929.47	-
3/29/2019	Purchase of supplies and materials for the daily operations of the college	146698	799,552.21	(128,985.03)	₱ (670,567.18)
4/13/2019	Partial Delivery of DBM-PS for Check No. 146698	M19-006290 -CSE	(412,390.94)	53,690.00	358,700.94
<b>Sub-Total-CY 2019</b>			387,161.27	(75,295.03)	(311,866.24)
<b>Total</b>			<b><u>₱652,031.69</u></b>	<b><u>₱340,165.45</u></b>	<b><u>₱311,866.26</u></b>

- 1.41 The non-recognition of the Accounting Office for the purchase of Flight Simulator duly delivered by DBM-PS was a previously observed audit finding, and it was recommended that the recording and adjustment be made thereof.
- 1.42 However, upon review of the JEV for the adjustment made, it was revealed that the Accounting Office credited the Due from NGAs account in the amount of ₱8,000,000.00, instead of the ₱7,999,680.00, thus, overstated the Due from NGAs account in the amount of ₱320.00.
- 1.43 From the supporting schedule/statement of account attached with the confirmation reply of DBM-PS, it was revealed that DBM-PS made an adjustment in the amount of ₱626,284.61 with the remarks of *“to set up refund to Bureau of Treasury (BTr) of CY 2012 and below unutilized balance.”*
- 1.44 The said adjustment made by DBM-PS was not yet reconciled with the books of PhilSCA.
- 1.45 Furthermore, due to the practice of the Accounting Office of directly recording the advance payments as expenses instead of debiting the Due from NGAs account, a difference of ₱312,138.45 was due for reconciliation between the books of PhilSCA and DBM-PS records, shown as follows:

Reconciliation Between PhilSCA and DBM-PS				
Date	Particular	DR No.	Amount	Observation
4/13/2019	Delivery of various supplies and materials from unutilized balance	M19-006293-CSE	₱123,306.16	For reconciliation between the books of PhilSCA and records of DBM-PS
In Prior years'	Other unidentified items due for reconciliation	-	188,832.29	
<b>Total</b>			<b><u>₱312,138.45</u></b>	

**1.46 We recommended that Management:**

- a. reconcile the respective records/reports of the College Accountant and the Property Officer to establish the correct balance of the reported deliveries made by DBM-PS and adjust them accordingly;**
- b. recognize/adjust the advance payments and deliveries and follow the timely and proper process of recording/recognition affecting Due from NGAs account;**
- c. make the necessary adjustments in the misstatements noted in the audit on Office Supplies and Other Supplies and Materials Expenses accounts;**
- d. reconcile the adjustment made by DBM-PS amounting to ₱626,284.61 with PhilSCA's records; and**
- e. reconcile the Due from NGAs account balances in the books of accounts.**

**ADVANCES**

**d) *Erroneous recording of Advances to Officers and Employees/ Other Receivables - ₱75,000.00***

1.47 Unliquidated CAs amounting to ₱75,000.00 granted to an employee who was already separated from the service, thus no longer considered as PhilSCA employee, recognized in the books as Advances to Officers and Employees were not reclassified to Other Receivables, contrary to the pertinent provisions of GAM for NGAs, thus overstated the Advances to Officers and Employees account by ₱75,000.00 and understated the account Other Receivables by the same amount.

1.48 GAM for NGAs, Volume III defines *Advances to Officers and Employees* as an account used to recognize the amount advanced to officers and employees for official travel. This account is credited for liquidation of cash advance.

- 1.49 Inquiry with the Accounting Office revealed that the CA amounting to ₱75,000.00, which remained unliquidated for more than one year was granted to an employee who was already separated from the College. Thus, this does not meet the classification standard of Advances to Officers and Employees account and should therefore be reclassified to Other Receivables account.
- 1.50 Moreover, the separation of the employee without first liquidating his CA is an indication of absence of strict monitoring and enforcement in the timely liquidation of CA.
- 1.51 The non-reclassification of the amount ₱75,000.00 from Advances to Officers and Employees to Other Receivables overstated and understated these accounts, respectively, by the same amount.
- 1.52 **We recommended that Management:**
- a. **effect the necessary adjustments to correct the over and under statements of the affected accounts; and**
  - b. **enforce settlement by duly sending demand letter to the separated employee with outstanding CA and furnish copy to the Audit Team.**
- 1.53 Management commented that the College Accountant already directed his staff to send demand letter/s to the separated employee and effect the adjustment.

## **INVENTORIES**

e) ***Discrepancy in the balance of Inventory Held for Consumption account due to erroneous recording of Expense accounts- ₱908,142.20***

- 1.54 The validity and accuracy of records as to the physical existence and condition of the Inventory Held for Consumption amounting to ₱500,739.70 as of yearend was doubtful and cannot be relied upon due to discrepancy between the reported FS balance and what was recorded in the JEVs amounting to ₱908,142.20.
- 1.55 PhilSCA has reported the following year-end balances for Inventories Held for Consumption account for CYs 2018 and 2019, as follows:

<b>Inventories Held for Consumption account for CYs 2018 and 2019</b>				
<b>Inventory Held for Consumption</b>	<b>2019</b>	<b>2018</b>	<b>Difference</b>	<b>Remarks</b>
Office Supplies Inventory	₱337,022.20	₱1,334,061.30	₱ (997,039.10)	(74.74%)

Accountable Forms, Plates & Stickers Inventory	103,717.50	103,717.50	-	0%
Textbooks & Instructional Materials Inventory	60,000.00	-	60,000.00	-
<b>Total</b>	<b>₱500,739.70</b>	<b>₱1,437,778.80</b>	<b>₱ (937,039.10)</b>	

1.56 For the Office Supplies Inventory, there was a relative decrease in the amount of ₱997,039.10 or 74.74percent issuance; while accountable forms, plates and stickers inventory remained unchanged, which meant that there were no issuances made.

1.57 Verification of these Inventories account with the GL cannot yet be done/completed since posting of accounts were delayed.

1.58 However, review of the accounting entries made on the two) JEVs issued for CY 2019 disclosed the following:

<b>First JEV</b>				
<b>JEV No./ Date</b>	<b>Accounts</b>	<b>Account Code</b>	<b>Debit</b>	<b>Credit</b>
GJ Local 19-12-084 dated December 31, 2019	Office Supplies Expense	5-02-03-010-00	997,039.10	
	Office Supplies Inventory	1-04-04-010-00		997,039.10
	To record adjustment to recognize office supplies expense at the end of the year.			
	Office Supplies Inventory, 12/31/2018	1,334,061.30		
	Office Supplies Purchased	1,009,472.70		
	Total Office Supplies Available	2,343,534.00		
	Less: Office Supplies Issued	997,039.10		
	Office Supplies Inventory, 12/31/19	<u>1,346,494.90</u>		
	<b>Total</b>		<b>997,039.10</b>	<b>997,039.10</b>

<b>Second JEV</b>				
<b>JEV No./ Date</b>	<b>Accounts</b>	<b>Account Code</b>	<b>Debit</b>	<b>Credit</b>
GJ Local 19-12-085 dated December 31, 2019	Accountable Forms Expenses	5-02-03-020-00	9,551.50	
	Accountable Forms, Plates & Stickers Inventory	1-04-04-020-00		9,551.50
	To record adjustment to recognize expense at the end of the year.			
	Accountable Forms Purchases	8,400.00		
	Total Accountable Forms Available	11,938.50		
	Less: Accountable Forms Issued	9,551.50		
	Accountable Forms Inventory, 12/31/19	<u>2,387.00</u>		
	<b>Total</b>		<b>9,551.50</b>	<b>9,551.50</b>

- 1.59 From the two JEVs prepared, it can be gleaned that the computations disclosed the beginning balances of the inventories, the total amounts of total office supplies and accountable forms purchased, the total office supplies and accountable forms issued, and the office supplies and accountable forms inventory balances as of December 31, 2019.
- 1.60 There were no attached RSIMs nor RPCI to the JEVs which rendered the computation, accuracy and existence of the inventories doubtful. Likewise, the office supplies purchases and the issuances were summarized for the whole year instead of preparing the RSIM by the Accounting Office at the end of each month for the preparation of the JEV, as required under Appendix 64, GAM for NGAs, Volume II.
- 1.61 Moreover, Accountable Forms, Plates & Stickers Inventory were credited by the amount of ₱9,551.50 as presented in the second JEV, but the balances reported in the FSs remained unchanged from the CY 2018 year-end balance. Also, the account balances for the yearend was doubtful as there were no records to show its physical existence and condition.
- 1.62 The Audit Team, through a letter, requested both the Accounting and Supply Offices to submit the RPCI on January 27, 2020, but none was submitted up to this date.
- 1.63 The amounts recorded in the JEVs were not the amount posted in the GL and as reported in the FSs for the Inventories Held for Consumption account. Details are presented below.

<b>Inventories Held for Consumption Account</b>				
<b>Inventory Held for Consumption</b>	<b>Per CY 2019 FS</b>	<b>Per JEVs on 12/31/2019</b>	<b>Misstatement</b>	<b>Effect</b>
Office Supplies Inventory	₱337,022.20	₱1,346,494.90	₱ (1,009,472.70)	Understated
Accountable Forms, Plates & Stickers Inventory	103,717.50	2,387.00	101,330.50	Overstated
Textbooks & Instructional Materials Inventory	60,000.00	0.00	0.00	0.00
<b>Total</b>	<b>₱500,739.70</b>	<b>₱1,348,881.90</b>	<b>₱ (908,142.20)</b>	

- 1.64 The above table revealed that the reported balances in the FS were understated by ₱1,009,472.70 for the Office Supplies Inventory, and overstated by ₱101,330.50 for the Accountable Forms, Plates & Stickers Inventory or a net misstatement of ₱908,142.20 for the Inventories Held for Consumption account.
- 1.65 **We recommended that Management reconcile the discrepancy of the balances recorded in the JEVs and balances reported in the GL and the yearend FS and prepare the necessary adjusting entries.**

- 1.66 The Management commented that they will assign more personnel in both Accounting and Property Offices to facilitate reconciliation of inventory records.

## **PROPERTY, PLANT AND EQUIPMENT (PPE)**

*f) Erroneous recognition of major overhaul of Lycoming Engine of Tampico Trainer Aircraft under Repairs and Maintenance – Transportation Equipment account - ₱3,197,300.00*

- 1.67 The major overhaul of one unit of Lycoming Engine of Tampico Trainer Aircraft amounting to ₱3,197,300.00 was erroneously recognized under Repairs and Maintenance – Transportation Equipment account instead of capitalizing the same as Aircrafts & Aircrafts Ground Equipment account which was contrary to the pertinent provisions of Chapter 10, GAM for NGAs Volume I, thus misstated the aforementioned accounts.
- 1.68 Chapter 10, GAM for NGAs, Volume I provides the criteria for recognition and capitalization of PPE. Pertinent provisions are as follows:

**Sec.2 (k) Property, Plant and Equipment** – are tangible assets that are:

1. purchased, constructed, developed or otherwise acquired;
2. held for use in the production or supply of goods or services or to produce program outputs;
3. for rental to others;
4. for administrative purposes;
5. expected to be used during more than one reporting period; and
6. not intended for resale in the ordinary course of operations.

**Sec.3. Criteria for Recognition.** The cost of an item of PPE shall be recognized as assets if, and only if:

- a. it is probable that the future economic benefits or service potential associated with the item will flow to the entity;
- b. the cost or fair value of the item can be measured reliably
- c. beneficial ownership and control clearly rest with the government;
- d. the asset is used to achieve government objectives; and
- e. it meets the capitalization threshold of ₱15,000.

Under this recognition principle, an entity shall evaluate all its PPE costs at the time they are incurred. These costs include cost incurred initially to acquire or construct an item of PPE and costs incurred subsequently to add to, replace part of, or service the PPE.

**Sec. 4. Applying the Capitalization Threshold of P15,000.** The



capitalization threshold of ₱15,000 represents the minimum cost of an individual asset recognized as a PPE on the Statement of Financial Position.

- a. Items with individual values below the threshold but which work together in the form of a group of network asset whose total value exceeds the threshold shall be recognized as part of the primary PPE. (Example: computer network, PABX system, sewerage system).

Expenditures incurred on purchasing, developing, and operating hardware, like web servers, staging servers, production servers and internet connections of a website is accounted for as PPE if the total value of the primary asset (communications networks) and these items is within the threshold of P15,000 and above.

- b. This threshold shall be applied on an individual asset or per item basis. Each item within the bulk acquisition with aggregate or total value of PPE, such as library books, computer peripherals and small items of equipment, will need to meet the capitalization threshold to be recognized as PPE.

**Sec. 24 Repairs and Maintenance.** Repairs and maintenance primarily maintain or improve the functionality and capacity of the PPE; increase its service life; improve the quality of its output; or reduce the operating cost. These may be categorized into major and minor repairs. Minor repairs shall be directly charged to expense account “Repairs and Maintenance” of the specific PPE while **major repairs shall be added to the carrying amount of the PPE** and shall be depreciated over the remaining life of the PPE. Where cost cannot easily be differentiated between a minor or major repair, it shall be treated as expense.

- a. Spare parts and servicing equipment carried as inventory shall be recognized in surplus or deficit as consumed. However, major spare parts and stand-by equipment qualify as PPE when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of PPE, they are accounted for as PPE.
- b. Parts of some items of PPE may require recurring replacement such as a road needing resurfacing every few years or non-recurring replacement such as replacing the interior walls of a building. Under the recognition principle, an entity recognizes in the carrying amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognized.

1.69 During CY 2019, PhilSCA entered into an agency-to-agency contract with the Philippine Aerospace Development Corporation (PADC) to perform major overhauling of one unit of Lycoming Engine of the College's Tampico Trainer Aircraft RP 2204 with Engine Model of No. 0-320-D2A, with supply and delivery of various engine accessories totaling ₱3,197,300.00.

1.70 The cost of the overhauled one unit Lycoming Engine based on the submitted Purchase Request dated October 21, 2019 revealed the following components with unit cost of ₱3,251,050.00 only:

<b>Lycoming Engine Components</b>				
<b>Qty</b>	<b>Unit</b>	<b>Description</b>	<b>Estimated Unit Cost</b>	<b>Actual Cost (Total)</b>
1	UNIT	Major Overhaul of one (1) Lycoming Engine	1,700,000.00	3,197,300.00
1	PC	Alternator Assy. 24V ALU-8421 or 8521	82,250.00	
1	PC	Carburator Assy. (MA-4SPA) 10-5217	161,000.00	
1	PC	Starter Assy 24V MHB-4016	55,000.00	
1	SET	L.H Harness LW-M-2403	36,500.00	
1	SET	R.H Harness LW-M-2404	34,500.00	
1	PC	L.H Magneto Assy 4373	220,300.00	
1	PC	R.H. Magneto Assy 4370	200,300.00	
1	PC	Regulator Assy. TB 2061215000	10,200.00	
1	PC	Oil Filter CH48110-1	4,200.00	
8	PCS	REM 40E Sparkplug	44,700.00	
1	PC	Fuel pump 6441271	61,500.00	
1	PC	Vacuum Pump 1U128-006	61,900.00	
1	UNIT	Exhaust Pipe & Heat Exchange Assy	500,000.00	
1	PC	Fuel pressure switch	8,500.00	
1	PC	oil pressure sensor transmitter	9,000.00	
1	PC	Battery 24V G-242 with Electrolyte	51,200.00	
2	PCS	Dowel Pin	10,000.00	
<b>Total</b>			<b>3,251,050.00</b>	<b>3,197,300.00</b>

1.71 However, review of the recorded JEV for the transaction disclosed that the amount of ₱3,197,300.00 was paid and recorded as follows:

<b>Entries for the Payment of Overhauling Contract</b>				
<b>Date/JEV No.</b>	<b>Check No.</b>	<b>Description</b>	<b>Debit</b>	<b>Credit</b>
12/31/2019 2019-12-615	157695	Repairs & Maintenance – Transportation Equipment	3,197,300.00	
		Cash – National Treasury, MDS Regular		3,197,300.00

1.72 The erroneous recording overstated the account Repairs & Maintenance—Transportation Equipment and understated Aircrafts & Aircrafts Ground Equipment in the amount of ₱3,197,300.00, thus affected the reliability of the reported balances in the FSs.

1.73 **We recommended that Management:**

**a. effect the necessary adjustments to correct the misstatements pursuant to the pertinent provisions of the GAM for NGAS, Volume I; and**

**b. furnish a copy of the prepared JEV to the Audit Team.**

1.74 The Management commented that the erroneous recognition was partly due to the re-alignment of the College' budget. The College President committed to submit the required documents.

**g) *Erroneous recording of the costs of two repainting and rehabilitation projects on Buildings and Other Structures at PhilSCA-VAB Campus - ₱6,098,483.10***

1.75 The Buildings and Other Structure, Accounts Payable and Due to BIR accounts as of December 31, 2019 were misstated in the amounts of ₱6,098,483.10, ₱5,717,327.90 and ₱381.155.20, respectively, due to erroneous recording made by the Accounting Office, contrary to Section 112 of PD No. 1445 and pertinent sections of GAM for NGAs, Volume I.

1.76 During CY 2019, the College entered into repair/repainting and rehabilitation contracts for PhilSCA-VAB Campus.

1.77 Inquiry with the BAC Secretariat revealed that PhilSCA entered into two rehabilitation projects with R.M. Mallari Builders and Enterprises (the winning bidder) for CY 2019, details are as follows:

<b>Schedule of Two Rehabilitation Projects CY 2019</b>			
<b>Contractor</b>	<b>Particulars</b>	<b>Date of Contract</b>	<b>Amount</b>
R.M. Mallari Builders and Enterprises	First Progress Billing - Repainting of and rehabilitation of Building A (Interior & Exterior), Building B (Interior) and Hangar (Exterior)	12/13/2019	₱ 3,099,198.90
	First Progress Billing - Repair and rehabilitation of Conference Room and conversion of portion of it into Board Room w/ PA System	12/13/2019	2,999,284.20
<b>Total</b>			<b>₱ 6,098,483.10</b>

- 1.78 The first progress billing for the two rehabilitation projects were received on January 8, 2020, presented as follows:

<b>Schedule of First Progress Billings for Two Rehabilitation Projects</b>					
<b>Particulars</b>	<b>Date</b>	<b>Total Amount Billed</b>	<b>10% Retention</b>	<b>Recoupment from Advances</b>	<b>Net Amount Due</b>
First Progress Billing - Repainting of and rehabilitation of Building A (Interior & Exterior), Building B (Interior) and Hangar (Exterior)	1/8/2020	₱2,324,399.18	₱232,439.92	₱348,659.88	₱1,743,299.38
First Progress Billing - Repair and rehabilitation of Conference Room and conversion of portion of it into Board Room w/ PA System	1/8/2020	2,249,463.15	224,946.32	337,419.47	1,687,097.36
<b>Total</b>		<b>₱4,573,862.33</b>	<b>₱457,386.23</b>	<b>₱686,079.35</b>	<b>₱3,430,396.74</b>

- 1.79 However, the Audit Team has noted that the Accounting Office prepared two Journal Entry Vouchers (JEVs) for the two rehabilitation projects during 2019, with these entries:

<b>First JEV</b>				
<b>JEV/Date</b>	<b>Accounts</b>	<b>Account Code</b>	<b>Debit</b>	<b>Credit</b>
GJ Local 19-12-45 dated December 31, 2019	School Buildings	1-06-04-020-00	3,099,198.90	
	Due to BIR	2-02-01-010-00		193,699.93
	Accounts Payable	2-01-01-010-00		2,905,498.97
	To record repainting & rehabilitation of Building A (Interior and Exterior), Building B (Interior) and Hangar (Exterior) at PhilSCA-VAB Campus.			
	<b>Total</b>		<b>3,099,198.90</b>	<b>3,099,198.90</b>

<b>Second JEV</b>				
<b>JEV/Date</b>	<b>Accounts</b>	<b>Account Code</b>	<b>Debit</b>	<b>Credit</b>
GJ Local 19-12-46 dated December 31, 2019	Buildings	1-06-04-010-00	2,999,284.20	
	Due to BIR	2-02-01-010-00		187,455.27
	Accounts Payable	2-01-01-010-00		2,811,828.93
	To record repair and rehabilitation of Conference Room and conversion of a portion into Board Room w/ PA System at PhilSCA-VAB Campus.			
	<b>Total</b>		<b>2,999,284.20</b>	<b>2,999,284.20</b>

- 1.80 From the recorded JEVs, the Accounting Office fully recognized the two infrastructure projects as School Buildings and Buildings accounts amounting to ₱3,099,198.90 and ₱2,999,284.20, respectively, even though the projects were not yet accepted and the first billings were only transmitted on January 8, 2020, contrary to the provisions of Section 112 of PD No. 1445 and GAM for NGAs, Volume I, thus overstating the Buildings and Other Structures account by ₱6,098,483.10.
- 1.81 The Accounts Payable and Due to BIR accounts were likewise overstated by ₱5,717,327.90 and ₱381,155.20, respectively, due to the erroneous recording of the transactions.
- 1.82 The Audit Team also noted that for the repair and rehabilitation of Conference Room and conversion of portion of it into Board Room with PA system, the project consisted of delivery of equipment and furniture and fixtures, which the Accounting Office did not proportionally recognized.
- 1.83 The erroneous recording made by the Accounting Office misstated the accounts, thus affecting the reliability and fair presentation of the accounts in the FSs as of December 31, 2019.
- 1.84 **We recommended and Management agreed to:**
- a. effect the necessary adjustments to correct the misstatements; and**
  - b. recognize the appropriate Asset account and Accounts Payable upon delivery/completion of the projects pursuant to the provisions of Section 112 of PD No. 1445 and Chapter 19, GAM for NGAs, Volume I.**

## **LIABILITIES**

### ***h) Erroneous recording of taxes withheld and remitted - ₱124,318.81***

- 1.85 The reported year-end balance of the College' Due to BIR account amounting to ₱1,944,377.55 is overstated by ₱124,318.81 due to erroneous recording in the books of the taxes withheld and remitted, hence rendering the account balance unreliable and of doubtful validity.
- 1.86 Audit of the postings in the GL revealed that PhilSCA has withheld taxes in the amount of ₱9,908,110.91. However, audit of the Reports of Checks Issued (RCI) and TRA for CY 2019 showed total remittances of ₱9,611,717.84.

- 1.87 The difference of ₱296,393.07 between the GL balance and the actual remittances made represents errors in taxes withheld in previous and current years that were being recorded in the books, but neither remitted to the BIR nor accounted for by the Accounting Office for adjustment, if warranted. Details are shown in table below:

Month	Posted in GL	Remittances Per Audit			Unremitted Balance
		Check	TRA	Total Remittances	
Beginning Balance-1/1/2019	₱2,391,557.40	₱700,551.89	₱271,512.54	₱972,064.43	₱1,419,492.97
January	325,888.84	184,548.27	267,077.94	451,626.21	(125,737.37)
February	464,818.09	194,791.49	265,987.56	460,779.05	4,039.04
March	687,011.83	363,836.63	490,832.27	854,668.90	(167,657.07)
April	656,968.54	199,120.87	455,309.35	654,430.22	2,538.32
May	597,398.93	118,733.32	460,453.35	579,186.67	18,212.26
June	667,612.12	221,004.53	557,400.06	778,404.59	(110,792.47)
July	604,723.84	92,192.62	482,623.40	574,816.02	29,907.82
August	248,203.43	225,707.16	94,241.80	319,948.96	(71,745.53)
September	904,485.63	108,114.77	475,117.64	583,232.41	321,253.22
October	388,095.99	327,011.52	444,850.88	771,862.40	(383,766.41)
November	1,111,352.55	269,973.21	817,059.10	1,087,032.31	24,320.24
December	859,993.72	228,127.25	1,295,538.42	1,523,665.67	(663,671.95)
<b>Total</b>	<b>₱9,908,110.91</b>	<b>₱3,233,713.53</b>	<b>₱6,378,004.31</b>	<b>₱9,611,717.84</b>	<b>₱296,393.07</b>

- 1.88 Further, analysis of the Due to BIR account which has a year-end balance of ₱1,944,377.55 resulted in overstatement of the account in the amount of ₱124,318.81. Review of the transactions/computations is as follows:

Computation of Overstatement of the Due to BIR Account	
Particulars	Amount
Total amount of withheld taxes posted in GL	₱9,908,110.91
Less: Remittances made for taxes withheld on December 2018	
Per Check	(700,551.89)
Per TRA	(271,512.54 )
Total Remittances made for taxes withheld for CY2019 per BIR Forms	(8,639,653.41)
<b><i>Unremitted Balance (recorded in the books but not remitted/adjusted)</i></b>	<b>296,393.07</b>
Add: Taxes withheld on December 2019 and remitted on January 2020	1,523,665.67
<b><i>Should be balance of Due to BIR account</i></b>	<b>1,820,058.74</b>
Reported balance per submitted FS	(1,944,377.55)
<b><i>Overstatement</i></b>	<b>₱ (124,318.81)</b>

- 1.89 We recommended that Management:

a. ensure proper, accurate and correct recording of taxes withheld

and remitted to avoid errors; and

**b. review, analyze and reconcile the discrepancies noted in the audit of the previous and current years; and prepare the necessary adjusting entries for the overstatement of the account balance.**

**i) *Erroneous recording of Due to GSIS, Retirement and Life Insurance Premiums, and ECI Premiums accounts - ₱673,265.74***

1.90 The balance of Due to GSIS account amounting to ₱532,026.99 as of December 31, 2019 cannot be relied upon due to: a) erroneous recording made by the Accounting Office, thus understated the said account in the amount of ₱673,265.74 contrary to the pertinent provisions of GAM for NGA.

1.91 The GAM for NGAs, Volume III defines Due to GSIS as an account used to recognize the withholding of employees' premium payments and other payables for remittance to the Government Service Insurance System (GSIS). The account shall be debited upon remittance of the withheld amount.

1.92 Moreover, the manual prescribes SLs for the Due to GSIS account, to wit:

Subsidiary Ledgers:
01-Life and Retirement Premium
02-ECC
03-Salary Loan
04-Policy Loan

1.93 Also, the manual defines *Retirement and Life Insurance Premiums* as an account used to recognize the government's share in premium contributions to the GSIS and other retirement and life benefits system. The account shall be closed to the Revenue and Expense Summary account.

1.94 It likewise defines *Employee Compensation Insurance Premiums* as an account used to recognize the government's share in premium contributions to the Employees' Compensation Commission (ECC). The account shall be closed to the Revenue and Expense Summary account

1.95 Audit of the JEVs and postings in GL of the Due to GSIS, Retirement and Life Insurance and ECI Premiums account for CY 2019 revealed that the Accounting Office made erroneous recording and posting of the payments/settlements to the mentioned accounts, presented as follows:

<b>Errors in Recording Payments/Settlements-GSIS Accounts</b>				
<b>Findings/ Observations</b>	<b>Due to GSIS</b>	<b>Retirement and Life Insurance Premiums</b>	<b>ECI Premiums</b>	<b>Accumulated Surplus/ (Deficit)</b>
Payment of government's share premium and ECI premium to GSIS under Check No.149934 dated September 2, 2019 totaling ₱656,988.68, was erroneously recorded as Debit to Due to GSIS instead of the appropriate accounts of Retirement and Life Insurance Premiums and ECI Premiums, in the amounts of ₱638,788.68 and ₱18,200.00, respectively, therefore, understating the affected accounts.	₱ (656,988.68)	₱ (638,788.68)	₱ (18,200.00)	₱656,988.68
Payment of ECI Premium for the month of January 2019 amounting to ₱18,700.00 was erroneously recorded as part of payment for employees' share (Due to GSIS) and payment for government share (Retirement and Life Insurance Premiums), in the amount of ₱0.66 and ₱18,699.34, respectively, thus misstated the affected accounts.	(0.66)	18,699.34	(18,700.00)	0.66
The Accounting Office fully recorded the payment under Check No. 146533 dated March 28, 2019 amounting to ₱635,930.80 as debit to Retirement and Life Insurance Premiums (government's share). However, audit revealed that the amount of ₱18,700.00 and ₱1,923.60 were partially for the payment of ECI Premium and employees' share premium, respectively, thus misstated the affected accounts.	1,923.60	20,623.60	(18,700.00)	(1,923.60)



<b>Errors in Recording Payments/Settlements-GSIS Accounts</b>				
<b>Findings/ Observations</b>	<b>Due to GSIS</b>	<b>Retirement and Life Insurance Premiums</b>	<b>ECI Premiums</b>	<b>Accumulated Surplus/ (Deficit)</b>
The Accounting Office fully recorded the payment under Check No. 146555 dated April 29, 2019 amounting to ₱634,093.48 as debit to Retirement and Life Insurance Premiums (government's share). However, audit showed that the amount of ₱18,700.00 was partially for the payment of ECI premiums, thus misstated the affected accounts.	-	18,700.00	(18,700.00)	-
The Accounting Office, erroneously posted in the GL of Due to GSIS (debit) payment of ECI Premium in the amount of ₱18,700.00, thus misstating the affected accounts.	(18,200.00)		(18,200.00)	18,200.00
<b>Total</b>	<b>₱ (673,265.74)</b>	<b>₱ (580,765.74)</b>	<b>₱ (92,500.00)</b>	<b>₱673,265.74</b>
<b>Net Effect in the Accounts</b>	<b>Understated</b>	<b>Understated</b>	<b>Understated</b>	<b>Overstated</b>

- 1.96 The erroneous recording and posting made by the Accounting Office understated the Due to GSIS, Retirement and Life Insurance Premiums, and ECI Premiums account in the amounts of ₱673,265.74, ₱580,765.74 and ₱92,500.00, respectively.
- 1.97 The Audit Team noted that the College does not maintain the prescribed SLs for Due to GSIS account, thus hampered the process of auditing the said accounts and resulted in erroneous recording and posting of transactions involving the payments of GSIS employees share premium, government's share premium and ECI premium.
- 1.98 Furthermore, recorded JEV for the month of December 2019 remained unposted in the general ledger of the Due to GSIS, Retirement and Life Insurance Premiums, and ECI Premiums account, thus hindered the timely audit of the accounts.
- 1.99 **We recommended that Management effect the necessary adjustments of the errors made in recording.**
- 1.100 The College President commented that the Accountant had been instructed to make the necessary adjustments and maintain the SL for easy monitoring.

**j) Non-recording in the books of the payment of premiums on Due to Pag-IBIG account - ₱92,095.08**

- 1.101 The balance of Due to Pag-IBIG account as of December 31, 2019 amounting to ₱150,247.49 was overstated due to non-recording in the books of accounts of the payment of premiums totaling ₱92,095.08.
- 1.102 The GAM for NGAs, Volume III, defines *Due to Pag-IBIG account* as an account used to recognize the withholding of employees' premium payments and other payables for remittance to the Home Development Mutual Fund (HDMF). The said account shall be debited upon remittance of the withheld amount.
- 1.103 The Manual prescribes subsidiary ledgers for the Due to Pag-IBIG account, to wit:

Subsidiary Ledgers:
01- Pag-IBIG Premium
02- Pag-IBIG Multi-Purpose Loan
03- Pag-IBIG Housing Loan

- 1.104 Audit of the JEVs and postings in the GL of Due to Pag-IBIG for CY 2019 revealed that the Accounting Office did not record the payment of premiums totaling ₱92,095.08 in the books, thus overstated the Due to Pag-IBIG account in the same amount, presented as follows:

Unrecorded Payments to Pag-IBIG					
Particulars	Date	Check No	JEV	Amount	Audit Observation
Payment of Housing Loans	7/29/2020	149903	2019-07-120	₱1,693.24	The transactions were recorded in a JEV, but were not recorded in the books, thus overstated the Due to Pag-IBIG account.
Payment of Short Term Loans	7/29/2020	149904	2019-07-121	90,401.84	
<b>Total</b>				<b>₱92,095.08</b>	

- 1.105 The Audit Team also noted that recorded JEV for the month of December 2019 remained unposted in the GL of the Due to Pag-IBIG account, thus prevented the timely audit of the transactions for the month of December 2019.

1.106 We recommended that Management record in the books of accounts the audited transactions and effect the necessary adjustments.

**k) Recorded payments for housing loans during CY 2019 unsupported by Official Receipts (ORs) - ₱15,239.76**

1.107 Recorded payments for housing loans during CY 2019 totaling ₱15,239.76 were not duly supported by ORs, thus casting doubt on the validity of the payments. Details are presented as follows:

Recorded Payments for Housing Loans CY 2019				
Date	Check No.	JEV No.	Payee	Amount
2/4/2019	144194	2019-02-011	HDMF	₱1,693.24
2/28/2019	146513	2019-02-030		1,693.24
3/27/2019	146528	2019-03-045		1,693.24
4/29/2019	146551	2019-04-068		1,693.24
7/29/2019	149903	2019-07-120		1,693.24
8/30/2019	149928	2019-08-145		1,693.24
9/25/2019	149960	2019-09-177		1,693.24
9/26/2019	149967	2019-09-184		1,693.24
11/28/2019	153836	2019-11-253		1,693.24
Total				₱15,239.16

1.108 We recommended that Management duly transmit/ present to the COA Office the ORs for the payment of the housing loans totaling ₱15,239.76.

1.109 The College President committed to present the ORs and is coordinating with the officer (thru WFH) responsible in keeping the ORs.

**1.110 Auditor's Rejoinder:**

The Audit Team acknowledged the presentation/submission of OR No. 7269068 amounting to ₱1,693.24 paid under LBP Check No. 144194 dated 02/04/2019 as payment of housing loan for the month of January 2019 in partial compliance with one of the recommendations. However, the remaining ORs for the payment of housing loan amounting to ₱13,545.92 were not yet submitted to date.

**l) Improper recognition of the receipt and release of CHED Tulong-Dunong Program (TDP) financial assistance for AY 2018-2019. Trust liability was not recognized - ₱414,000.00**

- 1.111 Audit of the financial accounts relative to the implementation of Tulong-Dunong Program (TDP) for AY 2018-2019 revealed that several accounts were misstated due to improper and untimely recognition of the accounts.
- 1.112 Section 4.2 of COA Circular No. 94-013 requires that the cash/money transferred shall be taken up as a trust liability by the IA.
- 1.113 Audit of the journal entries recorded in the books revealed that the financial accounts relative to the receipt and disbursement of TDP funds were misstated, as follows:

<b>Misstatements in Receipt and Disbursement of TDP funds</b>					
<b>Transaction</b>	<b>Campus</b>	<b>Misstatements/ Nature of Deficiency</b>	<b>Accounts Affected</b>	<b>Amount</b>	<b>Effect</b>
Receipt of funds from CHEDROs	FAB	Recorded as school fees instead of trust liability	School Fees	₱378,000.00	Overstated
			Trust Liability	378,000.00	Understated
	MBEAB	Non-recognition Trust Liability account	Trust Liability	36,000.00	Understated
Release of funds to the students-beneficiaries	FAB	Erroneously recorded as debit to Advances to SDO and credit to Due to Officers and Employees, and it was untimely since the check was released only on January 14, 2020.	Advances to SDO	378,000.00	Overstated
			Due to Officers and Employees	378,000.00	Overstated
	MBEAB	Erroneously recorded as debit to Scholarship/ Grants Expense due to failure to recognize trust liability.	Scholarship/ Grants Expense	30,000.00	Overstated

- 1.114 **We recommended that Management record, thru the Accounting Office, the necessary adjusting entries.**

## **EXPENSES**

- m) Erroneous classification of Terminal Leave Benefits account for the payment of monetization of employees' leave credits - ₱2,132,926.37*

1.115 Terminal Leave Benefits account for the payment of monetization of employees' leave credits was erroneously classified to Other Personnel Benefits account contrary to the pertinent provisions of GAM for NGAs and PPSAS No. 1-Presentation of Financial Statements, thus misstated the two accounts by the same amount of ₱2,132,926.37.

1.116 Chapter 3 Description of Accounts, GAM for NGAs, Volume III states that:

*Terminal leave benefits* is the account used to recognize the money value of the accumulated leave credits of government officials and employees. This account shall be closed to the Revenue and Expense Summary account.

*Leave benefits payable* is the account used to recognize accrual of money value of earned leave credits of government personnel. This account is debited for monetization of earned leave and payment of terminal leave benefits.

1.117 Audit of the DVs pertaining to the payment of the monetization of leave credits of PhilSCA officials and employees totaling ₱2,132,926.37 disclosed that the Accountant erroneously classified them to "Other Personnel Benefit" account.

1.118 **We recommended that Management:**

- a. **effect the necessary adjustments to correct the over and under statements of the affected accounts; and**
- b. **comply and be guided with the pertinent provisions of GAM for NGAs and PPSAS No. 1- Presentation of Financial Statements.**

1.119 The Accounting Office commented that no more JEV entry shall be submitted since the Terminal Leave Benefit account and Other Personnel Benefit Accounts falls on the same expense account classification which was already closed to Revenue & Expense Summary Account in the submitted consolidated FSs for the year 2019. The College Accountant further commented that Accounting Office should be more cautious in the charging of transaction in the proper accounts.

1.120 **Auditor's Rejoinder:**

The Audit Team maintained that the Accounting Office make the necessary adjustments to correct the misstatements for fair presentation of the account balances.

### *Other Accounting Deficiencies*

2. **Unresolved variances and discrepancies between PhilSCA accounting records and the supporting schedules/documents and unsubstantiated balances in the amount of ₱924,047,468.24 were noted which affected the reliability of the Assets and Liabilities accounts as at December 31, 2019, contrary to Section 6.e, Chapter 19 of the GAM for NGAs, Volume I.**
  - 2.1 Section 6.e, Chapter 19 of the GAM for NGAs, Volume I on Qualitative Characteristics of Financial Reporting states that an entity shall present information including accounting policies in a manner that meets reliable information, which is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.
  - 2.2 Section 7, Chapter 19, GAM for NGAs, Volume I states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenues and expenses set out in PPSASs.
  - 2.3 Section 4, Chapter 19, GAM for NGAs Volume I on Financial Reporting provides that the *"Responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting agency, particularly the head of finance/accounting office and the head of entity or his authorized representative."*
  - 2.4 *Reliability* means reliable information is free from material error and bias and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent while *Faithful representation* means information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form. (GAM-Sec. 6 Chapter 19).
  - 2.5 The following deficiencies in recording and reporting financial transactions resulting from lack of reconciliation of Accounting records and Property records, lack of supporting documents and reconciliation with the records of other government agencies also affected the reliability, accuracy, completeness, and valuation of the reported account balances of the financial statements (FSs).

Accounts	Book Balance as at December 31, 2019	Observation/ Deficiencies Noted	Criteria
Cash in Bank – Local Currency Current Account (LCCA)	₱561,349,793.81	a) Non-preparation and non-submission of up-to-date Bank Reconciliation Statement (BRS) and absence of subsidiary records for each bank account.	Sections 2 Chapter 2, Section 6 and 7 Chapter 21 of the GAM for NGAs, Volume I; Section 74 of PD 1445
Receivables	16,737,290.69	b) Dormant Accounts Receivable for the four Campuses of PhilSCA- for more than 10 to 20 years. (Unpaid tuition and other school fees from students of SY 2000-2010.); c) Loans Receivables – Others-unpaid loans granted to the students-borrowers under the Student Assistance Fund for Education for a Strong Republic (SAFE-4-SR) which remained outstanding for more than 10 years; d) Minimal collection of Other Receivable account with outstanding balance of ₱1,148,907.75 for more than 10 to 30 years; e) Outstanding balance of Operating Lease Receivables amounting to ₱198,844.00 aging for more than one) year; and f) Non-preparation/ submission of quarterly reports of all Receivables	Section 4 & 7 of Chapter 19, GAM for NGAs Volume I; Section 5.4 & 6.1 of COA Circular No. 2016-005 dated December 19, 2016; Section 122 of PD No. 1445
Due from NGAs	1,931,493.35	g) Unliquidated fund transfers for more than five to seven years and delayed/non-submission	COA Circular No. 2016-005 dated December 19, 2016

Accounts	Book Balance as at December 31, 2019	Observation/ Deficiencies Noted	Criteria
		of the required quarterly reports for the schedule/aging of the fund transfers.	
Advances	3,785,969.94	h) Deficiencies in the Granting and Liquidation of Cash Advances	Section 89 of PD No. 1445; Section 4.1.2, Section 4.1.3, and Section 5 of COA Circular No. 97-002 dated February 10, 1997
Inventories	500,739.70	i) Practice of automatically recording the purchases of supplies as outright expenses upon payment; non-maintenance of Supplies Ledger Cards(SLCs) and Stock Cards (SCs) by the Accounting and the Supply Offices, respectively; non-conduct of the physical count of inventories to substantiate the accuracy of the reported balances; and non-preparation and submission of the Report of Physical Count of Inventories (RPCI).	Section 17, Chapter 8, GAM for NGAs, Volume I; Appendix 64 & 66 of GAM for NGAs, Volume II
Property, Plant and Equipment (PPE)	337,797,803.20	j) Discrepancies of PPE account balance	Section 38 and 42, Chapter 10, GAM for NGAs, Volume I; Appendix 70 of GAM for NGAs, Volume II
Due to BIR	1,944,377.55	k) Non-maintenance of subsidiary ledgers for taxes withheld and remitted	Appendix No. 6, GAM for NGAs, Volume
<b>Total</b>	<b>₱924,047,468.24</b>		



2.6 We recommended that Management resolve the variances and/or discrepancies in the PhilSCA accounting records and provide supporting schedules in accordance with the aforementioned criteria.

2.7 The details of the other accounting deficiencies are discussed in the succeeding paragraphs.

**a) Non-preparation and non-submission of up-to-date BRS and absence of subsidiary records for each bank account**

2.8 BRS for the six bank accounts with an ending book balance of ₱562,338,765.55, were not timely prepared and submitted for verification, contrary to Section 74 of PD No. 1445 and Sections 5-7, Chapter 21, of the GAM for NGAs, Volume I, thus prevented the Audit Team from determining the validity and accuracy of book and bank balances and exposing the cash accounts to misleading information and possible misappropriation.

2.9 Thus, Section 74 of PD No. 1445 requires that *“at the close of the month, depositories shall report to the agency head, in such form as he may direct, the condition of the agency account standing on their books. The head of the agency shall see to it that reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”*

2.10 The College maintains six bank accounts with the Land Bank of the Philippines (LBP) – Villamor Airbase, Pasay City Branch, the details of which are as follows:

PhilSCA LBP Bank Accounts CY 2019				
Account Title	Account Code	Account Name		Bank Account
Cash in Bank-Local Currency, Current Account	10102020	1	PhilSCA Payroll Fund Account	C/A
		2	PhilSCA Online Collection	C/A
		3	PhilSCA SHS VP	C/A
		4	PhilSCA	C/A
Treasury/Agency Cash Accounts	10104010	5	Philippine State College of Aeronautics	MDS Acct.
		6	Philippine State College of Aeronautics	MDS Acct.

2.11 The Cash in Bank accounts of the College have a total reported balance of **₱562,338,765.55** as of December 31, 2019, details are as follows:

College' Cash-in-Bank Accounts as of December 31, 2019	
Account Title	Amount
Cash in Bank-Local Currency, Current Accounts	₱561,349,793.81
Cash in Bank-Treasury/Agency Cash Accounts	988,971.74
<b>Total</b>	<b>₱562,338,765.55</b>

- 2.12 However, it was observed that there was a delay and non-submission of the required bank reconciliation statements as of December 31, 2019 for more than two years. Preparation and submission of BRS was not religiously complied with. The table in Annex A shows the status of submission of the monthly BRS of the six bank accounts.
- 2.13 To date, no BRS was submitted to COA Office for the five banks accounts. Only BRS for the PhilSCA SHS VP account has been submitted last February 11, 2020 as shown in the above table. Management explained that the bank does not provide the bank statements regularly to the College, resulting in the late preparation and or submission of the BRS. The Agency also stressed out that they lack manpower to prepare such report.
- 2.14 Per verification, it was similarly observed that only photocopies of bank statements were attached to the submitted BRS. JEVs for the reconciling items that required adjustments and corrections in the books of accounts; original copies of Debit Memo (DM) and Credit Memo (CM) as well as paid checks were likewise attached thereto.
- 2.15 Late preparation and/or non-submission of BRS could result in the delayed detection of errors and recording of necessary adjustments/reconciling items. Thus, the accuracy of the Cash in Bank account of the College amounting to P562, 338,765.55 is doubtful and could not be ascertained.
- 2.16 **We recommended that Management:**
- a. **promptly prepare and submit, thru the Accountant, the monthly BRS of all Cash in Bank Accounts together with copies of original bank statements, paid checks, original copies of debit/ credit memos, JEVs for the reconciling items and all necessary documents needed to support the identified reconciling items within the period to the Audit Team as prescribed under Chapter 21 of the GAM;**
  - b. **coordinate with LBP to facilitate/provide the College with monthly bank statements to enable the Accountant to prepare BRS; and**
  - c. **enroll in the We Access Institutional Internet Banking program of the LBP where bank statements can be downloaded from the LBP online banking system to facilitate the timely preparation and submission of the BRS.**

2.17 The College President commented that: a.) there is an ongoing reconciliation of pending bank accounts and assigned two employees to assist the Accounting Office, b.) Management coordinated with the LBP for the transmittal of Bank Statements and c.) they have enrolled in the We Access Institutional Internet Banking program of LBP.

***b) Dormant Accounts Receivable for the four Campuses of PhilSCA- for more than 10 to 20 years. (Unpaid tuition and other school fees from students of SY 2000-2010.) - ₱6,598,238.05***

2.18 COA Circular No. 2016-005 dated December 19, 2016 provides the guidelines and procedures for the write-off of dormant receivable accounts. Unliquidated cash advances, and fund transfers of NGAs, Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs).

2.19 Section 5.4 of the above Circular defines dormant receivable accounts as *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.*

2.20 Chapter 3, Description of Accounts, GAM for NGAs, Volume III defines Accounts Receivable as the account used to recognize the amount due from customers arising from regular trade and business transactions. This account is credited upon collection of receivables, transfers or write-off.

2.21 The PhilSCA's accounts receivable refers to unpaid tuition and other school fees from students. Of the outstanding balance of this account, ₱10,963,870.72 or 75.56% represents uncollected tuition and other school fees recognized from PhilSCA VAB-Campus. The remaining ₱3,546,668.22 or 24.44 percent represents the uncollected fees from the other Regional Campuses, presented as follows:

<b>Summary of AR - Unpaid Tuition and Others Fees</b>		
<b>PhilSCA Campus</b>	<b>Balance as of December 31, 2019</b>	<b>Percentage</b>
VAB (Villamor Airbase)	₱10,963,870.72	75.56
FAB (Fernando Airbase)	1,394,473.75	9.61
BAB (Basa Airbase)	2,035,924.00	14.03
MBEAB Campus (Mactan Benito Ebuen Airbase)	116,270.47	0.80
<b>Total</b>	<b>₱14,510,538.94</b>	<b>100</b>

2.22 The College was not able to provide the detailed schedule of uncollected tuition and other school fees from the three other regional campuses, thus the existence, and rights and obligations assertions of the accounts receivable account cannot be relied upon.

- 2.23 Analysis of the collections disclosed that there was a very minimal amount of ₱515,839.42 or only 3.43 percent collected, leaving an outstanding balance of ₱14,510,538.94 as of December 31, 2019, as shown below:

<b>Status of AR Collections-Tuition and Other Fees</b>	
<b>Particulars</b>	<b>Amount</b>
Accounts Receivables, January 1, 2019	₱15,026,378.36
Collections:	
VAB Campus	57,939.00
FAB Campus	-
BAB Campus	11,785.00
MBEAB Campus (Annex Medellin)	116,906.87
Adjustments	329,208.55
Total Collections/Settlements	(515,839.42)
<b>Accounts, Receivables, December 31, 2019</b>	<b>14,510,538.94</b>
<b>Percentage of Collections</b>	<b>3.43</b>

- 2.24 The Management was not able to efficiently implement and enforce collection of the students' unpaid tuition and other fees, thus resulting in a very minimal rate of collections.
- 2.25 Also, the adjustments reported in the books amounting to ₱329,208.55 cannot be relied upon due to lack of any schedule or documents to support the adjustments made.
- 2.26 Moreover, review of the aging of Accounts Receivable as of December 31, 2019 showed that ₱13,969,967.46 or 96.27percent remained outstanding for more than two years to 20 years due to laxity to enforce collection and settlement thereof, presented as follows:

Aging of AR as of December 31, 2019					
Campus/ Age of AR	Less than 90 days	91-365 days	Over 1 year	2 years and above	Total
	(In PhP)				
Uncollected tuition and other fees, SY 2000- 2018					
VAB Campus	-	-	432,912.50	10,530,958.22	10,963,870.72
FAB Campus	17,415.00	-	71,752.00	1,305,306.75	1,394,473.75
BAB Campus	-	-	-	2,035,924.00	2,035,924.00
MBEAB Campus	-	14,414.61	4,077.37	97,778.49	116,270.47
Total	17,415.00	14,414.61	508,741.87	13,969,967.46	14,510,538.94
Percentage	0.12	0.10	3.51	96.27	100

- 2.27 Out of the ₱14,510,538.94, accounts receivable that remained dormant/non-moving as of December 31, 2019 amounted to ₱4,464,535.56, details as follows:

<b>Dormant AR as of December 31, 2019</b>			
<b>PhilSCA Campuses</b>	<b>Balance as of December 31, 2019</b>	<b>Balance of Dormant A/R</b>	<b>Percentage</b>
VAB Campus	₱10,963,870.72	₱4,038,977.16	36.84%
FAB Campus	1,394,473.75	425,558.40	30.52%
BAB Campus	2,035,924.00	<i>No schedule submitted</i>	-
MBEAB Campus	116,270.47	<i>No schedule submitted</i>	-
<b>Total</b>	<b>₱14,510,538.94</b>	<b>₱4,464,535.56</b>	-

2.28 Examination of the detailed schedule from the Collecting Office of PhilSCA-VAB Campus revealed that the amount of ₱4,038,977.16 or 36.84 percent has been dormant or non-moving for more than 10 years. These were unpaid tuition and other school fees from students of SY 2000-2010.

2.29 The yearly schedules for the unpaid tuition fees and other school fees are presented, as follows:

<b>PhilSCA VAB Campus - Dormant AR</b>	
<b>School Year</b>	<b>Amount</b>
2000-2002	₱96,335.18
2002-2003	146,083.39
2003-2004	125,137.73
2004-2005	124,912.64
2005-2006	132,651.57
2006-2007	356,122.20
2007-2008	608,316.20
2008-2009	1,193,935.97
2009-2010	1,255,482.28
<b>Total</b>	<b>₱4,038,977.16</b>

2.30 For PhilSCA– FAB Campus (Batangas), the amount of ₱425,558.40 or 30.52 percent of the outstanding accounts receivable remained dormant for more than 10 to 20 years. These were likewise verified by the COA Region IV-A Audit Team as included in their summary of audit observations and recommendations, details are as follows:

<b>Dormant AR as of December 31, 2019 – PhilSCA FAB Campus</b>	
10 years	₱150,790.00
11-15 years	239,022.50
16-20 years	35,745.90
<b>Total</b>	<b>₱425,558.40</b>

2.31 However, the Management did not provide the details and/or schedules of uncollected accounts receivable specifically those of dormant accounts for both PhilSCA-BAB Campus and PhilSCA-MBEAB Campus.

2.32 The Management must take action to duly verify the status on the request for write-off of the dormant/non-moving accounts receivable which were already included in the prior years' audit recommendations by the previous auditors.

2.33 The accounts receivable balance reported in the submitted financial statements as of December 31, 2019 cannot be relied upon due to minimal collections and/or settlements, and existence of dormant accounts that remained outstanding for more than 10 to 20 years.

***c) Loans Receivables – Others- unpaid loans granted to the students-borrowers under the Student Assistance Fund for Education for a Strong Republic (SAFE-4-SR) which remained outstanding for more than 10 years - ₱879,000.00***

2.34 The account “Loans Receivables – Others” refers to the unpaid loans granted to the students-borrowers under the Student Assistance Fund for Education for a Strong Republic (SAFE-4-SR). The balance of ₱879,000.00 as of December 31, 2019 has remained outstanding for more than 10 years.

2.35 Audit revealed that no collection has been made for the past two years despite the previous audit findings and recommendations on the settlement of the unpaid loans.

2.36 The Audit Team has yet to receive proof of mailing of the demand letters sent to the students-borrowers and other actions taken to collect the loans due, thus collectability of the loans is deemed uncertain.

2.37 Further, the Accounting Office has yet to furnish the Audit Team of the detailed schedule or the list of the students-borrowers for the loans receivables account, thus existence and rights and obligations on the claims cannot be ascertained.

2.38 The Loans Receivables – Others account presented in the financial statements as of December 31, 2019 cannot be relied upon due to inaction by the Management for the settlement of the balance which remained outstanding for more than 10 years.

2.39 **We recommended that Management to submit, thru the Accounting Office, the schedule or the list of students – borrowers to support the claim on loan receivables account.**

***d) Minimal collection of Other Receivable account with outstanding balance of ₱1,148,907.75 for more than 10 to 30 years***

- 2.40 The Other Receivables account with a balance of ₱1,148,907.75 as of December 31, 2019 refers to unliquidated cash advances and cash shortages from separated officers and employees; and unpaid graduation fees from students, which remained dormant and inactive for more than 10 years. Details are presented in the table below:

<b>Aging of Other Receivables as of December 31, 2019</b>		
<b>Particulars</b>	<b>Amount</b>	<b>Aging of Other Receivables</b>
a. Unliquidated cash advances	₱768,096.43	More than 12 to 30 years
b. Cash shortages of former collecting officers	158,211.32	More than 10 years
c. Unpaid graduation fees	222,600.00	More than 1 year
<b>Balance as of December 31, 2019</b>	<b>₱1,148,907.75</b>	

- 2.41 Despite the previous audit recommendations to exhaust all efforts to recover the cash shortages, send demand letters; and abide by the documentary requirements of write-off of dormant and inactive accounts, only a minimal amount of ₱14,000.00 or 1.20 percent was settled, thus collectability of the other receivables account cannot be ascertained.

***e) Outstanding balance of Operating Lease Receivables amounting to ₱198,844.00 aging for more than one year***

- 2.42 The Operating Lease Receivables account balance of ₱198,844.00 as of December 31, 2019 pertained to the unpaid rental and utilities by the lessees, shown as follows:

<b>Operating Lease Receivables Account as of CY 2019</b>		
<b>Age of Operating Lease Receivables</b>	<b>Balance as of December 31, 2019</b>	<b>Percentage</b>
1- 90 days	₱79,350.00	39.91
91 – 365 days	42,494.00	21.37
Over 1 year	77,000.00	38.72
<b>Total</b>	<b>₱198,844.00</b>	<b>100</b>

- 2.43 As can be gleaned from the table above, Operating Lease Receivables amounting to ₱77,000.00 or 38.72percent remained uncollected from lessees for more than one year, while ₱42,494.00 or 21.37percent were uncollected for 91-365 days and the remaining ₱79,350.00 or 39.91 percent was outstanding for 1-90 days.

- 2.44 The lack of efficient collection of the rent and utilities billed to the lessees account resulted in recurring balance of Operating Lease Receivables.

***f) Non-preparation/ submission of quarterly reports of all Receivables***

2.45 Section 6.2 of COA Circular No. 2016-005. *“All government entities shall prepare the schedule of all receivables, unliquidated cash advances, and fund transfers as of December 31, 2015 and quarterly thereafter (underscoring ours).”*

2.46 Section 122 of PD No. 1445. **Submission of reports.** Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

(1) Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.

(2) No appropriation authorized in the General Appropriations Act shall be available to pay the salary or any official or employee who violates the provisions of this section, without prejudice to any disciplinary action that may be instituted against such official or employee.

2.47 The Audit Team observed that the College did not submit the quarterly schedule of all receivables as prescribed by the said circular. Rather, the Accounting Office submit the schedules on an annual/year-end basis, thus, may have affected the efficient monitoring and settlement of the outstanding balances of all receivable accounts.

2.48 The foregoing deficiencies in the handling of all the Receivable Accounts adversely affected their reliability and fair presentation in the financial statements.

2.49 **We recommended that Management:**

- a. **create a committee/action team to establish the details of the all receivables, monitor and enforce collections/settlement of thereof through demand letters/monthly summary of follow-ups;**
- b. **submit, thru the Accounting Office, the schedule or the list of students-borrowers to support the claim on loan receivables account;**
- c. **file the request for authority to write-off dormant receivable accounts with the COA Audit Team Leader and/or Supervising**



**Auditor supported with the documents pursuant to Items 8.2 and 8.3 of COA Circular No. 2016-005 dated December 19, 2016; and**

- d. prepare and submit the quarterly schedule of all receivables to the Audit Team, within a reasonable time of 30 days from receipt hereof, to preclude the withholding/suspension of salaries of the officials and employees concerned for the non-submission thereof, pursuant to Section 6.2 of COA Circular No. 2016-005 dated December 19, 2016 and Section 122 of PD No. 1445.**

2.50 The College President and Vice President for Admin and Finance (VPAF) commented that the Management is continuously sending demand letters to the students, of which majority were not responsive and considering the option of preparing request for write-off of the accounts by submitting the required documents.

**Auditor's Rejoinder:**

2.51 The Audit Team requested the Management to furnish them copies of the demand letters and other actions taken by them. PhilSCA must come up with a solution for the collection of the receivables, otherwise, they should duly request for write-off of the accounts from COA.

**g) *Unliquidated fund transfers for more than five to seven years and delayed/non-submission of the required quarterly reports for the schedule/ aging of the fund transfers***

2.52 Section 6 of COA Circular No. 2016-005 dated December 19, 2016 prescribes the general guidelines in reconciling the books of accounts for fair presentation in the FSs and the preparation of schedules thereof, to wit:

Section 6.1 All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon their nature and purpose.

Section 6.2 All government entities shall prepare the schedule of all receivables, Unliquidated cash advances, and fund transfers (underscoring ours) as of December 31, 2015 and quarterly (underscoring ours) thereafter.

2.53 Outstanding balance of Due from NGAs account amounting to ₱1,442,106.35 as of December 31, 2019 remained unliquidated for more than five to seven years and might result in risks of dormancy.

2.54 Based on the schedule/aging of the Due from NGAs as of December 31, 2019, fund transfers to DBM-PS totaling ₱1,442,106.35 remained outstanding in the books for more than five to seven years, presented as follows:

<b>Dormant Due from NGAs as of December 31, 2019</b>				
<b>No.</b>	<b>Purpose</b>	<b>Date Granted</b>	<b>Balance as of December 31, 2019</b>	<b>Aging of Account</b>
1	Balance – Purchase of One (1) unit Mini Bus	7/7/2012	₱ 56,800.00	more than 7 years
2	Balance – Purchase of Ninety (90) units of Desktop Computers	9/7/2012	605,232.00	
3	Balance – Purchase of Eighty (80) units of Desktop Computers	12/17/2012	327,550.00	
<b>Sub-total</b>			<b>989,582.00</b>	
4	Purchase of ICT Equipment	6/29/2014	452,434.70	more than 5 years
<b>Total (Per Schedule of Accounting - 12/31/2019)</b>			<b>₱ <u>1,442,016.70</u></b>	

2.55 Of the funds transferred to the DBM-PS, the amount totaling ₱989,582.00 referred to the balance of the delivered one) unit of Mini Bus and 170 units of desktop computers, which remained unliquidated for more than seven) years.

2.56 Furthermore, the balance of ₱452, 434.70 pertained to the ICT equipment that remained undelivered for more than five years.

2.57 The College did not comply with the previous years' audit recommendations to make representation with DBM-PS for the return of the balance of the fully delivered equipment, supplies and materials; and the complete delivery of the ICT equipment, thus the amount totaling ₱1,442,106.35 as of December 31, 2019 remained unliquidated for more than five to seven years and, thereby increased the risk of the account being dormant.

2.58 Quarterly schedules or aging of Due from NGAs account were delayed and not submitted by the College.

2.59 Review of the submission of schedules of fund transfer revealed that PhilSCA was not able to duly submit on time the quarterly schedule of fund transfers, to monitor and settle the outstanding fund transfers prescribed in COA Circular No. 2016-005 dated December 19, 2016.

2.60 The balance of Due from NGAs account cannot be relied upon due to non-reconciliation of the Accounting Office with DBM-PS records to establish the correct amounts of both delivered and undelivered items; non-observance of the timely and proper process of recognition/recording; the non-compliance with the prior years' audit recommendations to make representation and settle the Unliquidated balance with the DBM-PS; and the delayed/non-submission of quarterly schedules of fund transfers and increasing risk of dormancy of the Unliquidated funds.

**2.61 We recommended that Management:**

- a. make representation with the DBM-PS for the return of the balance of the fund transfers for the fully delivered items;**
- b. evaluate the need of the PhilSCA for the undelivered equipment, otherwise, make representation with the DBM-PS for the change of purchase request 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; and**
- c. submit on time the schedules of fund transfers on a quarterly basis.**

***h) Deficiencies in the Granting and Liquidation of Cash Advances - ₱3,785,969.94***

2.62 The absence of strict monitoring and enforcement on the granting and liquidation of cash advances in a timely manner resulted in: a) grant of additional cash advances totaling ₱292,000.00 without first liquidating the previous cash advances made; b) unliquidated cash advances of ₱1,298,931.94 as of December 31, 2019 despite the purposes for which these were granted had been served; and c) cash advances to Special Disbursing Officers (SDOs), and Advances to Officers and Employees (OE) totaling ₱4,466,412.02 were liquidated beyond the prescribed period during CY 2019, contrary to the pertinent provisions of Section 89 of PD No. 1445 and COA Circular No. 97-002, thus affected the reliability of the account balances of Advances to SDO, and Advances to Officers and Employees presented in the FSs as of December 31, 2019.

2.63 Section 89 of PD No. 1445 provides that no cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

- 2.64 As of December 31, 2019, the Advances to SDOs, and Advances to Officers and Employees (OEs) had reported outstanding balances of ₱3,316,438.00 and ₱469,531.94, respectively, broken down as follows:

<b>Advances to SDOs and Advances OEs Balances as of December 31, 2019</b>			
<b>Account</b>	<b>Amount (In PhP)</b>		
	<b>Fund 01</b>	<b>Fund 05</b>	<b>Total</b>
Advances to Special Disbursing Officers (SDO)	551,500.00	2,764,938.00	3,316,438.00
Advances to Officers and Employees (OE)	86,951.00	382,580.94	469,531.94
<b>Total</b>	<b>638,451.00</b>	<b>3,147,518.94</b>	<b>3,785,969.94</b>

- 2.65 Deficiencies were noted in the granting, utilization and liquidation of cash advances as follows:

***a. Cash Advances totaling ₱292,000.00 were granted without first liquidating the previous cash advances***

- 2.66 Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 states that “no additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.”

- 2.67 Review of the schedule of cash advances as of December 31, 2019 revealed that there were additional cash advances (CAs) granted to one Accountable Officer (AO) without first liquidating the previous CAs made which accumulated to ₱292,000.00, as presented below:

<b>One AO's Cash Advances as of December 31, 2019</b>					
<b>Name of AO</b>	<b>Purpose of Cash Advance</b>	<b>Fund</b>	<b>Date</b>	<b>Check No.</b>	<b>Balance</b>
Genesis Gabriel	CA for travelling expenses to attend the 3rd ACAD Meeting on November 13, 2019 at PhilSCA VAB	05	11/13/2019	91315	<b>₱14,000.00</b>
	CA for the financial benefits of Tulong Dunong grantees	05	12/9/2019	91402	<b>278,000.00</b>
<b>Total</b>					<b>₱292,000.00</b>

***b. Cash Advances totaling ₱1,298,931.94 remained unliquidated as of yearend despite the purposes for which these were given have already been served.***

2.68 Section 4.1.3 of COA Circular No. 97-002 states that a cash advance shall be reported on as soon as the purpose for which it was given has been served.

2.69 Section 5 of the same Circular prescribes the reglementary period in the liquidation of field operating expenses, foreign and local travels, as follows:

Section 5.1.2 Petty Operating Expenses and Field Operating Expenses – within twenty (20) days after the end of the year; subject to replenishment as frequently as necessary during the year.

Section 5.1.3 Official Travel – within sixty (60) days after the return to the Philippines in the case of foreign travel or within thirty (30) days after the return to his permanent official station in the case of local travel, as provided for in EO 248 and COA Circular No. 96-004.

Failure of the AO to liquidate his cash advance within the prescribed period shall constitute a valid cause for the withholding of his salary and the imposition of other sanctions as provided for under paragraphs 9.2 and 9.3 hereof.

Section 5.7 When a CA is no longer needed or has been used for a period of two months, it must be returned or refunded immediately;  
and

Section 5.8 All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.

2.70 Review of records disclosed that advances of ₱1,298,931.94 with age 31 days to more than one year have remained unliquidated as of year-end. The purposes of these cash advances had already been served/completed and the reglementary period for the liquidation had lapsed, contrary to COA Circular No. 97-002. Details presented as follows:

Cash Advances Aged 31 Days To More Than One Year						
Name of AO		Check No.	Date	Amount	Actual No. of Days Out-standing	Aging of CA (days) 12/31/2019
1.	Marwin M. Dela Cruz	153660	9/30/2019	₱500,000.00	92	31-90 days
2.	Rodante Flores	153696	10/15/2019	51,500.00	77	31-90 days

Cash Advances Aged 31 Days To More Than One Year						
	Name of AO	Check No.	Date	Amount	Actual No. of Days Out-standing	Aging of CA (days) 12/31/2019
3.	Arthur Dela Peña	91325	11/14/2019	100,000.00	47	31-90 days
4.	Ginalyn Cordovilla	91328	11/14/2019	211,650.00	47	31-90 days
5.	Dennis Cuellar	149889	8/27/2019	26,710.00	126	91-365 days
6.	Ma. Barbara Gaco	149890	8/27/2019	26,491.00	126	91-365 days
7.	Patrick John Mansujeto	78108	12/9/2018	75,000.00	387	more than 1 year
8.	Ma Flordeliza Zafra	83968	2/19/2019	24,300.00	315	91-365 days
9.	Mae Naynes	84366	6/11/2019	22,811.40	203	91-365 days
10.	Kenneth Camyr Mindajao	84367	6/11/2019	29,650.00	203	91-365 days
11.	Romualdo Intia	84368	6/11/2019	29,650.00	203	91-365 days
12.	John Kennedy Villanueva	91281	11/6/2019	23,050.00	55	31-90 days
13.	Lea Lanete	91309	11/11/2019	8,600.00	50	31-90 days
14.	Ma Verma Prosperoso	91311	11/11/2019	8,600.00	50	31-90 days
15.	Gladelyn Panganiban	91312	11/11/2019	8,420.00	50	31-90 days
16.	Greogorio Echavez	91314	11/13/2019	14,000.00	48	31-90 days
17.	Genesis Gabriel	91315	11/13/2019	14,000.00	48	31-90 days
18.	Nonadel Soriano	91317	11/13/2019	14,000.00	48	31-90 days
19.	Carlito Quaimbao Jr.	91324	11/14/2019	17,275.54	47	31-90 days
20.	Portia Suazo	91341	11/18/2019	25,500.00	43	31-90 days
21.	Sancho Morfe	91353	11/18/2019	26,074.00	43	31-90 days
22.	Ramsey Ferrer	91372	11/27/2019	12,350.00	35	31-90 days
23.	Contessa Castro	91307	11/11/2019	29,300.00	50	31-90 days
	<b>Total</b>			<b>₱1,298,931.94</b>		

2.71 As can be gleaned from the table above, a cash advance granted to Mr. Marwin M. Dela Cruz with Check No. 153660 dated September 30, 2019 amounting to ₱500,000.00 for expenses to be incurred for printing materials for advertisement purposes remained unliquidated as of year-end.

*c. Cash Advances totaling ₱4,466,412.02 were liquidated beyond the reglementary period*

2.72 Audit of the liquidation reports submitted for CY 2019 disclosed that cash advances totaling ₱4,466,412.02 or 45 percent of the total liquidations were liquidated beyond the reglementary period of 20 days for field operating expenses; 30 days for local travels and 60 days for foreign travels, presented as follows:

<b>Cash Advances Liquidated Beyond the Reglementary Period</b>				
<b>Observations</b>	<b>Purpose of Cash Advances</b>	<b>Amount of Cash Advances</b>	<b>Amount Liquidated</b>	<b>Delays in Liquidation</b>
Cash advances liquidated <u>within</u> the prescribed reglementary period	Travel	₱1,791,825.86	₱1,791,825.86	-
	Special Purpose (Commencement exercises, teambuilding activities, athletes' allowances, etc.)	3,614,369.00	3,614,369.00	-
Compliance with the period of liquidation cannot be determined due to absence of period covered on grant of cash advance	Travel	75,429.52	75,429.52	-
Cash advances liquidated <u>beyond</u> the prescribed reglementary period, from the time purpose of the CAs have been served	Travel	763,787.02	763,787.02	1-150 days
	Special Purpose (Commencement exercises, teambuilding activities, athletes' allowances, etc.)	3,702,625.00	3,702,625.00	3-60 days
<b>Total Liquidations CY 2019</b>		<b>₱9,948,036.40</b>	<b>₱9,948,036.40</b>	
<b>Percentage of cash advances liquidated <u>beyond</u> the reglementary period as of December 31, 2019</b>			<b>45</b>	

2.73 The period of liquidation of cash advances totaling ₱75,429.52 cannot be determined due to the absence of period covered in the grant of cash advance and pertinent schedules and documents.

2.74 The non-adherence to the pertinent provisions of Section 89 of PD No. 1445 and COA Circular No. 97-002 due to the absence of strict monitoring and enforcement in the granting and liquidation of cash advances resulted in the granting of cash advances without first liquidating the previous cash advances; cash advances remained unliquidated as of year-end and their liquidations were beyond the prescribed period.

2.75 Thus, these affected the timely recognition of various Expenses accounts, the timely refund of unused cash advances, and the reliability of the balances reflected in the Financial Statements.

2.76 **We recommended that Management:**

- a. **prepare and submit, for approval, to the Board of Trustees the action plan/internal control measures (including the withholding of salaries) on the monitoring and compliance of the grant, utilization and timely liquidation of cash advances with the PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997;**
- b. **observe faithfully the provisions of COA Circular No. 97-002 and require all concerned officials and employees with outstanding cash advances to liquidate their cash advances; and**
- c. **hold liable the persons responsible for granting additional cash advance despite non-liquidation of the previously recorded cash advances.**

2.77 Management commented that the College will strictly observe the COA circulars on liquidation of CAs. They have sent demand letters to the officials and employees with unliquidated CAs as of the year-end.

i) *Practice of automatically recording the purchases of supplies as outright expenses upon payment; non-maintenance of Supplies Ledger Cards (SLCs) and Stock Cards (SCs) by the Accounting and the Supply Offices, respectively; non-conduct of the physical count of inventories to substantiate the accuracy of the reported balances; and non-preparation and submission of the Report of Physical Count of Inventories (RPCI)*

2.78 Section 17, Chapter 8, Volume I of the same GAM prescribes for use the *Records, Forms and Reports* to be prepared and/or maintained, as follows:

- b. Stock Card (SC) (*Appendix 58*) – shall be used to record all receipts and issues of supplies and the balance in quantity at any time. It shall be maintained by the Property and/or Supply Division/Unit for each item in stock. The IAR, RIS, PO and DR serve as the



original sources of information for making entries on the card.

- c. Supplies Ledger Card (SLC) (*Appendix 57*) – shall be used to record materials received, issued and the balance both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. The IAR, RIS, RSMI, PO and DR serve as the original sources of information for making entries on the card.
  - g. Report of Supplies and Materials Issued (RSMI) (*Appendix 64*) – shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.
  - i. Report on the Physical Count of Inventories (RPCI) (*Appendix 66*) – shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.
- 2.79 Per *Appendix 64*, the RSMIs are required to be prepared by the Supply and/or Property Division to report/summarize all issues of inventories (by stock number) during the day. At the end of the month, all RSMIs shall be consolidated by the Accounting Division for the preparation of the JEV. The Accounting Division and Supply and/or Property Division shall conduct periodic reconciliation of the SLC and SC to identify and adjust any discrepancy.
- 2.80 *Appendix 66*, GAM for NGAs, Volume II states that the RPCI is used to report the physical count of inventory items by type such as Office Supplies Inventory; Accountable Forms Inventory; Medical, Dental and Laboratory Supplies Inventory; Food Supplies Inventory, etc. which are owned by the agency/entity. It shall be prepared semi-annually by the Inventory Committee and by fund cluster.
- 2.81 RPCI shall be reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly. The report shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

- 2.82 The practice of the Accounting Office of automatically recording the purchases of supplies as outright expenses upon payment rendered the Drugs & Medicines Inventory, Medical, Dental & Laboratory Supplies Inventory, Fuel, Oil & Lubricants Inventory; and Other Supplies & Materials Inventory accounts with zero balances.
- 2.83 These are assets that should be fairly valued and should have actual physical existence as presented in the FSs. The physical inventory of these assets should be undertaken every semester to ensure the correctness of records and integrity of property custodianship.
- 2.84 Whether, there are stocks or none to physically count, the conduct of physically count is important, more so the preparation and submission of the RPCI. The RPCI validates the accuracy of both the Supply and Accounting records after the reconciliation procedures to avoid discrepancies and misstatements in the reported FS balances.
- 2.85 **We recommend that Management:**
- a. **stop the practice of recording the purchases of supplies as outright expenses;**
  - b. **prepare and submit to the Accounting Office, the RIS and RSMI of the Supply Office using the GAM-prescribed form as basis for the JEV preparation in the recording of issuances;**
  - c. **conduct periodic reconciliation of the inventory records of the Supply Officer and the Accountant to detect errors in recording and other reconciling items, and effect the necessary adjustments;**
  - d. **maintain updated SCs and SLCs for all inventory items to ascertain the accuracy of the Inventory account balance; and**
  - e. **undertake complete physical inventory every six months, and submit the GAM-prescribed RPCI to ascertain the correctness of the inventory balances and early detection of possible losses.**
- 2.86 Management commented that the officials in the regional campuses have been instructed to coordinate with the property officer at the Main Campus. Management likewise acknowledged the lapses in inventory processing/ monitoring/recording.

*j) Discrepancies of PPE account balance*

- 2.87 Non-conduct of complete annual physical inventory count of PPE for all campuses; non-submission of RPCPPE; non-maintenance of PCs by the Property Officer; and absence of regular reconciliation of Accounting and Property records resulted in the College' inability to establish the actual value of property accountability and high exposure to loss of government assets without early detection and recovery. Furthermore, the book balance of PPE account of ₱337,797,803.20 did not tally with the disclosed amount in the Notes to Financial Statements of ₱329,859,153.92 or a difference of ₱7,938,649.28, hence cast doubts on the existence of recorded PPE items and rendered the year-end reported balance unreliable contrary to pertinent sections of the GAM for NGAs, Volumes I and II.
- 2.88 Section 38, Chapter 10, Volume II of the GAM for NGAs provides that **“Physical Count of PPE.** The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 70) as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found at station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.”
- 2.89 Likewise, Section 42, Chapter 10, of the same Manual, Volume I states that **“Accounting and Property Records to be maintained for PPE.** The Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.”
- 2.90 For CY 2019, the PPE of PhilSCA amounted to ₱337,797,803.20, as shown in the submitted FSs and as follows:

<b>Property, Plant and Equipment CY 2019</b>			
<b>Classification</b>	<b>Acquisition Costs</b>	<b>Accumulated Depreciation</b>	<b>Carrying Value-12/31/19</b>
	<b>(In PhP)</b>		
Land	255,000,000.00	-	255,000,000.00
Buildings	2,999,284.20	-	2,999,284.20
School Buildings	47,468,991.00	23,920,076.28	23,548,914.72
Other Structures	10,376,989.17	10,381.95	10,366,607.22
Office Equipment	27,404,951.94	19,624,667.51	7,780,284.43

<b>Property, Plant and Equipment CY 2019</b>			
<b>Classification</b>	<b>Acquisition Costs</b>	<b>Accumulated Depreciation</b>	<b>Carrying Value-12/31/19</b>
	<b>(In PhP)</b>		
Information & Communication Technology Equipment	34,417,716.38	28,473,980.93	5,943,735.45
Communication Equipment	1,477,540.00	970,514.47	507,025.53
Disaster Response & Rescue Equipment	292,800.00	246,429.27	46,370.73
Medical Equipment	395,800.00	277,885.78	117,914.22
Sports Equipment	595,915.00	188,556.48	407,358.52
Technical & Scientific Equipment	20,712,474.82	14,841,773.48	5,870,701.34
Other Machinery & Equipment	11,959,436.21	1,809,873.05	10,149,563.16
Motor Vehicles	11,761,376.30	6,549,538.70	5,211,837.60
Aircrafts & Aircrafts Ground Equipment	13,995,773.33	11,268,961.65	2,726,811.68
Furnitures & Fixtures	8,383,680.38	1,460,696.09	6,922,984.29
Books	1,566,400.00	1,469,408.49	96,991.51
Other Property Plant & Equipment	1,014,186.00	912,767.40	101,418.60
<b>Total</b>	<b>449,823,314.73</b>	<b>112,025,511.53</b>	<b>337,797,803.20</b>

2.91 The Audit Team appreciated that the Accounting Office submitted the list of their PPE items in an Excel file which serves as their PPELC. However, in the submitted PPELC, it was observed that there were no columns for reference documents, accumulated impairment losses, issues/transfers/adjustments, adjusted costs, and repair history/the nature of repair and its corresponding amount.

2.92 The Accounting Office was able to submit the Notes to FSs last July 7, 2020. Comparison of the reported book balance of PPE with the disclosed amount in the Notes to FS revealed a difference of ₱7,938,649.28, as shown in a summarized format below:

<b>PPE Balances Between Per FS and Notes to FS</b>			
<b>PPE</b>	<b>Per FS</b>	<b>Per Notes to FS</b>	<b>Difference</b>
Amount	₱337,797,803.20	₱329,859,153.92	₱7,938,649.28

2.93 However, summarizing the submitted PPELC by the Accounting Office, it further revealed that the amount did not tally with both the balances per FS and per Notes to FS, as shown per fund cluster below:

<b>Fund Cluster</b>	<b>Carrying Value-12/31/2019</b>
01	₱ 17,704,867.45
05	312,368,076.62
<b>Total</b>	<b>₱ 330,072,944.07</b>

- 2.94 Appendix 70, GAM for NGAs, Volume II states that the PPELC shall be reconciled with the report on the physical count of the PPE, PC and the control accounts. Any discrepancies shall be immediately verified and adjusted.
- 2.95 The non-submission of RPCPPE, non-maintenance of PCs and absence of regular reconciliation of Accounting and Property records resulted in different balances per FS, per Notes to FS and per PPELCs. The discrepancies cannot be immediately identified, verified and adjusted, thus rendered the reported balance of PPE account unreliable and of doubtful validity.
- 2.96 The considerable delay in the recording of financial transactions plus the non-conduct of the annual physical inventory taking are indications for the Management to institute measures to improve its operations particularly in accounting, property management and controls to establish the actual value of property accountability and to avoid high exposure to loss of government assets without detection and recovery.
- 2.97 **We recommend that Management:**
- a. **reconcile regularly the respective PPE records and reports of the College Accountant and the Property Officer;**
  - b. **maintain PPELCs in the Accounting Office according to Appendix 70 of GAM for NGAs, Volume II to present all the necessary details/information for a PPE item;**
  - c. **maintain PCs in the Property Office to account for the receipt and disposition of PPE;**
  - d. **reconstitute the Inventory Committee and come up with a strategic plan, which may involve support from other personnel to conduct the physical inventory taking of PPE for all campuses and require the submission of a complete and duly signed as certified and approved RPCPPE to the Audit Team; and**
  - e. **observe timeliness in the recording of financial transactions and submission of Notes to FSs to the Audit Team and to concerned agency officials.**

- 2.98 Management will submit the RPCPPE as of December 31, 2019. The College President commented that they have reconstituted the Inventory Committee responsible for inventory-taking as well as disposal of unserviceable properties.

***k) Non-maintenance of subsidiary ledgers (SLs) for taxes withheld and remitted***

- 2.99 The accounting Office did not maintain SLs for taxes withheld on compensation and/or goods and suppliers; and remittances thereon, contrary to the provisions of Appendix No. 6 of the GAM for NGAs, Volume II.
- 2.100 The balance reported in the submitted FSs for CY 2019 of Due to BIR account is unreliable and is of doubtful validity due to the discrepancies per audit and balances reflected per FSs; erroneous recording of taxes withheld for previous and current years yet remained unremitted; and non-maintenance of SLs.
- 2.101 **We recommended that Management maintain SLs for the Due to BIR and other accounts related thereto.**
- 2.102 The College President reiterated that starting July 2020, the Accounting Unit will upgrade their SLs from manual (yellow card) to excel file format for taxes withheld and remitted to avoid errors and easy monitoring.

**COMPLIANCE AUDIT**

***Deficiencies in the cash management and accountability***

3. **Deficiencies in the cash management and accountability during the conduct of cash examinations were noted such as: a) Cashbook/CRR or its equivalent was not properly maintained by the Collecting Officer to monitor accountabilities; b) The SDO has expired bond; c) The PCFCs and the SDOs have no functional/appropriate safe, vault, cash receptacles or a secured cabinet for proper safekeeping of the cash and cash items; and d) Non-maintenance of Cash Disbursement Record (CDR) by the SDOs.**
- 3.1 During the conduct of cash examination for CY 2019, several deficiencies in the cash management and accountability were noted as follows:

<b>Deficiency</b>	<b>Observation</b>	<b>Criteria</b>
Cashbook/ CRR) or its equivalent, was not properly maintained by the Collecting Officer to monitor accountabilities	Review of the records of the CO showed that there was no proper monitoring made since the records were not in compliance with Appendix 29 the GAM for NGAs, Volume II. Moreover, the records maintained by the CO were not certified correct at the end of each month as well as the undeposited collections were not recorded immediately, thus, the accountability cannot be readily ascertained.	Appendix 29 of GAM for NGAs, Volume II
The SDO has expired bond	Verification of the fidelity bonds disclosed that Mr. Raymund S. Tacuboy, assigned as Campus Director at PhilSCA-FAB Campus, Lipa City has already expired two days after the cash examination of the Audit Team. Upon inquiry with the Management, no request is done for the renewal of bonds. Likewise, the Accounting Department of PhilSCA-Main Campus confirmed that, to date, there were still no replenishments made by the SDO. Therefore, the actual cash counted amounting to ₱25,027.50 is still in the hands of the named SDO despite having expired bonds. With the expired fidelity bonds of the SDO, there is the risk that in case of losses from shortages or unrelieved accountabilities, PhilSCA would not be able to recover such losses considering that his fidelity is no longer insured with the Bureau of Treasury.	a) Section 101 of PD No. 1445; b) Treasury Circular No. 02-2009 dated August 6, 2009
The PCFCs and the SDOs have no functional/appropriate safe, vault, cash receptacles or a secured cabinet for proper safekeeping of the cash and cash items.	During the cash count, the PCFs and cash items and related documents/records of the AOs were not personally kept in a safe, vault, cash receptacles or secured cabinet. Instead, the cash and cash items in the custody of the AOs were kept in a hand-carried safety box, pouch bag and envelopes; and the pertinent documents in the office drawers. The lack of a functional safe/vault exposes government funds and documents under AOs accountability to the risks of losses through theft or misplacement.	Section 52 of GAAM, Volume III
Non-maintenance of Cash Disbursement Record (CDR) by the SDOs	The SDO did not maintain any CDR as required and prescribed by the mentioned provisions, hence, no monitoring has been made for the CAs and utilizations/disbursements made thereon and rendered the SDO's cash accountabilities/ cash advance balances difficult to reconcile.	a) Section 17, Chapter 6 of GAM for NGAs Volume I and Par. 7, Chapter 2, Revised Cash Examination Manual (RCM); b) Appendix No. 40, Volume II of the GAM
Non-Maintenance of SLs by the Accounting Office	The Audit Team requested the Accounting Office for a copy of SLs of the AOs subjected to cash examination and a certification of the SL balance. To date, the requested SLs of the said SDOs were not yet submitted. Only the certifications were forwarded.	a) Appendix No. 6, GAM for NGAs, Volume II

Deficiency	Observation	Criteria
	<p>The non-maintenance of SLs per AO resulted in the difficulty in matching the cash advances granted as against the corresponding liquidations and refunds thereof.</p> <p>Likewise, the presence of account balances without supporting details casts doubt on the validity and propriety of the affected accounts in the FSs.</p>	

**3.2 We recommended that Management:**

- a. maintain a cashbook/CRR or its equivalent to record immediately and monitor all collections and deposits made;**
- b. see to it that the fidelity bonds of all AOs are up to date always, thus avoiding their expiry and that the recovery of losses arising from cash shortage, if any, are assured;**
- c. provide all PCFCs and SDOs appropriate safe, vault, cash receptacles or secured cabinet to be used for proper safekeeping of the cash and cash items and related documents/records;**
- d. instruct the SDO to maintain a CDR to record and monitor all CAs received and utilizations/disbursements made thereon; and**
- e. thru the Accountant, maintain SLs to facilitate verification of the SL balances per AO and other affected account balances as required under Appendix 6, GAM for NGAs, Volume II.**

3.3 The College President commented that they relieved the previous AO of his duties upon expiry of his bonds and assigned another employee as PCFC.

3.4 Management has incorporated in their Annual Procurement Plan the procurement of safety vaults for CY 2020. Management will follow the prescribed format as required by GAM, and reassured the Audit Team that next cash examination the AO shall have the required CDR record. The College Accountant will maintain computerized SLs for easy monitoring.

***Deficiencies in Managing the Petty Cash Fund (PCF)***

- 4. Deficiencies in managing the Petty Cash Fund (PCF) were noted such as: a) Replenishment of Petty Cash Fund (PCF) takes more than 68 days to 171 days; b) The PCFC does not maintain the prescribed Report on Paid Petty Cash Vouchers (RPPCV) and PCF Record (PCFR) to monitor, control and report transactions; and c) Petty Cash Vouchers (PCVs) were not duly signed and accomplished.**



- 4.1 Section 35, Chapter 6, GAM for NGAs, Volume I states that the PCF to be set up shall be sufficient for the recurring petty operating expenses of the agency for one month.
- 4.2 Section 35, thereof, also states that all disbursements out of PCF shall be covered by duly accomplished and approved PCV supported by cash invoices, ORs and other evidence of disbursements.
- 4.3 Section 36 enumerates the documentary requirements on the liquidation of PCF including the (RPPCV and PCV's duly accomplished and signed.
- 4.4 Also, Section 37 thereof states that the PCFC shall prepare the RPPCV and maintain the (PCFR to monitor and control the granting and utilization of the fund.
- 4.5 On August 6, 2019 and August 15, 2019, the Audit Team conducted examination of the cash and accounts of Ms. Wilma N. Mejia and Mr. Raymund Tacuboy, respectively, and observed the following deficiencies in the handling of their PCFs:

Deficiencies	Observation	
	Ms. Wilma Mejia	Mr. Raymund Tacuboy
a) Replenishment of Petty Cash Fund (PCF) takes more than 68 days to 171 days.	<p>PCF handled by Ms. Mejia takes an average period of 68 days or 2.27 months to be replenished.</p> <p>At the time of examination, Ms. Mejia's cash on hand was ₱18,536.00 and unreplenished PCVs of ₱11,514.00 covering two months of petty expenses. Monthly petty expenses only amounted to an average of ₱11,070.23. The PCF was excessive by ₱19,000.00 for the monthly recurring petty operating expenses, contrary to Section 35 of GAM for NGAs, Volume I. Such excess amount on hand could be used for other necessary expenses of the Agency and the same was exposed to risk of loss or probable misuse.</p>	<p>Petty Cash Fund handled by Mr. Tacuboy takes an average of 171 days or 5.63 months to be replenished.</p> <p>Mr. Tacuboy replenished his PCF only once since the time the PCF was granted on September 12, 2018 and the average monthly expenses charged to his PCF for the period of 12 months is ₱5,224.15.</p> <p>At the time of examination, Mr. Tacuboy's cash on hand was ₱25,027.50 and unreplenished expenses of ₱24,972.50 covering more than five months of petty expenses. Since monthly petty operating expenses for PhilSCA-FAB Campus only amount to an average of ₱5,224.15, the PCF appeared to be excessive by ₱44,000.00 for recurring petty operating expenses for one month, contrary to Section 35 of GAM for NGAs, Volume I. Such excess amount on hand could be used for other necessary expenses of the agency and the same were exposed to risk of loss or misuse.</p>

Deficiencies	Observation	
	Ms. Wilma Mejia	Mr. Raymund Tacuboy
b) The PCFC does not maintain the prescribed Report on Paid Petty Cash Vouchers (RPPCV) and PCF Record (PCFR) to monitor, control and report transactions	<p>The PCFC does not maintain the prescribed PCFR (Appendix 50) and RPPCV (Appendix 49) to monitor and control the accountability/ balance of the PCF. The RPPCVs shall be the basis in the preparation of the JEV which shall be recorded by the bookkeeper in the CDJ. The Accounting Division/Unit shall maintain SL to monitor and control accountability. Instead, the PCFC keeps a logbook of petty cash expenses.</p> <p>It shows that the PCFC was not properly briefed/instructed on the discharge of her duties on the proper recording of transactions, the use of proper forms and records to be maintained relative to her work as PCFC as required under Section 37, Chapter 6, GAM for NGAs, Volume 1.</p>	<p>It was noted that the PCFC does not maintain the prescribed RPPCV and PCFR to monitor and control the accountability/balance of the PCF, but instead keeps a logbook for petty cash expenses. It shows that the PCFC was not properly briefed/instructed on the discharge of his duties such as proper recording of transactions, the use of proper forms and records to be maintained relative to his work as PCFC as required under Section 37, Chapter 6, Volume 1 of GAM for NGAs, which states that the PCFC shall prepare the RPPCV and maintain the PCFR to monitor and control the granting and utilization of the fund.</p>
c) Petty Cash Vouchers (PCVs) were not duly signed and accomplished		<p>PCVs amounting to ₱8,692.75, not duly accomplished/signed by the PCFC and the required recipients/employees are not in accordance with Section 35 of GAM for NGAs, Volume I which states that "All disbursements out of PCF shall be covered by duly accomplished and approved PCV supported by cash invoices, ORs and other evidence of disbursements," and Section 36 which requires duly accomplished and signed PCVs, as documentary requirement in the liquidation of petty cash.</p>

#### 4.6 We recommended that Management:

- a. abide by the rules and regulations in handling petty cash fund particularly on the use of PCFR, the required forms and records in the monitoring and control of the PCF;
- b. give proper instructions on the duties and responsibilities of the PCFC;
- c. ensure that supporting documents necessary or required in each transactions are duly signed and accomplished; and

- d. review the amount of PCF that should be sufficient for the recurring petty operations of the Campus for one month.

*STF Budget Utilization*

5. **Lapses in the programming of the Special Trust Fund (STF) budget and execution of the programmed projects and budget reporting of PhilSCA for CY 2019 were noted which include, among others a) deficiencies in the submission of documents to support the budget proposal; b) non-compliance with the prescribed classification of funds; c) no supporting schedule/breakdown of fiduciary funds and other fiduciary funds; d) variance of ₱1,432,500.01 between the CY 2019 Programs of Receipts and Expenditures (PRE) and Financial Accountability Reports (FARs) 2 and 2-A, and e) unutilized STF budget totaling ₱64,596,904.66, contrary to the provisions of COA Circular No. 2000-002 dated April 4, 2000 and CMO No. 20, series of 2011, thus rendered the budget unreliable and caused the non-delivery of the much needed improvement of the College' facilities and equipment.**

- 5.1 RA No. 8292 or the Higher Education Modernization Act of 1997, Section 4(d) provides, among others, that:

Any income generated by the university or college from tuition fees and other charges, as well as from operation of auxiliary services and land grants, shall be retained by the university or college, and may be disbursed by the Board of Regents/Trustees for instruction, research, extension or other programs/projects of the university or college: Provided, that all fiduciary fees shall be disbursed for the specific purposes for which they are collected.

- 5.2 COA Circular No. 2000-002 dated April 4, 2000 prescribes the guidelines and procedures on the use of Income of SUCs pursuant to RA No. 8292.
- 5.3 CHED Memorandum Order (CMO) No. 20, series of 2011, dated August 4, 2011, prescribes the policies and guidelines for the use of income, Special Trust Fund (STF) and Programs of Receipts and Expenditures (PRE) of the State Universities and Colleges (SUCs). Pertinent provisions on Article I are herein emphasized:

Section 2. Scope of Application – The policy and guidelines shall be observed by the SUC for all receipts and collections accruing to the general income for use in operations, fiduciary funds, income generating or self-liquidating operations or activities (i.e. dorm rental, spaces for rent, service fees and charges, and the like), and regular trust funds (i.e. NSTP, Publication, PTA, SSG fund, and the like). SUC constitutes the main campus, satellite or branches and external campus and any other extension which is directly under the

supervision of the President or his duly authorized representative.

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

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

- 5.4 Upon review and analysis on the utilization of STF of the College, the Audit Team noted the following deficiencies:

***a. Deficiencies in the documents to support the Budget Proposal***

- 5.5 Section 22, Article IV of the CMO No. 20, series of 2011 prescribes the submission of documents to support the budget proposal, to wit:

*Section 22. Documents to Support Budget Proposal – The budget for the use of income shall be submitted for approval to the BOT. However, no budget shall be submitted for approval by the BOT unless the same is accompanied by the following:*

- a. A certificate duly signed by the Accountant that collections have been made, duly receipted and deposited in the official government depository bank. Such certification shall be broken down by college, campus, and fund (fiduciary, self-liquidating projects and activities and regular funds) showing the details of fees collected.*
- b. Annual Procurement Plan (APP)/Project Procurement Management Plan (PPMP)*

*All budget proposals for maintenance and other operating expenses requiring procurement shall be covered by an APP and PPMP duly signed by the deans, executive directors, fiduciary and IGP/Production fund administrators, and the President, and submitted for approval to the BOT.*

*This requirement and all other mandatory requirements under RA 9184 (Government Procurement Reform Act) shall be observed strictly to maximize the use of financial and material resources.*

*c. Investment Plan*

*All capital outlay and investment program must be covered by a BOT approved Project Procurement Management Plan.*

- 5.6 Section 23 of the same CMO prescribes the distribution of copies of the approved budget, to wit:

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

- 5.7 PhilSCA transmitted to the Audit Team the CY 2019 PRE, together with the supporting documents on July 31, 2019. However, the following deficiencies were noted:

<b>PhilSCA-Programs of Receipts and Expenditures (PRE) CY 2019</b>	
<b>Documents to Support Budget Proposal</b>	<b>Findings/ Observation</b>
Certificate of Collection duly signed by the Accountant	The College did not furnish the COA Office the certificate duly signed by the Accountant that collections have been made, duly receipted and deposited in the official government depository bank and broken down by college, campus, and fund (fiduciary, self-liquidating projects and activities and regular funds) showing the details of fees collected, contrary to the provisions of CMO No. 20 s. 2011, thus, reliability of the submitted CY 2019 PRE and its supporting schedules cannot be ascertained.
Annual Procurement Plan (APP)/ Project Procurement Management Plan (PPMP)	The submitted APP for CY 2019 was signed by the College President, the College Accountant and the Bids and Awards Committee (BAC) and lacked the signatures of the deans, executive directors, fiduciary and Income Generating Projects (IGP)/Production fund administrators, as required by CMO No. 20 s. 2011.
Investment Plan	No Investment Plan was submitted by the College to the Audit Team
<i>Other Supporting Documents Submitted</i>	

PhilSCA-Programs of Receipts and Expenditures (PRE) CY 2019	
Documents to Support Budget Proposal	Findings/ Observation
<p>Certified True Copy of Excerpt from the Minutes of the BOT Second Quarter Regular Meeting FY 2019 held on July 8, 2019</p> <p>Resolution No. 371, series of 2019 – Approving the Revision of APP CY 2019 and the CY 2019 APP.</p> <p>Resolution No. 372, series of 2019 – Approving the Revised PRE for CY 2019</p>	<p>The submitted Excerpt approving the revision of the CY 2019 APP was only signed/attested by the College President/Vice-Chairperson, but lacked the signatures of the Chairperson and the board members. It was also observed that the:</p> <ul style="list-style-type: none"> <li>• Excerpt did not contain any information on the nature, description and amount of the APP items/categories which were approved for revision by the BOT and was supported by the CY 2019 APP schedule.</li> <li>• Excerpt did not contain any information on the nature, description and amount of the items/category in the PRE which were approved for revision.</li> </ul>

- 5.8 The other documents/schedules submitted to support the budget were not in compliance with the prescribed structure, lacked proper basis and/or duly unsupported by any breakdown/schedules, thus reliability of the submitted budget cannot be ascertained.

***b. Non-compliance with the prescribed Classification of Funds***

- 5.9 Section 4, Article II of the above CMO prescribes the classification of funds for effective fund control and establishment of accountability of the responsibility center, to wit:

Section 4. Fund Structure – The SUC shall define its fund structure for the purpose of effective fund control and establishment of accountability of the responsibility center, which is also the fund administrator. Such structure is hereby outlined as follows:

I. Special Trust Fund

- a. Tuition Fees
- b. Service Income
- c. Other Income
- d. College-wide Common Fund
  - i. Common Administrative Fund
  - ii. Faculty Development Fund
  - iii. SUC-wide Committee Fund
  - iv. Other Common Funds that may be created to serve college-wide purpose

II. Fiduciary Fund

III. Other Fiduciary Funds

- b. Self-Liquidating Units
- c. Income-Generating Projects/Units (IGPs/IGUs)

- d. Regular Trust Funds (funds held in trust for a school organization or another government agency, entity or NGO, and the like).

This structure may be modified as the need arises when some fund accounts need to be created, renamed, removed, or after having been removed, was restored, all to be carried out as a consequence of the approval in an administrative council meeting and subsequently approved by the governing board.

5.10 From the submitted schedule on the use of income and STF (Annex B), the Audit Team observed that the said schedule did not conform with the fund structure prescribed under Section 4 of CMO No. 20, series of 2011, with the following deficiencies noted:

- The budget structure under STF was not observed;
- IGP collection was included under STF instead of Other Fiduciary Fund;
- The College-wide Common Fund was not identified into: a) Common Administrative Fund; b) Faculty Development Fund; c) SUC-wide Committee fund; and d) other common funds that may be created to serve college-wide purpose;
- The Fiduciary Fund was not supported by schedules/breakdowns of the fiduciary fees collected from the students and/or billed to CHED;
- Other Fiduciary Funds were not identified into: a) Self-Liquidating Units; b) Income-Generating Projects/Units (IGPs/IGUs); and c) Regular Trust Funds (funds held in trust for a school organization or another government agency, entity or NGO, and the like).

5.11 Non-compliance with the prescribed fund structure defeated the purpose of effective fund control and establishment of accountability of the responsibility center, as required under Section 4 of CMO No. 20, thus reliability of the presented budget cannot be fully assured.

5.12 Moreover, as previously discussed, the submitted schedule of the use of income and STF (*Annex B*), was not duly supported by a certificate that collections have been made duly signed by the Accountant, duly receipted and deposited in the official government depository bank and broken down by college, campus, and fund (fiduciary, self-liquidating projects and activities and regular funds) showing the details of fees collected.

5.13 Also, accounts used in the budget proposal were not harmonized with the chart of accounts.

5.14 Section 5, Article II of the above CMO prescribes the establishment of Chart of Accounts which shall be harmonized with the pertinent fund structure, to wit:

Section 5. Chart of Accounts – A chart of accounts shall be established in

accordance with those prescribed by the Commission on Audit. For accounts unique or peculiar to the operation of the SUC, the same shall be prescribed through and integrated in the formulation of the internal policies, rules and regulations, including process flows. The chart of accounts shall also be harmonized pertinent to the fund structure stated in Section 4 hereof. The accounts to be included under each type of fund shall be appropriately defined and classified according to its nature and purpose.

- 5.15 COA Circular No. 2013-002 dated January 30, 2013 prescribes the adoption of the Revised Chart of Accounts (RCA) for NGAs effective January 1, 2014.
- 5.16 As previously discussed in the preceding deficiency, the College did not comply with the prescribed fund structure, thus the submitted CY 2019 PRE was not harmonized with the Chart of Accounts prescribed by COA Circular No. 2013-002 dated January 30, 2013.
- 5.17 It was observed that the prescribed Unified Account Code Structure (UACS) were not presented in the CY 2019 PRE and same with its supporting schedules, which were not in compliance with the pertinent provision of CMO No. 20 s. of 2011.
- 5.18 It was also noted that there was no basis for the distribution of share in the SUC-Wide common administrative cost, as discussed in the succeeding paragraphs.
- 5.19 Section 3 (d), Article I of CMO No. 20, s. 2011, defines SUC-wide Common Fund, to wit:

Section 3 (d), SUC-wide Common Fund – refers to the fund which was created out of the contribution of each unit on the basis of their pro rata share in the total tuition fee collection of the SUC to defray administrative costs to serve or benefit the whole college. This is usually managed in the main campus for administrative convenience. Implementations of the projects taken from this fund are implemented by the campus director authorized or tasked to do so.

- 5.20 Section 21, Article III of CMO No. 20 s. 2011 presents the basis for the distribution of share in the SUC-wide common administrative cost, to wit:

Section 21. Pro-rata distribution based on tuition fee as a measure of ability to pay – The basis for the distribution of share in the SUC wide common administrative cost shall be the tuition fee collection computed as follows:

<i>(1<sup>st</sup> semester enrolment of the preceding calendar year)</i> <i>+ (2<sup>nd</sup> semester enrolment (30%))</i>	<i>[collection per</i> <i>satellite/branch/</i> <i>campus]</i>
<i>(1<sup>st</sup> semester enrolment of the preceding calendar year)</i> <i>+ (2<sup>nd</sup> semester enrolment (30%))</i>	<i>[grand total – tuition</i> <i>fee collection as</i> <i>consolidated]</i>



*X Total Amount Appropriated for the Common Fund*

*= The Amount of Contribution or Share due from a Satellite/Branch/External Campus*

The amount due from a satellite campus, branch campus or external campus, as the case may be, shall be deducted from the actual tuition fee collected within the period covered by the budget period cut off. Consequently, if the budget period for the first quarter (January to March) shall be funded out of collections for December 16, 2009 to March 15, 2010, the amount due as contribution shall be deducted from the total collections, and the remaining amount to be distributed or allocated to the different functions and budgetary provisions as identified in Section 6 to Section 20. Xxx

- 5.21 The submitted Schedule of Use of Income and STF (Annex B) showed the per Campus allocation of SUC-wide common administrative cost for CY 2019 amounting to ₱113,874,714.97, presented as follows:

<b>Allocation of SUC-Wide Common Administrative Cost CY 2019</b>		
<b>Campus</b>	<b>Amount of Allocated SUC Wide Common Administrative Cost</b>	<b>Percentage of Allocation</b>
Villamor Airbase (VAB) Campus, Pasay	₱ 70,666,671.51	62.06
Basa Airbase (BAB) Campus – Palmayo Annex, Pampanga	13,008,394.74	11.42
Fernando Airbase (FAB) Campus - Batangas	11,841,279.88	10.40
Mactan Airbase (MAB) Campus – Medellin Annex, Cebu	18,358,368.84	16.12
<b>Total</b>	<b>₱ 113,874,714.97</b>	<b>100</b>

- 5.22 The above allocation of SUC-wide common administrative cost was not duly supported by a collection report of tuition fees for the 1st semester and 30 percent of tuition fees for the 2nd semester (per Campus) of the preceding calendar year, which is the basis of the pro-rata distribution of SUC-wide common administrative cost for each Campus, contrary to the provision of Section 21 of CMO No. 20 s. 2011, thus the allocations made lacked proper basis and prejudiced equitable distribution of common administrative cost for the Campuses.

***c. No Supporting Schedule/Breakdown of Fiduciary Funds and Other Fiduciary Funds***

- 5.23 Section 3 (e), Article I of CMO No. 2 defines Fiduciary Fund to which collection of fees intended for a specific purpose shall be used solely for the purpose for which it was authorized, to wit:

Section 3 (e), Article I - Fiduciary Fund – funds to which collection of fees intended for a specific purpose shall be used solely for the purpose for which

it was authorized to be collected. This includes athletic fee, cultural fee, computer fee, laboratory fee, shop fee, development fee, library fee, and the like. The listing of what is classified as fiduciary fund, as well as college, office or unit accountable for its utilization shall be stated in the report of collections which is submitted to the Board of Regents/Trustees (BOR/T) for approval.

- 5.24 Section 2.1.3 of COA Circular No. 2000-002 dated April 4, 2000 prescribes that *all fiduciary fees shall be disbursed for the specific purposes for which they are collected.*
- 5.25 PhilSCA's fiduciary fees based on the billing to CHED include: Athletic Fees, Computer Fees, Cultural Fees, Development Fees, Guidance Fees, Handbook Fees, Laboratory Fees, Library Fees, Medical and Dental Fees, and Registration Fees.
- 5.26 Review of the CY 2019 PRE showed an allocated budget for Fiduciary Fees and Other Fiduciary Fees in the amount of ₱132,920,459.57 and ₱31,564,664.23, respectively. However, only ₱40,120,760.00 and ₱13,447,500.00 of the fiduciary funds and other fiduciary funds, respectively, were programmed for implementation for CY 2019, thus resulted in idle funds totaling ₱110,916,863.80 that deprived the students of quality services, equipment and facilities.
- 5.27 It was further observed that the allocated budgets were not duly supported by any schedule/breakdown of the fees collected and the required certification from the Accountant, thus the presented budget lacked proper, equitable and justifiable basis for disbursements and unreliable, contrary to the provisions of COA Circular No. 2000-002 dated April 4, 2000.
- 5.28 Section 24 of CMO No. 20 s. 2011 discusses the *Implementation of the Budget*. Budget authorized by the BOR/T shall be implemented within the calendar year for which it was formulated. *The inclusive collection period and the Quarter for which the collection will be used shall be clearly and specifically stated. (Emphasis Ours).* xxx
- 5.29 The submitted Schedule of Use of Income and STF (Annex B) did not present clearly and specifically the inclusive collection period and the quarter for which the collection will be used, thus reliability of the proposed budget cannot be ascertained.

***d. Variance in the CY 2019 PRE and SABUDB/SABUDBOE amounting to ₱1,432,500.01***

- 5.30 The Audit Team noted that the Adjusted Budgeted Revenue reported in Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) (FAR No. 2) and SABUDB by Object of Expenditures (FAR No. 2-A) as of December 31, 2019 amounting to ₱179,755,231.63 was lower by ₱1,432,500.01 compared to the approved budget/expenditures presented in the CY 2019 PRE forwarded to the COA Office. Details are presented as follows:

Approved Budget/Expenditures CY 2019			
Particulars	PRE	SABUDBOE (FAR No. 2-A)	Difference
Personnel Services	₱15,215,842.39	₱13,783,342.39	₱1,432,500.00
MOOE	120,505,489.25	120,505,489.24	0.01
Capital Outlay	45,466,400.00	45,466,400.00	-
<b>Total</b>	<b>₱181,187,731.64</b>	<b>₱179,755,231.63</b>	<b>₱1,432,500.01</b>

- 5.31 As previously discussed, the CY 2019 PRE submitted by the College to the COA Office was revised per BOT Resolution No. 372, series 2019, however, information on the nature, description and amount of the items/category in the PRE which were approved for revision were not identified, thus as can be gleaned from the above table, resulted in a variance amounting to ₱1,432,500.01.

*e. Unutilized STF Budget for CY 2019 totaling ₱64,596,904.66*

- 5.32 The SABUDB (FAR No. 2) and SABUDBOE (FAR No. 2-A) as of December 31, 2019 presented utilization of the STF budget as follows:

Utilization of STF Budget CY 2019					
Particulars	Adjusted Budgeted Revenue	Budget Utilization	Percentage of Utilized Budget	Unutilized Budget	Percentage of Unutilized Budget
PS	₱13,783,342.39	₱9,264,101.77	67.21	₱4,519,240.62	32.79
MOOE	120,505,489.24	80,623,139.16	66.90	39,882,350.08	33.10
CO	45,466,400.00	25,271,086.04	55.58	20,195,313.96	44.42
<b>Total</b>	<b>₱179,755,231.63</b>	<b>₱115,158,326.97</b>	<b>64.06</b>	<b>₱64,596,904.66</b>	<b>35.94</b>

5.33 Of the ₱179,755,231.63 adjusted budgeted revenue, ₱115,158,326.97 or 64.06 percent of the allocated funds was utilized, leaving an unutilized amount of ₱64,596,904.66 or 35.94 percent of the budget. The unutilized amount consisted of ₱4,519,240.62 for Personnel Services (PS), ₱39,882,350.08 for Maintenance and Other Operating Expenses (MOOE) and ₱20,195,313.96 for Capital Outlay (CO).

5.34 Details of the unutilized budget are discussed below.

5.35 The SABUDBOE (FAR 2-A) for the period ending December 31, 2019 showed unutilized PS totaling ₱4,519,240.62 or 32.79 percent of the allotted amount, presented as follows:

<b>STF Unutilized Personnel Services (PS) CY 2019</b>				
<b>Particulars</b>	<b>Adjusted Budgeted Revenue (FAR 2-A)</b>	<b>Budget Utilization</b>	<b>Unutilized Budget</b>	<b>Unutilized Budget (in percentage)</b>
Salaries and Wages - Civilian	₱2,000,000.00	₱1,091,046.60	₱908,953.40	45.45
Honoraria - Civilian	9,915,342.39	6,457,335.17	3,458,007.22	34.88
Representation Allowance (RA)	360,000.00	287,500.00	72,500.00	20.14
Transportation Allowance (TA)	360,000.00	287,500.00	72,500.00	20.14
Other Personnel Benefit	1,148,000.00	1,140,720.00	7,280.00	0.63
<b>Total</b>	<b>₱13,783,342.39</b>	<b>₱9,264,101.77</b>	<b>₱4,519,240.62</b>	<b>32.79</b>

5.36 The major portion of the unutilized budget for PS were from Salaries and Wages –Civilian and Honoraria-Civilian in the amount of ₱908,953.40 and ₱3,458,007.22 respectively, due to unfilled/vacant positions, while the remaining unutilized amount of ₱152,280.00 comprised Representation Allowance, Transportation Allowance (RATA) and Other Personnel Benefits.

5.37 For CY 2019, total STF budget for MOOE amounted to ₱120,505,489.24, of which ₱80,623,139.16 or 66.90 percent was utilized, thereby leaving an unutilized budget of ₱39,882,350.08 or 33.10 percent. The details of the unutilized MOOE are presented as follows:

<b>STF Unutilized MOOE Budget CY 2019</b>					
<b>Particulars</b>		<b>Adjusted Budgeted Revenue (FAR 2-A)</b>	<b>Budget Utilization</b>	<b>Unutilized Budget</b>	<b>Unutilized Budget (in %)</b>
1	Travelling Expenses-Local	₱3,141,000.00	₱2,157,899.75	₱983,100.25	31.30
2	Travelling Expenses-	1,500,000.00	432,985.14	1,067,014.86	71.13

STF Unutilized MOOE Budget CY 2019					
Particulars		Adjusted Budgeted Revenue (FAR 2-A)	Budget Utilization	Unutilized Budget	Unutilized Budget (in %)
	Foreign				
3	Training Expenses	32,637,158.00	27,345,000.00	5,292,158.00	16.22
4	Scholarship/ Grants Expenses	1,100,000.00	1,090,000.00	10,000.00	0.91
5	Office Supplies Expenses	3,019,760.00	837,929.05	2,181,830.95	72.25
6	Accountable Forms Expenses	10,000.00	6,800.00	3,200.00	32.00
7	Drugs and Medicines Expenses	378,000.00	58,644.00	319,356.00	84.49
8	Medical, Dental and Laboratory Supplies Expenses	300,000.00	283,590.00	16,410.00	5.47
9	Fuel, Oil and Lubricants Expenses	1,100,000.00	394,863.80	705,136.20	64.10
10	Textbooks and Instructional Materials Expenses	500,000.00	206,086.35	293,913.65	58.78
11	Other Supplies and Materials Expenses	4,000,000.00	3,967,575.74	32,424.26	0.81
12	Water Expenses	2,080,000.00	-	2,080,000.00	100
13	Postage and Courier Services	10,000.00	2,180.00	7,820.00	78.20
14	Internet Subscription Expenses	50,000.00	4,220.00	45,780.00	91.56
15	Research, Exploration and Development Expenses	1,374,475.67	1,045,312.64	329,163.03	23.95
16	Other Professional Services	27,391,119.68	18,780,277.66	8,610,842.02	31.44
17	Security Services	4,252,508.00	3,427,012.66	825,495.34	19.41
18	Other General Services	16,163,244.90	8,548,417.18	7,614,827.72	47.11
19	Repairs and Maintenance - Buildings and Other Structures	3,085,873.99	2,335,448.74	750,425.25	24.32
20	Repairs and Maintenance - Machinery and Equipment	1,713,346.00	26,000.00	1,687,346.00	98.48%
21	Repairs and Maintenance - Transportation Equipment	1,300,000.00	621,947.00	678,053.00	52.16

STF Unutilized MOOE Budget CY 2019					
Particulars		Adjusted Budgeted Revenue (FAR 2-A)	Budget Utilization	Unutilized Budget	Unutilized Budget (in %)
22	Repairs and Maintenance - Furniture and Fixtures	416,403.00	-	416,403.00	100
23	Taxes, Duties and Licenses	960,000.00	117,500.00	842,500.00	87.76
24	Fidelity Bond Premiums	100,000.00	99,187.50	812.50	0.81
25	Insurance Expenses	1,992,000.00	548,350.00	1,443,650.00	72.47
26	Printing and Publication Expenses	2,926,600.00	1,191,841.30	1,734,758.70	59.28
27	Representation Expenses	3,270,000.00	2,668,164.91	601,835.09	18.40
28	Rent/ Lease Expenses	550,000.00	261,300.00	288,700.00	52.49
29	Membership Dues and Contributions to Organizations	200,000.00	125,100.00	74,900.00	37.45
30	Other Subscription Expense	420,000.00	53,472.72	366,527.28	87.27
31	Other Maintenance and Operating Expenses	4,000,000.00	3,422,033.02	577,966.98	14.45
32	Legal Services	564,000.00	564,000.00	-	0
	<b>Total</b>	<b>₱120,505,489.24</b>	<b>₱80,623,139.16</b>	<b>₱39,882,350.08</b>	<b>33.10</b>

5.38 As can be gleaned from the table above, the total unutilized budget for MOOE-STF was **₱39,882,350.08**, the budget for Water Expenses and Repairs and Maintenance-Furniture and Fixtures account amounting to ₱2,080,000.00 and ₱416,403.00 respectively, or a subtotal of ₱2,496,403 were not utilized, thus had deprived the students of the needed benefit from these repairs and maintenance of furniture and fixtures. The remaining MOOE-STF unutilized budgets with a subtotal of ₱37,385,947.08 for the 30 items of expenditures were partially utilized ranging from 0.81 to 98.48 percent.

5.39 For CY 2019, the total STF budget for CO amounted to ₱45,466,400.00, of which ₱25,271,086.04 or 55.58 percent was utilized, thereby, leaving an unutilized budget of ₱20,195,313.96 or 44.42 percent, details as follows:

<b>STF Capital Outlay Budget for CY 2019</b>					
<b>Particulars</b>		<b>Adjusted Budgeted Revenue (FAR 2-A)</b>	<b>Budget Utilization</b>	<b>Unutilized Budget</b>	<b>Unutilized Budget (in percentage)</b>
1	Buildings and Other Structures	₱24,750,000.00	₱14,798,432.04	₱9,951,567.96	40.21
2	Machinery and Equipment	7,862,000.00	3,580,178.00	4,281,822.00	54.46
3	Technical and Scientific Equipment	8,987,400.00	6,583,100.00	2,404,300.00	26.75
4	Other Machinery	632,000.00	309,376.00	322,624.00	51.05
5	Transportation Equipment	1,760,000.00	-	1,760,000.00	100.00
6	Furniture, Fixtures and Books	960,000.00	-	960,000.00	100.00
7	Other Property, Plant and Equipment	515,000.00	-	515,000.00	100.00
<b>Total</b>		<b>₱45,466,400.00</b>	<b>₱25,271,086.04</b>	<b>₱20,195,313.96</b>	<b>44.42</b>

5.40 Audit on the utilization of the STF budget for CO revealed gradual spending and non-implementation of the budgeted procurement projects showing non-utilization of allocated budget for Transportation Equipment, Furniture, Fixtures and Books and Other PPE totaling ₱3,235,000.00. Moreover, substantial non-utilization rates ranging from 26.75 percent to 54.46 percent totaling ₱16,960,313.96 were observed for the remaining CO, due to delayed/ non-procurement of the programmed projects and equipment. Hence, the delivery of improved facilities and equipment to benefit the needs of the students was not attained.

**5.41 We recommended that Management:**

- a. comply with the provisions of COA Circular No. 2000-002 dated April 4, 2000 and CMO No. 20, series of 2011, on the use and disposition of internally generated funds accruing to the College;**
- b. prepare and implement well-planned and realistic annual STF budget with the required and correct supporting documents/schedules to be presented to the BOT for approval; and**
- c. identify the variance of ₱1,432,500.01 between the CY 2019 PRE and the SABUDB (FAR 2)/SABUDBOE (FAR 2-A).**

- 5.42 The College President commented that the lapses were due to the delayed approval of CY 2019 GAA which, therefore, affected the revision of PRE and have resulted in the variance. The College President also committed to submit the documentary requirements. Further, he committed that they will identify the variance.

*Deficiencies in the Implementation of Tulong Dunong Program in Regional Campuses*

**6. Deficiencies were noted in the implementation of the Tulong Dunong Program (TDP) of the College as shown by: a) delayed release of the financial assistance to TDP students-beneficiaries by 102 to 136 days; b) absence of Memorandum of Agreement (MOA) from CHEDROs; c) non-maintenance of a separate subsidiary records; and d) insufficient supporting documents, contrary to the provisions of CHED-DBM Joint Memorandum Circular (JMC) Nos. 2017-2 and 2017-3 both dated May 24, 2017, CHED-DBM JMC No. 2017-2A dated September 29, 2017 and COA Circular No. 94-013 dated December 13, 1994, thereby adversely affecting the educational needs of the underprivileged yet qualified and deserving students-grantees.**

- 6.1 CHED-DBM JMC No. 2017-2 dated May 24, 2017 prescribes the implementing guidelines on the TDP which aim to provide financial assistance to deserving students in recognized programs of private Higher Education Institutions (HEIs) and Local Universities and Colleges (LUCs) or authorized program of SUCs.
- 6.2 Similarly, CHED and DBM issued JMC No. 2017-3 dated May 24, 2017 implementing the guidelines on the TDP pursuant to the special provision applicable to SUCs.
- 6.3 Section 5 of the above JMC states about the financial benefits. A student-grantee shall be entitled to a maximum of ₱12,000.00 grant per AY which may be used in support for the cost of higher education (tuition and other school fees), educational expenses and cost of living allowance. Ongoing grantees shall also be entitled to the same amount of financial benefits they received prior to the approval of the JMC.
- 6.4 Section 6 of the same JMC further states the qualification requirements for student-grantees, as follows:

*6.1 Filipino citizen;*

*6.2 High school graduates, with earned units in higher education with at least a passing general weighted average (GWA); or passer of Alternative Learning System (ALS)/ Philippine Educational Placement Test (PEPT); and*

*6.3 Combined annual gross income of parents/guardians not to exceed three hundred thousand pesos (₱300,000.00).*



6.5 The Audit Team noted the following deficiencies during the course of audit in the implementation of TDP by the College:

*a. Delayed release of the financial assistance to TDP students-beneficiaries by 102 to 136 days*

6.6 Both Sections 8 of the two JMCs discuss the payment of grant and documentary requirements. Per Section 8.1.2 of JMC No. 2017-2, CHEDROs shall transfer financial benefits to grantees through HEIs while Section 8.1 of JMC No. 2017-3 states that the payment of financial benefits shall be made directly to the grantees based on Section 5.0 thereof through issuance of check or automated teller machine (ATM).

6.7 For CY 2019, PhilSCA received funds from CHEDROs for the implementation of the TDP for AY 2018-2019, as follows:

CHEDRO	PhilSCA Campus (Recipient)	Fund Transfer from CHEDROs to PhilSCA			
		Particulars	ADA/ Check No.	Date	Amount
IV-A	FAB, Batangas	TDP financial assistance for 1st Semester of AY 2018-2019	686823	7/24/2019	₱ 24,000.00
			686831	7/24/2019	48,000.00
			686846	7/24/2019	306,000.00
Sub-Total					₱ 378,000.00
VII	MBEAB, Cebu	TDP financial assistance for 1st and 2 <sup>nd</sup> Semester of AY 2018-2019	9919060391	6/19/2019	12,000.00
			9919060459	6/28/2019	6,000.00
			9919070539	7/26/2019	18,000.00
Sub-Total					36,000.00
Total					₱ 414,000.00

6.8 Audit of the transactions revealed that upon receipt of the checks, PhilSCA-FAB Campus issued OR Nos. 0657467, 0657468 and 0657469 all dated October 2, 2019 in the amounts of ₱24,000.00, ₱48,000.00 and ₱306,000.00, respectively, with CHEDRO IV as the payor; and deposited the checks on October 4, 2019 with the bank account of PhilSCA.

6.9 For PhilSCA MBEAB Campus, the funds were directly transferred to the LBP account through LDDAP-ADA on June 19, June 28 and July 26, 2019 in the amounts of ₱12,000.00, ₱6,000.00 and ₱18,000.00, respectively.

6.10 Examination of the releases of financial assistance to the students-beneficiaries of TDP revealed the following:

PhilSCA Campus	Particulars	Date	Check No.	Amount
<i>Fund Transfers from CHEDROs</i>				₱ 414,000.00
<i>Financial Assistance released to students-beneficiaries</i>				
FAB	Cash Advances made to SDO of	1/14/2020	91548	378,000.00

PhilSCA Campus	Particulars	Date	Check No.	Amount
	FAB Campus			
MBEAB	Check released directly to three students- beneficiaries of MBEAB Campus	12/9/2019	91403	12,000.00
			91404	12,000.00
			91405	6,000.00
Total				₱408,000.00
Unreleased financial assistance to student-beneficiary of PhilSCA-MBEAB				6,000.00

- 6.11 From the table above, it can be gleaned that for PhilSCA-FAB Campus, the financial assistance totaling ₱378,000.00 was released to the students-beneficiaries only on January 14, 2020 through cash advance to the SDO of the same Campus incurring 102 days or 3.5 months' delay from the date of receipt of funds from CHEDRO IV-A. Thus, this hampered the timely benefits that could have financially assisted the grantees.
- 6.12 While for PhilSCA-MBEAB Campus, Check Nos. 91403, 91404 and 91405 all dated December 9, 2019 in the amounts of ₱12,000.00, ₱12,000.00 and ₱6,000.00, respectively, were released directly to the names of the students-beneficiaries, which likewise incurred delay of 136 days or four and a half months from the date of receipt of the funds from CHEDRO VII. Hence, this also hindered the timely benefits that could have assisted the grantees financially.
- 6.13 Moreover, the amount of ₱6,000.00 remained unreleased to a student-grantee of PhilSCA-MBEAB Campus as at yearend.

***b. Absence of Memorandum of Agreement (MOA) from CHEDROs***

- 6.14 COA Circular No. 94-013 dated December 13, 1994 prescribes the rules and regulations in the grant, utilization and liquidation of funds transferred to implementing agencies (IAs).
- 6.15 One of the general guidelines of the above-mentioned Circular, as embodied in Section 4.1, which requires the undertaking of agreement between the source agency (SA) with the implementing agency (IA), states *that the SA shall enter into an agreement with the IA for the undertaking by the latter of the project of the former. The Agreement shall provide for the requirements for project implementation and reporting.*
- 6.16 In addition, one of the documentary requirements for the release of the financial assistance is a Memorandum of Agreement (MOA). Section 8.2.1 of CHED-DBM JMC No. 2017-02A dated September 29, 2017 requires that CHEDRO shall enter into a MOA with participating HEIs to facilitate the transfer of funds and to ensure compliance with control mechanisms.

- 6.17 PhilSCA-FAB Campus and PhilSCA-MBEAB Campus (*Implementing Campuses*) were not able to furnish the Audit Team the copy of the MOA with their respective CHEDRO (*source agency*), which was contrary to the above-mentioned circulars.
- 6.18 The Audit Team would like to emphasize that a MOA is required to be entered into between the source agency (SA) and the IA to ensure compliance with the reporting and control mechanisms.

***c. Non-maintenance of a separate subsidiary records***

- 6.19 Section 4.5 of the same COA Circular requires that a separate subsidiary record for each account shall be maintained by the IA whether or not a separate bank account is opened.
- 6.20 The Accounting Office did not maintain a separate subsidiary record for the funds received for TDP which was contrary to the above Circular. Thus, this led to the overstatement and understatement of various financial accounts and ineffective monitoring of the TDP funds.

***d. Insufficient supporting documents***

- 6.21 Section 6.5 of the same COA Circular states that IAs shall, within 10 days after receipt from the AO, the Accountant shall verify the reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the originals of vouchers/payrolls and all supporting documents to the IA Auditor. The Accountant shall ensure that only expenses for the project are included in the reports. He shall submit the original copy of the Reports to the SA Accountant.
- 6.22 Likewise, Section 8.2.2 of CHED-DBM JMC No. 2017-2A requires that HEIs must submit billing statement using the prescribed template signed by the Chief Accountant and President/School Head, to be supported by the Registrar's Certificate which specifically indicates the number of units enrolled, GWA, course/program, curriculum year level, semester/term. The HEI shall submit to the CHEDRO the copy of signed payroll as proof of receipt of financial assistance by the grantees.
- 6.23 Documents submitted by the Accounting Office to the Audit Team only included copies of the checks that were released to the students-beneficiaries, disbursement vouchers (DVs), list/names of the qualified students and unsigned payroll, thus the validity and completeness of the releases of the TDP financial assistance cannot be ascertained.

- 6.24 **We recommended that Management:**

**a. prepare and submit for approval of the BOT written policies and**

**guidelines on the grant, utilization and liquidation of funds transferred (specifically to the Main and the Regional Campuses) for the implementation of the TDP and other scholarship/ financial assistance programs in accordance with COA Circular No. 94-013 dated December 13, 1994 and other pertinent laws/JCs/ Memorandum thereon;**

- b. designate a Coordinator for the Regional Campuses to facilitate the timely release of financial/scholarship assistance to the students-beneficiaries and the consolidation of the required documentary requirements;**
- c. submit to the COA Audit Team a status report on the unreleased financial assistance to the student of MBEAB Campus and its due release upon submission of the required documents;**
- d. submit to the COA Audit Team a status report on the PhilSCA-BAB Campus, Pampanga's receipt of funds from CHEDRO III for the TDP and the release of financial assistance to students upon submission of the required the documents;**
- e. furnish/submit to the Audit Team copies of the MOA with the CHEDROs.**

*Deficient Implementation of Free Higher Education (FHE) for AY 2019-2020*

- 7. Deficient implementation of RA No. 10931 or the "Universal Access to Quality Tertiary Education Act of 2017" was noted, such as: a) delay for a period of three to six months in the submission to CHED of billing of tuition and other school fees of actual qualified enrolled students for Academic Year (AY) 2019-2020; b) no separate bank account maintained for funds received for FHE totaling ₱428,133,099.00 which are deposited in STF bank account; and c) improper recognition in the books of the funds received amounting to ₱99,366,381.00, contrary to CHED-UniFAST Memorandum No. 2018-02 dated August 8, 2018, which provides for the Guidelines on FHE in SUCs and CHED-Recognized Local Universities and Colleges (LUCs).**

- 7.1 RA No. 10931 or the "Universal Access to Quality Tertiary Education of 2017" is an act providing for free tuition and other school fees in state universities and colleges, local universities and colleges and state-run technical-vocational institutions, establishing the tertiary education subsidy and student loan program, strengthening the unified student financial assistance system for tertiary education.**

- 7.2 The Implementing Rules and Regulations (IRR) of RA No. 10931 enforces the intentions of the Act to promote social justice, and the advancement of nation building recognizes the inalienable right of all Filipinos to quality education and, thus protects and promotes the right of all Filipino students to accessible quality education.
- 7.3 The IRR recognizes the complementary roles of public and private HEIs and Technical-Vocational Institutions (TVIs) in the tertiary education system, and the invaluable contribution of private tertiary institutions to the education system.
- 7.4 Section 5, Rule II of the IRR states that all SUCs and LUCs are eligible for the Free Higher Education (FHE) provision. In the case of LUCs, only those recognized by the CHED on or before the cut-off schedule for each fiscal year shall be eligible. x x x
- 7.5 Commission on Higher Education – Unified Student Financial Assistance System or Tertiary Education (CHED-UniFAST) Memorandum Circular (MC) No. 2018-02 dated August 8, 2018, provides the Guidelines on FHE in SUCs and CHED-Recognized Local Universities and Colleges (LUCs).
- 7.6 Section 1, Rule II of the said Memorandum on the benefits of the students qualified for the program per Section 7 (Benefits) of the IRR of RA No. 10931 states that all students availing themselves of the free higher education provision shall be entitled to:
- a) free tuition for all courses/subjects/classes enrolled in during a particular semester/term, as part of the curriculum and are essential to obtaining a degree. This includes approved petitioned classes, but not non-credit within-semester tutorial or review classes, nor review and enhancement classes offered by the HEI;
  - b) free miscellaneous, other school fees, and similar or related fees, which include:
    - (1) Admission fees
    - (2) Athletic fees
    - (3) Computer fees
    - (4) Cultural fees
    - (5) Development fees
    - (6) Entrance fees
    - (7) Guidance fees
    - (8) Handbook fees
    - (9) Laboratory fees
    - (10) Library fees
    - (11) Medical and Dental Fees

- (12) Registration fees
- (13) School ID fees
- (14) Other similar and related fees

7.7 The following deficiencies were noted in the implementation of FHE.

***a. Delay in billing CHED-UniFAST of FHE for AY 2019-2020 for a period of three to six months***

7.8 Section 1.2 Rule III of the above-mentioned CHED Memorandum prescribes two options available for the billing/disbursement mechanisms namely:

- 1) Fund transfer with the initial 50% fund transfer will be based on the computed budget ceiling which will be recommended by the CHED-UniFAST for SUCs and CHED recognized LUCs; and
- 2) Billing system wherein the tuition and other school fees of actual qualified enrolled students in SUCs/CHED recognized LUCs will be billed to CHED-UniFAST for settlement. Due diligence procedures will be executed to ensure that the consolidated Free Higher Education statement, consolidated billing details and certification from SUCs and CHED recognized LUCs' Registrars will tie up with the pdf copies of the Certificates of Registration (CORs) for each semester in academic year.

7.9 PhilSCA opted for the billing system as its disbursement mechanism. This requires additional documentation for submission of the College. For the first semester of AY 2019-2020, PhilSCA submitted the documents on January 16, 2020; while, still for processing are the documents, for the second semester of the same AY. The status of the reporting requirements submitted by the College and the corresponding findings and/or observations of the Audit Team are presented below:

<b>CHED-UniFAST Reporting Requirements</b>				
<b>Reporting Requirements</b>	<b>Date Submitted to CHED-UniFAST</b>		<b>Findings/ Observations</b>	
	<b>First Semester</b>	<b>Second Semester</b>	<b>Period of Delay</b>	<b>Remarks</b>
Consolidated Free HE Form 1 – Consolidated Statement (from the main and external campuses) on the total value of Free HE granted to actual qualified enrolled students duly prepared	October 2019 (partially submitted); January 16, 2020 (fully submitted)	October 2019 (partially submitted)	3-6 months	(1) The billing was for 1st Semester of AY 2019-2020, however, the legal basis/funding reflected was the GAA for 2018, instead of GAA for 2019; and  (2) Under the box “Certified supporting documents

<b>CHED-UniFAST Reporting Requirements</b>				
<b>Reporting Requirements</b>	<b>Date Submitted to CHED-UniFAST</b>		<b>Findings/ Observations</b>	
	<b>First Semester</b>	<b>Second Semester</b>	<b>Period of Delay</b>	<b>Remarks</b>
by the SUC Accountant and approved by the SUC President.				complete and amount claimed proper”, the AY indicated was for 2018-2019, instead of 2019-2020.
Consolidated Free HE Form 2 – The Consolidated Free HE details report; Duly certified by SUC Registrar and approved by the SUC President or the President’s designated authorized representative, to be submitted within the appropriate period.	1/16/2020	October 2019 (partially submitted)	3-6 months	Details on the Free Tuition and Other School Fees (TOSF) Budget Ceiling was not properly filled up.
College/University Registrar’s Certification (with official dry seal) stating the number of officially enrolled students and the number of students who qualified to the Free HE and certifying the correctness and completeness of the details and corresponding matrix summarizing the breakdown of enrolled and/or qualified students being certified.	1/16/2020	October 2019 (partially submitted)	3-6 months	The Certification was in compliance with the requirement of the Memorandum Circular.
Master list of Applicants duly certified by the SUC Admission Officer	1/16/2020	N/A	3-6 months	The Master list of Applicants was duly certified by the SUC Admission Officer.

- 7.10 Inquiry with the Registrar's Office revealed that an advance billing, although with incomplete documentation, was submitted in October 2019 to CHED-UniFAST to determine the amount to be allocated to PhilSCA for the AY 2019-2020.
- 7.11 The required electronic copies for submission to the designated e-mail address of UniFAST Secretariat were submitted by PhilSCA on January 17, 2020 which was six months after the commencement of the first semester last July 2019.
- 7.12 The delay incurred by the College in the processing of the billing of the Free HE for AY 2019-2020, hampered the timely release of the allocated budget from CHED-UniFAST which could have been used to implement programs and projects for the benefit of the students.
- 7.13 However, as stated under Consolidated Free HE Form 1, "*SUCs are allowed a maximum of two tranches of payments per semester,*" but the College did not take advantage of these payment schemes.

***b. No separate bank account maintained for funds received for FHE totaling ₱428,133,099.00***

- 7.14 Rule IV, Section 1.3, (c3) of the same CHED-UniFAST Memorandum Circular No. 2018-02 provides that SUCs must maintain a separate bank account for proper account management of the Free HE.
- 7.15 It was observed that the funds received by PhilSCA for the implementation of Free HE totaling ₱428,133,099.00 were directly deposited with/credited to the College's Special Trust Fund (STF) bank account, as follows:

<b>Funds Received by PhilSCA for Free Higher Education</b>			
<b>Particulars</b>	<b>Date</b>	<b>OR No.</b>	<b>Amount</b>
Bank Certificate on Deposits Credited for AY 2017-2018	3/23/2018	0613369	₱ 55,409,952.00
	7/26/2018	0624585	53,999,428.00
Bank Certificate on Deposits Credited for AY 2018-2019	3/18/2019	0650377	49,966,395.00
	10/9/2019	0672336	117,678,886.00
	11/8/2019	0673828	51,712,057.00
Bank Certificate on Deposits Credited for first semester AY 2019-2020	11/8/2019	0673829	99,366,381.00
<b>Total</b>			<b>₱428,133,099.00</b>

- 7.16 It was learned that funds received and the disbursements made for the implementation of the FHE is due for reconciliation by the College.



- 7.17 As the FHE funds are deposited in the STF, both funds could be interchangeably utilized, affecting the implementation of their respective planned programs and projects.
- 7.18 Also, it was not clarified with the CHED-UniFAST, whether the tuition and other fees paid by students who opted-out and/or are ineligible of the free HE be deposited with the separate bank account for Free HE or be deposited with the STF bank account of the College.

***c. Improper recognition of the funds received for FHE for AY 2019-2020 amounting to ₱99,366,381.00 in the books***

- 7.19 Rule III, Section 2.4 of the MC states that accounting entries across various relevant transactions for the Free HE are provided under Annex F of the memorandum circular.
- 7.20 Annex F of the MC prescribes that SUCs to recognize Due from NGAs and School Fees *upon enrollment*, and liquidation is upon submission of Billing Statement duly supported with billing details, pdf of CORs, certification from SUC's Registrar and COR data element.
- 7.21 Recording made by the Accounting Office for the implementation of Free HE for the first semester of AY 2019-2020 is presented as follows:

JEV			
Account	Account Code	Amount	
		Debit	Credit
Cash in Bank – Local Currency, Current Account	1-01-02-020-00	99,366,381.00	
School Fees	4-02-02-010-00		99,366,381.00

- 7.22 It was noted that the Accounting Office did not properly set up the Due from NGAs account upon enrolment for the first semester AY 2019-2020 but instead recognized School Fees upon receipt of funds from CHED, contrary to what is prescribed in the MC.
- 7.23 Since the implementation of Free HE is a regular program, proper recognition/recording of the transactions shall be observed, to avoid errors or misstatements in the FSs.
- 7.24 **We recommended that Management:**
- a. formulate an action plan, for approval of the BOT, to resolve/prevent the incurrence of delay in the submission of the reports and the billing statements to CHED-UniFAST;**

- b. comply with the provision of CHED-UniFAST MCNo. 2018-02 to open and maintain a separate bank account for the proper account management of the Free HE; and transfer the corresponding funds deposited with PhilSCA's STF bank account;**
- c. reconcile the funds received for the implementation of Free HE with the disbursements made therefrom and deposit the remaining balance with a separate bank account for Free HE;**
- d. seek clarification with the CHED-UniFAST on whether the tuition and other fees paid by students who opted-out and/or ineligible be deposited with the separate bank account for Free HE or be deposited with the STF bank account of the College; and**
- e. observe proper accounting treatment of the funds received and adjust the accounting entry made, thru the Accounting Office, to avoid errors or misstatements in the FSs.**

7.25 Management commented that the College instituted the following on the process of billing with the CHED-UniFAST for Free HE:

- The Creation of a UniFAST Committee headed by the VPAA to fast track the billing process which eventually paved way for a much faster process of billing; and
- Requested the CHED-UniFAST to allow the College for progress billing because of difficulty in consolidating data needed for billing (which CHED-UniFAST allowed).
- The College is coordinating with the Finance Committee of the BOT for guidance and appropriate action specifically on the opening of the new account as suggested in the AOM about CHED-UniFAST MC No. 2018-02 and the appropriate fund transfer. The College will adhere to the recommendation of opening of a new account specific for Free HE.

*Unliquidated Fund Transfers to PITC- ₱89,300,000.00*

- 8. The simultaneous transfers of funds in 2017 and 2018 to the Philippine International Trading Center (PITC), for the two procurement of goods projects and two infrastructure projects, which to date are still in the process of procurement/implementation, resulted in the accumulation of unliquidated fund transfers of ₱89,300,000.00 and deferment of benefits to the agency and students, contrary to COA Circular 2016-002 dated May 31, 2016 .**

- 8.1 COA Circular No. 94-013 dated December 13, 1994 defines Inter-Agency Transferred Funds as the cash or money transferred or sub-allotted by the agency to which allotment was originally released in favor of another agency which will implement the project.
- 8.2 As of December 31, 2019, the records of PhilSCA showed that the Agency transferred ₱89,300,000.00 to PITC which were booked up as Receivable Account – Due from GOCCs. Details are shown as follows:

<b>PITC Receivable Account – Due from GOCCs</b>		
<b>Date</b>	<b>Purpose</b>	<b>Unliquidated Amount</b>
09/25/2018	Fund transfer for acquisition of two brand-new aircraft	₱32,000,000.00
09/25/2018	Fund transfer for construction of admin and classroom building PhilSCA-Medellin Cebu	8,000,000.00
09/25/2018	Fund transfer for construction of admin and classroom building PhilSCA-Cuenca, Batangas	17,600,000.00
09/25/2018	Fund transfer for acquisition of one (1) Brand-new Aircraft of PhilSCA	17,600,000.00
	<b>Subtotal</b>	<b>75,200,000.00</b>
12/28/2017	Payment of 15% mobilization cost for acquisition of one brand-new aircraft	3,300,000.00
12/28/2017	Payment of 15% mobilization cost for acquisition of two brand-new aircraft	6,000,000.00
12/29/2017	Payment of 15% mobilization cost for construction of admin and classroom building PhilSCA-Cuenca, Batangas	3,300,000.00
12/29/2017	Payment of 15% mobilization cost for construction of admin and classroom building PhilSCA-Medellin Cebu	1,500,000.00
	<b>Subtotal</b>	<b>14,100,000.00</b>
	<b>Total</b>	<b>₱89,300,000.00</b>

8.3 It is noted that the funds for the four projects were transferred on the same dates and were not supported by certification by the Accountant that funds previously transferred to the Implementing Agency (IA) have been liquidated and accounted for in the books, hence not in compliance with COA Circular 2016-002 dated May 31, 2016 and resulted in significant summed up amount of PhilSCA's fund in PITC.

8.4 Moreover, as part of the Memorandum of Agreement (MOA) dated August 16, 2017, it is stated in the Annex A that:

After the receipt of Fund Transfer, and based on the Agency Outsource Request (AOR) and Terms of Reference (TOR) received, PITC conducts procurement procedure in coordination with PITC-BAC and PhilSCA provisional Member and PhilSCA TWG Representatives xxx

8.5 As per inquiry, the procurement procedure for the four projects was not yet conducted despite the transfer of funds last CYs 2017 and 2018 or after the lapse of eight to 17 months.

8.6 The delay in the process of procurement and implementation of the project deprived the students and the Agency of the benefits that could be derived therefrom.

8.7 **We recommended that Management:**

**a. explain/justify the transfer of funds for the four projects on the same dates;**

**b. coordinate with PITC for the timely process of procurement and implementation of the projects.**

8.8 Management commented that series of meetings and various communications have been sent to the PITC for the timely determination of the status and immediate conduct of procurement procedures. Also, Management updated the Audit Team that the four projects are in the pre-procurement/pre-bid phase. However, the procurement were delayed due to the COVID-19.

**Auditor's Rejoinder:**

8.9 The Audit Team was not yet furnished of any feedback/updates on the said projects.

*Salaries and Wages – Non-compliance with the Monthly Net Take Home Pay of ₱5,000.00*

**9. Management did not strictly monitor deductions from salaries and other benefits accruing to PhilSCA employees to comply with Section 52 of the GAA for 2019 which required the monthly take-home pay of an amount not lower than ₱5,000.00, thereby defeating the purpose of assuring an appropriate**

**portion of take-home earnings to all government employees and might affect productivity and motivation towards work.**

- 9.1 The annual GAA sets the monthly minimum net take-home to ensure that all government employees bring home a decent portion of their earnings after paying all their obligations and contributions.
- 9.2 Section 52 of the General Provisions of the GAA FY 2019 provides the following:

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 individual employee's contributions or obligations due the following:

- a) The BIR, PHILHEALTH, GSIS and HDMF;
- b) Non-stock savings and loan associations, and mutual benefits associations duly operating under existing laws and cooperative, 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 the BSP.

Obligations due to the BIR, contributions due to the Phil Health, GSIS and HDMF, and GSIS and HDMF loans shall be satisfied ahead of all other obligations. The remaining obligations due to other entities listed above shall be satisfied in the order in which they were incurred.

In no case shall the foregoing deductions reduce the employee's monthly net take home pay to an amount lower than Five Thousand Pesos (₱5,000.00).

- 9.3 Review of the Payroll sheets for the period January 2019 to December 2019 showed that the following eight employees had net take-home pay of less than ₱5,000.00 each per month:

<b>List of Employees With Net Take-Home Pay of Less than ₱5,000.00</b>		
<b>Name</b>		<b>No. of Payroll Period for 2019</b>
1	Gonzales, Ellen M.	1 (Jan)
2	Esperanzate, Darby	1 (Jan)
3	Brillantes, Ricardo B.	1 (Feb)
4	Cordovilla, Ginalyn P.	1 (May)
5	Mindajao, Kenneth Camyr M.	1 (May)
6	Intia, Romualdo S.	3 (Sept-Oct, Dec)
7	Navigar, Noel R.	1 (Dec)
8	Sacueza, Melanie R.	1 (Dec)

9.4 Apparently, despite the issuance of audit findings in the previous years, deductions from salaries and other benefits accruing to PhilSCA employees were not strictly monitored by the HRMO Director and its staff, hence the provisions of Sections 52 of the General Provisions of the GAA for 2019, which required the monthly take-home pay of not less than ₱5,000.00, were not complied with, thus defeating the purpose of assuring that all government employees bring home an appropriate portion of their earnings after paying all their mandatory obligations and contributions.

**9.5 We recommended that Management:**

- a. strictly adhere to the provisions of GAA pertaining to take-home pay amount threshold of all its employees;
- b. closely monitor, thru the HRMO Director/Staff, the net take home pays of employees and not to allow deductions from salaries accruing to employees which shall reduce the employees' monthly net take home pays to an amount lower than the required minimum by observing the order of preference on loan deductions; and
- c. advice the HRMO Director, in the succeeding loan applications, to certify loan applications only of employees whose salaries would not result in reduction in the required take-home pay threshold set in the GAA.

9.6 The College President acknowledged that there were employees who received net-take home pay of below ₱5,000.00 and committed that they will observe compliance with the net-take home pay requirement.

*Undertaking Collection and Monitoring Functions on Payment of Employees Loans from Private Institutions and Health Maintenance Organizations (HMO)*

10. Employees' loans from private institutions and premiums for health maintenance organization (HMO) aggregating ₱4,584,264.58 were deducted from the gross amount of salaries of PhilSCA officers and employees with the

**College undertaking/doing the collection function and loan monitoring activities of the private lending institution and HMO, resulting in a loss of government time and resources which is contrary to Section 262 of the Government Accounting and Auditing Manual (GAAM) and Section 4(2) of PD No. 1445.**

10.1 Section 262 of GAAM states that it shall be unlawful for a treasurer or other fiscal officer to draw or to retain from the salary any amount or contribution or payment of obligation other than those due the government or its instrumentalities, except as may otherwise be provided (Sec. 54, PD No. 807).  
“x x x” The following forms of deductions are allowable:

- a. withholding tax
- b. premiums for GSIS and retirement insurance, Medicare and PAG-IBIG contributions
- c. settlement of government claims against the employee

10.2 Section 4(2) of PD No. 1445 states that financial transactions and operations of any government agency shall be governed by one of the fundamental principles that government funds or property shall be spent or used solely for public purposes.

10.3 Review of the payroll register/payroll sheets of the College revealed that personnel’s loan obligation to private lending institution and premiums to health maintenance organization were being deducted from the College payroll. Below table is the schedule of total remittances of loans and premiums to Manila Teachers Savings and Loan Association Inc., and Value Care Health System Inc., respectively.

<b>Remittances of Loans and Premiums</b>				
<b>Date</b>	<b>Check No.</b>	<b>D. V. No.</b>	<b>Particulars</b>	<b>Amount</b>
<b>Manila Teachers Savings and Loan Association Inc.</b>				
02/04/19	144193	201900200148	To remit Membership/Loans for the month of January 2019	₱271,976.16
02/01/19	146510	201900200308	To remit Membership/Loans for the month of February 2019	272,797.84
03/27/19	146523	201900300478	To remit Membership/Loans for the month of March 2019	320,590.00
04/29/19	146549	201900400655	To remit Membership/Loans for the month of April 2019	320,020.00
06/04/19	146578	201900500843	To remit Membership/Loans for the month of May 2019	331,318.38
07/03/19	146592	201900600969	To remit Membership/Loans for the month of June 2019	315,499.00
07/29/19	149902	201900701120	To remit Membership/Loans for the month of July 2019	305,368.34
09/02/19	149931	201900801301	To remit Membership/Loans for the month of August 2019	327,531.00
09/26/19	149963	201900901470	To remit Membership/Loans for the	345,671.00

Remittances of Loans and Premiums				
Date	Check No.	D. V. No.	Particulars	Amount
			month of September 2019	
09/27/19	149982	201900901503	To remit Membership/Loans for the month of October 2019	345,671.00
12/04/19	153845	201901102088	To remit Membership/Loans for the month of November 2019	368,399.85
12/10/19	153859	201901202098	To remit Membership/Loans for the month of December 2019	377,237.85
<b>Sub-Total</b>				<b>3,902,080.42</b>
<b>Value Care Health System Inc.</b>				
02/04/19	144192	201900200147	Remit Health Care February 2019	56,477.12
This 02/28/19	146511	201900200309	Remit Health Care March 2019	56,477.12
03/27/19	146525	201900300476	Remit Health Care April 2019	56,477.12
04/29/19	146545	201900400662	Remit Health Care May 2019	56,477.12
05/28/19	146562	201900500813	Remit Health Care June 2019	56,477.12
06/25/19	146582	201900600954	Remit Health Care July 2019	56,477.12
07/29/19	149901	201900701115	Remit Health Care August 2019	56,477.12
08/30/19	149926	201900801290	Remittance for Medical Health September 2019	57,963.36
09/25/19	149959	201900901446	Remit Health Care October 2019	57,963.36
06/27/19	149980	201900901504	Remit Health Care November 2019	57,963.36
11/28/19	153833	201901102043	Remit Health Care December 2019	56,477.12
12/10/19	153860	201901202091	Remit Health Care January 2020	56,477.12
<b>Sub-Total</b>				<b>682,184.16</b>
<b>Grand Total</b>				<b>₱4,584,264.58</b>

10.4 It was further disclosed that there were no attached Arrangement/Servicing Agreement/ MOA or accreditation between PhilSCA and Manila Teachers Savings and Loan Association, Inc., and Value Care Health System, Inc. in the payroll sheets. Moreover, there were no attached authority to bill/authority to deduct.

10.5 The loan assistance and premium remittance granted to the College officials and employees resulted in the incurrence of additional expenses to PhilSCA which included the costs of manpower, cost of checks issued, supplies and the time which should have been used for the official functions of the officials concerned contrary to Section 262 of the GAAM and Section 4(2) of PD 1445.

10.6 **We recommended that Management:**

**a. attach Arrangement/Servicing agreement or MOA or accreditation between PhilSCA and Manila Teachers Savings and Loan Association Inc.; and between PhilSCA and Value Care Health System Inc. and authority to bill/authority to deduct in the payroll, if any exists;**

**b. stop immediately the practice of including the payments of loan**



**amortizations and premium remittances to private lending institutions and HMOs as deduction from the payroll as well as performing the collection and monitoring activities of the private lending institutions and health maintenance organizations, if there is no agreement;**

**c. request the staff involved to transact directly with the private institutions; and**

**d. bill the lending institutions and HMOs to pay the cost of checks and other expenses paid relating to collections and remittance.**

10.7 Management committed to submit to the Audit Team the Arrangement /Servicing agreement or MOA or accreditation between PhilSCA and Manila Teachers Savings and Loan Association, Inc.; and between PhilSCA and Value Care Health System Inc.; and to be attached to the submission of future payroll documents.

*Unnecessary/Irregular expenses for the Salamat-Mabuhay Program*

**11. Expenses amounting to ₱71,739.00 incurred in the conduct of “Salamat-Mabuhay Program” were deemed unnecessary and irregular, as contemplated in COA Circular 2012-003 dated October 29, 2012 and was not in consonance with the Civil Service Commission (CSC) Memorandum Circular No. 7, series of 1998, which cast doubts on the propriety and validity of the said disbursements.**

11.1 COA Circular No. 2012-003 dated October 29, 2012 provides the updated guidelines for the prevention and disallowance of IUEEU Expenditures.

11.2 Section 2.1 of the same circular provides that “The COA adheres to the policy that government funds and property should be fully protected and conserved, and that IUEEU expenditures or uses of such funds and property should be prevented.”

11.3 Section 3.1 of the said Circular defines the term “irregular expenditure” as those incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed without conforming with prescribed usages and rules of discipline. There is no observance of an established pattern, course, mode of action, behavior, or conduct in the incurrence of an irregular expenditure. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular. A transaction which fails to follow or violates appropriate rules of procedure is, likewise, irregular.

- 11.4 Moreover, Section 4.1 defines “unnecessary expenditures” as those expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. Unnecessary expenditures are those not supportive of the implementation of the objectives and mission of the agency relative to the nature of its operation. This would also include incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary. The mission and thrusts of the agency incurring the expenditures must be considered in determining whether or not an expenditure is necessary.
- 11.5 CSC Memorandum Circular No. 07 series of 1998 dated March 13, 1998 provides for the adoption of “**SALAMAT-PAALAM**” Program in honor of retiring officials and employees in the Civil Service. It further states that:

*In line with the Civil Service Commission’s thrust of humanizing the bureaucracy, the Commission in Resolution No. 98-0474 dated March 5, 1998 enjoins all heads of departments and agencies to adopt the ‘SALAMAT-PAALAM’ Program in recognition of the contributions of the retiring officials and employees in their respective offices.*

*The “SALAMAT – PAALAM” Program is a simple but meaningful ceremony held in honor of retirees, whether under optional or compulsory retirement, not later than their scheduled date of retirement. During the ceremony, all retirees may be given a plaque of appreciation/recognition signed by the head/s of office/agency, and other awards and/or tokens as may be deemed proper by offices concerned. Offices/agencies shall, likewise, ensure that the retirees are issued their retirement benefits under the “Maginhawang Pagreretiro Program” during the Ceremony or on the date of their retirement.*

*Each agency shall develop its own mechanics of the Programs subject to existing rules and regulations.*

- 11.6 A cash advance amounting to ₱85,000.00 was made to the Special Disbursing Officer for the funding requirements of Salamat-Mabuhay Program in honor of the Chief Admin Officer Dr. Felix C. Boyles on the occasion of his 65<sup>th</sup> birthday and compulsory retirement last February 3, 2019.
- 11.7 Review of the supporting documents of the liquidation report submitted in relation to the said cash advance disclosed deficiencies in the payments of the expenses amounting to ₱72,939.00 which consisted of the following:

Deficiencies in the Payments of the “Salamat-Mabuhay Program” Expenses					
Nature		Amount	Allowed	Disallowed	Classification
A	Transportation Expenses	₱222.00	-	₱222.00	Unnecessary
B	Meals	701.00	-	701.00	
C	Parking Fees	150.00	-	150.00	
D	Token	22,000.00	-	22,000.00	
E	Book and Card supplies	836.00	-	836.00	
F	Cakes and balloons	2,830.00	-	2,830.00	
G	Plaque	1,200.00	₱1,200.00	-	
H	Catering Service	45,000.00	-	45,000.00	Unnecessary
<b>Total</b>		<b>₱72,939.00</b>	<b>₱1,200.00</b>	<b>₱71,739.00</b>	

- 11.8 Based on the above table, transportation expenses, meal and parking fees incurred for the canvass of token, plaque and foods to be served; book and card supplies, cakes and balloons are not essential and/or can be dispensed with without loss to the Agency, thus deemed unnecessary.
- 11.9 For the token specifically described as “1-set of VIP V-oke, Konzert Reyna SE AV-502A, TV 32” LED 2 Mic. Class A” amounting to ₱22, 000.00 was disbursed without restraint, judiciousness and economy and grossly excessive, thereby, deemed extravagant.
- 11.10 Lastly, the catering service amounting to ₱45,000.00 which catered lunch for 150 pax during the program was deemed excessive since this expenses exceeded what is usual or proper, and also unreasonably high and beyond just measure or amount.
- 11.11 Correspondingly, the payment of the above-mentioned expenditures, was without legal basis because there is no provision in the CSC Memorandum Circular No. 07 authorizing such. Moreover, the basic component of the “SALAMAT-PAALAM” Program is the holding of a simple ceremony and awarding of a plaque of recognition/appreciation and other award and/or token for the retirees.
- 11.12 In the light of the foregoing, disbursements of the above expenses did not conform with the rules and regulations of CSC Memorandum Circular No. 7 s. 1998. Accordingly, such payment should be disallowed in audit as emphasized in COA Circular No. 2013-003 dated January 30, 2013.
- 11.13 We recommended that Management hold the disbursing officer and the approving officials accountable for the unauthorized, irregular and extravagant disbursements of government funds by having them and the payees refund the corresponding amounts paid and received, respectively.**

- 11.14 Management committed to stop the practice of conducting such program with unauthorized irregular and extravagant expenses.

*No Established Internal Audit Service*

**12. Internal Audit Service was neither established nor organized to implement and monitor a sound system of internal control to safeguard PhilSCA's resources against loss, misuse, waste, abuse, mismanagement, errors, irregularities and fraud in disregard of the pertinent provisions of Administrative Order No. 278, s. 1992, Administrative Order No. 70, s. 2003, the Philippine Government Internal Audit Manual (PGIAM), and related issuances adopting the Internal Auditing Standards for the Philippine Public Sector (IASPPS) and Internal Control Standards for the Philippine Public Sector (ICSPPS) issued for all government agencies.**

- 12.1 Internal audit is a pre-emptive function and is a valuable tool to maintain operational efficiency and provides assurance that internal control processes are operating effectively and economically; and compliant with any existing government policies, plans, procedures, rules and regulations. It strengthens accountability and good governance in public service organizations.
- 12.2 The creation of Internal Audit Service (IAS) was initially mandated through the promulgation of RA No. 3456 or the Internal Auditing Act of 1962, and later amended by RA No. 4177.
- 12.3 Section 2 of RA No. 4177 provides that IAS shall be created, organized and operated in all branches, subdivisions and instrumentalities of the government, including government-owned and/or controlled corporations which shall assist management to achieve an efficient and effective fiscal administration and performance of agency affairs and functions.
- 12.4 Section 3 of RA No. 4177 likewise provides that IAS shall be under the direct administrative supervision and control of the heads and/or assistant heads of the agency. It shall be organized as an independent staff unit and shall correspondingly perform staff functions. It shall be responsible for instituting and conducting a program of internal audit for the agency. The chief of the Internal Audit Service shall have the rank and salary equivalent to the third ranking official of the agency. He shall report directly to the head or assistant head of the agency.
- 12.5 Section 1 of both Administrative Order No. 278, s.1992 and Administrative Order No. 70, s. 2003, dated April 28, 1992 and April 14, 2003, respectively, require all heads of GOCCs, including Government Financial Institutions (GFIs), SUCs and LGUs, to organize an IAS in their respective offices.
- 12.6 The internal audit activities shall include the following:

- Ascertaining the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information;
- Ascertaining the extent of compliance and reviewing the systems established to ensure compliance with government policies, plans and procedures, laws and regulations which have impact on operations;
- Ascertaining the extent to which the assets and other resources of the institutions are accounted for and safeguarded from losses of all kinds;
- Reviewing and evaluating the soundness, adequacy and application of accounting, financial and other operating controls and promoting the most effective control at reasonable cost;
- Reviewing operations or programs to ascertain whether or not results are consistent with established objectives and goals and whether or not such programs are being carried out as planned;
- Evaluating the quality of performance of groups/individuals in carrying out their assigned responsibilities; and
- Recommending corrective actions on operational deficiencies observed.

12.7 Relatively, the DBM issued Circular Letter No. 2011-5 dated May 19, 2011 directing heads of departments/agencies including GOCCs and GFIs to strengthen their Internal Control Systems (ICS). It promulgated the PGIAM as a way of strengthening the ICS aimed to assist government agencies and other instrumentalities in establishing and developing internal audit to promote effective, efficient, ethical and economical operations in government.

12.8 The Commission on Audit (COA), the entity responsible for the promulgation and enforcement of general policies, rules and regulations on internal auditing, and in conformity with the aforesaid issuances, resolved to adopt the Philippine Internal Auditing and Philippine Internal Control Frameworks for Public Sector per COA Resolution No. 2016-016 dated September 30, 2016 aimed to provide authoritative guidelines for the professional practice of internal auditing. Thereafter, COA Resolution No. 2018-007 dated February 1, 2018 was issued for the adoption of the IASPPS and ICSPPS, providing the criteria for establishing, implementing, monitoring and evaluating internal control in government offices.

- 12.9 As defined in the IASPPS and ICSPPS Manuals, the IAS shall provide an independent, objective assurance and advisory services designed to add value and improve the agency's operations and help the agency to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. A good internal control on the operations, reporting and compliance areas of the agency's operations will safeguard its resources against loss, misuse, waste, abuse, mismanagement, errors, irregularities and fraud.
- 12.10 While it is the direct responsibility of the agency head to install, implement and monitor a sound system of internal control as stated in Section 124 of PD 1445, the IAS assists the agency head by conducting a separate evaluation of the ICS to determine if controls are well designed and properly implemented. This function of the IAS is separate or distinct from the function of the operating units and support units and their equivalent in GOCCs/GFIS, which monitor and institute continual improvement of internal control to support achievement of performance targets and organizational objectives.
- 12.11 Per interview with the Director of HRMO, PhilSCA has neither established/created nor organized an IAS. Based on their plantilla positions, there is a position of Management Audit Analyst which is currently being held by the College Accountant of PhilSCA.
- 12.12 At present, PhilSCA's transactions are becoming voluminous, more complex, technical and complicated; and are in need of complete/immediate compliance with all regulatory agencies/bodies.
- 12.13 Thus, the creation/establishment of IAS for PhilSCA will provide a systematic, well-designed and sound internal control system which will be necessary for smooth-running and streamlined operations. It will further safeguard PhilSCA's resources against loss, misuse, waste, abuse, mismanagement, errors, irregularities and fraud.
- 12.14 **We recommended that Management establish an Internal Audit Service in conformity with the following:**
- **Administrative Order No. 278, s. 2002;**
  - **Administrative Order No. 70, s. 2003;**
  - **Internal Auditing Standards for the Philippine Public Sector (IASPPS);**
  - **Internal Control Standards for the Philippine Public Sector (ICSPPS);**
  - **Philippine Government Internal Audit Manual (PGIAM) and related pertinent rules and regulations.**

- 12.15 Management commented that the Office of the Internal Audit is reflected in the Approved Organizational Chart of the College (BOT Resolution 003, s. 2002 dated Feb. 21, 2002). One of the employees of the College, Ms. Filipina Rosario C. Carpio, served as Management and Audit Analyst II in CY 1994 which she holds until her resignation. The College President will follow up with the BOT for the appointment of new personnel in the IAS.

*Non-Compliance with Transparency Seal*

**13. PhilSCA did not comply with the provisions on Transparency Seal in Section 106 of the General Provisions of the GAA of CY 2019 (RA No. 11260) and the National Budget Circular (NBC) No. 542 dated August 29, 2012 which promote transparency and full public disclosure of government transactions, thereby depriving the public of pertinent information necessary to enforce accountability on the officials of Agency.**

- 13.1 The Transparency Seal, which is prominently displayed on the main page of the website of a particular government agency, is a certificate that it has complied with the Transparency Seal Requirement of the GAA. This Seal links to a page within the agency's website which contains an index of downloadable items of each of documents required to be posted by virtue of Section 106 of GAA for FY 2019.

- 13.2 Section 106 of the GAA for FY 2019 states that to enhance transparency and enforce accountability, all agencies of the government shall maintain Transparency Seal to be posted on their websites. The Transparency Seal shall contain the following: (i) the Agency's mandates and functions, name of their officials with their position and designation, and contact information; (ii) approved budgets and corresponding targets, (iii) modifications made pursuant to the general and special provisions of this Act; (iv) annual procurement plan/s and contracts awarded with the winning supplier, contractor or consultant; (v) major activities or projects and their target beneficiaries; (vi) status of implementation, evaluation or assessment reports of said programs or projects; (vii) Budget and Financial Accountability Reports;..

"Xxxx"

The heads of the agencies and their web administrators or their equivalent shall be responsible for ensuring compliance with this section."

- 13.3 Transparency Seal provision of the GAA which was reiterated in the NBC No. 542 dated August 29, 2012 is issued to prescribe the guidelines, rules and regulations governing the implementation of the GAA. It aims to leverage the internet to make key information on each particular unit of the government, more accessible to the public.

13.4 Section 5.4 of the above-mentioned budget circular further states that the web administrator shall be directly responsible for compliance, together with the respective head of the agency. Deficiency or delinquency may be considered as tantamount to violation of Section 57 of the Chapter 6 (Budget Accountability) of Book VI of the Administrative Code of 1987, without prejudice to such other liabilities, penalties and/or measures as may be undertaken to curb non-compliance.

13.5 Verification of the PhilSCA's website showed that the following requirements of the various sections of the General Provisions of the GAA are either not complied with or remained un-updated by the College, to wit:

	<b>Website Transparency Seal Provisions Not Complied With/Not Updated</b>				
	<b>Information</b>	<b>Not Posted (x)</b>			<b>Remarks</b>
		<b>2017</b>	<b>2018</b>	<b>2019</b>	
1	Agency's Mandates, Vision, Mission and List of Officials	-	-	-	Name/List of key officials are not updated; no contact information in Directory portion
2	DBM-Approved Budgets and Corresponding Targets	X	X	X	Budgets & Targets for CYs 2017-2019 were not uploaded.
3	Annual Procurement Plans / Contracts awarded with the winning supplier, contractor or consultant	X	-	X	Latest upload was for CY 2018 but still incomplete
4	Status of Program/Project Implementation and Beneficiaries	X	X	X	Not Compliant
5	Annual Budget Execution Documents(BEDs)				
	a. BED 1– Financial Plan	X	X	X	Not Compliant
	b. BED 2 – Physical Plan	X	X	X	
	c. BED 3 – Monthly Disbursement Program	X	X	X	Not Compliant
6	Financial Accountability Reports				
	a. FAR No. 1. Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAOBDB)	X	-	X	The latest update made for FAR No.1 is for September 2017 only.
	b. FAR No. 2 Statement of Approved Budget, Utilizations, Disbursements and Balances	X	X	X	Not Compliant
	c. FAR No. 3. Aging of Due and Demandable Obligations (ADDO)	X	X	X	Not Compliant
	d. FAR No. 4. Monthly Report of Disbursements	X	X	X	Not Compliant
	e. FAR No. 5. Consolidated Quarterly Report of Revenue and other Receipts	X	X	X	Not Compliant
7	PhilSCA MFO Accountability Report Card (MARC)	X	X	X	
8	Status report on the actions taken on the audit findings and recommendations of the Commission on Audit within 60 days upon receipt of the Annual Audit Report	X	X	X	Not Compliant



13.6 From the table above, it can be concluded that most documents that should be downloaded from the website of the College were not posted. The Agency head as well as the website administrator or his equivalent, were not compliant with the submission of the reports that are needed for the transparency provision of the GAA.

13.7 The sole purpose of sharing the government information to the public is to enhance transparency and enforce accountability on all national government agencies. The public should be informed and should not be deprived of information on government transactions.

13.8 **We recommended that Management:**

- a. **comply with the requirements on Transparency Seal as provided in Section 106 of the General Provisions of GAA FY 2019 (RA 11260) and NBC No. 542 dated August 29, 2012; and**
- b. **update regularly the postings of necessary information to the PhilSCA website.**

13.9 Management commented that it has initiated a program/project to acquire internet connectivity and architecture infrastructure for Information Communication Technology (ICT) which the BOT approved to comply with all the requirements of the National Government in posting of all transactions in the web.

He further commented that there is an on-going cabling as part of the ICT installation which will address the connectivity and handle web hosting and provision of domain name. The target full implementation is on the 3rd quarter FY 2020.

*Disbursements with incomplete documents and unauthorized payments of leave benefits monetization*

**14. Payment of Terminal Leave Benefits to separated employees and monetization of Leave Credits with incomplete documentary requirements and unauthorized payment of Leave Benefits Monetization could result to audit suspensions unless the required documents are submitted to the Audit Team.**

14.1 The College paid a total amount of ₱815, 912.99 for the terminal leave benefits of employees who retired, voluntarily resigned and separated from the service but with incomplete documentary/supporting requirements, contrary to COA Circular No. 2012-001 dated June 14, 2012, therefore, casting doubts on the validity and propriety on the commutation of terminal leave credits.

- 14.2 Section 4 of PD No. 1445 states that “all claims against government funds shall be supported with complete documentation in all financial transactions and operations of any government agency.”
- 14.3 COA Circular No. 2012-001 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common government transactions. The general guidelines under Section 5.13 of the said circular enumerated the needed documentary requirements for terminal leave benefits.
- 14.4 Audit of the DVs and the attached supporting documents revealed that the DVs of the seven officials and employees who retired, voluntarily resigned and separated from the service were deficient of pertinent documentary requirements to further validate the propriety of their claims.
- 14.5 All seven employees have not submitted affidavit of applicant that there is no pending criminal investigation or prosecution against him/her as required under RA No. 3019. Only two out of seven employees have submitted authorization or affidavit to deduct all financial obligations with the College. In the case of Ms. Analyn B. Año, who is the claimant for deceased husband - Mr. Joel L. Año, all additional requirements to support the claim of terminal leave pay were lacking except for the death certificate.
- 14.6 Moreover, computation of terminal leave benefits shall be duly signed or certified by the College Accountant. Yet, these were signed by the director of the Human Resource Management Office (HRMO) of PhilSCA.
- 14.7 Likewise, monetization of 50 percent or more of accumulated leave credits totaling ₱1,297,953.24 were paid although same were not supported with complete documentary requirements, contrary to COA Circular No. 2012-001 dated June 14, 2012,
- 14.8 Verification of the DVs and the attached supporting documents disclosed that the following employees who monetized 50 percent of their accumulated leave credits lacked pertinent documentary requirements to further validate the propriety of their claims, namely:

Summary of Lacking Documents - Monetization of Leave Credits					
Name of Employee		LCs Monetized	Amount	Reason for Monetization	Lacking Supporting Documents
1.	Estrella E. Yago	87.00	₱183,441.82	Financial aid and assistance (House Renovation)	Barangay Certification
2.	Noel R. Navigar	76.00	162,233.32	Health/medical/ hospital needs	Clinical Abstract/Medical Procedures

Summary of Lacking Documents - Monetization of Leave Credits					
Name of Employee		LCs Monetized	Amount	Reason for Monetization	Lacking Supporting Documents
				Educational needs	School Registration
3.	Joseph T. Lopena	107.00	295,438.17	Educational needs	School Registration
4.	Wilma N. Mejia	53.00	77,982.68	Financial aid and assistance (House Repair)	Barangay Certification
5.	Mariam C. Fabrigar	48.00	144,989.86	Financial aid and assistance (House Repair)	Barangay Certification
6.	Emelda C. Garcia	106.76	114,302.49	Financial aid and assistance (House Repair)	Barangay Certification
7.	Darby P. Esperanzate	78.83	154,381.20	Financial aid and assistance (House Repair)	Barangay Certification
8.	Wenceslao Espuerta Jr.	87.00	58,451.33	No request letter attached / Reason unknown	No supporting document for the 50% monetization
9.	Ameja C. Custodio	50.00	106,732.37	Financial aid and assistance (House Renovation)	Barangay Certification
<b>Total</b>			<b>₱1,297,953.24</b>		

14.9 The lack of pertinent documents to support the claims for monetization of 50 percent of leave credits cast doubts on their propriety and validity. Such practice should be corrected to preclude other employees of the PhilSCA from doing the same.

14.10 Also, monetization of vacation leave (VL) credits of employees in excess of the maximum limit of 30 days, contrary to Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292, resulted in an unauthorized payment of leave benefits amounting to ₱42,692.95.

14.11 Accumulation of vacation and sick leave (VL and SL) credits by officials and employees has an equivalent monetary value, which is ultimately paid to the employee at the end of the service.

14.12 The expected earned leave of 2.50 days (VL and SL) per month shall be posted in the leave cards every end of the month.

14.13 Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292 states that:

Officials and employees in the career and non-career service, whether permanent, temporary, casual or coterminous, who have accumulated 15 days of vacation leave credits shall be allowed to

monetize a minimum of 10 days. Provided that at least 5 days is retained after monetization and provided further that a maximum of 30 days may be monetized in a given year.

14.14 CSC Resolution No. 000034 dated January 5, 2000 provides that monetization of SL credits can only be made after exhausting first the VL credits.

14.15 In the review of approved applications for leave and its relevant supporting documents in the monetization of leave credits for CY 2019, it was observed that Ms. Ameja C. Custodia was allowed to monetize 50 days vacation leave credits which is over the maximum 30 days contrary to Section 22 of the Omnibus Rules on Leave, that resulted in excess monetization payment of ₱42,692.95:

14.16 **We recommended that Management:**

- a. **submit explanation on why the payment of terminal leave benefits to employees who retired, voluntarily resigned and separated from the service and monetization were approved despite the absence of the required necessary documents; and**
- b. **justify the payment for monetization of leave credits in excess of the amount allowable under the pertinent rules and regulations set forth under Section 22 of Omnibus Rules on Leave, Rule XVI of the Omnibus Rules Implementing Book V of EO No. 292, otherwise, any excess payment may be subject to disallowance.**

14.17 Management will submit the complete lacking requirements upon contact with the employees who retired, voluntarily resigned and separated from the service. The HRMO Director requested those concerned personnel to submit the lacking supporting documents and committed that the future application for monetization of personnel will be supported by documents before approval and payment.

14.18 The Human Resource Management Office (HRMO) officer-in-charge in processing monetization of leave credits mistakenly understood that the employee was applying for the 50 percent of her leave credits, thus there was really an erroneous action resulting in the 20-day excess of maximum number of days to be monetized. Management committed that they will observe properly the rules in the payment for the future monetization of leave credits.

14.19 **Auditor's Rejoinder:**

Those officers and employees who lacked Barangay Certifications as supporting documents for their 50 percent monetization of accumulated

leave credits have only submitted personal justifications for their repair/house renovations. Some used them for their car maintenance.

*Compliance with Property Insurance Law*

**15. For CY 2019, PhilSCA was able to insure its buildings, equipment/aircrafts, supplies and materials as well as its service vehicles in the amount of ₱497,712,958.82 as required under COA Circular No. 92-390 dated November 17, 1992 and RA No. 656, as amended by PD No. 245 dated July 13, 1973. However, the insurance premium paid amounting to ₱3,338,272.87 for the College properties is doubtful of its accuracy on the existing coverage due to non-submission of Property Inventory Form (PIF) which is used as a basis for the assessment of general insurance coverage, contrary to COA Circular No. 2018-002 dated May 31, 2018.**

15.1 RA No. 656, otherwise known as the Property Insurance Law, as amended by PD No. 245 dated July 13, 1973, requires all government agencies to have their properties, assets and interests insured with the GIF administered by the GSIS in order to indemnify or compensate for any risk of damage or loss due to fire, theft or any unforeseen events.

15.2 Section 5 of the above RA No. 656 further states that:

Every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies: Provided, however, that the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for: Provided, further, that such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company. x x x

15.3 Section 3.1 of COA Circular No. 92-390 dated November 17, 1992 requires the responsibility of all heads of national agencies, local government units and government owned or controlled corporations on the preparation and submission of the inventory of all insurable physical assets.

15.4 Section 5.5 of COA Circular No. 2018-002 dated May 31, 2018 states that:

Failure on the part of the agency officials concerned and the GSIS to submit and receive, respectively, the documents and reports mentioned, as well as failure of the GSIS underwriting officials to assess the premium due within the timeframe prescribed, shall automatically cause the suspension of the payment of their salaries

until they shall have complied with the requirements of RA No. 656 and its Implementing Rules and Regulations, as well as the provisions of this Circular.

No appropriation authorized in the General Appropriations Act shall be available to pay the salary of any official or employee who violates the provisions of this Circular, without prejudice to any disciplinary action that may be instituted against such official or employee.

15.5 For CY 2019, PhilSCA was able to insure its school buildings, equipment/aircrafts, supplies and materials as well as its service vehicles totaling ₱497,712,958.82 in compliance with RA No. 656, as amended by PD No. 245 July 13, 1973 and COA Circular No. 92-390 dated November 17, 1992.

15.6 With the submitted photocopies of insurance policies and attached ORs, the Audit Team was able to summarize the College' insurance of its properties in the following table:

Insurance Summary of PhilSCA's Properties					
Description (Category)		Amount Insured	Period Covered	Premium Amount	Date Paid
Buildings & Other Structures -VAB Campus, Pasay		₱304,680,524.00	September 5, 2019 to December 31, 2020	₱1,475,627.71	10/11/19
Office Equipment, Supplies and Materials - VAB Campus, Pasay		92,390,688.22	September 28, 2019 to December 31, 2020	878,612.60	10/11/19
Buildings, Office Equipment, Supplies and Materials - MAB Campus, Cebu		23,608,708.60	September 28, 2019 to December 31, 2020		
Buildings, Office Equipment, Supplies and Materials - FAB Campus, Batangas		16,417,676.21	September 28, 2019 to December 31, 2020		
Buildings, Office Equipment, Supplies and Materials - BAB Campus, Pampanga		44,115,761.79	September 28, 2019 to December 31, 2020		
Aircrafts		16,499,600.00	October 17, 2018 to December 21, 2019	947,125.38	10/11/19
Motor Vehicles					
a.	Mitsubishi L300 SJT 191	-	February 1, 2019 to	3,938.28	01/23/19

Insurance Summary of PhilSCA's Properties					
Description (Category)		Amount Insured	Period Covered	Premium Amount	Date Paid
			February 1, 2020		
b.	Toyota Revo SFU 653	-	April 1, 2019 to April 1, 2020	2,644.09	02/20/19
c.	Mitsubishi L300 190	-	May 29, 2019 to May 29, 2020	7,702.19	07/19/19
d.	2013 Hyundai County 29+ Bus DSL	-	May 1, 2019 to May 1, 2020	958.08	04/16/19
e.	Nissan Bus 20019 SKE 644	-	May 1, 2019 to May 1, 2020	14,827.12	
f.	Mitsubishi SJT 189	-	October 1, 2019 to October 1, 2020	3,182.91	09/09/19
g.	Mitsubishi L300 SJT 190	-	November 1, 2019 to November 1, 2020	3,654.51	
<b>Total</b>		<b>₱497,712,958.82</b>		<b>₱3,338,272.87</b>	

15.7 COA Circular No. 2018-002 dated May 31, 2018 provides the guidelines prescribing the submission of PIF not later than April 30 of each year. The said Circular is being issued to assist in the implementation of the provisions of RA No. 656, as amended, on the insurance and bonding of risks on insurable government assets and properties with the GIF.

15.8 It shall cover all insurable assets and other assets such as contracts, rights of action, and other insurable risks of government agencies, departments, bureaus, boards, commissions, state universities and colleges, local government units, government-owned or controlled corporations and their subsidiaries/affiliates, including all others in which these agencies or offices have an insurable risk or an insurable interest, such as but not limited to, loss or damage of the government assets.

15.9 It sets out the guidelines that the head of agency shall direct the pertinent official under his supervision to:

- a. Secure from GSIS GIF, all insurances or bonds;
- b. Prepare PIF listing of all the insurable properties and other assets;
- c. Extract the data of the PIF from the Report on the Physical Count of PPE;
- d. Cause the appraisal of the insurable properties and other assets;
- e. Submit the consolidated PIF to this Commission and to GSIS not later than April 30 of each year;
- f. Include in the agency annual budget the amount of premiums for the general insurance coverage; and

- g. Ensure centralized payment of insurance premiums.
- 15.10 To date, the College has submitted only the photocopies of insurance policies together with the corresponding ORs for payment of its existing GSIS Insurance coverage with the computed total sum insured of ₱497,712,958.82. No duly accomplished PIF was submitted to this Office and to GSIS to validate the completeness and adequacy of the existing coverage.
- 15.11 It is necessary for the GSIS to obtain the complete information on the inventory of assets and properties of all government agencies, including the latest appraised/ market values determined by a third party or in-house appraiser in compliance with the accounting and other valuation standards adopted by the concerned agency.
- 15.12 **We recommended that Management prepare and submit the PIF as required under COA Circular No. 2018-002 dated May 31, 2018 in order to determine the accuracy of the insurance coverage of all PhilSCA properties. The concerned officials are likewise reminded to observe the provisions of Sections 5.5 of the said Circular and RA No. 656 to preclude the automatic suspension of their salaries until they shall have complied therewith.**
- 15.13 Management committed to submit to the Audit Team the completely accomplished PIF for CY 2019.

*Gender and Development (GAD) Program*

16. **PhilSCA's GAD Plan and Budget (GPB) for CY 2019 amounting to ₱3,365,000.00 was only 1.82 percent of the total appropriation of the College, instead of at least five percent or ₱9,232,000.00 as required under item Nos. 2.3 and 6.1 of DBM, NEDA and PCW JC No. 2012-01 and Section 32 of General Provisions of the FY 2019 GAA, due to non-mainstreaming of the GAD in the different functions of the College and the attribution of its appropriations, of which only ₱737,500.00 was actually spent and just five out of 24 targeted outputs, were fully accomplished, thus identified gender issues were not fully addressed. Likewise, GPB was not reviewed and endorsed by the Philippine Commission on Women (PCW) contrary to Section 8 of the same JC, thus the propriety and validity of the total expenditures contained in the GAD Accomplishment Report (AR) could not be fully assured. Moreover, GPB and GAD AR were not submitted to the Audit Team within the period prescribed under Item V of COA Circular No. 2014-001 dated March 18, 2014.**



- 16.1 Pursuant to Item No. 2.3 of RA 9710 or the Magna Carta of Women and General Appropriations Act, all government departments, including their attached agencies, offices, bureaus, SUCs, GOCC, LGUs and other government instrumentalities shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs and projects.
- 16.2 Pursuant to Section 32 of General Provisions of the GAA of the FY 2019, all agencies of the government shall formulate a GAD Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under RA No 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, The Philippine Plan for Gender-Responsive Development (1995-2025), and the Philippine Development Plan (2017-2022).
- 16.3 The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfilment of women's human rights, and practice of gender-responsive governance, are considered sufficient compliance with said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies. The preparation and submission of the annual GAD Plan and annual GAD Accomplishment Report shall be subject to the guidelines issued by the agencies concerned.
- 16.4 Section 8 of PCW-NEDA-DBM JC 2012-01 provides that:
- 8.1 Pursuant to Section 37A.1 of the MCR-IRR, all agencies, offices, bureaus and all government instrumentalities and others concerned shall formulate their annual GAD Plans and Budgets (GPB) within the context of their mandates.
- 8.2 The GFPS of the agency shall review all submitted GPBs and as needed, provide comments or recommendations for revision. Agency review of GPBs shall focus on the alignment of the GAD plan with the GAD agenda and the correctness and alignment of the entries in each column of the GPB template, e.g. if the proposed activities respond to the identified gender issue or cause of the issue, the issues are correctly identified or formulated, if there are clear indicators and targets, if the proposed budget is realistic, if the number of proposed activities are doable within the year, among others. The GFPS shall then submit the final GPBs and the corresponding GAD ARs to PCW for review and endorsement to DBM.

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8.7 Agencies shall submit their PCW-endorsed to DBM along with their annual GAD Accomplishment Report for the previous year in accordance with the budget call.

8.8 Once the GAA has been approved and where budget and program adjustments have to be made based on final agency budgets, agencies shall submit an adjust GPB to PCW. The adjusted GPB shall be the basis for implementing the GPB, as well as, for monitoring and reporting.

- 16.5 Item V of COA Circular No. 2014-001 dated March 18, 2014 states the responsibility of the audited agency.

The audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case maybe. Likewise, a copy of the corresponding Accomplishment Report shall be furnished to the said Audit Team within five (5) working days from the end of January of the preceding year.

- 16.6 Review of the GAD Plan and Budget (GPB) of the College to address gender issues/concerns for CY 2019 disclosed that the proposed budget amounting to ₱3,365,000.00 was merely 1.82 percent of the ₱184,640,000.00 total appropriations of PhilSCA.
- 16.7 Listed in Annex C are the gender issues, GAD activities, target and budget as contained in the 2019 GPB of the College. These were categorized into Client-Focused Activities and Organization-Focused Activities.
- 16.8 PCW MC No. 2011-01 dated October 21, 2011 provides the guidelines for the creation, strengthening, and institutionalization of the GAD Focal Point System (GFPS) in constitutional bodies, government departments, agencies, bureaus, SUCs, GOCCs and all other government instrumentalities; and to clarify the roles and responsibilities, composition and structure of the GFPS to enable it to function as a mechanism for catalyzing and accelerating gender mainstreaming in the agency towards the promotion of Gender Equality and Women's Empowerment.
- 16.9 Item No. 3.5 of the said MC states that GFPS is an interacting and interdependent group of people in all government instrumentalities tasked to catalyze and accelerate gender mainstreaming. It is a mechanism established to ensure and advocate for, guide, coordinate, and monitor the development, implementation, review and updating of their GAD plans and GAD-related PAPs.

16.10 It is notable that the PhilSCA President issued MC No. 06 s. of 2019 dated October 14, 2019 for the establishment of GFPS Executive Committee, GAD Technical Working Group and GAD Secretariat in compliance with the above cited circular.

16.11 The Audit Team noted that, out of the 24 identified activities in the 2019 GBP, only five were accomplished and the remaining 19 were not accomplished. However, one GAD related activity which was not included in the GBP but was undertaken and reflected on GAD AR incurred additional costs of ₱104,500.00 to PhilSCA. Consequently, identified gender issues and concerns were not fully addressed by the College.

16.12 The details of the accomplishments are as follows:

<b>CY2019 GAD Accomplishment Report</b>				
<b>GPB No.</b>	<b>GAD Activities</b>	<b>Actual Expenses</b>	<b>Actual Result/ Accomplishment</b>	<b>Remarks</b>
GAD Activity I	Conduct of 2-day Gender Sensitivity Seminar w/ Integration of VAW laws for students, faculty and admin personnel of 4 PhilSCA Campuses	₱633,000.00	All College personnel and Faculty members participated during the training	Done
GAD Activity IV	Conduct of 2 day Gender Sensitivity Seminar w/ Integration of RA 7877: (experts as Resource Speakers) for students, faculty and admin personnel of 4 PhilSCA Campuses (VAB Villamor)			
GAD Activity V	Conduct of 2 day Gender Sensitivity Seminar w/ Integration of RA 7877: (experts as Resource Speakers) for students, faculty and admin personnel of 4 PhilSCA Campuses			
GAD Activity VI	Conduct of 2 day Gender Sensitivity Seminar w/ Integration of RA 7877: (experts as Resource Speakers) for students, faculty and admin personnel of 4 PhilSCA Campuses			
GAD Activity VII	Conduct of 2 day Gender Sensitivity Seminar w/ Integration of RA 7877: (experts as Resource Speakers) for students, faculty and admin personnel of 4 PhilSCA Campuses			
	5 <sup>th</sup> GAD National Summit with the Theme: “Contextualizing Gender Reform Amidst issues and concerns” in partnership with PAGDAI.	104,500.00	19 PhilSCA personnel attended during the National Summit	Done
<b>Total Actual Expenses Incurred</b>		<b>₱ 737,500.00</b>		

- 16.13 As shown above, the conducted activities per GAD Accomplishment Report (AR) were within the context of the PhilSCA's mandate to mainstream gender perspectives in their policies, programs and projects. However, the PCW-reviewed/endorsed GPB was lacking, hence review of the validity and propriety of the reported accomplishments and utilization of ₱3,365,000.00 could not be fully assured.
- 16.14 Still, the approved GPB was not strictly followed by the College. The details of the amount incurred to achieve each activity were likewise not indicated. It was summed up for the five accomplished GAD activities.
- 16.15 It seems that GAD Plan implementation was not yet among the top priority activities of PhilSCA Management, hence, the College did not undertake three of the essential elements mentioned in item 4.2 to 4.4 of JC 2012-01 and included in their GAD Plan:
- a. Creation and/or Strengthening of the GFPS: As required by the MCW and following the PCW Memorandum Circular 2011-01 (Guidelines for the Creation, Strengthening and Institutionalization of the GAD Focal Point System), all agencies should have an institutionalized and functional GFPS.
  - b. Capability Building on Gender and Development: A clear understanding and appreciation of gender and development is a pre-requisite for a successful GPB. Agencies are required to regularly undertake orientations and capacity development on GAD including GAD-related laws and commitments for their employees. Trainings should include gender mainstreaming, gender analysis and gender-responsive planning and budgeting.
  - c. Conduct of Gender Audit: Gender audit is an examination of the agency's level of gender mainstreaming or extent of the gender-responsiveness and competence of its personnel and the presence of absence of enabling mechanisms that support gender mainstreaming.
  - d. Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming and policy formulation.
- 16.16 Furthermore, the continued inactions to allocate the required GAD budget precluded PhilSCA to achieve fully the objectives of the GAD program.

16.17 Section V of COA Circular No. 2014-001 dated March 18, 2014 requires that the audited agency shall submit a copy of the Annual GAD Plan and Budget to the Audit Team assigned to the agency within five working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case maybe. Likewise, a copy of the corresponding AR shall be furnished to the Audit Team within five working days from the end of January of the preceding year.

16.18 **We recommended that Management:**

- a. **comply with the provisions of the JC 2012-01 and the General Provisions of FY 2019 GAA for GAD budget allocation at least five percent of the total agency appropriations, the mainstreaming of gender perspective, policies, program and projects as well as the attribution of budget to GAD;**
- b. **implement all GAD related activities in the approved GPB, thru the Chair of the GFPS, and develop more GAD related projects/activities that will promote gender equality among its employees and students; and**
- c. **prepare and submit the GPB, thru the GFPS, for review of the PCW and for endorsement to DBM; and submit the reviewed and endorsed GPB and the corresponding AR to the Audit Team within the prescribed period in compliance with COA Circular No. 2014-001 dated March 18, 2014.**

16.19 *Management commented the following:*

- The PhilSCA GFPS was newly reconstituted and are still in the process of building their capacity to properly attribute portions of allocated fund in some of the projects and programs undertaken and yet to be undertaken. There was a late approval of CY 2019 GAA that hampered the implementation of some GAD programs and activities.
- The College President and the GAD Focal Person commented that they have submitted their GPB to CHED-NCR for review and endorsement. The CHED-NCR will forward the GPB to CHED- CO to PCW for approval.

**17. GAD Database was not established nor maintained to serve as basis for gender-responsive planning, programming and policy formulation, contrary to Section 37 (D), Rule VI-Institutional Mechanisms of the IRR of RA No. 9710 or the Magna Carta of Women and Section 4.4 of PCW-NEDA-DBM JC 2012-01.**

- 17.1 *Section 37 (D), Rule VI-Institutional Mechanisms of the IRR of RA No. 9710* states that:

All departments, including their attached agencies, offices, bureaus, SUCs, GOCCs, LGUs, and other government instrumentalities shall develop and maintain a GAD database containing GAD information to include gender statistics and age- and sex-disaggregated data that have been systematically produced/gathered, regularly updated to serve as inputs or bases for planning, programming, and policy formulation. The National Statistical Coordination Board (NSCB), upon the recommendation of the Inter-Agency Committee on Gender Statistics (IACGS), shall issue statistical policies on the generation of data support on gender issues and improve the system of collection and dissemination of gender statistics at the national and local levels.

- 17.2 *Section 4.4-Essential Elements in GAD Planning and Budgeting of PCW-NEDA-DBM JC 2012-01* further states that:

**Institutionalizing GAD Database/Sex-disaggregated Data:** The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.

- 17.3 Inquiry with GAD Secretariat disclosed that the PhilSCA has not established or is not maintaining any GAD Database/Sex-disaggregated Data.

- 17.4 **We recommended that Management:**

- a. **establish, thru the GFPS, the GAD database with adequate and systematically gathered sex-disaggregated data (SDD) which will provide the bases for gender analysis, planning, programming and policy formulation; and**
- b. **undertake gender analysis to identify and confirm existing gender-related issues/information and track the results thereof; and**
- c. **ensure that the programs, projects and activities are responsive to the said issues.**

- 17.5 Management commented that PhilSCA has existing basic SDD for faculty and employees at the HR Office and for the students at the Registrar's Office. At the moment, they are finalizing the survey instrument to be used to establish an updated and comprehensive SDD of the faculty and employees of the College.

*Compliance with Senior Citizens (SCs) and Persons with Disabilities (PWDs)*

**18. PhilSCA did not allocate funds from its approved budget nor formulate plans and programs that will address concerns of SCs and PWDs, contrary to Section 33 of the General Provisions of the GAA for FY 2019, thus concerns such as mobility, safety and welfare of SCs and PWDs were not properly addressed.**

- 18.1 Section 33 of the General Provisions of RA No. 11260, 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.
- 18.2 Moreover, all government infrastructures and facilities shall provide architectural or structural features, designs or facilities that will reasonably enhance mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and R.A. No. 7277, as amended.
- 18.3 In the reply to our inquiry letters addressed to the Management dated January 24 and 31, 2020, Dr. Rowena S. Navera informed the Audit Team that PhilSCA have provided ramps for persons with disabilities as part of the reconstruction of the facilities of the College. She likewise stressed that there were no plans yet realized to address the concerns of the senior citizens.
- 18.4 The Audit Team then requested the details of the constructed ramps as to description, location, and costing. However, to date, there was no reply received from the Management.
- 18.5 Thus, the College was not able to implement the aforementioned provisions of the GAA for FY 2019 and there was no responsible unit and official assigned to initiate the formulation and implementation of plans, programs and projects addressing the concerns of SCs and PWDs.
- 18.6 We recommended that Management strictly comply with the provisions of law to address the concerns of the senior citizens and persons with disabilities/differently-abled persons of the College.**
- 18.7 The College President commented that he assigned the GAD focal person as Coordinator for SC/PWDs. He mentioned that PhilSCA buildings have ramps for SC/PWDs. He further commented that programs and projects for SC/PWDs are attributed and they have some SCs in the College.
- 18.8 Auditor's Rejoinder:**

The Audit Team has noted the building ramps. However, no programs and projects are being implemented. The Audit Team requested for the total number

of SCs/PWDs in PhilSCA.

*Submission of Agency Action Plan and Status of Implementation (AAPSI)*

**19. The continued delay and incomplete submission to the Audit Team of the required Agency Action Plan and Status of Implementation (AAPSI) on the audit observations and recommendations contained in the CY 2018 Annual Audit Report (AAR) as well as prior years' AARs, despite repeated requests, hampered the timely validation and monitoring of compliance and precluded the urgent need of the public to keep abreast of what are being done to implement the audit recommendations contained therein, contrary to Section 93 of the General Provisions of the GAA of FY 2018 and COA Memorandum 2014-002 dated March 18, 2014.**

19.1 The head of agency, who is primarily responsible for all government funds and property pertaining to his office, shall ensure that the required reports are submitted by the concerned agency official in such form and within the period prescribed by the COA.

19.2 Section 99 of the General Provisions of the GAA of FY 2019 provides that:

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 the 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 comply with the foregoing report shall result in the automatic suspension of the salaries of the responsible official and/or employee until they have complied with the above requirements pursuant to Section 57, Chapter 6, Book VI of E.O. No. 292.

Repeated failure or refusal of said official or employee to submit above report without any justifiable cause may be a ground for administrative disciplinary action, subject to pertinent civil service rules and regulations. The head of agency shall be responsible for ensuring compliance with this penalty provision.



- 19.3 COA Memorandum No. 2014-002 dated March 18, 2014 was issued prescribing the use of AAPSI, as a tool for government agencies to indicate action plans on the audit observations and recommendations contained in the AAR, and for the auditor to monitor the said action plans.
- 19.4 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 on the audit observations and recommendations contained in the AAR. The AAPSI form shall likewise be attached to the transmittal letter.
- 19.5 It 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.
- 19.6 The Audit Team transmitted the AAR for CY 2018 to the Management last June 14, 2019 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 prescribed AAPSI form. Thus, the AAPSI was due on August 14, 2019.
- 19.7 Audit Team has requested the Management through verbal and written communications for the submission of said report. A communication letter dated October 18, 2019, addressed to the College President, together with the attached format was issued stating the required time for submission of the said status report.
- 19.8 The Management submitted the hard copy of the AAPSI report last November 7, 2019, while the electronic copy was submitted last November 11, 2019, or delayed already for 86 to 90 days from the prescribed period of submission.
- 19.9 However, upon review and examination of the submitted AAPSI report, it was observed that only the action plans and compliance with the CY 2018 audit observations and recommendations were included. There were no actions plans and status of implementation for the prior years as contained in the Part III-Status of Implementation Prior Years' Audit Recommendations of the CY 2018 AAR. Thus, a request letter dated November 11, 2019 was sent to the Management for the submission of the actions plans and status of implementation for audit observations and recommendations for the CYs 2017 and below. To date, Management has not yet submitted the requested report.

19.10 The Audit Team acknowledges Management efforts to prepare the said report. Nevertheless, we would like to remind Management on the prescribed period for its submission. The continued delay and incomplete submission hampered the timely validation and monitoring of compliance with COA recommendations contained in the AAR. It likewise precluded the urgent need of the public to keep abreast of what are being done to implement the audit recommendations.

**19.11 We recommended and Management agreed to:**

- a. submit the required AAPSI on the audit observations and recommendations contained in CY 2018 AAR and prior years as well;**
- b. ensure the timely submission thereafter, pursuant to the General Provisions of GAA and COA Memorandum No. 2014-002 dated March 18, 2014; and**
- c. create a committee who will be in charge to prepare and submit reply/replies on the Audit Team's audit observations and recommendations and will be responsible for the subsequent action plans and make updates on the status and target dates of implementation.**

*Delayed Submission of Reports and Supporting Schedules/Documents*

**20. The delayed/non-submission of financial reports and documents, contrary to existing laws and COA rules and regulations precluded the prompt audit of accounts and financial transactions, early detection and correction of errors/deficiencies; proper evaluation and determination of the regularity, validity, completeness and accuracy of the recorded transactions; and the timely reporting of the audit results to the Management.**

20.1 Section 7.1.1(a) of COA Circular No. 2009-006 dated September 15, 2009 provides that "the head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that: a) the required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by the Commission, xxx."

X xx.

20.2 Section 2, Chapter 1 GAM for NGAs, Volume I sets the timelines for the submission of various financial reports and its supporting schedules as follows:

<b>Financial Reports Submission Timelines per GAM for NGAs, Volume I</b>			
<b>Reports/Documents</b>		<b>Deadline</b>	<b>Provision in Vol. I ,GAM for NGAs</b>
1.	Report of Collections and Deposits (RCD) with Official Receipts (ORs) and Deposits Slips, Report of Checks Issued (RCI) and Liquidation Reports (LRs)	Every 10 <sup>th</sup> day after the end of each month	Section 7.2.1a of the RRSA
2.	Monthly Trial Balances (TBs) and Supporting Schedules (SS) (e.g. JEV, etc.)	Ten days after the end of the month	Section 60,Chapter 19
3.	Quarterly Financial Statements(FS), TBs and SSs	Ten days after the end of the quarter	
4.	Annual TBs, FS, SSs (combined CO, ROs and OUs)	February 14 of the following year	
5.	Report on the Physical Count of Inventories (RPCI) to be used in reporting of the supplies and materials on hand at a given time.	Semestral	Section 13, Chapter 8
6.	Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB)– FAR No. 1	Within thirty (30) days after the end of each quarter	Section 32a, Chapter 3,
7.	Summary of Appropriations, Allotments, Obligations, Disbursements and Balances by Object of Expenditures (SAADBOE)– FAR No. 1.A		
8.	List of Allotments and Sub-Allotments – FAR No. 1.B		
9.	Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) – FAR No. 2		
10.	Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE)– FAR No. 2.A		
11.	Aging of Due and Demandable Obligations (ADDO) – FAR No. 3	On or before the 30 <sup>th</sup> day following the end of the year	Section 32b, Chapter 3,
12.	Monthly Report of Disbursements (MRD)– FAR No. 4	On or before the 30 <sup>th</sup> day of the following month covered	Section 32c, Chapter 3
13.	Quarterly Report of Revenue and Other Receipts (QRROR) – FAR No. 5	Within thirty (30) days after the end of each quarter	Section 32a, Chapter 3

20.3 Submission of reports and documents to the Audit Team as of February 14, 2020 by the Accounting Division showed significant delays ranging from seven days up to two years for the required financial and budgetary reports and documents, as shown in the following table:

<b>Delays in the Submission of Reports and Documents</b>			
<b>Reports/Documents</b>	<b>Latest Month/ Period Submitted</b>	<b>Period of Delay</b>	<b>Observation</b>
Report of Collections and Deposits (RCD) including Official Receipts (ORs) and Deposits Slips (DSs)	December 2019	11 – 110 days	The submission of the monthly RCDs including the ORs and DSs were delayed for a period ranging from 11 to 110 days.
Report of Checks Issued (RCI) with Disbursement Vouchers (DVs)	December 2019	11 – 110 days	The submissions of monthly RCIs with DVs were delayed for a period of 11 to 110 days.
Report on the Physical Count of Inventories (RPCI)	No submission	1 – 2 years	RPCI for CY 2019 and previous years were unsubmitted.
Aging of Due and Demandable Obligations (ADDO) – FAR No. 3	Year ending December 31, 2019	13 days	ADDO report was submitted incurring delay of 13 days.
Monthly Report of Disbursements (MRD) – FAR No. 4	September 2019	18 - 354 days	MRD – FAR No. 4 for the months of January, April, May, June, July, August, October, November and December 2019 were unsubmitted. Submission of MRDs was delayed for a period of 18-354 days.
Quarterly Report of Revenue and Other Receipts (QRROR) – FAR No. 5	4 <sup>th</sup> Qtr 2019	14-293 days	QRROR – FAR No. 5 for 1 <sup>st</sup> quarter 2019 were unsubmitted. Submission of QRROR was delayed for a period of 14 – 293 days.

20.4 Such delays in the submission of financial reports affected the timely examination of financial transactions and the preparation of the Annual Audit Report (AAR) for CY 2019.

20.5 We recommended that Management:

- a. **submit to the Audit Team, thru the concerned Accounting and Budget officials and employees, the monthly, quarterly and yearly financial and budgetary reports and the pertinent supporting documents within the prescribed period to facilitate timely review and correction of errors/ deficiencies noted in the audit;**
- b. **submit an explanation for the delayed/non-submission of the required financial and budgetary reports within the reglementary period; and**
- c. **withhold the salaries of concerned officials until the submission of financial and budgetary reports has been complied with pursuant to Chapter 3, Section 122 of PD No. 1445.**

20.6 The College President commented that the College Accountant back tracked the unsubmitted reports and those duly submitted to the COA Audit Team. He also stressed that they have submitted the budgetary reports to DBM and received letter from DBM commending the Management/College on the submission of the reports.

**20.7 Auditor's Rejoinder:**

The Audit Team (AT) clarified that the documents required in the AOM were documents which remained unsubmitted as of February 14, 2020, which is the cut-off date for the submission of the required financial and budgetary reports for CY 2019.

The AT also reminded the Management regarding the submission of the yearly BFARs including the CY2019 to the COA- Government Accountancy Sector (GAS); and their timely in their submission of the reports to the said COA sector.

*Compliance with BIR*

**21. PhilSCA was able to withhold and remit taxes amounting to ₱8,639,653.41 during CY 2019 in compliance with the Bureau of Internal Revenue (BIR) Revenue Regulation No. 10-2008 dated July 8, 2008 for compensation; and Revenue Memorandum Circular No. 23-2007 dated March 22, 2007 for government money payments due or payable to all suppliers of goods and/or services.**

21.1 Executive Order (EO) No. 651 dated February 16, 1981 requires government offices, agencies and instrumentalities to comply strictly with the laws and regulations on withholding and remittance of taxes. Such directive was reiterated under Revenue Regulations 1-87 dated April 2, 1987 and Revenue Memorandum Order No. 8-2003 dated March 3, 2003.

21.2 BIR Revenue Regulation No. 10-2008 dated July 8, 2008 prescribes the pertinent provisions on the withholding of income tax on compensation.

21.3 Revenue Memorandum Circular No. 23-2007 dated March 22, 2007 prescribes the guidelines on the computations of withholding taxes and other requirements on government money payments due or payable to suppliers of goods and/or services.

21.4 Records of taxes withheld and remitted by the College for the calendar year 2019 per audit of the monthly BIR Forms 1601-Es, 1601-Cs, 1600s and Tax Remittance Advices (TRA) amounted to ₱8,639,653.41. As per submitted schedule of Taxes Withheld and Remittances of the Accounting Office, PhilSCA remitted a total amount of ₱8,707,260.68. Details are shown below:

<b>Taxes Withheld &amp; Remitted per BIR Forms CY 2019</b>				
<b>Month</b>	<b>From Compensation</b>	<b>From Suppliers</b>	<b>Total</b>	<b>Schedule of Remittances</b>
January	₱366,246.33	₱85,379.88	₱451,626.21	₱972,064.43
February	421,246.60	39,532.45	460,779.05	455,420.97
March	554,296.96	300,371.94	854,668.90	632,404.11
April	638,195.39	16,234.83	654,430.22	821,684.30
May	540,915.56	38,271.11	579,186.67	781,813.54
June	584,481.39	193,923.20	778,404.59	562,575.63
July	488,721.70	86,094.32	574,816.02	716,629.85
August	103,485.52	216,463.44	319,948.96	215,413.44
September	433,152.57	150,079.84	583,232.41	658,843.90
October	561,993.41	209,868.99	771,862.40	435,126.29
November	908,840.15	178,192.16	1,087,032.31	1,159,745.80
December	1,083,802.79	439,862.88	1,523,665.67	1,295,538.42
<b>Total</b>	<b>₱6,685,378.37</b>	<b>₱1,954,275.04</b>	<b>₱8,639,653.41</b>	<b>₱8,707,260.68</b>

*Compliance with GSIS, Pag-IBIG and PhilHealth Remittance of Premiums*

**22. PhilSCA had properly deducted and timely remitted the required premiums, contributions of its personnel and the government share within the prescribed period to the concerned agencies for CY 2019.**

22.1 Section 14.1, Rule III of RA No. 8291, the GSIS Act of 1997, requires that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first ten days of the calendar month following the month to which the contributions apply. The remittance by the government agency of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.

22.2 Section 1, Rule VI of the IRR of RA No. 9679, the Home Development Mutual Fund Law of 2009 states the rates of contributions:

- a. Employees earning not more than One thousand five hundred pesos (₱1,500.00) per month – one percent (1%).
- b. Employees earning more than One thousand five hundred pesos (₱1,500.00) per month- two percent (2%).
- c. All employers – two percent (2%) of the monthly compensation of all covered employees.

The maximum monthly compensation to be used in computing employee and employer contributions shall not be more than Five thousand pesos (₱5, 000.00).

22.3 As of December 31, 2019, PhilSCA withheld and remitted the following:

<b>GSIS Premiums Withheld and Remittances as of December 31, 2019</b>		
<b>Compliance</b>	<b>Accounts Affected</b>	<b>Observation</b>
Deductions and Remittances of GSIS Premiums	Due to GSIS	In compliance with the provisions of RA No. 8291 or the GSIS Act of 1997, PhilSCA remitted the total amount of ₱20,054,569.70, consisting of the employee's personal premium, government's share and loans amortizations for CY 2019.
Deductions and Remittances of Pag-IBIG Premiums	Due to Pag-IBIG	For CY 2019, the total Pag-IBIG contributions for remittance amounted to ₱2,802,976.33, which pertains to the current contributions from the employee and government premium contributions and payment of loans. The amount of ₱2,540,706.03 was remitted on the same year, while the balance is amounting to ₱20,400.00 and ₱241,870.30 representing the government share and employees' share/loan payments were remitted on January 22, 2020.
Deductions and Remittances of PhilHealth Premiums	Due to PhilHealth	For CY 2019, ₱838,713.79 was remitted for the premiums of PhilSCA employees. The amount of ₱762,205.67 was remitted on the same year, and the balance of ₱76,508.12 was remitted on January 10, 2020.

**22.4 We commended the Management for its timely remittance of the due premiums and contributions, and adherence to the rules and regulations set forth by GSIS, Pag-Ibig and PhilHealth.**

*Non-presentation of Official Receipts*

**23. Non-presentation/ non-submission of Official Receipt (OR) for the recorded payment of premium in arrears to GSIS casts doubts on the validity of payments totaling ₱316,379.89**

23.1 Official Receipt (OR) for the recorded payment of premium in arrears totaling ₱316,379.89 were not duly presented, thus casting doubt on the validity of the payments.

23.2 The College also did not present to the Audit Team Official Receipt (OR) for the recorded payment of premium in arrears totaling ₱316,379.89, thus casting doubt on the validity of the payments.

**23.3 We recommended that Management duly present to the Audit Team the ORs for the payment of premium in arrears.**

23.4 The Management committed to present the ORs and is coordinating with the officer (thru WFH) responsible for keeping the ORs.

*Status of Audit Suspensions, Disallowances and Charges*

**24. Audit suspensions and disallowances totalling ₱5,652,043.11 and ₱30,202,460.26, respectively, remained unsettled as of December 31, 2019, contrary to COA Circular No. 2009-006 dated September 15, 2009 which prescribes the rules and regulations in the settlement of accounts.**

24.1 The status of compliance with the suspensions, disallowances and charges issued in prior years and during CY 2019 of PhilSCA is presented in the following table:

<b>PhilSCA's Status of Compliance with Suspensions, Disallowances and Charges Issued in Prior Years and During CY 2019</b>				
<b>Particulars</b>	<b>Beginning Balance January 1, 2019</b>	<b>Issuance/ Adjustment During the Year</b>	<b>Settlement/ Adjustment During the Year</b>	<b>Ending Balance December 31, 2019</b>
Audit Suspensions	₱5,918,887.46	₱1,706,302.01	₱1,973,146.36	₱5,652,043.11
Audit Disallowances	30,296,989.61	1,148.00	95,677.35	30,202,460.26
Audit Charges	-	-	-	-
<b>Total</b>	<b>₱36,215,877.07</b>	<b>₱1,707,450.01</b>	<b>₱2,068,823.71</b>	<b>₱35,854,503.37</b>

24.2 Out of the total suspensions and disallowances of ₱5,918,887.46 and ₱30,296,989.61 respectively, ₱1,973,146.36 and ₱95,677.35 were settled for the suspensions and disallowances, respectively, leaving a balance of ₱5,652,043.11 and ₱30,202,460.26, respectively, as of December 31, 2019.

24.3 The breakdown of disallowances amounting to ₱30,202,460.26 as of December 31, 2019 is shown below:

<b>Details of Notices of Disallowances</b>				
<b>Notice of Disallowance</b>			<b>Description/ Nature</b>	<b>Status</b>
<b>Number</b>	<b>Date</b>	<b>Amount</b>		
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.



Details of Notices of Disallowances				
Notice of Disallowance			Description/ Nature	Status
Number	Date	Amount		
12-001-164(06&07)	6/29/2012	1,371,750.00	Non-compliance with the requirements within the reglementary period.	NGS Cluster 5 submitted an "Answer" to the petition for review (COA CP Case No. 2019-432 dated May 31, 2019) filed before the Commission Proper by Engr. Edwin Magangan and Capt. Joseph Lopena, recommending that the Petition for Review be "SET ASIDE" for lack of merit and the NGS-Cluster 5 Decision No. 2018-019 dated September 13, 2018, whereby denying the appeal and affirming the ND issued in the amount of P1,371,750.00
2012-164-01(2011)	3/2/2012	479,031.31	Non-compliance with the requirements within the reglementary period.	NGS-Cluster 5 Decision No. 2019-029 dated September 27, 2019 was issued, wherefore denying the appeal submitted by Ms. Imelda F. Navigar, Chief Accountant, and affirming the ND issued.
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. The Audit Team submitted Answer to Appeal on June 5, 2017.
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	

Details of Notices of Disallowances				
Notice of Disallowance			Description/ Nature	Status
Number	Date	Amount		
17-003-01(2017)	7/20/2017	1,385.00	Excess payment of payroll	Pending issuance of NSSDC for settlements made through payroll upon submission of the Admin Unit of proof of deduction.
18-010-01(2017)	5/7/2018	544.00	Excess refund of travelling expenses	
<b>Total</b>		<b>₱30,202,460.26</b>		

24.4 The disallowances issued prior to the implementation of the RRSA) amounting to ₱263,000.00 were not included in balance of Statement of Audit Suspensions, Disallowances and Charges (SASDC) for the period ending December 31, 2017.

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