

PART II – OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AUDIT

Accounting Errors/Omissions and Other Accounting Deficiencies

1. **Total misstatements of ₱18,557,708.82 in Cash in Bank – Local Currency, Current Account (LCCA), Due from NGAs, Inventories, Prepayments, Liabilities, and Expenses accounts resulting from errors, omissions and improper accounting treatment of transactions as of December 31, 2020 exceeded the materiality threshold of ₱2,550,257.72, hence the accuracy, completeness, cut-off and classification of the said accounts could not be relied upon, thereby affecting the fair presentation of the financial statements (FSs).**
 - 1.1 Section 27 of the International Public Sector Accounting Standards (IPSAS) 1 and Section 15, Chapter 2, Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, states that *“The financial statements (FS) shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS. The application of IPSAS, with appropriate disclosures, if necessary, would result in fair presentation of the FS.”*
 - 1.2 Also, Chapter 19 of the GAM for NGAs, Volume I, provides:

“Section 4- The responsibility for the fair presentation and reliability of financial statements rests with the management of the reporting entity, particularly the head of finance/accounting office and the head of entity or his authorized representative.”
 - 1.3 Section 111 Presidential Decree (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.
 - 1.4 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.

- 1.5 Audit of PhilSCA's FSs and the accompanying Notes to FS disclosed misstatements/uncorrected errors in several accounts totaling ₱18,557,708.82, summarized as follows:

Table 1. Summary of Misstatements of Accounts in the FSs for CY 2020

Account Classification	Account Balance as of December 31, 2020	Amount of Misstatement	Assertions
Cash and Cash Equivalents (Cash in Bank – LCCA)	₱501,222,732.82	₱5,742,681.02	Accuracy, Completeness; Cut-off.
Receivables (Due from NGAs)	181,646,227.44	5,763,500.32	Accuracy, Classification, Completeness, Cut-Off.
Other Current Assets (Prepayments)	123,900,851.70	2,236,383.26	Accuracy, Classification, Cut-Off.
Liabilities (Due to NGAs, Due to GSIS, Due to BIR)	114,084,736.86	1,052,943.14	Accuracy, Classification, Completeness, Cut-Off.
Expenses	255,025,772.70	2,272,888.22	Accuracy, Classification, Cut-Off.
Subtotal		17,068,395.96	
Unadjusted Misstatement from Prior Year (CY 2019)*			
Inventories	1,293,499.76	908,142.20	Accuracy, Classification, Cut-Off.
Liabilities (Due to GSIS, Due to Pag-IBIG)	114,084,736.86	581,170.66	Accuracy, Completeness, Classification, Cut-Off.
Subtotal		1,489,312.86	
Total Misstatements		18,557,708.82	
Total Expenses		255,025,772.70	
Materiality Threshold for expense-driven entity (1% of Total Expenses)		2,550,257.72	
Excess of Total Misstatement over Materiality Threshold		16,007,745.11	
Percentage of Excess of Misstatement over Materiality		628%	

* Discussed in Observation No. 2, with Summary of Misstatements in paragraph 2.9, Table 16

1.6 The concept of materiality is applied in evaluating the effect of identified misstatement or omission in the FSs. The overall materiality threshold of ₱2,550,257.72 is set on one percent of the total Current Operating Expenses of ₱255,025,772.70 per Statement of Financial Performance for the year ended December 31, 2020.

1.7 Misstatements found in the audit of the FSs of the PhilSCA which the Management did not adjust in their books as of December 31, 2020 are presented and discussed in detail as follows:

Table 2. Details of Misstatements of Accounts in the FSs for CY 2020

Account Class	Nature of Deficiency/ Misstatement	Amount (in Php)	Affected Accounts	Amount Under/ (Over) (in Php)
Cash and Cash Equivalents (Cash in Bank – LCCA)	a) <i>Unrecorded cash balance of Senior High School Voucher Payments (SHS VP) bank account and Payroll Fund</i>	5,742,681.02	Cash in Bank – LCCA	5,742,681.02
			Accumulated Surplus/ (Deficit)	5,742,681.02
Receivables (Due from NGAs)	b) <i>Unreconciled balance with the DBM-PS pertaining to recording errors and omission of entries</i>	(507,719.68)	Due from NGAs	(507,719.68)
			Accumulated Surplus/(Deficit)	(507,719.68)
	<i>Understatement of Due from NGAs – CHED due to double-recording and unrecorded school fees</i>	6,271,220.00	Due from NGAs	6,271,220.00
			School Fees	6,271,220.00
Net Understatement (Receivables)		5,763,500.32		
Other Current Assets (Prepayments)	c) <i>Erroneous recording of Prepaid Insurance amounting to ₱2,236,383.26</i>	(2,236,383.26)	Prepaid Insurance	(2,236,383.26)
			Cash in Bank – LCCA	1,970,693.59
			Insurance Expense	75,911.34
			Accumulated Surplus/ (Deficit)	189,778.33
Liabilities (Due to NGAs/Trust Liabilites)	d) <i>Erroneous recording of the fund transfer from CHED as School Fees instead of Due to NGAs (Tulong Dunong Program)</i>	3,000,000.00	Due to NGAs	3,000,000.00
			School Fees	(3,000,000.00)
	<i>Double recording of Cash in Bank – LCCA (Tulong Dunong Program)</i>	(2,364,000.00)	Cash in Bank – Local Currency Current Account (LCCA)	(2,364,000.00)
			Trust Liability	(2,364,000.00)
	e) <i>Unrecorded fund transfer from CHED for the implementation of TES</i>	3,563,800.00	Cash in Bank – Local Currency Current Account	3,563,800.00

Table 2. Details of Misstatements of Accounts in the FSs for CY 2020

Account Class	Nature of Deficiency/ Misstatement	Amount (in Php)	Affected Accounts	Amount Under/ (Over) (in Php)
	<i>Program</i>		(LCCA)	
			Due to NGAs	3,563,800.00
	<i>Double recording of receipt of funds from CHED</i>	(3,520,000.00)	Cash in Bank – Local Currency Current Account (LCCA)	(3,520,000.00)
			Trust Liability	(3,520,000.00)
	<i>Erroneous recording of the receipt of funds from CHED as School Fees instead of Due to NGAs-CHED</i>	4,738,000.00	Due to NGAs	4,738,000.00
			School Fees	(4,738,000.00)
Liabilities (Due to GSIS)	<i>f) Overstatement of Due to GSIS account due to erroneous recording of transactions</i>	(2,338,415.79)	Due to GSIS	(2,338,415.79)
			Retirement and Life Insurance Premiums	(2,945,626.43)
			ECI Premiums	(100.00)
			Interest Expenses	453,128.63
			Accumulated Surplus/ Deficit	154,182.01
Due to BIR	<i>g) Unrecorded reconciling items of Due to BIR account amounting to ₱2,026,441.07</i>	(2,026,441.07)	Due to BIR	(2,026,441.07)
			Subsidy from National Government	2,026,441.07
Net Understatement (Liabilities)		1,052,943.14		
Expenses	<i>h) Prior years' expenses recorded as current year expenses (Liquidation of prior years' cash advances)</i>	(2,530,611.78)	Various Expenses account	(2,530,611.78)
			Accumulated Surplus/ (Deficit)	2,530,611.78
Expenses (Hazard Pay, Salaries and Wages – Regular, Other General Services, Other Personnel Benefits and Other Professional Services)	<i>i) Erroneous recording of Hazard Pay</i>	4,803,500.00	Hazard Pay	4,803,500.00
			Salaries and Wages – Regular	(1,144,500.00)
			Other General Services	(2,892,000.00)
			Other Personnel Benefits	(698,000.00)
			Other Professional Services	(69,000.00)
Net Understatement (Expenses)		2,272,888.22		
Total Misstatements (Sum of absolute values per Account Class)		17,068,395.96		

- 1.8 **We recommended that Management, thru the Accountant, effect the necessary adjustments to correct the misstatements in the accounts affected.**
- 1.9 The detailed discussion of the causes of misstatements and corresponding recommendations are presented in the succeeding paragraphs.

CASH AND CASH EQUIVALENTS

a) Unrecorded cash balance of SHS VP bank account and Payroll Fund amounting to ₱5,742,681.02

- 1.10 To ensure that financial information are reliable, accurate and reported within the given accounting period, sound internal control on cash and bank accounts require prompt and correct recording and reporting of transactions.
- 1.11 Section 74 of PD No. 1445 provides that *“At the close of each 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 a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.”*
- 1.12 Bank Reconciliation is the settlement of differences contained in the Bank Statement and the Cash account in the agency’s/entity’s books of accounts. Under Section 3, Chapter 21 of the GAM for NGAs, Volume 1, the objectives of the preparation of BRS are: to check correctness of both the bank’s and agency’s/entity’s records, to serve as a deterrent to fraud, and to enable the agency/entity or bank to take up charges or credits recognized by the bank or agency/entity but not yet known to the agency/entity or bank.
- 1.13 Sections 5 to 7, Chapter 21 of the GAM for NGAs, Volume I provide that the Chief Accountant/Designated Staff shall prepare the BRS within 10 days after receipt of the monthly bank statement. It shall be prepared in four copies and distributed to COA Auditor, Head of the Agency, Accounting Division/Unit file and Bank, if necessary. Then, they *“shall prepare JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.”*
- 1.14 Section 2, Chapter 2, General Provisions, Basic Standards and Policies of the same Manual requires the Subsidiary Ledger (SL) as one of the books of accounts and registries of the National Government entities. The SL shows the details for each control account in the GL which is maintained per account and fund cluster by the Accounting Division/Unit.
- 1.15 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 balance.

- 1.16 The account Cash in Bank - LCCA maintained with the Landbank of the Philippines (LBP)-Villamor Airbase, Pasay City Branch has a reported balance of ₱499,598,939.20 as of yearend.
- 1.17 The table below shows the comparative balances of the bank accounts per bank confirmation inquiry with the LBP, per submitted BRS by the Accounting Office and per GL as of December 31, 2020.

Table 3. LBP Bank Account Balances as of December 31, 2020

Current Account Name	Balance per BRS 12/31/2020	Balance per BCI 12/31/2020	Balance per GL & FS 12/31/2020
	(in Php)		
PhilSCA Payroll Fund Account	91,855.23	91,855.23	-
PhilSCA SHS VP	5,650,825.79	5,650,825.79	-
PhilSCA-Special Trust Fund (STF) Account	507,705,094.87	507,705,094.87	499,598,939.20
Total LBP Account Balances	513,447,775.89	513,447,775.89	499,598,939.20

- 1.18 Bank confirmation inquiry revealed the existence of PhilSCA's SHS VP bank account with the LBP amounting to ₱5,650,825.79, which was not recorded in the books and not presented in its Cash in Bank-LCCA at year-end balances due to the delayed preparation and submission of Bank Reconciliation Statements (BRS), rendering the reported balances in the FSs inaccurate and unreliable, contrary to Section 74 of PD No. 1445 and the pertinent provisions of the GAM for NGAs, Volume I.
- 1.19 On February 1, 2016, PhilSCA was granted DepED Government Permit (NCR) No. SHS-0050, s. 2016 as provisional permit to operate the senior high school program with STEM (Science, Technology, Engineering and Mathematics) and ABM (Accountancy and Business Management) Strands of the Academic Track effective for School Year (SY) 2016-2017.
- 1.20 On August 5, 2016, the College has opened an LBP Account for PhilSCA Senior High School (SHS) Voucher Payments as provided under DepED Order No. 46, series of 2015 with an opening balance of ₱10,000.00 as authorized and approved on the 3rd Special Meeting of the Board of Trustees (BOT) for FY 2016.

- 1.21 All DepEd voucher payments and collected fees from the non-qualified voucher recipients (non-QVRs) or students not covered by DepEd vouchers in the PhilSCA SHS Department shall be deposited in the said SHS VP account.
- 1.22 In a BOT's Special Meeting held on August 17, 2016, the fifteen (15) Contract of Service and five (5) part-time faculty members of the PhilSCA-SHS First Semester Academic Year 2016-2017 were approved and were paid immediately. In consideration of the delay of DepEd payments, their salaries shall be charged to the local income of the College, subject to reimbursement and/or repayment through transfer of account upon receipt of the voucher payments from the DepEd subject to the usual accounting and auditing rules and regulations.
- 1.23 Subsequently, the Audit Team has requested for a copy of the legal basis for the opening and maintaining SHS VP account.
- 1.24 Despite non-set up of the account in the books, the Accounting Office has prepared the monthly BRS of the SHS VP account. Upon scrutiny of the submitted monthly BRS from August 2016 to December 2020, movements of the account pertain only to receipts from voucher payments from the DepEd and collection of fees from Non-QVRs that were credited to the account, including the interest income earned.
- 1.25 However, there was neither a debit made nor any repayment/transfer done with the account. As a result, all salaries of the SHS Faculty members and Contract of Service (COS) were charged to the local income of the College, contrary to the authority approved by the BOT.
- 1.26 Furthermore, PhilSCA BOT Resolution No. 224 s. 2017 approved on March 13, 2017 favorably endorsed that the College shall no longer accept incoming Grade 11-Senior High School (SHS) students effective SY 2017-2018, in view of the predicament of the College to sustain the hired COS faculty members due to the delay of the voucher payment from the DepEd and the lack of physical facilities like classrooms to be utilized by the SHS pupils.
- 1.27 With the limited documents gathered by the Audit Team to date, PhilSCA has not provided any action or validation with regard to maintaining the SHS VP account with the LBP.
- 1.28 Moreover, the PhilSCA Payroll Fund Account with a bank balance of ₱91,855.23 was likewise not included in the reported Cash balance in the submitted Statement of Financial Position. This has to be adjusted with the corresponding Expense account to come up with the correct Cash balance.
- 1.29 In view of the foregoing, the balance reported in Cash in Bank-LCCA in the submitted FSs for CY 2020 was understated by a total of ₱5,742,681.02 for the

two bank accounts rendering the said balance inaccurate and unreliable due to the non-preparation and submission of BRS, and non-maintenance of SLs.

1.30 We recommended that Management:

- a. provide the Audit Team with a copy of the legal basis for opening and maintaining the SHS VP bank account within five days from receipt hereof;**
- b. determine the necessity of SHP VP account's continued existence and consider the immediate closure if no longer needed; and**
- c. prepare Journal Entry Voucher/s (JEVs) to adjust the misstatements of the accounts noted in the audit and furnish a copy to the Audit Team.**

1.31 Management's Comment:

The Accounting Office submitted JEV No. GJ Local 21-03-014 dated March 31, 2021 to adjust the misstatements.

RECEIVABLES

- b) Erroneous recording and non-adjustment of prior years' misstatements of Due from NGAs – DBM-PS and understatement of Due from NGAs – CHED due to double recording and unrecorded school fees*

1.32 The Due from NGAs account balance amounting to ₱66,167,048.35 as of December 31, 2020 cannot be relied upon due to: a) erroneous recording of fund transfers to DBM-PS amounting to ₱928,939.24; b) non-recording of delivery made by DBM-PS of ₱660,560.75; c) unreconciled and unadjusted prior years' misstatements amounting to ₱776,098.17; and d) erroneous recording of FHE tuition and miscellaneous fees of ₱6,271,220.00 and unsupported receivables due from CHED of ₱1,153,600.00, contrary to the pertinent provisions of GAM for NGAs, Volumes I and III.

1.33 Chapter 3 on the Description of Accounts in the Revised Chart of Accounts (RCA), Volume III of GAM for NGAs defines Due from National Government Agencies (NGAs) as account used to recognize advances for purchase of goods/services as authorized by law, fund transfers to the NGAs for implementation of projects and other receivables from NGAs. This account is credited upon receipt of goods/services, and liquidation of fund transfers or receivables.

- 1.34 Section 2 (a), Chapter 2 of the GAM for NGAs, Volume I defines accrual basis as *“a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/ equity, revenue, and expenses.”*
- 1.35 Section 6(b) further states that *“Each entity shall recognize and present its financial transactions and operations conformably in the accrual basis of accounting in accordance with PPSAS (now IPSAS).”*
- 1.36 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.
- 1.37 The Due from NGAs account has a balance of ₱66,167,048.35 as of December 31, 2020, presented in the following table:

Table 4. Schedule of Due from NGAs as of December 31, 2020

Date	Check No.	Agency	Particulars	Amount (in Php)
6/24/2014	59716	DBM-PS	Balance for undelivered IT Equipment	452,434.70
09/12/2018	144019		Purchase of various supplies and materials for 4 campuses	489,476.65
07/07/2012	44652		Balance - Purchase of one (1) unit Mini Bus	56,800.00
09/07/2012	44652		Balance - Purchase of ninety (90) units of Desktop Computers	605,232.00
12/17/2012	42969		Balance - Purchase of eighty (80) units of Desktop Computers	327,550.00
Subtotal				1,931,493.35
		CHED	Receivables from CHED	1,153,600.00
		CHED	Billing on Free Higher Education (FHE) tuition and miscellaneous fees 2 nd Semester, AY 2019-2020	63,081,955.00
Subtotal				64,235,555.00
Total				66,167,048.35

- 1.38 Audit of the Due from NGAs account disclosed the following observations:

i. Due from NGAs – DBM-PS

- 1.39 Confirmation with the DBM-PS disclosed outstanding fund transfers from PhilSCA amounting to ₱1,423,773.67 as of yearend. Discrepancies between

the records of PhilSCA and DBM-PS amounting to ₱507,719.68 were reconciled as follows:

**Table 5. Reconciliation between the Book Records and DBM-PS Records
as of December 31, 2020**

Particulars	Per Books	Per DBM	Discrepancy
	(in Php)		
Unadjusted Balance, 12/31/2020	1,931,493.35	1,423,773.67	507,719.68
For Adjustments:			
Erroneous recording on the fund transfer to DBM-PS for supplies and materials under Check No.157641 dated 12/5/2019 (<i>debited the full amount as Office Supplies Expenses instead of the appropriate Due from NGAs account</i>)	928,939.24	-	928,939.24
Unrecorded delivery on January 8, 2020 by DBM-PS with DR No. OD1027258749-CSE (<i>Check No. 157641 dated 12/5/2019</i>)	(660,560.75)	-	(660,560.75)
Subtotal	268,378.49	-	268,378.49
Unreconciled and unadjusted misstatements (<i>prior years</i>)	(776,098.17)	-	(776,098.17)
Adjusted Balance	1,423,773.67	1,423,773.67	-

- 1.40 The erroneous recording of the ₱928,939.24 fund transfers and the non-recording of the ₱660,560.75 subsequent delivery of supplies and materials, overstated the Office Supplies Expenses account and understated the Due from NGAs account by a net amount of ₱268,378.49.
- 1.41 Prior years' misstatements totaling ₱776,098.17 remained unreconciled and unadjusted despite the prior period audit recommendation for adjustment.

ii. Due from NGAs - CHED

- 1.42 The Due from NGAs-CHED account amounting to ₱64,235,555.00 as of yearend pertains to 2nd Semester for Academic Year (AY) 2019-2020 Free Higher Education (FHE) *tuition and miscellaneous fees* billed to CHED; and receivables due from CHED. However, examination of the JEVs and General Ledger revealed that the Accounting Office made erroneous entries in recording, presented as follows:

Table 6. Erroneous Recording of Due from NGAs – CHED (Free Higher Education) as of December 31, 2020

Particulars	Due from NGAs Account	School Fees Account (Closed to Accumulated Surplus/ Deficit)
	(in Php)	
Double recording of School Fees and non-adjustment (credit) of Due from NGAs for the fund transfer received from CHED for FHE 2 nd Semester, AY 2019-2020 under OR No. 068844 dated 11/10/2020.	(63,081,955.00)	(63,081,955.00)
Unrecorded accrual of the FHE tuition and miscellaneous fees for 1 st Semester, AY 2020-2021 (per submitted billing to CHED-UniFAST dated December 3, 2020).	70,506,775.00	70,506,775.00
Unsupported Receivables due from CHED	(1,153,600.00)	(1,153,600.00)
Total	6,271,220.00	6,271,220.00

- 1.43 The Accounting Office prepared JEV No. GJ Local 20-06-15 dated June 30, 2020 to recognize Due from NGAs and School Fees account for the 2nd Semester AY 2019-2020 FHE (*tuition and miscellaneous fees*) amounting to ₱63,081,955.00.
- 1.44 Subsequent transactions revealed that PhilSCA received the corresponding funds amounting to ₱61,197,655.00 under OR No. 0688044 dated November 10, 2020. The Accounting Office recorded the receipt of funds under JEV No. CRJ 20-11-041 dated November 30, 2020, instead of adjusting the previous entry made, thus School Fees account was doubly recorded and Due from NGAs account was not adjusted accordingly.
- 1.45 Also, the Accounting Office did not record the *accrual* of the FHE tuition and miscellaneous fees for 1st Semester, AY 2020-2021 amounting to ₱70,506,775.00, based on the billing statement submitted to CHED-UniFAST on December 3, 2020.
- 1.46 Further, the Accounting Office was not able to provide supporting documents for the receivables due from CHED amounting to ₱1,153,600.00, thus validity and reliability of the recorded transaction cannot be ascertained.
- 1.47 The erroneous and unsupported recording of the Accounting Office for the FHE understated both the Due from NGAs account and School Fees account in the total amount of ₱6,271,220.00.
- 1.48 **We recommended that Management require the Accounting Office to:**
 - a. **prepare JEVs to adjust the misstatement in Due from NGAs account; and**
 - b. **submit supporting documents for the recorded receivables amounting to ₱1,153,600.00, otherwise prepare JEV to adjust the previously**

recorded accounting entry.

1.49 Management's Comment:

The Accounting Office submitted JEV Nos. GJ local 21-02-015 and GJ Local 21-02-016 both dated March 31, 2021 to partially adjust the misstatements for Due from NGAs – CHED.

1.50 Auditor's Rejoinder:

The Audit Team advised the Management to submit JEVs to fully adjust the misstatements and submit supporting documents.

OTHER CURRENT ASSETS

c) Erroneous recording of Prepaid Insurance amounting to ₱2,236,383.26

- 1.51 The erroneous recording of insurance premium payments resulted in overstatement of Prepaid Insurance account as of yearend amounting to ₱2,236,383.26 and understatement of insurance expense in the amount of ₱75,911.34, contrary to the pertinent provisions of GAM for NGAs, Volume I.
- 1.52 Section 7, Chapter 19 of the 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 IPSASs.
- 1.53 The account Prepaid Insurance is defined in Chapter 3 of the GAM for NGAs, Volume III, as the account used to recognize the amount advanced for the insurance of government properties. This account shall be credited for the expended amount.
- 1.54 As of December 31, 2020, the Prepaid Insurance account has an outstanding balance of ₱2,243,294.51, which represents advance payments of insurance for the assets and/or interests of the College.
- 1.55 Analysis revealed that the Accounting Office made erroneous recording in the payment of insurance premiums, presented as follows:

Table 7. Erroneous Recording of Payment of Insurance Premiums

Findings/ Observation	Prepaid Insurance	Insurance Expenses	Accumulated Surplus/ (Deficit)	Cash in Bank - LCCA
	(in Php)			
Expired (student) insurance covering the period August 12, 2019 to August 12, 2020 recognized as Prepaid Insurance	(265,689.67)	75,911.34	189,778.33	
Check drawn for the payment of property insurance to GSIS paid on January 7, 2021 <i>(unreverted to Cash - LCCA as of yearend, contrary to Section 56, Chapter 19, Volume I of GAM for NGAs)</i>	(1,970,693.59)			1,970,693.59
Total	(2,236,383.26)	75,911.34	189,778.33	1,970,693.59
Misstatement	Overstated	Understated	Understated	Understated

1.56 The error in recording the insurance premiums overstated the Prepaid Insurance in the amount of ₱2,236,383.26 and understated the Insurance Expenses, Accumulated Surplus/ (Deficit) and Cash in Bank – LCCA accounts in the amounts of ₱75,911.34, ₱189,778.33 and ₱1,970,693.59, respectively.

1.57 The misstatements affected the reliability and fair presentation of the PhilSCA's submitted FSs.

1.58 **We recommended that Management, thru the Accounting Office, prepare JEVs to correct and adjust the misstatements in the affected accounts to reflect the accurate balances.**

LIABILITIES

d) *Erroneous recording of the fund transfer from CHED as School Fees instead of Due to NGAs and double recording of Cash in Bank (Tulong Dunong Program)*

1.59 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 implementing agency.

1.60 Audit of the accounts relative to the implementation of Tulong Dunong Program revealed that the Cash in Bank – Local Currency, Current Account (LCCA) account and School Fees account were both overstated in the amounts of ₱2,364,000.00 and ₱3,000,000.00, respectively, due to erroneous and double recording of transactions, presented as follows:

Table 8. TDP Erroneous and Double Recording of Transactions

Transaction	Misstatements (Audit Observation)	Accounts Affected	Amount (in Php)	Effect
Receipt of funds from CHEDROs	Erroneously recorded the fund transfer as credit to School Fees instead of Due to NGAs.	School Fees Due to NGAs	3,000,000.00	Overstated
Recognition of Liabilities account	Double recording of Cash in Bank - Local Currency, Current Account (LCCA) - <i>receipt of cash was already recorded in the Cash Receipts Journal (CRJs), however, the Accounting Office recorded JEV debiting Cash - LCCA and crediting Trust liability to recognize/set up the liability.</i>	Cash in Bank – LCCA Trust Liability	2,364,000.00	Overstated

1.61 The erroneous and double recording misstated the above-cited accounts and affected the reliability of the same accounts in the FSs.

1.62 **We recommended that Management prepare the JEV to correct and adjust the erroneous /double recording made.**

1.63 Management's Comment:

The Accounting Office prepared and submitted JEVs to adjust the erroneous and double recording made.

e) *Unrecorded fund transfer and double/erroneous recording of receipts of TES-ESGPPA funds from CHED*

1.64 Review of the JEVs pertaining to TES-ESGPPA AYs 2018-2019 and 2019-2020 disclosed that the Accounting Office did not recognize received funds amounting to ₱3,563,800.00, while funds totaling ₱4,738,000.00 were erroneously recorded as School Fees instead of the appropriate Due to NGAs account, presented as follows:

Table 9. Erroneous and Non-recording of Funds Received from CHED

Observation/ Findings	Cash in Bank - LCCA	School Fees	Due to NGAs	Trust Liability
	(in Php)			
Unrecorded receipt of funds from CHED	3,563,800.00		3,563,800.00	
Double recording of receipt of funds from CHED (<i>already recorded in CRJ, however, Accounting Office</i>)	(3,520,000.00)			(3,520,000.00)

Observation/ Findings	Cash in Bank - LCCA	School Fees	Due to NGAs	Trust Liability
	(in Php)			
<i>debited Cash in Bank - LCCA to set up Trust Liability)</i>				
Erroneously recorded the receipt of funds from CHED as School Fees instead of Due to NGAs-CHED		(4,738,000.00)	4,738,000.00	
Total	43,800.00	(4,738,000.00)	8,301,800.00	(3,520,000.00)
Misstatement	Understated	Overstated	Understated	Overstated

1.65 The erroneous and non-recording of accounts pertaining to the TES-ESGPPA understated Cash in Bank – LCCA and Due to NGAs accounts in the amounts of ₱43,800.00 and ₱8,301,800.00, respectively, and overstated the School Fees and Trust Liabilities accounts by ₱4,738,000.00 and ₱3,520,000.00, respectively, thus affecting the reliability of the submitted FSs as of yearend.

1.66 **We recommended that Management prepare JEVs to record the unrecognized funds received from CHED amounting to ₱3,563,800.00 and adjust the erroneous/double recording.**

f) Overstatement of Due to GSIS due to erroneous recording of transactions

1.67 The Due to GSIS account amounting to ₱3,051,927.91 as of yearend is overstated by ₱2,338,415.79 due to the erroneous recording of payments/remittances to GSIS, contrary to the pertinent provisions of GAM for NGAs, Volume III, resulting in unreliable balances of the submitted FSs for CY 2020.

1.68 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.

1.69 Also, said 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.

1.70 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.

- 1.71 Audit of the JEVs and postings in GL of the Due to GSIS, Retirement and Life Insurance and ECI Premiums account for CY 2020 revealed that the Accounting Office made erroneous recording and posting in the payments/settlements to the mentioned accounts, presented as follows:

Table 10. Errors in Due to GSIS, Retirement and Life Insurance and ECI Premiums Account

Findings/ Observations	Retirement and Life Insurance Premiums	Due to GSIS	ECI Premiums	Interest Expenses	Accumulated Surplus/ (Deficit)
	(in Php)				
Erroneous recording of remittance of employee share for CY 2020 – Debited Retirement and Life Insurance Premiums, instead of the appropriate Due to GSIS account.	(2,492,497.80)	(2,492,597.80)	(100.00)	-	-
Erroneously recorded prior years' premium in arrears (government share) as Due to GSIS instead of Retirement and Life Insurance Premiums	-	154,182.01	-	-	154,182.01
Erroneous recording of incurred interest for delayed remittances of premiums recorded as Retirement and Life Insurance Premiums instead of Insurance Expenses	(453,128.63)	-	-	453,128.63	-
Total	(2,945,626.43)	(2,338,415.79)	(100.00)	453,128.63	154,182.01
Misstatement	Overstated	Overstated	Overstated	Understated	Understated

- 1.72 As can be gleaned from the above table, the erroneous recording overstated the Retirement and Life Insurance Premiums, Due to GSIS and ECI Premiums in the amounts of ₱2,945,626.43, ₱2,338,415.79 and ₱100.00, respectively, while

Interest Expenses and Accumulated Surplus/(Deficit) accounts were understated by ₱453,128.63 and ₱154,182.01, respectively.

1.73 Moreover, the government share in premiums of PhilSCA for the months of April to December 2020, which were remitted by DBM on behalf of PhilSCA remained unrecorded in the books.

1.74 The misstatement of the aforementioned accounts, and the non-recording of the government share in premiums affected the reliability of the FSs.

1.75 **We recommended that Management, thru the Accounting Office, prepare the JEV to adjust the misstatements and to record the government share in premiums remitted by DBM on behalf of PhilSCA:**

1.76 Management's Comment:

The Accounting Office prepared and submitted the JEVs to adjust the misstatements and to record the government share in premiums thru JEV Nos. GJ MOOE 21-01-016 to GJ MOOE 21-01-019 all dated April 30, 2021.

g) Unrecorded reconciling items of Due to BIR account amounting to ₱2,026,441.07

1.77 Recurring errors in the recording of taxes withheld and remitted; and over/under-remittance of taxes withheld each year resulted in a net unreconciled amount of ₱2,026,441.07 at yearend, hence rendered the year-end balance of Due to BIR account of ₱5,322,035.18 unreliable and of doubtful validity, contrary to the pertinent provisions of GAM for NGAs, Volume I.

1.78 Audit of the postings in the GL revealed that PhilSCA has withheld taxes in the amount of ₱16,996,204.96. However, audit of the Reports of Checks Issued (RCI) and TRA for CY 2020 showed total remittances of ₱16,114,761.04.

1.79 The difference of ₱881,443.92 between the GL balance and the actual remittances made represented errors on taxes withheld in both 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 the table below:

Table 11. GL Balance and Actual Remittances Made

Month	Posted in GL	Remittances Per Audit			Unremitted Balance
		Check	TRA	Total Remittances	
	(in Php)				
Beginning Balance-1/1/2020	859,993.72	228,127.25	1,295,538.42	1,523,665.67	(663,671.95)
January	606,882.24	312,725.93	483,254.13	795,980.06	(189,097.82)

Month	Posted in GL	Remittances Per Audit			Unremitted Balance
		Check	TRA	Total Remittances	
	(in Php)				
February	1,038,399.29	460,936.73	654,650.80	1,115,587.53	(77,188.24)
March	859,456.70	267,043.34	468,276.01	735,319.35	124,137.35
April	542,899.76	79,045.78	463,853.98	542,899.76	-
May	701,017.33	16,323.75	463,853.98	480,177.73	220,839.60
June	1,107,387.05	547,328.09	858,777.46	1,406,105.55	(298,718.50)
July	1,252,092.39	714,344.99	468,764.23	1,183,109.22	68,983.17
August	814,926.63	153,976.04	666,982.23	820,958.27	(6,031.64)
September	3,256,588.51	1,272,216.74	767,524.27	2,039,741.01	1,216,847.50
October	1,335,173.99	648,115.09	1,069,039.71	1,717,154.80	(381,980.81)
November	2,100,615.79	431,601.47	908,310.43	1,339,911.90	760,703.89
December	2,520,771.56	2,335,241.35	78,908.84	2,414,150.19	106,621.37
Total	16,996,204.96	7,467,026.55	8,647,734.49	16,114,761.04	881,443.92

1.80 Further analysis of the Due to BIR account which has a year-end balance of ₱5,322,035.18 resulted in an overstatement of the account in the amount of ₱2,026,441.07. Review of the transactions/computations revealed a net unreconciled balance, as follows:

Table 12. Transactions/Computations of Net Unreconciled Balance

Particulars	Amount (in Php)
Total amount of withheld taxes posted in GL	16,996,204.96
Less: a) Remittances made for taxes withheld on December 2019	
• Per check	(228,127.25)
• Per TRA	(1,295,538.42)
b) Total remittances made for taxes withheld for CY2019 per BIR Forms	<u>(14,591,095.37)</u>
Unremitted Balance (recorded in the books but not remitted/adjusted)	881,443.92
Add: Taxes withheld in December 2020 and remitted in January 2021	2,414,150.19
Should-be balance of Due to BIR account at yearend	3,295,594.11
Reported balance per submitted FS for CY 2020	(5,322,035.18)
Net Unreconciled Amount (Overstatement)	(2,026,441.07)

1.81 The unreconciled balance for transactions made in CY 2019 amounting to ₱124,318.81 represented remaining reconciliations presented in last year's audit not yet effected/recorded by the Accounting Office.

1.82 The balance reported in the submitted FSs for CY 2020 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.

1.83 We recommended that Management:

- a. analyze, reconcile and make the necessary adjusting entry to correct the discrepancies of ₱2,026,441.07 noted in the audit of the previous and current years; and**
- b. reconcile regularly the monthly withholding and remittances of taxes to ensure proper and accurate recording and avoid errors.**

1.84 Management's Comments:

The Accounting Office submitted GJ MOOE No. 21-04-015 dated April 30, 2021 to record partial adjustments on the understatement of the remitted withholding taxes amounting to ₱1,351,625.22.

EXPENSES

h) Prior years' expenses recorded as current year expenses (Liquidation of prior years' cash advances)

1.85 Expenses totaling ₱2,530,611.78 relating to prior years' cash advances were erroneously recorded as current year's expenses, contrary to Section 2 (a), Chapter 2 of the GAM for NGAs, Volume I, resulting in overstatement of the related Expenses account and understating Accumulated Surplus/ (Deficit) account.

1.86 Section 2 (a), Chapter 2 of the GAM for NGAs, Volume I defines accrual basis as *"a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/ equity, revenue, and expenses."*

1.87 Section 6 (b) further states that *"Each entity shall recognize and present its financial transactions and operations conformably in the accrual basis of accounting in accordance with IPSAS."*

1.88 Section 119 of PD No. 1445 provides that *"All lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year."*

- 1.89 Examination of the submitted Liquidation Reports (LRs) during CY 2020 revealed that expenses pertaining to prior years' activities totaling ₱2,530,611.78 were recorded as current year's expenses, thus overstating the related Expenses account, presented as follows:

Table 13. Overstatement of Expenses Accounts

Accounts	Amount (in Php)
Travelling Expenses - Local	205,681.81
Rent/Lease Expenses	56,000.00
Other Maintenance & Operating Expenses	27,224.14
Representation Expenses	580,494.03
Honoraria	12,000.00
Fuel, Oil and Lubricants	6,481.92
Other Supplies and Materials	1,162,476.63
Printing and Publication Expenses	11,618.00
Office Supplies Expenses	10,194.25
Repairs & Maintenance - Machinery and Equipment	7,650.00
Telephone Expenses - Mobile	1,364.00
Repairs and Maintenance - Buildings and Other Structures	1,677.00
Advertising Expenses	445,500.00
Subscription Expenses	750.00
Taxes, Duties and Licenses	1,500.00
Total	2,530,611.78

- 1.90 Considering that the LR's submitted pertain to prior years' transactions and activities, the expenses incurred should have been directly recorded in the Accumulated Surplus/ (Deficit) account instead of the related Expenses account.
- 1.91 The error in recording the LR's overstated the related expenses account and understated the Accumulated Surplus/ Deficit account reflected in the Statement of Financial Performance for the year ended December 31, 2020, thus affected the fair presentation of the submitted FSs.
- 1.92 **We recommended that Management, thru the College Accountant, prepare the JEV to adjust/ correct the misstatements.**
- 1.93 Management's Comments:

The Accounting Office submitted GJ Local 21-03-013 dated March 31, 2021 to partially adjust the misstatement amounting to ₱2,085,111.78.

i) Erroneous recording of Hazard Pay

- 1.94 The Salaries and Wages – Regular, Other General Services, Other Personnel Benefits and Other Professional Services accounts were overstated by ₱1,144,500.00, ₱2,892,000.00, ₱698,000.00 and ₱69,000.00, respectively,

due to erroneous recording of payments of COVID-19 Hazard pay, contrary to the pertinent provisions of the GAM for NGAs, Volume III.

- 1.95 The GAM for NGAs, Volume III (*Revised Chart of Accounts, 2019 updated*) defines *Hazard Pay* as an account debited to recognize the payment to government officials/employees assigned in difficult/dangerous/ strife-torn/ embattled areas as certified by appropriate government body and to those whose lives are directly exposed to work conditions which may cause them injury/sickness/death/harmful change.
- 1.96 The Manual defines *Salaries and Wages – Regular* as an account debited to recognize the pay proper for services rendered by government employees occupying regular plantilla positions.
- 1.97 Also, *Other General Services* is defined as an account debited to recognize cost of other general services contracted by the agency not otherwise classified under any specific general services accounts.
- 1.98 *Other Personnel Benefits* is similarly defined as an account debited to recognize the amount contributed by the government for the employees' benefits not falling under any of the specific other personnel accounts.
- 1.99 Likewise, the Manual defines *Other Professional Services* as an account debited to recognize the cost of other professional services contracted by the agency not otherwise classified under any of the specific professional services accounts.
- 1.100 PhilSCA disbursed ₱4,803,500.00 as payment for COVID-19 Hazard Pay for the period March 17, 2020 to December 17, 2020.
- 1.101 Review of the JEVs revealed that instead of debiting the appropriate Hazard Pay account, the Accounting Office erroneously recorded the transactions under various accounts, presented as follows:

Table 14. Erroneous Recording of COVID-19 Hazard Pay

Date	Check No.	Amount	Salaries and Wages - Regular	Other General Services	Other Personnel Benefits	Other Professional Services
				(in Php)		
04/15/2020	157850	10,000.00	10,000.00	-	-	-
04/15/2020	157851	57,000.00	37,000.00	-	-	20,000.00
05/05/2020	157864	52,000.00	33,000.00	-	-	19,000.00
05/05/2020	157863	27,500.00	23,000.00	-	-	4,500.00
05/26/2020	157867	10,500.00	10,500.00	-	-	-
05/26/2020	157869	67,000.00	47,000.00	20,000.00	-	-
09/02/2020	161025	23,000.00	23,000.00	-	-	-
09/02/2020	161026	12,500.00	-	12,500.00	-	-

09/02/2020	161027	1,055,000.00	414,500.00	636,000.00	-	4,500.00
10/26/2020	161049	18,500.00	18,500.00	-	-	-
10/26/2020	161050	1,577,500.00	528,000.00	1,044,500.00	-	5,000.00
12/21/2020	161094	21,500.00	-	-	21,500.00	-
12/21/2020	161095	1,871,500.00	-	1,179,000.00	676,500.00	16,000.00
Total		4,803,500.00	1,144,500.00	2,892,000.00	698,000.00	69,000.00

1.102 As can be gleaned from the above table, the erroneous recording overstated the Salaries and Wages – Regular, Other General Services, Other Personnel Benefits and Other Professional Services accounts by ₱1,144,500.00, ₱2,892,000.00, ₱698,000.00 and ₱69,000.00, respectively.

1.103 **We recommended that Management, thru the Accounting Office, prepare and submit the JEV to adjust the misstatements:**

OTHER ACCOUNTING DEFICIENCIES

Non-restatement of Prior Period Adjustments (PPAs)

2. Non-restatement of the material Prior Period Adjustments (PPAs) in the CY 2020 FSs with a total amount of ₱3,971,899.38 adversely affected the fair presentation of the comparative FSs, contrary to the provisions of the GAM for NGAs, Volume I and the IPSAS.

2.1 Section 7, Chapter 19 of the GAM for 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 PPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation (Par. 27, PPSAS I).*

2.2 Paragraph 58 of the IPSAS 1 – Presentation of FSs has referred to IPSAS 3 which deals with the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

2.3 The IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors provides the presentation and disclosure of Prior Period Errors, in reference to Sections 42, 44, and 45, Chapter 19 of the GAM for NGAs, Volume I, as follows:

a) Section 42 (b). An entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: (1) restating the comparative amounts for prior period(s) presented in which the error occurred; or (2) if the error

occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented;

b) Section 44. An entity shall disclose the following: (a) the nature of the prior period error; (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected; (c) the amount of the correction at the beginning of the earliest prior period presented; and (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected; and

c) Section 45 illustrates the sample retrospective restatement of errors.

2.4 As defined in the GAM for NGAs, Volume I and paragraph 46 of IPSAS 3, errors are those arising in respect of the recognition, measurement, presentation, or disclosure of elements of financial statements. Financial statements are deemed not compliant with IPSASs if they contain either material errors, or immaterial errors made intentionally to achieve a particular presentation of an entity's financial position, financial performance, or cash flows. Thus, potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. Material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

2.5 Paragraph 47 of the IPSAS 3 provides further that subject to the limitations of retrospective adjustment, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- (a) Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- (b) If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

- 2.6 Review of the Statement of Changes in Net Assets/Equity (SCNA/E) for the year ended December 31, 2020 showed that the PPAs as unrecorded income and expenses were presented with a total amount of ₱2,482,586.52. These were also disclosed in the accompanying Notes to FSs, of which Management identified them as transactions for previous years such liquidation of advances, payment of claims for various creditors/suppliers, overpayment/underpayment of salaries and adjustments on the PPE accounts. The details are presented in the Table 15 below::

Table 15. Prior Period Adjustments CY 2020

Particulars	Net Effect to Accumulated Surplus/(Deficit) Beginning Balances, January 1, 2020 (in Php)
Liquidation of advances made in 2019 and reimbursement of various expenses account	(277,341.70)
Payment of claims for various creditors/suppliers for utilities and supplies.	(835,480.76)
Payment of salary of personnel for services rendered in 2019	(551,255.59)
Adjustments on the account PPE due to change in accounting policy	3,197,300.00
Adjustments on Accumulated Depreciation due to change in accounting policy	(3,505,087.37)
Adjustment for correction of income due to erroneous entry	(141,490.00)
Recording of various expenses incurred in 2019	(369,231.10)
Total	(2,482,586.52)

- 2.7 As discussed in the Notes to FSs, the amount of PPAs pertains to the effect of prior period adjustments derived from the restoration of Cash account due to stale/cancelled checks issued in prior years and other adjustments resulting in the increase of Net Assets/Equity.
- 2.8 However, it can be gleaned from the above table that the names of accounts affected were not identified. Interview with the Accounting Officer disclosed that they can neither provide the details nor discuss specifically the adjustments with the Audit Team despite repeated requests.
- 2.9 As audited, the PPAs amounted to a total of ₱3,971,899.38. The misstatements reported in the CY 2019 Annual Audit Report (AAR) were not adjusted amounting to ₱1,489,312.86, hence considered as part of misstatements in the FSs of CY 2020 in Table No. 1. Also, the PPAs presented in the SCNA/E for the year ended December 31, 2020 do not include these misstatements, as follows:

Table No. 16. Summary of Unadjusted Misstatements in CY 2019 AAR

Account Class	Nature of Deficiency/ Misstatement	Amount (in Php)	Affected Accounts	Amount Under/ (Over) (in Php)
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)
Net Overstatement in Receivables		-		
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
Net Overstatement in Inventories		908,142.20		
Liabilities	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
Net Understatement in Liabilities		581,170.66		
Total Misstatements (Sum of absolute values per Account Class)		1,489,312.86		

2.10 The reported misstatements in the CY 2019 AAR were not corrected retrospectively in the first set of FSs authorized for issue as required under the pertinent provisions of GAM for NGAs, Volume I and the IPSAS.

2.11 We recommended that Management:

- a. comply with the retrospective application of the PPAs by restating the 2019 FSs as stated in IPSAS 1 and 3 in reference to Sections 42, 44 and 46, Chapter 19 of the GAM for NGAs, Volume I;
- b. use the prescribed format provided in Section 45, Chapter 19 of the GAM for NGAs, Volume I, for proper procedures and disclosures of Retrospective Restatement of Errors; and

- c. provide the supporting details of the prior period adjustments showing the specific accounts affected and present them in the Notes to FSs.**
- 3. The UACS Codes in the Trial Balances, FSs and Notes to FSs, and Budget and Financial Accountability Reports (BFARs) were not in conformity with the Revised Chart of Accounts (updated 2019) as of December 31, 2020.**
- 3.1 The accounts with their corresponding UACS codes in the Trial Balances, FSs including the Notes to FS and BFARs of the PhilSCA as of December 31, 2020 were not in conformity with the Revised Chart of Accounts (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020, thereby affecting the proper recognition of financial transactions in the books of the accounts of the PhilSCA.
- 3.2 COA Circular No. 2020-001 dated January 8, 2020 prescribes the Volume III – Revised Chart of Accounts (Updated 2019) replacing Volume III – The Revised Chart of Accounts (Updated 2015) of the Government Accounting Manual for National Government Agencies effective January 1, 2020 to facilitate proper recognition of financial transactions in the books of accounts and preclude misuse of account.
- 3.3 Review of the submitted Trial Balances as well as FSs as of December 31, 2020 revealed that some accounts were not in conformity with the Revised Chart of Accounts (Updated 2019), detailed as follows:

Table 17. Affected Trial Balance Accounts under the Revised Chart of Accounts (Updated 2019)

From		To	
Account Title	UACS Object Code	Account Title	UACS Object Code
Cash - Nat'l Treasury, MDS, Regular	1010404000	Cash-Modified Disbursement System (MDS), Regular	1010404000
Allowance for Impairment-A/R	1030101100	Allowance for Impairment-Accounts Receivable	1030101200
Allowance for Impairment - Loans Receivable - Others	1030199100	Allowance for Impairment - Loans Receivable - Others	1030199200
Allowance for Impairment - Operating Lease Receivable	1030201100	Allowance for Impairment - Operating Lease Receivable	1030201200
Other Receivables	10305990-00	Other Receivables	1039999000
Allowance for Impairment - Other Receivables	1030599100	Allowance for Impairment - Other Receivables	1039999200
Other Machinery & Equipment	1060599000	Other Equipment	1060599000
Performance/Bidders/Bail Bonds Payable	2040103000	Bail Bonds Payable	2040103000
Guaranty/ Security Deposits	2040104000	Guaranty/ Security Deposits Payable	2040104000
Income From Grants &	4040201000	Donations in Cash	4040201000

From		To	
Account Title	UACS Object Code	Account Title	UACS Object Code
Donations in Cash		Grants in Cash	4040301000
Clothing/Uniform Allowance	5010204001	Clothing/Uniform Allowance-Civilian	5010204001
Subsistence Allowance	5010205003	Subsistence Allowance-Magna Carta Benefits for Public Health Workers under R.A. 7305	5010205003
Laundry Allowance	5010206004	Laundry Allowance-Magna Carta Benefits for Public Health Workers under R.A. 7305	5010206004
Productivity Incentive Allowance	5010208001	Productivity Incentive Allowance - Civilian	5010208001
Honoraria	5010210001	Honoraria-Civilian	5010210001
Hazard Pay	5011211001	Hazard Duty Pay-Civilian	5011211001
Longevity Pay	5010212001	Longevity Pay-Civilian	5010212001
Year End Bonus	5010214001	Year-End Bonus-Civilian	5010214001
Cash Gift	5010215001	Cash Gift-Civilian	5010215001
Mid-Year Bonus	5010216001	Mid-Year Bonus-Civilian	5010216001
Pag-IBIG Contributions	5010302001	Pag-IBIG-Civilian	5010302001
PhilHealth Contributions	5010303001	PhilHealth-Civilian	5010303001
ECI Premiums	5010304001	ECIP-Civilian	5010304001
Terminal Leave Benefits	5010403001	Terminal Leave Benefits-Civilian	5010403001
Training Expenses	5020201000	Training Expenses	5020201002
Internet Expenses	5020503000	Internet Subscription Expenses	5020503000
Research Expenses	5020702000	Research, Exploration and Development Expenses	5020702000
Advertising Expenses	5029901000	Advertising, Promotional and Marketing Expenses	5029901000
Depreciation - Info. & Com. Tech. Equipment	5050105003	Depreciation - ICT Equipment	5050105003
Depreciation- Other Machinery and Equipment	5050105099	Depreciation- Other Equipment	5050105099
Depreciation - Furniture and Fixtures	5050107000	Depreciation - Furniture, Fixtures and Books	5050107000
		Depreciation - Furniture and Fixtures	5050107001

3.4 For capital outlays budgetary accounts, additional accounts were already included in the List of Accounts, Chapter 2 of the Revised Chart of Accounts (Updated 2019).

3.5 Review of BFARs for CY 2020 revealed that several UACS Codes and account titles were still used in the FAR No. 1. While in FAR No. 5 UACS codes were not provided. The details are shown below:

**Table 18. Affected accounts in the BFARs under
Revised Chart of Accounts (Updated 2019)**

Budget and Financial Accountability Reports	From		To	
	Account Title	UACS Code	Account Title	UACS Code
FAR No.1: Statement of Appropriations, Allotments, Obligations, Disbursements and Balances	Bonus - Civilian	5010214001	Year End Bonus - Civilian	5010214001
	Mid-Year Bonus - Civilian	5010299036	Mid-Year Bonus - Civilian	5010216001
	Other General Services	5021299099	Other General Services	5021299000
FAR No. 5: Quarterly Report on Revenue and Other Receipts	Tuition Fees	No UACS Code provided	Tuition Fees	4020201001
	Other Income College from Students	No UACS Code provided	Income Collected from Students	4020201002
	Income from Other Sources	No UACS Code provided	Income from Other Sources	4020201003

3.6 Thus, the aforementioned accounts and their corresponding UACS codes should be used in the CY 2020 FSs as well as BFARs in order to prevent the misapplication of accounts and to facilitate proper recognition of financial transactions in the books of accounts and budget reports of the College.

3.7 We recommended that Management, thru the:

- a. **Accounting Office - use the Revised Chart of Accounts (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020 and update the affected accounts and UACS Codes thereof in the CY 2020 FSs including Notes to the FSs as soon as possible or within one month from receipt hereof; and**
- b. **Budget Office – use the budgetary accounts for Capital Outlays added in the List of Accounts, Chapter 2 of the Revised Chart of Accounts (Updated 2019) prescribed under COA Circular No. 2020-001 dated January 8, 2020, update the affected accounts and UACS Codes therefor in the BFARs as soon as possible or within one month from receipt hereof.**

3.8 Management's Comment:

The Budget Office submitted on March 24, 2021 the revised FAR No.1-A and FAR No. 5 last March 24, 2021 to update the affected accounts and UACS Codes.

4. Unresolved variances and huge discrepancies between PhilSCA’s Accounting records and their supporting schedules/documents and unsubstantiated balances were noted which affected the reliability of the Cash in Bank – LCCA and Accounts Receivable accounts totaling ₱524,076,604.95 as at December 31, 2020, contrary to Section 6.e, Chapter 19 of the GAM for NGAs, Volume I.

4.1 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.”*

Table 19. Recording and Reporting Deficiencies in Financial Transactions

Accounts	Book Balance as at December 31, 2020 (in Php)	Observation/ Deficiencies Noted	Criteria
Cash in Bank – LCCA	499,598,939.20	a) Non-preparation and non-submission of up-to-date Bank Reconciliation Statement (BRS) and absence of subsidiary records for each bank account.	•Section 2 Chapter 2, Sections 6 and 7 Chapter 21 of the GAM for NGAs, Volume I; Section 74 of PD 1445
Receivables (Accounts Receivables)	24,477,665.75	b) Unreliable balance of Accounts Receivable due to accumulation of dormant accounts and non-submission of the quarterly report on aging of dormant receivables;	•Section 121 (2) of PD No. 1445 •COA Circular No. 2016-005 dated December 19, 2016
Total	524,076,604.95		

4.2 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 the SHS VP bank account*

4.3 The Accounting Office did not timely prepare the BRS, thereby no adjustments to this account were prepared and recorded. Likewise, they have not

maintained separate SL for SHS VP bank account, so transactions thereon had been disregarded, ignored and overlooked.

- 4.4 Status of preparation and submission of the BRS of SHS VP account to COA Office for the period of January 2018 to December 2020 disclosed delay of 40 to 632 days (or almost two years), summarized as follows:

Table 20. Status of the BRS Preparation and Submission of SHS VP Account

Period Covered	Due date	Date submitted to COA	Number of Days Delayed
January 2018	2/20/2018	7/10/2018	140
February 2018	3/20/2018	7/10/2018	112
March 2018	4/20/2018	7/10/2018	81
April 2018	5/20/2018	2/11/2020	632
May 2018	6/20/2018	2/11/2020	601
June 2018	7/20/2018	2/11/2020	571
July 2018	8/20/2018	2/11/2020	540
August 2018	9/20/2018	2/11/2020	509
September 2018	10/20/2018	2/11/2020	479
October 2018	11/20/2018	2/11/2020	448
November 2018	12/20/2018	2/11/2020	418
December 2018	1/20/2019	2/11/2020	387
January 2019	2/20/2019	2/28/2020	373
February 2019	3/20/2019	2/28/2020	345
March 2019	4/20/2019	2/11/2020	297
April 2019	5/20/2019	2/11/2020	267
May 2019	6/20/2019	2/11/2020	236
June 2019	7/20/2019	2/11/2020	206
July 2019	8/20/2019	2/11/2020	175
August 2019	9/20/2019	2/11/2020	144
September 2019	10/20/2019	2/11/2020	114
October 2019	11/20/2019	2/11/2020	83
November 2019	12/20/2019	3/10/2020	81
December 2019	1/20/2020	3/10/2020	50
January 2020	2/20/2020	09/14/2020	207
February 2020	3/20/2020	09/14/2020	178
March 2020	4/20/2020	09/14/2020	147
April 2020	5/20/2020	09/14/2020	117
May 2020	6/20/2020	09/14/2020	86
June 2020	7/20/2020	09/14/2020	56
July 2020	8/20/2020	10/21/2020	62
August 2020	9/20/2020	11/16/2020	57
September 2020	10/20/2020	01/20/2021	92
October 2020	11/20/2020	01/29/2021	70
November 2020	12/20/2020	01/29/2021	40
December 2020	1/20/2021	03/15/2021	54

4.5 We recommended that Management:

- a. comply with the timely preparation and submission of BRS and the maintenance of SLs for each bank account; and**
- b. ensure that reconciling items are properly identified and promptly adjusted to reflect the correct balance of the Cash - LCCA account as of December 31, 2020.**

b) Unreliable balance of accounts receivable due to accumulation of dormant accounts and non-submission of the quarterly report on aging of dormant receivables

- 4.6 The balance of the Accounts Receivable account amounting to ₱24,477,665.75 as of December 31, 2020 is unreliable due to: a) accumulation of dormant accounts totaling ₱13,096,021.42 and recording of accounts receivable without substantial documents/reports; b) submission of incomplete/insufficient documentation to support the write-off of accounts; and c) non-submission of the quarterly report on aging of dormant receivables, contrary to the provisions of Section 121 (2) of PD No. 1445 and COA Circular No. 2016-005 dated December 19, 2016.
- 4.7 Section 121 (2) of PD No. 1445 states that *“The financial statements shall be based on official accounting records kept in accordance with law and the generally accepted accounting principles and standards.”*
- 4.8 COA Circular No. 2016-005 dated December 19, 2016 prescribes the guidelines and procedures in reconciling and cleaning the books of accounts of NGAs, LGUs and GOCCs of dormant receivable accounts, unliquidated cash advances and fund transfer for fair presentation of accounts in the FSs.
- 4.9 Section 5.4 of the Circular defines dormant receivables accounts as an account 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.
- 4.10 Section 8.2 of the same Circular states that the Head of the government entity shall file the request for authority to write-off dormant accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA).
- 4.11 COA Circular No. 93-404 dated October 18, 1993 prescribes the reporting requirement in case of losses of documents evidencing financial transactions and/or records of accountabilities.

i. Accumulation of dormant accounts totaling ₱13,096,021.42 and recording of accounts receivable without substantial documents/reports

4.12 Review of the Accounts Receivable account revealed an outstanding balance of ₱24,477,665.75. Its Schedule of Aging is summarized as follows:

**Table 21. Summary of Aging of Accounts Receivable
as of December 31, 2020**

Aging	Amount (in Php)
<i>More than 10 years outstanding (dormant accounts)</i>	
College (SY 2012-2013 and below)	12,595,299.42
Graduate School (2001-2009)	500,722.00
Subtotal	13,096,021.42
<i>More than one year to ten years outstanding</i>	
SHS (SY 2016-2018)	129,375.00
College	9,129,230.85
Graduate School (<i>period covered is from 2009-2020, however, detailed amount per year was not provided, thus dormant accounts cannot be determined</i>)	634,646.73
Faculty Personnel with C/O (2012-2015)	15,048.00
Basketball Varsity	157,157.00
Subtotal	10,065,457.58
<i>Less than one year outstanding</i>	
College	1,316,186.75
Subtotal	1,316,186.75
Total	24,477,665.75

4.13 Based on the analysis of the aging of Accounts Receivable, ₱13,096,021.42 or 54 percent of the ₱24,477,665.75 Accounts Receivable has been long outstanding for more than 10 years. This pertains to uncollected school fees from the College and the Graduate School.

4.14 Outstanding Accounts Receivable for more than one to 10 years amounted to ₱10,065,457.58 pertaining to uncollected receivables from SHS, College, Graduate School, faculty personnel (*former students*) and basketball varsity.

4.15 The remaining ₱1,316,186.75 was outstanding for less than one year. Inquiry with the Collecting Office of PhilSCA-VAB Campus disclosed that the amount pertains to the uncollected school fees from students who are no longer eligible for free tuition and miscellaneous fees under RA No. 10931, also known as Free Higher Education (FHE) Act.

4.16 The balance of the Accounts Receivable account increased by ₱9,967,126.81 from the prior year's balance of ₱14,510,538.94. Analysis of the substantial

increase disclosed that collections totaled ₱130,716.75 and that the Accounting Office recorded JEV No. GJ Local 20-12-110 dated December 31, 2020 to recognize Accounts Receivable amounting to ₱10,097,843.56.

4.17 The Accounting Office was not able to furnish the Audit Team with substantial documents and reports to support the recorded transactions, thus casts doubt on the propriety and validity of the transaction.

4.18 Further inquiry with the Collecting Office of PhilSCA-VAB Campus revealed a total Accounts Receivable from the students of VAB Campus of ₱12,183,545.04 as of March 2021. However, the amount remained unverified due to lack of supporting documents and other relevant information (e.g., registration/enrollment certificate of the students, address and contact information, etc.).

4.19 The table below presents the Schedule of Accounts Receivable from the VAB Campus students:

Table 22. Schedule of VAB Campus Accounts Receivables

Period Covered	SHS	College	Graduate Studies	Faculty Personnel with C/O	Basketball Varsity	Total
	(in Php)					
2020-2021						
2019-2020		986,989.00	116,450.00			1,103,439.00
2018-2019		31,467.00	78,960.00			110,427.00
2017-2018	112,500.00	161,768.50	38,626.00			312,894.50
2016-2017	16,875.00	787,287.50	8,650.00			812,812.50
2015-2016		934,462.00	92,500.00			1,026,962.00
2014-2015		856,357.00	24,250.00	4,430.00	38,469.00	923,506.00
2013-2014		842,366.00	19,750.00	5,046.00	62,354.00	929,516.00
2012-2013		647,287.50	46,174.73	5,572.00	56,334.00	755,368.23
2011-2012		592,515.50	85,423.00			677,938.50
2010-2011		828,233.50	132,593.00			960,826.50
2010-below		4,004,474.81	565,380.00			4,569,854.81
Total	129,375.00	10,673,208.31	1,208,756.73	15,048.00	157,157.00	12,183,545.04

4.20 The remaining ₱12,294,120.71 Accounts Receivable from other Campuses were also not supported with relevant and complete documentation.

ii. Submission of incomplete/insufficient documentation to support the request for write-off of accounts

4.21 On November 3, 2020, the Management submitted a request for write-off of long-standing unpaid tuition fee of students from SYs 2000-2010 amounting to ₱3,969,037.86, for the reason that the necessary records to validate the claims were either lost or already damaged by termites, and there were no more ways to contact the concerned students/debtors.

- 4.22 The College has not submitted a report/notice of loss and copies of the investigation report narrating the cause(s) of loss of the documents/records pertaining to the accounts, and holding the official/s and employee/s liable thereof, as required by the pertinent COA Circulars.
- 4.23 Proof of exhaustion of all remedies to collect the receivables such as, but not limited to, copies of served or returned demand letters were also not furnished to the Audit Team.
- 4.24 The Audit Team issued RWO (Request for Write-Off) No. 2020-001 dated November 4, 2020 to the Management returning the request for write-off submitted by the Management due to lacking and/or not complied with documentation as required under COA Circular No. 2016-005 dated December 19, 2016.
- 4.25 The Audit Team emphasizes that the request for write-off of the dormant accounts receivable shall be supported with complete and sufficient documentation as prescribed under the pertinent COA Circulars.
- 4.26 Further, the College submitted CHED Memorandum Order (CMO) No. 02 Series of 2010 dated January 10, 2010 and CHED Memorandum from the Executive Office dated March 31, 2014, citing the appeal to HEIs for flexibility in the implementation of the “No permit, no examination policy” or any such policy that prohibits students from taking their periodic or final examinations due to unpaid tuition and other school fees.
- 4.27 Both memoranda prescribe that “SUCs shall reserve the right to withhold the release or issuance of students’ clearance prior to their graduation or until prior accountabilities are settled.”
- 4.28 The Audit Team acknowledges the flexibility of the PhilSCA in allowing students with unpaid school fees to take the examinations. However, the College was not able to effectively enforce the right to withhold the release or issuance of students’ clearance until prior accountabilities are settled, thus resulted in lapses in the collection of school fees and the accumulation of dormant accounts.

iii. Non-submission of the quarterly report on aging of dormant receivables

- 4.29 Section 6.1 of COA Circular No. 2016-005 dated December 19, 2016 prescribes that *“all government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable...xxx”*

- 4.30 Section 6.2 of the same Circular further states that *“All government entities shall prepare the schedule of all receivables, unliquidated cash advances, and fund transfers as of December 31, 2015 and quarterly thereafter.*
- 4.31 Appendix 55 of GAM for NGAs, Volume II prescribes the preparation of the schedule of accounts receivables.
- 4.32 Our audit revealed that the Accounting Office submits the schedule of all receivables annually instead of quarterly; and the remarks column of the schedule is also not filled up with information commenting on the status or condition of the receivables. Likewise, documents to support the validity of the schedules were not being forwarded/submitted to the COA Office.
- 4.33 **We recommended that Management:**
- a. **furnish the Audit Team with copies of the supporting documents/reports to validate the recorded transactions amounting to ₱10,097,843.56, otherwise adjust the recorded amount;**
 - b. **thru the Accounting Office, gather and maintain sufficient documents/reports to support the recorded balance of the accounts receivables;**
 - c. **ensure that the request for write-off is submitted with complete/sufficient documentation as prescribed under COA Circular No. 2016-005 dated December 19, 2016;**
 - d. **abide by COA Circular No. 93-404 dated October 18, 1993 in case of losses of documents evidencing financial transactions and/or records of accountabilities;**
 - e. **enforce the right of the College, thru the concerned offices, to withhold the release or issuance of students' clearance until prior accountabilities are settled;**
 - f. **submit the schedule/aging of all receivables with complete details on a quarterly basis together with the pertinent supporting documents as prescribed under COA Circular No. 2016-005 dated December 19, 2016.**

COMPLIANCE AUDIT

STF (Special Trust Fund) Utilization

- 5. The audit of STF budget revealed a) inconsistencies in the budgeted amounts in the submitted FARs against the FY 2020 Program of Receipts and Expenditures (PRE), with a difference of ₱24,206,555.60; and b) significant amount of unutilized budget of ₱132,842,757.77 or 39 percent of the total STF budget of ₱342,001,890.11, thus affected the efficiency and effectiveness of the College's operations that deferred the benefits of modernized facilities and equipment for the students.**

- 5.1 Republic Act (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 on the use of income, Special Trust Fund (STF) and Programs of Receipts and Expenditures (PRE) of the State Universities and Colleges (SUCs). Pertinent provisions are emphasized as follows:

“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.”

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

“Section 23, Article VII- It shall be the responsibility of the SUC to formulate internal procedures and process flows to implement the provisions in these guidelines, and the same shall be modified

periodically in compliance with rules and regulations that may be passed by other concerned National Government Agencies from time to time, particularly those originating from CHED, DBM, COA, NEDA, DOST, DA and those agencies which functions or mandate are allied with the functions and mandate of the SUC.”

- 5.4 The submitted PRE amounting to ₱366,208,445.71 (*STF portion*) for FY 2020 was supported with recommendation from the Finance Committee for approval of the PRE and an excerpt from the minutes of the combined third and fourth quarters BOT regular meeting for FY 2019 on January 17, 2020; which included Resolution No. 387, series of 2020 approving the PRE. However, the amount of the approved budget was not disclosed in the submitted excerpt.
- 5.5 Examination of the Approved Budgeted Revenue (*adjusted*) reported in the Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) (FAR No. 2) and the Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) (FAR No.2-A) as of December 31, 2020 amounting to ₱342,001,890.11 is lower compared to the Approved Budget presented in the FY 2020 PRE. The details of the difference are as follows:

Table 23. STF Budget Comparison between FY 2020 PRE and SABUDBOE (FAR 2-A)

Particulars	PRE CY 2020	SABUDBOE FAR 2-A	Difference
	(in Php)		
Personnel Services (PS)	14,857,000.00	13,528,000.00	1,329,000.00
MOOE	255,886,145.71	226,410,590.11	29,475,555.60
Capital Outlay (CO)	95,465,300.00	102,063,300.00	(6,598,000.00)
Total	366,208,445.71	342,001,890.11	24,206,555.60

- 5.6 The inconsistency between the FARs and the FY 2020 Program of Receipts and Expenditures (PRE) affected the reliability of the submitted budgetary reports.
- 5.7 Review of the submitted SABUDB (FAR No. 2) and SABUDBOE (FAR No. 2-A) as of December 31, 2020 revealed that only ₱209,159,132.34 or 61 percent of ₱342,001,890.00 budget allocated for FY 2020 was utilized. It can be observed that FAR No.2-A projected an unrealistic budget for STF as disclosed by huge unutilized balances amounting to ₱2,957,672.45 or 22 percent for PS; ₱77,169,656.57 or 34 percent for MOOE; and ₱49,347,871.25 or 52 percent for CO, presented as follows:

**Table 24. Summary on Utilization of the STF Budget
per SABUDBOE (FAR 2-A)**

Particulars	Adjusted Budgeted Revenue (FAR No. 2-A)	Budget Utilization	% of Utilized Budget	Unutilized Budget	% of Unutilized Budget
	(in Php)			(in Php)	
Personnel Services (PS)	13,528,000.00	10,570,327.55	78%	2,957,672.45	22%
MOOE	226,410,590.11	149,240,933.54	66%	77,169,656.57	34%
Capital Outlay (CO)	102,063,300.00	49,347,871.25	48%	52,715,428.75	52%
Total	342,001,890.11	209,159,132.34	61%	132,842,757.77	39%

5.8 Further review of the SABUDBOE (FAR No. 2-A) revealed the following:

- a. For the MOOE, unutilized budget for survey, research, exploration and development expenses was observed amounting to ₱5,048,742.43 or a significant 99 percent of the ₱5,083,027.91 allocated budget, caused by non-implementation of the proposed programs and projects for research.
- b. Furthermore, partial utilization for the other items of expenditures under MOOE was noted ranging from 13 to 97 percent whereas unutilized budget amounted to ₱72,120,914.14, summarized as follows:

Table 25. Summary of Utilization of MOOE FAR-2A

Particulars	Adjusted Budgeted Revenue	Utilized Budget	Unutilized Budget	% of Unutilized Budget
	(in Php)			
Travelling Expenses	2,999,900.00	390,201.68	2,609,698.32	87%
Training and Scholarship Expenses	98,036,354.67	88,234,308.00	9,802,046.67	10%
Supplies and Materials Expenses	9,265,000.00	4,951,834.68	4,313,165.32	47%
Utility Expenses	580,000.00	313,028.10	266,971.90	46%
Communication Expenses	1,501,000.00	1,456,100.00	44,900.00	3%
Professional Services	56,412,367.00	31,130,117.55	25,282,249.45	45%
General Services	19,611,444.00	14,553,424.19	5,058,019.81	26%
Repairs and Maintenance	5,422,884.89	967,536.17	4,455,348.72	82%
Taxes, Insurance Premiums and Other Fees	2,049,500.00	1,987,013.10	62,486.90	3%
Other Maintenance and Operating Expenses	25,449,111.64	5,223,084.59	20,226,027.05	79%
Total (excluding research)	221,327,562.20	149,206,648.06	72,120,914.14	

- c. As can be gleaned from the table above, ₱2,609,698.32 or 87 percent of the ₱2,999,900.00 budget for travelling expenses was unutilized due to the restriction of travel during the implementation of Community Quarantine due to COVID-19.
- d. Moreover, only ₱4,951,834.68 or 47 percent of the ₱9,265,000.00 allocated budget for supplies and materials was utilized, leaving an unutilized amount of ₱4,313,165.32 due to limited mobility caused by the COVID-19 pandemic.
- e. For the Capital Outlay (CO), the College was able to undertake contracts and substantially utilized the budget for buildings and other structures amounting to ₱47,704,396.25 or 86 percent of the allocated budget of ₱55,690,000.00.
- f. However, the College was not able to adequately utilized the approved budget for the procurement of office equipment, ICT equipment, communication equipment, other machinery and books, thus resulted in low utilization of ₱1,643,475.00 or six percent of the ₱27,671,300.00 budget.
- g. Moreover, appropriated budget totaling ₱18,702,000.00 pertaining to outlay for technical and scientific equipment; aircrafts and aircrafts ground equipment; and furniture and fixtures was not utilized during the year.
- h. The College did not allocate budget for the procurement of much needed medical and protective equipment.
- i. Summary of the CO utilization is presented below:

Table 26. Summary of Utilization of Capital Outlay (CO) FAR 2-A

Particulars	Adjusted Budgeted Revenue	Budget Utilization	% of Utilized Budget	Unutilized Budget	% of Unutilized Budget
	(in Php)			(in Php)	
Capital Outlay (substantial utilization)					
Buildings	6,000,000.00	5,071,810.60	85%	928,189.40	15%
School Buildings	42,550,000.00	37,105,342.35	87%	5,444,657.65	13%
Other Structures	7,140,000.00	5,527,243.30	77%	1,612,756.70	23%
Subtotal	55,690,000.00	47,704,396.25	86%	7,985,603.75	14%
Capital Outlay (low utilization of 2 percent to 43 percent)					
Office Equipment	1,685,800.00	660,000.00	39%	1,025,800.00	61%
Information and Communication Technology Equipment	22,810,000.00	527,000.00	2%	22,283,000.00	98%
Communication	1,800,000.00	159,300.00	9%	1,640,700.00	91%

Particulars	Adjusted Budgeted Revenue	Budget Utilization	% of Utilized Budget	Unutilized Budget	% of Unutiliz ed Budget
	(in Php)			(in Php)	
Equipment					
Other Machinery	1,025,500.00	146,680.00	14%	878,820.00	86%
Books	350,000.00	150,495.00	43%	199,505.00	57%
Subtotal	27,671,300.00	1,643,475.00	6%	26,027,825.00	94%
<i>Capital Outlay (100% Unutilized)</i>					
Technical and Scientific Equipment	16,300,000.00	-	0%	16,300,000.00	100%
Aircrafts and Aircrafts Ground Equipment	1,500,000.00	-	0%	1,500,000.00	100%
Furniture and Fixtures	902,000.00	-	0%	902,000.00	100%
Subtotal	18,702,000.00	-	0%	18,702,000.00	100%
Total	102,063,300.00	-	0%	52,715,428.75	100%

- j. PhilSCA's non-procurement of the much-needed equipment and furniture/fixtures embodied in the FY 2020 STF budget affected the efficiency and effectiveness of the College's operations that deferred the benefits of modernized facilities and equipment for the students.
- k. Moreover, the non-procurement of medical and protective equipment lessened the effectivity of the health and safety protocols of the College and exposed health risks to the frontline employees and its stakeholders.

5.9 We recommended that Management:

- a. ensure that the BOT Resolution approving the College's PRE indicates the amount of the approved budget;
- b. submit justification on the inconsistencies of the FY 2020 budget presented in the PRE and the FARs;
- c. prepare a more realistic budget by considering the needs and capability of the College to disburse the same, and maximize the utilization thereof for the effective implementation of planned programs/projects; and
- d. ensure the consistency of the disclosed budget between the approved PRE and the SABUDB (FAR No. 2)/ SABUDBOE (FAR No. 2-A) to ensure the reliability and validity of the submitted reports.

5.10 Management's Comments:

The Management commented that it was in consonance with DBM National Budget Circular (NBC) No. 580 dated April 22, 2020 for the guidelines on the Adoption of Economy Measures in the Government Due to the Emergency Health Situation which gave way for the College to revise the PRE to reflect the discontinuance of the appropriations and allotment of selected programs, activities, projects. This brought the low utilization rate of the College in its STF.

The Budget Office, together with the Budget Proposal Evaluation Committee, will look on all possible means to provide and submit conservative budget in the succeeding budget preparations based on capabilities of campuses, departments, offices and other units.

5.11 Auditor's Rejoinder:

The Audit Team requested the Management to submit BOT Resolution for the approval of the revised PRE.

Unutilized fund transfer for Tulong Dunong Program (TDP)

6. Out of the ₱3,000,000.00 fund transfer from CHEDRO- NCR for the implementation of the Tulong Dunong Program (TDP), a total of ₱636,000.00 was not utilized/released to the student-grantees by PhilSCA, thereby adversely affecting the educational needs of the underprivileged yet qualified and deserving student-grantees, contrary to the Joint CHED-DBM issuances on the Program. Also, the copy of Memorandum of Agreement (MOA), as vital basis for the evaluation of Program implementation was not submitted to the Audit Team.

- 6.1 CHED-DBM JMC No. 2017-2 dated May 24, 2017 prescribes the implementing guidelines on the Tulong Dunong Program (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 State Universities and Colleges (SUCs).
- 6.2 Similarly, CHED and DBM issued JMC No. 2017-3 dated May 24, 2017 implementing the guidelines on the Tulong Dunong Program pursuant to the special provision applicable to SUCs.
- 6.3 Section 5 of the above JMC provides that a student-grantee shall be entitled to a maximum of twelve thousand pesos (₱12,000.00) grant per academic year 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 (P300,000.00).*

x x x

- 6.5 Moreover, CHED and DBM JMC No. 04 s. 2019 dated September 13, 2019 was issued to prescribe the revised implementing guidelines of the CHED-Tulong Dunong Program (CHED-TDP).

- 6.6 Section 5 of the JMC states the financial benefits of the student-grantees of AY 2019-2020, to wit: *“A student-grantee shall be entitled to Fifteen Thousand Pesos (Php15,000.00) financial assistance per academic year, which may be used to support the cost of higher education expenses (i.e. educational and living allowance).”*

- 6.7 The Audit Team noted the following deficiencies during the course of audit in the implementation of Tulong Dunong Program by the College:

a. Unreleased Financial Assistance to the Student-Grantees amounting to P636,000.00

- 6.8 Both Sections 8 of the two JMCs state the payment of grant and documentary requirements. Per Section 8.1.2 of JMC No. 2017-2, CHED Regional Offices (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 Machines (ATMs).
- 6.9 For CY 2020, PhilSCA received funds from CHEDROs for the implementation of the TDP for AYs 2018-2019 and 2019-2020 as follows:

Table 27. Funds Received for TDP

CHEDRO	PhilSCA Campus (Recipient)	Particulars	Amount
IV-A	FAB, Batangas	TDP financial assistance for the student-grantees of PhilSCA-FAB, Batangas for AYs 2018-2019 and 2019-2020	₱2,586,000.00
VII	BAB, Pampanga	TDP financial assistance for the student-grantees of PhilSCA-BAB, Pampanga AY 2019-2020	414,000.00
Total Fund Transfers from CHED for the TDP Implementation			₱ 3,000,000.00

6.10 Analysis of the transactions revealed that both PhilSCA-FAB Campus and PhilSCA-BAB Campus issued Official Receipts (ORs) with CHEDRO as the payor and deposited the funds in the bank accounts of PhilSCA.

6.11 Audit of the fund transfers from CHED disclosed that only ₱2,364,000.00 was granted as cash advances to the Special Disbursing Officers (SDOs) of FAB and BAB Campuses to be released to the student grantees, as follows:

Table 28. Cash Advances to SDOs of PhilSCA Campuses

PhilSCA Campus	Particulars	Date	Check No.	Amount
<i>Fund Transfers from CHEDRO</i>				₱ 3,000,000.00
<i>Financial Assistance released to students-beneficiaries</i>				
FAB	Cash Advances to SDO of PhilSCA-FAB Campus for the release of financial assistance to the student-grantees' AYs 2018-2019 and 2019-2020	03/06/2020	91799	768,000.00
		7/27/2020	91951	592,500.00
		10/12/2020	92048	589,500.00
BAB	Cash Advance to the SDO of PhilSCA-BAB Campus for the release of financial assistance to the student-grantees' AY 2019-2020	9/18/2020	92019	414,000.00
Total				₱2,364,000.00
<i>Unreleased financial assistance to student-grantees of PhilSCA-FAB</i>				₱636,000.00

6.12 The unreleased financial assistance of ₱636,000.00 to the two Campuses thru cash advance delayed the receipt of benefits that could have financially assisted the grantees.

b. Non-submission of copy of MOA with CHEDRO-NCR

6.13 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).

- 6.14 One of the general guidelines of the abovementioned 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.*
- 6.15 In addition, one of the documentary requirements for the release of the financial assistance is a 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.
- 6.16 Despite the prior recommendation to furnish/submit copies of the MOA with the CHEDRO for the TDP, PhilSCA did not comply with the submission of the copies of MOA which is a documentary requirement for the abovementioned Circular/Memorandum.
- 6.17 **We recommended that Management:**
- a. **furnish the Audit Team with the copy of the liquidation of the remaining unreleased TDP financial assistance amounting to ₱636,000.00; and**
 - b. **submit the MOA with CHEDRO-NCR for the implementation of the TDP as reference in audit.**

6.18 Management's Comments:

The Management has furnished the Audit Team the copy of the liquidation report of the unreleased financial assistance amounting to ₱636,000.00.

Lapses in the implementation of TES-ESGPPA for AYs 2018-2019 and 2019-2020

7. **Lapses in the implementation of the TES-ESGPPA for AYs 2018-2019 and 2019-2020 were noted such as: a) non-compliance of the College with its responsibilities in the implementation of the Program; b) non-issuance of Official Receipts (ORs) for funds received from CHED totaling ₱3,563,800.00; and c) unreleased educational assistance to the student-grantees amounting to ₱4,781,800.00, contrary to CHED-UniFAST Memorandum Circular No. 2018-0001 dated March 26, 2018 and CHED-UniFAST-DBM Joint Memorandum Circular No. 07, s. 2019 dated December 27, 2019, thus hampered the timely receipt of benefits that could have financially assisted the grantees.**

- 7.1 The Expanded Students' Grants-in-Aid Program for Poverty Alleviation (ESGP-PA) is an existing joint program of the Commission on Higher Education (CHED), Department of Social Welfare and Development (DSWD), Department of Budget and Management (DBM) and the Department of Labor and Employment (DOLE). As stipulated in the CHED-DBM-DSWD-DOLE Joint Memorandum Circular No. 01 dated June 23, 2016 regarding the ESGP-PA program coverage, the ESGP-PA shall eventually be under the umbrella of RA No. 10687, otherwise known as "*Unified Student Financial Assistance System for Tertiary Education (UniFAST) Act*" which covers all existing modalities of Student Financial Assistance Programs (StuFAPs) for Tertiary Education and Special Purpose Education Assistance in both public and private institutions. Consequently, under both RA No. 10687 and RA No. 10931, the continuing ESGP-PA student-grantees are considered to be included and covered by RA No. 10931 through the TES program.
- 7.2 Section 22 of the Implementing Rules and Regulations (IRR) of RA No. 10931, known as the "*Universal Access to Quality Tertiary Education Act of 2017,*" prescribes the establishment of Tertiary Education Subsidy (TES) program to support the cost of tertiary education or any portion thereof, for all Filipino students enrolled in their first undergraduate post-secondary program offered in SUCs, LUCs and private HEIs.
- 7.3 CHED-UniFAST Memorandum Circular No. 2018-0001 dated March 26, 2018 prescribes the guidelines for the Expanded Students' Grants-in-aid Program for Poverty Alleviation (ESGP-PA) covered under the Universal Access to Quality Tertiary Education Law (RA No. 10931) through Tertiary Education Subsidy (TES) during its transitory period.
- 7.4 Continuing ESGP-PA grantees who are currently enrolled in the State Universities and Colleges (SUCs) in course offerings aligned with the priorities of the government based on the current supply and demand situation in the labor markets are considered to be entitled to the TES benefits.
- 7.5 Section 4 of the abovementioned MC prescribes the financial benefits entitled to qualified student-grantees, to wit: "*A student-grantee shall be entitled to a maximum of Forty Thousand Pesos (PhP40,000.00) as grant per academic year or Twenty Thousand Pesos (PhP20,000.00) as grant per semester. The grant is intended to cover academic and extra-curricular expenses, purchase of textbooks, board and lodging, transportation, clothing, admission / entrance fees, health and other valid related education expenses and support services to complete the student-grantee's degree program.*"

Table 29. Tertiary Education Subsidy (TES) Program Benefits

Particulars	Unit Cost	Total Cost/ Year
1. Textbooks/ other learning materials	PhP 2,500/ semester	PhP 5,000.00
2. Stipend (to include food, lodging, clothing, transportation, health/ medical needs, basic school supplies and other related costs)	PhP 3,500 per month for ten months	PhP 35,000.00
Total		PhP 40,000.00

- 7.6 Moreover, CHED-DBM Joint Memorandum Circular No. 07 s. 2019 dated December 27, 2019 prescribes the guidelines on the TES program pursuant to Special Provision (SP) No.3, CHED budget on RA No. 11260, also known as the General Appropriations Act (GAA) of FY 2019, to promote the efficient utilization of all funds intended for rational implementation of the grants-in-aid program of the government.
- 7.7 Lapses on the implementation of the TES-ESGPPA for AYs 2018-2019 and 2019-2020 were noted and disclosed as follows:

a. Non-compliance of the College with its responsibilities in the implementation of the Program

- 7.8 Section XVII (F) of CHED-DBM Joint Memorandum Circular No. 07, s. 2019 dated December 27, 2019 states the responsibilities of Higher Education Institutions (HEIs) in the implementation of the TES-ESGPPA.
- 7.9 Non-observance by the College of the following responsibilities were noted, presented as follows:

Table 30. HEIs' Non-compliance with TES-ESGPPA Implementation

	Provision Section XVII (F)	Findings/Observations
Item No. 6	Perform the following administrative and financial procedures:	
	6.1 Issue an official receipt for every amount received from CHED Regional Office in relation to the TES implementation;	No ORs were issued for the funds received from CHED-NCR totaling ₱3,563,800.00
	6.2 Maintain a separate bank account with the Land Bank of the Philippines, for proper account management for TES;	PhilSCA does not maintain a separate bank account with the LBP for the proper management of TES funds;
	6.3 Provide bank account details for cheque received from CHED Regional Office, to the separate bank account maintained;	
	6.6 Comply with the provisions of COA Circular No. 94-013 as may be warranted;	Provisions of COA Circular No. 94-013 were not complied with, particularly on the recording of the receipt of funds.
Item No. 9	Be accountable for the funds received from the CHED Regional Office pursuant to the MOA.	Funds totaling ₱3,563,800.00 were not recognized/ accounted in the books of accounts of PhilSCA.

- 7.10 The above observations affected the proper management of releasing the funds to the student-grantees, contrary to the abovementioned JMC.

b. No Official Receipts (OR) issued on funds received from CHED totaling ₱3,563,800.00

- 7.11 Based on the schedule and SLs transmitted by COA-CHED Audit Team, the CHED (UniFAST) transferred funds to the College totaling ₱9,290,600.00 for the implementation of the ESGP-PA / TES program for AYs 2018-2019 and 2019-2020, as follows:

**Table 31. Receipt of Funds for the Implementation of TES-ESGPPA
AYs 2018-2019 and 2019-2020**

Fund Transfers from CHED			Receipt of Funds by PhilSCA		
Program	Date	Amount (in Php)	OR No.	Date	Amount (in Php)
<i>With Official Receipt (OR) Issued</i>					
ESGP-PA AY 2018-2019	9/27/2018	988,800.00	0630641	11/07/2018	988,800.00
TES AY 2018-2019	12/20/2019	3,584,400.00	0683928	02/03/2020	3,584,400.00
TES-LISTAHAN 1st Semester AY 2019-2020	3/2/2020	1,153,600.00	0687064	6/24/2020	1,153,600.00
<i>Subtotal</i>		5,726,800.00	<i>Subtotal</i>		5,726,800.00
<i>No Official Receipt (OR) Issued</i>					
TES AY 2018-2019	6/25/2020	41,200.00	No OR issued		41,200.00
TES-LISTAHAN 2nd Semester AY 2019-2020	12/01/2020	2,245,400.00			2,245,400.00
TES-LISTAHAN New AY 2019-2020	9/24/2020	1,153,600.00			1,153,600.00
TES-ESGPPA 1st Semester AY 2019-2020	7/15/2020	20,600.00			20,600.00
TES-ESGPPA 2nd Semester AY 2019-2020	12/17/2020	20,600.00			20,600.00
TES-Non Listahan 1st Semester AY 2019-2020	10/15/2020	20,600.00			20,600.00
TES-Non Listahan 2nd Semester AY 2019-2020	12/16/2020	20,600.00			20,600.00
TES-LISTAHAN (A) AY 2019-2020	12/22/2020	41,200.00			41,200.00
<i>Subtotal</i>		3,563,800.00	<i>Subtotal</i>		3,563,800.00
Total		9,290,600.00	Total		9,290,600.00

- 7.12 Examination revealed that PhilSCA issued ORs for the fund transfers from CHED totaling ₱5,726,800.00 with CHED as the payor. However, to date, there were no ORs issued for the other funds amounting to ₱3,563,800.00, contrary to Section XVII (F.6.1.) of CHED-DBM Joint Memorandum Circular No. 07 s. 2019 dated December 27, 2019.

c. Unreleased Educational Assistance to the Student-Grantees amounting to ₱4,781,800.00

- 7.13 Analysis of the utilization reports submitted to the Audit Team revealed that ₱4,508,800.00 of the educational assistance was released to the student-grantees of PhilSCA during CYs 2019 and 2020 while the remaining ₱4,781,800.00 financial assistance remained unreleased summarized as follows:

Table 32. Utilization/Release of Funds to the Student-Grantees of TES-ESGPPA

Particulars	Date	Check No.	Amount
<i>Fund Transfers from CHED</i>			<i>9,290,600.00</i>
<i>Cash Advances to SDO for the release of educational assistance</i>			
CA for the stipend and book allowance of ESGP-PA grantees for AY 2018-2019	04/26/2019	84229	80,000.00
	05/14/2019	84274	560,000.00
	04/26/2019	84228	120,000.00
	06/18/2019	84392	200,000.00
Refund to CHED (Unexpended Administration Cost)	6/23/2020	91789	28,800.00
Cash Advance for the release of funds to the student-grantees of ESGP-PA / TES Program AY 2018-2019	7/17/2020	91944	240,000.00
	7/17/2020	91945	3,000,000.00
	08/05/2020	91961	280,000.00
Total Funds Released to the Student-Grantees of TES-ESGPPA			4,508,800.00
Unreleased Funds to the Student-Grantees of TES-ESGPPA			4,781,800.00

- 7.14 The delay in releasing the educational assistance to the student-grantees of the TES-ESGPPA hampered the timely receipt of benefits that could have financially assisted the grantees.

7.15 We recommended that Management:

- a. issue ORs for the funds received from CHED totaling ₱3,563,800.00 and furnish the Audit Team copies of the ORs;
- b. release the financial assistance amounting to ₱4,781,800.00 to the qualified student-grantees of PhilSCA and furnish the Audit Team copies of Fund Utilization Reports;
- c. maintain a separate bank account with the LBP, for proper account management of TES funds.

Deficiencies in the Granting and Liquidation of Cash Advances

8. Deficiencies in the granting and liquidation of cash advances (CAs) were noted such as: a) additional cash advances were granted to an employee without first liquidating the previous CAs; and b) liquidations totaling ₱4,796,033.15 were

liquidated/refunded beyond the reglementary period, contrary to the pertinent provisions of Section 89 of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997, thus exposing the unused/excess cash to risk elements of loss, unreported expenses, unaccounted cash and probable misappropriation of funds.

- 8.1 The Advances to SDOs and to Officers and Employees accounts have balances of ₱615,147.86 and ₱7,374.28, respectively, as of December 31, 2020.
- 8.2 Analysis on the granting of CAs for CY 2020 disclosed that an employee of PhilSCA was allowed additional CA despite the non-settlement of the previous CA, contrary to Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997, shown as follows:

Table 33. Granting of Additional Cash Advance CY 2020

Granting of Additional Cash Advance				
Name of Accountable Officers	Amount of Cash Advances Granted (in Php)	Date of Grant	Date of Liquidation	Findings/ Observation
Maria Sisa T. Dela Cruz	43,750.00	03/02/2020	06/16/2020	Previous CA which remained unliquidated upon grant of additional CA
	175,000.00	03/22/2020	8/20/2020	Additional CA allowed despite the non-settlement of previous CA

- 8.3 On October 20, 2020, the Audit Team issued demand letters to the officers and employees of PhilSCA with long outstanding cash advances.
- 8.4 Consequently, review of the LR's revealed that the College was able to liquidate a significant amount of the outstanding CAs during CY 2020 totaling ₱6,818,771.72, summarized as follows:

Table 34. Cash Advances, Liquidations and Refunds for CY 2020

Observations	Total CAs Granted	Liquidation (Expended Amount)	Refund (Unused Amount)	Total Amount Liquidated	Unused CA not yet refunded	Period of Delay
	(in Php)					
	Cash advances liquidated within the prescribed reglementary period/ Unused CAs refunded immediately to Cashier/ Collecting Officer					
Travel	239,017.49	188,546.12	50,471.37	239,017.49		-
Special Purpose (Commencement exercises, teambuilding activities, athletes allowances, etc.)	1,783,721.08	1,725,200.93	58,520.15	1,783,721.08		-
Subtotal	2,022,738.57	1,913,747.05	108,991.52	2,022,738.57		

<i>Cash advances liquidated beyond the prescribed reglementary period/ Unused CAs not refunded immediately to Cashier/ Collecting Officer</i>						
Travel	746,433.51	524,742.85	206,521.38	731,264.23	15,169.28	13 to 586 days
Special Purpose (Commencement exercises, teambuilding activities, athletes allowances, etc)	4,064,768.92	3,661,902.96	402,865.96	4,064,768.92		3 to 640 days
Subtotal	4,811,202.43	4,186,645.81	609,387.34	4,796,033.15	15,169.28	
Grand Total	<u>6,833,941.00</u>	<u>6,100,392.86</u>	<u>718,378.86</u>	<u>6,818,771.72</u>	<u>15,169.28</u>	
Percentage of Liquidation/ Refund beyond reglementary period					70%	

8.5 As can be gleaned from the above table, total cash advances amounting to ₱4,796,033.15 were liquidated/refunded beyond the prescribed period or a significant delay of 13 to 586 days for local travel and three to 640 days for field operating expenses, contrary to the provisions of COA Circular No. 97-002 dated February 10, 1997.

8.6 Further analysis revealed that out of the ₱718,378.86 unused cash advances which were refunded, ₱609,387.34 or 84.83 percent were not returned immediately to the Collecting Officer/s, broken down as follows:

Table 35. Delayed Refund of Unused Cash Advances

Name of Accountable Officer	Date of Travel/ Special Purpose (Last Day)	Date of Refund	Period of Delay (in days)	Amount of Refund (in Php)
Estrella E. Yago	11/4/2018*	8/25/2020	660 days	483.71
Ma. Flordeliza Zafra	2/22/2019	11/20/2020	425 days	24,300.00
Romualdo Intia	07/12/2019	07/09/2020	363 days	6,838.60
Kenneth Camyr Mindajao	07/12/2019	6/23/2020	347 days	6,838.60
Dennis P. Cuellar	09/06/2019	11/02/2020	423 days	3,568.81
Barbara T. Gaco	09/06/2019	11/10/2020	431 days	7,484.26
Marwin M. Dela Cruz	10/20/2019*	6/16/2020	240 days	54,500.00
Rodante G. Flores	10/25/2019	10/29/2020	360 days	32,427.95
Jonathan Nagasao	11/02/2019	07/01/2020	330 days	14,451.05
Arthur C. Dela Peña	11/03/2019	10/01/2020	333 days	4,521.36
Contessa Castro	11/15/2019	01/06/2020	51 days	9,901.00
Sancho L. Morfe	11/29/2019	10/29/2020	335 days	5,741.72
Ginalyn Cordovilla	12/04/2019*	07/06/2020	215 days	72,631.08
Juanito Infante Jr.	12/08/2019	03/02/2020	85 days	20.00
Maria Sisa T. Dela Cruz	12/13/2019	2/21/2020	69 days	27,561.00
Esteban Cordovilla	12/30/2019*	1/20/2020	21 days	8,704.00
Noel Lagui	12/30/2019*	07/06/2020	189 days	686.87
Subtotal				280,660.01
Rowena S. Navera	02/06/2020	02/10/2020	3 days	7,640.00

Name of Accountable Officer	Date of Travel/ Special Purpose (Last Day)	Date of Refund	Period of Delay (in days)	Amount of Refund (in Php)
Ameja Custodio	2/14/2020	08/03/2020	171 days	26,864.50
Jeq Zyriius Sudweste	2/20/2020	11/19/2020	273 days	320.00
Alona Eugenio	2/28/2020	06/17/2020	110 days	2,207.44
Maria sisa Dela cruz	03/07/2020	6/16/2020	101 days	8,578.00
Contessa Castro	03/07/2020	7/16/2020	131 days	45,904.00
Annie G. Molejon	3/13/2020	11/03/2020	235 days	48,341.00
Maria Sisa T. Dela Cruz	4/11/2020*	8/20/2020	136 days	100,388.50
Rodante G. Flores	05/10/2020*	11/11/2020	185 days	6,668.50
Ricardo Fajardo	05/12/2020*	11/11/2020	183 days	4,050.00
Marwin M. Dela Cruz	7/20/2020*	8/20/2020	30 days	35,000.00
Ma. Teresa S. Rosales	9/24/2020	10/20/2020	25 days	19,513.50
Maria Sisa T. Dela Cruz	11/11/2020	11/18/2020	7 days	23,251.89
Subtotal				328,727.33
Total			3 days to 660 days	609,387.34
<i>*Period not specified in the LRs; date is based on the date of grant of CA plus the reglementary period of 30 days for travel, 20 days for field operating expenses and 2 months for PCFs.</i>				

8.7 Unused cash advances granted in CYs 2018 and 2019 totaling ₱280,660.01 were returned to the Collecting Officer/s only during CY 2020, incurring a delay ranging from 21 to 660 days or almost two years; while the remaining ₱328,727.33 was not immediately refunded during the year, contrary to Section 5.7 of the abovementioned Circular, thus exposed the unused cash advances to risk of misuse and loss.

8.8 Moreover, unexpended CAs totaling ₱15,169.28 remained unreturned as of date, despite the submission of the liquidation of the cash advances relative thereto, presented as follows:

Table 36. Unreturned Cash Advances

Name	Cash Advance Granted	Liquidated Amount	Unused CA (Unreturned)
	(in Php)		
Nonadel Soriano	14,000.00	6,205.00	7,795.00
Gregorio Echavez	14,000.00	6,625.72	7,374.28
Total	28,000.00	12,830.72	15,169.28

8.9 The delay in the liquidation of cash advances resulted in the accumulation of receivables from the officials and employees of the College.

8.10 **We recommended that Management:**

- a. strictly comply with the provisions of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997 in the granting, utilization and timely liquidation of cash advances;

- b. demand the immediate settlement/refund of the unused cash advances of the two employees of PhilSCA amounting to ₱15,169.28 within five days from receipt hereof;**
- c. refrain from liquidating the cash advances partially, the unused cash advances must be returned/refunded to the Collecting Officer/s immediately as prescribed under Section 5.7 of COA Circular No. 97-002 dated February 10, 1997; and**
- d. require the AOs to liquidate the total outstanding cash advances totaling ₱622,522.14 as of yearend and refund immediately any unexpended amount within ten (10) days from receipt hereof to preclude the issuance of Notice of Suspension/Notice of Disallowance.**

8.11 Management's Comments:

Management commented that the Accounting Office has sent demand letters to the concerned employees to refund the unused cash advances.

8.12 Auditor's Rejoinder:

Management has not provided the Audit Team copies of the demand letters sent.

Delayed Submission of Purchase Orders (POs) for CYs 2019-2020

- 9. Copies of Purchase Orders (POs) and their supporting documents on purchases of various supplies and equipment made by the College in CYs 2019 to 2020 aggregating ₱16,158,995.15 were not submitted to the Auditor within the prescribed period of five (5) days from issuance thereof, contrary to the provision of Section 3.2 of COA Circular No. 2009-001 dated February 12, 2009 and COA Circular No. 96-010 dated August 15, 1996, thus precluding timely and objective review and evaluation of consummated transactions. Likewise, inspection of deliveries to determine completeness, nature and condition cannot be done due to the failure of the Agency to inform the Audit Team on the schedule of deliveries.**

- 9.1 COA Circular No. 2009-001 dated February 12, 2009 covers all contracts, purchase orders and the like, entered into by any government agency irrespective of amount involved.
- 9.2 Section 3.2 of the above Circular states that a copy of any purchase order irrespective of amount, and each and every supporting document, shall, within five (5) working days from issuance thereof, be submitted to the Auditor concerned. Within the same period, the Auditor shall review and point out to Management the defects and/or deficiencies, if any.

- 9.3 COA Circular No. 96-010 dated August 15, 1996, which prescribes the guidelines in the preparation and submission of purchase orders relative to the procurement of supplies and equipment. Item A (1-3) thereof, states the following:
- (1) A copy of any letter or purchase order, irrespective of amount, and all supporting documents thereto, shall be submitted to the unit or agency Auditor concerned within five (5) days from issuance. The Auditor concerned shall, within five (5) days following his receipt thereof, inform management in writing of any defect, and/or deficiencies found in audit.
 - (2) The agency official responsible for accepting deliveries of procured items shall, within twenty-four (24) hours from such acceptance, notify the Auditor of the time and date of the scheduled deliveries. In case of partial delivery of any item in the P.O., the copy to be submitted shall indicate which items have been delivered, and which have not.
 - (3) Copy of P.O. must be legible in all respects, and shall be submitted to the Office the COA Auditor of the agency concerned.
- 9.4 Review of the POs submitted to the Audit Team revealed that the College made purchases in an aggregate amount of ₱16,158,995.15 of various supplies and equipment for CYs 2019 and 2020. Attached is ***Annex A*** for the detailed summary of the POs and supporting documents.
- 9.5 Per attached detailed summary, verification showed that delays in the submission of POs within the prescribed period reached up to 309 days or equivalent to ten months. In addition, it can be gleaned from the summary that the POs were not pre-numbered. There was no information if some were cancelled and not submitted.
- 9.6 The College failed to show action on the delayed submission of POs. It has been the practice of the Supply Office to submit POs together with sales invoices, delivery receipts and inspection reports to the Audit Team after delivery was made and upon distribution of the procured items to the end-users.
- 9.7 Moreover, upon scrutiny of the submitted POs, there were some that have no attached Inspection and Acceptance Reports (IARs) and/or unnumbered IARs. Some deliveries to PhilSCA-Basa Airbase, Pampanga have no IARs and are not prenumbered (*as highlighted in the summary*).

- 9.8 Appendix 62 of the GAM for NGAs, Volume II prescribes that IAR is the report submitted by the Inspection Officer/Committee and the Supply and/or Property Custodian on the inspection and acceptance, respectively, of the purchased supplies/goods/equipment/property.
- 9.9 Absence of the IAR and IAR number created doubts whether the items were actually delivered, inspected, verified and found in order as to quantity and specifications and when the inspection was conducted by the Inspection Officer/Committee. Further, there was no acknowledgement made of the items whether the delivery is complete or partial as to quantity.
- 9.10 Furthermore, the Audit Team was not notified of the time and date of the scheduled deliveries within 24 hours from acceptance of the procured items; resulting in deliveries that are not being inspected.
- 9.11 Section 39 (1) of PD No. 1445 states that COA shall have the power, for purposes of inspection, to require the submission of the original of any order, deed, contract, or other document under which any collection of, or payment from, government funds may be made, together with any certificate, receipt, or other evidence in connection therewith. If an authenticated copy is needed for record purposes, the copy shall upon demand be furnished.
- 9.12 Section 39 (3) further states that failure to comply promptly with the requirements or refusal to do so without justifiable cause shall constitute a ground for administrative disciplinary action as well as for disallowing permanently a claim under examination.
- 9.13 PhilSCA did not submit copies of purchase orders within five days upon its issuance/execution and notify the Audit Team of the time and date of the scheduled deliveries, in violation of COA Circular Nos. 2009-001 and 96-010, thus precluding timely and objective review and evaluation of transactions.
- 9.14 Likewise, inspection of deliveries to determine completeness, nature and condition cannot be done due to the failure of the College to inform the Audit Team of the schedule of deliveries.
- 9.15 **We recommended that Management:**
- a. thru the Supply Officer, submit copies of POs and the supporting documents forming part thereof to the Audit Team within five working days from issuance or execution to ensure timely and objective review of transactions;**
 - b. thru the official responsible for accepting deliveries of procured items within twenty-four (24) hours from acceptance, notify the Auditor of the time and date of the scheduled deliveries pursuant to COA**

Circular No. 96-010. In case of partial delivery of any item in the PO, the copy to be submitted shall indicate which items have been delivered, and which have not;

- c. thru the official responsible for accepting deliveries of procured items in Basa Airbase, Pampanga, prepare and accomplish the IAR for every delivery to be accepted.**

9.16 Management's Comments:

The Supply Officer committed to abide by the COA Circular.

No sufficient documentation on the receipt and utilization of unbooked donations

- 10. Unbooked donations amounting to ₱820,000.00 were included and presented in the GAD Accomplishment Report of PhilSCA for CY 2020, attributed as extension and technical assistance activities with no sufficient documentation on the receipt and utilization to ensure its accuracy, contrary to Section 31 of the General Provisions of GAA for FY 2020 and COA Circular No. 2014-002 dated April 15, 2014, thereby depriving the donors and other concerned stakeholders and the public in general of quality financial reports on the status of utilization of every donation.**

- 10.1 Section 5 of the General Provisions of RA No. 11465, the GAA for FY 2020 provides that:

“Departments, bureaus, and offices of the National Government including Constitutional Offices enjoying fiscal autonomy and SUCs may accept donations, contributions, grants, bequests or gifts in cash or in kind, from various sources from domestic or foreign, for purposes relevant to their functions. National government agencies may accept donations in cash or in kind, from domestic or foreign sources, for purposes relevant to their functions. x x x

The donee-agency concerned shall submit its quarterly reports of all donations received, whether in cash or in kind, and expenditures or disbursements thereon, within thirty (30) days after the end of every quarter through the following:

- a. Unified Reporting System (URS) or other electronic means for reports not covered by the URS; and*
- b. Agency's website*

The donee-agency concerned shall send written notice when said reports have been submitted or posted on its website to the DBM, House of Representatives, Senate of the Philippines, House Committee on

Appropriations, Senate Committee on Finance, COA and other offices where the submission of reports is required under existing laws, rules and regulations. The date of notice to said agencies shall be considered the date of compliance with this requirement.”

- 10.2 COA Circular No. 2014-002 dated April 15, 2014 prescribes transparency of and accountability in the use of disaster relief aid/donations that have become an issue of considerable importance for donor, bilateral and multilateral organizations, other stakeholders and the public which is aggravated by the limited information on how these funds were being utilized.
- 10.3 The above Circular covers the accounting and reporting on the receipt and utilization of NDRRMF; cash and in-kind aids/donations from local and foreign sources; and funds allocated from the agency regular budget for DRRM program.
- 10.4 Section IV.B.2 prescribes that cash donations shall be acknowledged through the issuance of Official Receipt, (b) deposited with an authorized government depository bank (AGDB) under a separate bank account for DRRM Funds (DRRMF); and (c) entered in the Cash Receipts Record by the designated Collecting Officer.
- 10.5 Included in the submitted GAD Accomplishment Report are the activities that were undertaken by the PhilSCA Management with corresponding expenditures incurred per activity. Interview with the GAD Focal person disclosed that the expenses incurred were from donations from private persons and entities/local sources.

Table 37. Per 2020 GAD Accomplishment Report (AR)

Gender Issue	Cause of Gender Issue	GAD Objective	GAD Activities Undertaken		Output	Actual Expenditures Incurred
Displaced individuals from the towns of Agoncillo, San Nicolas and Lemery, Batangas	Eruption of Taal Volcano on January 12, 2020	Boost the morale and provide hope for the victims and displaced individuals/families. Prepare them to start a new life	1.	Conducted Series of Livelihood Programs (crochet making like placemat, tablecloth, glass canisters, Distributed food packs, pail, sanitary napkins, face masks, blankets, etc. as of January 17, 2020.	Beneficiaries/ Recipients were 456 females and 355 males who are evacuees from Agoncillo town, San Nicolas temporarily housed at Brgy. Munting Tubig, Ibaan, Batangas Lemery, Batangas	₱350,000.00
Displaced victim of Taal Volcano eruption			2.	Conducted series of livelihood programs; Distributed food packs, pail sanitary napkins, face masks etc. as of January 18, 2020.	Beneficiaries/ Recipients were 792 females and 586 males who are evacuees from the towns of Agoncillo, San Nicolas, Lemery, Batangas	290,000.00

Table 37. Per 2020 GAD Accomplishment Report (AR)

Gender Issue	Cause of Gender Issue	GAD Objective	GAD Activities Undertaken		Output	Actual Expenditures Incurred
					temporarily housed at Brgy. Banaba, Padre Garcia, Batangas	
Locally stranded individuals (both men and women) accommodated at PhilSCA Villamor Campus	Scheduled flights to Visayas and Mindanao were cancelled	Provide shelter for the locally stranded individuals with provision of comfort rooms.	3.	Distributed food packs, toiletries, etc. on June 12, 2020	PhilSCA sheltered 102 stranded airline passengers staying at NAIA expressway sheds and airport terminals	180,000.00
Total						₱820,000.00

10.6 Based on the above GAD AR, there were neither details of the actual expenditures incurred nor any report/documents to substantiate the amounts. Instead, lumpsum amounts were presented in the above report.

10.7 Inquiry with the Accounting Office disclosed that they were not informed of these kinds of donations, as there was no proof of receipts and no amount was entered in the Cash Receipts Record of the Collecting Officer. Therefore, there was no entry made in the books of accounts.

10.8 Further, there were no sufficient documentation on the receipt of these donations and no adequate information as basis to ensure accuracy of the reported amounts. There was neither OR issued nor deposited in any of the College bank account. Hence, these donations, which may be in cash or in kind, were not recorded in the Report of Collections and Deposits.

10.9 The Audit Team then requested documents to support the receipts and utilization of the above-cited donations. Below is the summary that the GAD Focal person has submitted to the Audit Team, to wit:

Table 38. Receipts and Utilization of Donations.

Summary			
Particulars	Qty.		Amount (in Php)
Sacks of sugar	2		
Sacks of rice	12		
Sacks of rice	2		
Boxes of beef noodles	5		
Boxes of chicken noodles	3		
Pancit canton			
Boxes of Bear Brand milk	4		
Boxes of Argentina meat loaf	4		
CDO Carne Norte			
Boxes of Shield bath soap	3		

Summary			
Particulars	Qty.		Amount (in Php)
Sack of Calla fabric conditioner	2		
Box of sanitary napkin (Those Days)	1		
Dozen underwear	16		
Blankets	105	pcs	9,975.00
Tabo	219		
Balde	219		
Food Packs	219		
Sanitary Napkin			5,057.80
Boxes of canned goods			
Coffee (3 in 1) Kopiko	610	double caps	
Coffee (3 in 1) Kopiko brown	70	twin packs	
Coffee (3 in 1) Kopiko black	46	twin packs	
Sack of salt	8		
Napkin	33		
Bags of detergent			
Boxes of facemask			
Pateros FIL-Chinese Fire and Rescue Brigade	provided additional transportation going to Batangas		
Toothpaste			
Scissors			
Nail			
Seam			
Plywood			
Tent			
Crochet Kit			
Rice	PHILSCA sheltered 102 stranded airline passengers staying at NAIA expressway sheds and airport terminals		
Food packs			
Water			
Hygiene Kit			
<i>Note: from donations</i>			

- 10.10 Additional documents that were being submitted were hand-written Acknowledgment Receipt of some goods from private individuals, copy of vehicle trip ticket (for the delivery of relief goods to Lipa City, Batangas), toll fees official receipts, pictures taken during repacking of goods at PhilSCA VAB Campus, and pictures taken during the distribution of the packed goods to the recipients. However, the Management failed to submit proof of collections if donations are in kind or in cash.
- 10.11 It can be gleaned from the above summary that there were neither prices nor amount indicated per item. Therefore, the validity and propriety of the disbursements for these in-kind aids cannot be ascertained.

10.12 It is worth conveying that for the Activity No. 3 reported in the GAD AR, which is distribution of food packs, toiletries, etc. on June 12, 2020 for locally stranded individuals (both men and women) accommodated at PhilSCA Villamor Campus, COA Circular No. 2020-009 dated April 21, 2020 was issued for the temporary relaxation in the application of certain provisions of COA Circular No. 2014-002 dated April 15, 2014 and COA Memorandum No. 2014-009 dated August 28, 2014 in areas subject to quarantine during the period of the State of Calamity declared under Proclamation No. 929, dated March 16, 2020, thus certain provisions for this activity were temporarily relaxed.

10.13 However, for the first two activities that were undertaken during the Taal Volcano Eruption in January 2020, provisions of COA Circular No. 2014-002 which are necessary controls to ensure that all donations, be it in cash or in-kind, are accounted for shall remain in effect.

10.14 As a consequence of inadequate records and non-recording of cash and in-kind donations, the College deprived its donors and other concerned stakeholders and the public in general, of quality financial reports that provide detailed information on the status of utilization of every donation of each donor per purpose.

10.15 **We recommended that Management:**

- a. ensure that all donations, be in cash or in-kind, shall be recognized in the books of accounts and properly disclosed in the Notes to FSs;**
- b. account for all other donations received by the College; and**
- c. secure all the necessary documents supporting the receipt and utilization of all donations and submit to the Audit Team for audit.**

10.16 Management's Comments:

The Management committed to ensure that all donations, be in cash or in-kind, shall be recognized and be recorded in the books of accounts; and shall be properly disclosed in the Notes to FSs.

Excess balances of the proceeds from the sale of bidding documents not deposited to the National Treasury - ₱395,633.35

11. Excess balances of the proceeds from the sale of bid documents after the authorized payment of honoraria to BAC members at the end of the year in the amount of ₱395,633.35 were not deposited to the National Treasury, contrary to

Budget Circular (BC) No. 2004-5A and RA No. 9184, thereby depriving the government of the use of funds for other programs and projects.

11.1 DBM has issued BC No. 2004-5 dated March 23, 2004, which was superseded by BC No. 2004-5A dated October 7, 2005 that provides the guidelines on the grant of honoraria and overtime pay to government personnel involved in government procurement as authorized under RA No. 9184.

11.2 Item No. 6.1 of BC No. 2004-5A provides that the amount necessary for the payment of the honoraria and overtime pay authorized therein shall be sourced only from the following:

- Proceeds from sale of bid documents;
- Fees from contractor/supplier registry;
- Fees charged for copies of minutes of bid openings, BAC resolutions and other BAC documents;
- Protest fees;
- Liquidated damages; and
- Proceeds from bid/performance security forfeiture.

11.3 Item No. 6.2 of the same BC further provides that *“pursuant to the DOF/DBM/COA Permanent Committee Resolution No. 2005-2 dated June 2005, all agencies are authorized to treat the collections from all sources identified in Item No. 6.1 thereof as trust receipts to be used exclusively for the payment of honoraria and overtime pay as authorized. Agencies may utilize up to 100 percent of the said collections for the payment of honoraria and overtime pay subject to the guidelines in Item No. 5.0 of the said Circular. Any excess in the amount collected shall be remitted to the National Treasury.”*

11.4 Audit of the Report of Collections and Deposits showed that the proceeds from sale of bid documents to various bidders for the procurement activities undertaken for Infrastructure Projects and for Goods and Supplies for the period were deposited in the Special Trust Fund account of the College, with a total collection, including CY 2019 balances, amounting to ₱521,800.00, to wit:

Table 39. Proceeds from Sale of Bid Documents

Sale of Bid Documents	Amount
For CY 2019	₱ 201,200.00
For CY 2020	320,600.00
Total	₱ 521,800.00

11.5 Per Cash Receipts Journal, the Accounting Office recorded the proceeds as Other Business Income.

- 11.6 The submitted report on utilization of the proceeds from the sale of bid documents disclosed the payment of honorarium for the successfully completed government projects conducted at PhilSCA-VAB Campus, and reimbursement of various expenses for the conduct of biddings/meetings of the PhilSCA Bids and Awards Committee (BAC), presented as follows:

Table 40. Utilization of the Proceeds from the Sale of Bid Documents

Particulars	Amount		For Deduction	
	CY 2019	CY 2020	Authorized	Not Authorized
Honorarium	₱ -	₱ 126,166.65	₱126,166.65	₱ -
Other Supplies Expenses		1,354.95	-	1,354.95
Other General Services		749.00	-	749.00
Representation Expenses	17,121.00	58,568.00	-	75,689.00
Total	₱ 17,121.00	₱186,838.60	₱126,166.65	₱ 77,792.95

- 11.7 Based on the above tables, only the honoraria amounting to ₱126,166.65 shall be deducted from the collection of proceeds from the sale of bid documents of ₱521,800.00, resulting in a net balance of ₱395,633.35. This amount shall be remitted in compliance with the above cited budget circular.
- 11.8 Inquiry with the personnel of Accounting Office disclosed that the collections from sale of bidding documents are not remitted to the National Treasury.
- 11.9 Non-remittance of excess balances of the proceeds from the sale of bid documents after the authorized payment of honoraria to BAC members at the end of the year deprived the government of the use of funds for other programs and projects.
- 11.10 **We recommended that Management:**
- remit to the National Treasury the excess of the proceeds from sale of bid documents and from other sources over the actual payments for honoraria and overtime of BAC and other personnel involved in the Agency's procurement activities at the end of the year, as enumerated in Paragraph 6.1 of BC No. 2004-5A dated October 7, 2005.**
 - use the BAC Fund solely for the honoraria and overtime pay as authorized under RA No. 9184.**

- 11.11 Management's Comments:

The Management commented to abide with the audit recommendations.

Missing duplicate and triplicate copies of ORs

- 12. Duplicate copies of 53 issued ORs totaling ₱233,352.50 were missing and not attached in the RCD which was submitted to the Audit Team after 72 days from**

due date, thus rendered doubtful the validity and accuracy of the reported collections and deposits in the RCD, contrary to Section 64 of PD No. 1445 and pertinent provisions of Revised Rules and Regulations on the Settlement of Accounts (RRSA) and GAM for NGAs.

- 12.1 Section 64 of PD No. 1445 states that the head of an agency may designate such number of collecting officers or agents as may be deemed necessary. They shall render reports of their collections, under the regulations of the Commission, to be submitted promptly to the auditor concerned who shall conduct the necessary examination and audit within thirty days from receipt thereof.
- 12.2 Section 39, Chapter 5 on Revenue and Other Receipts, of GAM for NGAs Volume I prescribes the procedures on reporting of collections and deposits. Receipts and deposits shall be reported as follows:
 - a. At the close of the business day, the Collecting Officers shall prepare the Report of Collections and Deposits (RCD) (Appendix 26) for submission to Accounting Office/Unit. The report lists all the ORs issued in numerical sequence including cancelled ones.
 - b. The RCD shall be supported by documentary evidence such as duplicate copies of ORs and validated deposit slips.
- 12.3 This report shall be prepared in four (4) copies daily to be distributed as follows:

Table 41. Distribution of Report of Collections and Deposits (RCD)

<i>Original</i>	–	Cash Treasury/Unit/Collecting Officer's File, together with the triplicate copy of the ORs and validated DSs
<i>Copy 2</i>	–	COA Auditor thru the Accounting Division/Unit of Central/Regional/ Division Office concerned, together with the duplicate copy of the ORs and validated DSs
<i>Copy 3</i>	–	Accounting Division/Unit of Central/Regional/Division Office concerned to be attached to the copy of the JEV
<i>Copy 4</i>	–	Budget Division/Unit of Central/Regional/Division Office concerned

- 12.4 Likewise, Sections 7.1 and 7.2 of the Revised Rules and Regulations on the Settlement of Accounts (RRSA), as prescribed under COA Circular No. 2009-006 dated September 15, 2009, provide the responsibilities of the agency head and accountant for audit and settlement of accounts, pertinent portions of which are quoted below:

Section 7.2 Responsibility of the Agency Accountant

7.2.1 *The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure that:*

- a) the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month;
- b) *the financial records are made accessible at reasonable hours to the Auditor or his authorized representatives when needed;*

X xx.

12.5 On January 22, 2021, the Accounting Office of PhilSCA VAB Campus submitted the RCD for the month of October 2020. It is to be noted that this report shall be submitted within the first ten (10) days of the ensuing month, that is, on or before November 10, 2020. However, the submission of report incurred a significant delay of 72 days.

12.6 Upon examination of the submitted RCD and attached deposit slips together with the bundles of duplicate copies of ORs, it was revealed that duplicate copies of 53 issued ORs on October 1, 2020 were not submitted, as summarized below:

Table 42. Unsubmitted Official Receipts

Official Receipt		Payor Name	Particulars	Amount (in Php)
Date	No.			
10/1/20	0687679	BARENG, Jade Malvie Cortes	T-Fees (GS) / Misc. (GS) / Insurance/School ID(GS)	4,000.00
	0687680	BUEZA, Adrian Paolo Limban	T-Fees (GS) / Misc. (GS)	4,700.00
	0687681	Carlos, Dominic Pulminar	T-Fees (GS) / Misc. (GS)	4,000.00
	0687682	CASA, Veniece Alyssa Laig	T-Fees (GS) / Misc. (GS)	4,740.00
	0687683	CAUSAREN, Clarisse Ramos	T-Fees (GS) / Misc. (GS)	7,900.00
	0687684	CRISTINO, Philippe Andrew Virina	T-Fees (GS) / Misc. (GS)	4,700.00
	0687685	Amores, Apple	TOR	140.00
	0687686	CORONADO, Judith Colipano	T-Fees (GS) / Misc. (GS)	1,000.00
	0687687	FLORES, Darlyn J	T-Fees (GS) / Misc. (GS)	4,000.00
	0687688	Ma. Analiza Ramos (JMR Canteen)	Water Bill Month of February -March 2020	922.50
	0687689	Jaime, Noel A.	T-Fees (GS) Balance 2015	4,550.00
	0687690	SOLLER, Jeric Rodney Ordoño	T-Fees (GS) / Misc. (GS)	4,000.00
	0687691	SONON, Angela Dipad	T-Fees (GS) / Misc. (GS)	3,500.00
	0687692	Soriano, Jamie A.	Entrance Fee (GS)	500.00
	0687693	ZAFRA, Jron Villa	Cert. Fee (GS)	100.00

Official Receipt		Payor Name	Particulars	Amount (in Php)
Date	No.			
	0687694	R.M Mallari	Bidding Docs	25,000.00
	0687695	R.M Mallari	Bidding Docs	25,000.00
	0687696	MAQ	Verification	150.00
	0687697	First Asia	Verification	50.00
	0687698	Argus	Verification	50.00
	0687699	JAIME, Noel Advincula	T-Fees (GS) / Misc. (GS)	3,750.00
	0687700	LAYNO, Joebeth Refuerzo	Cert. Fee (GS)	100.00
	0687701	Vanguard	Verification (18)	900.00
	0687702	LIMBO, Manuel Saez	T-Fees (GS) Balance	4,550.00
	0687703	GONZALES, Wyndell Perez	T-Fees (GS) / Misc. (GS)	2,200.00
	0687704	YGBUHAY, Jose Mari Javier	T-Fees (GS) / Misc. (GS)	7,900.00
	0687705	ESCALA, Kurt Christian Amistoso	T-Fees (GS) / Misc. (GS)	7,900.00
	0687706	AGUSTIN, Carlo Bruno	T-Fees (GS) / Misc. (GS)	7,900.00
	0687707	DELA CRUZ, Klenton John C.	T-Fees (GS)	3,000.00
	0687708	PGM Construction and Plumbing Services	Bidding Docs	6,000.00
	0687709	ALEJO, Mary Grace Javellana	COG	50.00
	0687710	CARUMBA, Spencer John Selomandin	T-Fees (GS) / Misc. (GS)	5,200.00
	0687711	MDEC Corporation	Bidding Docs	25,000.00
	0687712	RESUENA, Inno Victor Mendoza	Evaluation	80.00
	0687713	ABUDA, Airacel Denise Oldimo	Evaluation	80.00
	0687714	MARIANO, John Kane Ocampo	Cert. Of Units Earned (GS)	100.00
	0687715	AYALA, Mariz	T-Fees (GS) / Misc. (GS)	6,100.00
	0687716	ISOLI, Jabes Atilano	T-Fees (GS) / Misc. (GS)	3,100.00
	0687717	MALIMBAN, John Carlo Mati	T-Fees (GS) / Misc. (GS)	5,000.00
	0687718	Comprehensive	Verification	100.00
	0687719	MONTEREY, Veronica Hernandez	Evaluation/COG/Cert.Fee	180.00
	0687720	FERNANDEZ, Mary Grace Canuto	Evaluation	80.00
	0687721	MORENO, Jhowen Paul Margarejo	Evaluation	80.00
	0687722	SACUEZA, Melanie Ramos	T-Fees (GS) / Misc. (GS)	2,000.00
	0687723	MONTEREY, Veronica Hernandez	GMC	50.00
	0687724	REFORMA, Ralph Renzo Ollano	T-Fees (GS) / Misc. (GS)	7,900.00
	0687725	BRITANICO, Rico Jay Tamayo	T-Fees (GS) / Misc. (GS)	4,100.00
	0687726	CASTRO, Kurt Robert Peralta	GMC	50.00
	0687727	LIMBO, Manuel Saez	T-Fees (GS) / Misc. (GS)	2,000.00
	0687728	YUMANG, Vince Genard De Grano	T-Fees (GS) / Misc. (GS)	7,900.00
	0687729	LOZANO, Angelo Timothy Manguiat	T-Fees (GS) / Misc. (GS)	6,100.00
	0687730	CUBILO, Benito Gambito	T-Fees (GS) / Misc. (GS)	6,550.00
	0687731	LANDICHO, Yves L.	T-Fees (GS) / Misc. (GS) / Insurance	8,350.00
		Total		233,352.50

12.7 The Audit Team immediately informed the Collecting Officer to submit the duplicate copies for examination and validation from the submitted RCDs.

- 12.8 However, on January 29, 2021, the Collecting Officer of PhilSCA VAB-Campus conveyed through a letter informing the COA Office that the duplicate copies of aforesaid ORs were found missing, including the triplicate copies.
- 12.9 In our assessment, had the Collecting Officer immediately prepared the RCD at the close of each business day, and forwarded to the Accounting Office for recording in the books of accounts, this incident could have been avoided. Likewise, he could have segregated both duplicate and triplicate copies of ORs had he acted simultaneously. He could have filed and retained the triplicate ones.
- 12.10 Non-presentation by the Collecting Officer of the duplicate and triplicate copies of ORs rendered the validity and accuracy of the RCD doubtful.
- 12.11 **We recommended that Management require the concerned Collecting Officer to:**
- a. **submit to the Audit Team the ORs to document the collections of ₱233,352.50 in the RCD within ten days from receipt hereof to preclude the issuance of a Notice of Suspension/Notice of Charge; and**
 - b. **prepare the RCD immediately at the close of each business day and forward to the Accounting Office for recording and submission to the Audit Team within the first ten (10) days of the ensuing month.**

12.12 Management's Comment:

The Collecting Office contacted the payees concerned and requested photocopies therefrom and subsequently submitted to the Audit Team the 37 missing issued ORs amounting to ₱223,312.50, while the duplicate copies of the remaining 16 missing ORs for collections amounting to ₱10,040.00 remained unrepresented.

Hazard Pay during the Enhanced Community Quarantine (ECQ)

13. **The propriety of payments of hazard pay amounting to ₱4,803,500.00 to the officials and employees of PhilSCA during the ECQ due to COVID-19 outbreak cannot be ascertained either due to improperly signed and accomplished Daily Time Records (DTRs) and Service Reports (SRs) or the absence thereof, contrary to the provision of Section 5.8 of COA Circular No. 2012-001 dated June 14, 2012. Also, there was overpayment of hazard pay of ₱18,500.00.**

- 13.1 Section 5.8 of COA Circular No. 2012-001 prescribes the documentary requirements for the payment of hazard duty pay, to wit:
- Certification by the Secretary of the Department of Science and Technology (DOST)/ Department of Health (DOH)/ Department of National Defense (DND)/ Director of the Philippine Institute of Volcanology and Seismology that the place of assignment/travel is a strife-torn/embattled/disease-infested/distresses or isolated areas/stations, or areas declared under state of calamity or emergency, or with volcanic activity and/or eruption;
 - Duly accomplished record of employees or travel report;
 - Copy of special order from the agency/department head covering the assignment to hazardous/difficult areas; and
 - Approved DTR/Service Report
- 13.2 In the light of the declared State of Public Health Emergency due to COVID-19, the Office of the President issued Administrative Order (AO) No. 26 dated March 23, 2020 authorizing the grant of hazard pay to government personnel who physically report for work during the period of implementation of an Enhanced Community Quarantine relative to the COVID-19 outbreak.
- 13.3 DBM subsequently issued Budget Circular No. 2020-1 dated March 24, 2020 prescribing the guidelines on the grant of the COVID-19 hazard pay. The following are some of its salient provisions:
- Regular, contractual, or casual government personnel and workers engaged under contract of service (COS) or job order (JO) who have been authorized to physically report for work by the head of their agencies/offices during the ECQ are qualified to receive COVID-19 hazard pay;
 - The COVID-19 hazard pay to be granted shall not exceed ₱500.00/day per person;
 - The grant of the COVID-19 hazard pay shall be effective beginning March 17, 2020; and
 - An employee entitled to hazard pay or other similar benefits will continue to receive those benefits or the COVID-19 hazard pay, whichever is higher.
- 13.4 Analysis on the payment of COVID-19 hazard pay revealed that the College issued several Office Memoranda authorizing the employees of PhilSCA to conduct work thru alternative work arrangements – Work from Home (WFH), Skeletal Work Force (SWF) and other flexible work schedules.

13.5 Audit of the disbursement vouchers (DVs) disclosed that the College paid ₱4,803,500.00 as payment for the COVID-19 hazard pay to the officials and employees who were assigned in Skeletal Work Force (SWF) for the period of March 17 to December 20, 2020.

13.6 Examination of the DVs and the attached supporting documents disclosed the following deficiencies:

a. Daily Time Records (DTRs) and Service Reports were not properly signed and accomplished

13.7 Review of the daily time records and service reports attached as supporting documents in the DVs revealed the following:

- Daily Time Records (DTRs) were not properly and completely signed by the concerned employees' and their immediate supervisors; instead, these were signed by the HRMD Director.
- Name of the employees' immediate supervisor was not indicated in the DTRs.
- Handwritten time in and/or time out in the DTRs of some employees were supported with certification from the Security Office validating their attendance that were not captured by the biometrics machine. However, neither the handwritten time logs in the DTRs nor the certifications were signed/acknowledged by the immediate supervisor of the claimants-employees.
- Several service reports were also not completely signed by the concerned employees, recommending and immediate supervisors. Moreover, the format and period covered in the service/accomplishment reports were varied and inconsistent (*period covered were daily, weekly, bi-weekly, monthly basis*).

b. Duly accomplished time record and approved daily time record (DTRs)/ Service Reports were not attached

13.8 Payment of COVID-19 hazard pay for the period of March 17 to August 19, 2020 totaling ₱259,000.00 disclosed the following deficiencies:

Table 43. Documentary Deficiencies of Hazard Pay

Period Covered	Date	Check No.	Amount (in Php)	Findings/ Observations
March 17- April 15, 2020	4/15/2020	157851	67,000.00	• Some employees have no service reports submitted.

Period Covered	Date	Check No.	Amount (in Php)	Findings/ Observations
				<ul style="list-style-type: none"> No copies of DTRs and/or any time logs were attached (time in/ time out). Instead, attendance were supported by certification signed by the - Officer-in-Charge (Budget Office) certifying that the claimants-employees physically reported for work.
	05/05/2020	157864	27,500.00	<ul style="list-style-type: none"> With Accomplishment Report signed by the Campus Director attached for FAB Campus. However, the names and signatures of the employees were not indicated. No copies of DTRs and/or any time logs were attached (time in/time out). Attendance were supported by Certification signed by the Campus Director (FAB Campus) certifying that the employees physically reported for work.
	05/05/2020	157863	52,000.00	<ul style="list-style-type: none"> The claimants-employees have no attached Service Reports. With attached scanned copy of handwritten time logs (time in/ time out). However, the time logs were not signed by the claimant-employees and their immediate supervisors. Likewise, the attached document was in low resolution, thus impeded the clear review of the document.
April 16 to May 15, 2020	5/26/2020	157869	36,000.00	<ul style="list-style-type: none"> No DTRs and service reports were attached
May 16 to August 19, 2020	09/02/2020	161027	76,500.00	<ul style="list-style-type: none"> No DTRs and service reports were attached
Total			259,000.00	

13.9 As can be gleaned from the above table, the payment of the Hazard Pay was not supported with proper and complete documentation, contrary to the provisions of Section 5.8 of COA Circular No. 2012-001 dated June 14, 2012, thus validity of the claims cannot be determined.

13.10 The certifications confirming the attendance of the claimants-employees instead of the required approved DTR is improper and inadequate to support the payment of Hazard Pay. Moreover, the said Certifications were signed by the Budget Officer-in-Charge, Budget Office (VAB Campus) and Campus Director (FAB Campus) who are neither the immediate supervisors of the claimants-employees nor the appropriate officials to certify the employees' attendance.

c. Overpayment of Hazard Pay

13.11 One employee received a hazard pay equivalent to 43 work days totaling ₱21,500.00 instead of ₱3,000.00, covering six days that were actually rendered by the Payee as shown in the DTR. There were neither attached Certification nor copy of Logbook from the Security Office validating the attendance of the employee resulting in an overpayment of ₱18,500.00, with the following details:

Table 44. Overpayment of Hazard Pay

Date	Check No.	Period Covered	Amount of Hazard Pay Claimed (in Php)	Workdays Rendered During the Covered Period (Based on DTR)
12/21/2020	161095	October 19 - December 20, 2020	21,500.00	Four (4) workdays with complete time in/ time out; one (1) workday with time out but no time in; one (1) workday with time in but no time out

13.12 Payment of hazard pay for the period of April 16 to December 19, 2020 revealed that no approved service reports were submitted by several claimants-employees amounting to ₱313,000.00.

13.13 While the services supposedly rendered by the officials and employees of the College during the state of national health emergency due to COVID-19 was exceptional and merits the grant of hazard pay, the Audit Team emphasizes the submission of complete and proper/authorized documentation as prescribed under Section 5.8 of COA Circular No. 2012-001 to support the reliability and validity of the claims.

13.14 **We recommended that Management:**

- a. **substantiate, thru the HRMD and the concerned employees, the claims with duly accomplished and signed DTRs/SRs, to preclude the issuance of Notice of Suspension (NS); and**
- b. **require the concerned employee to refund the overpayment of hazard pay to prevent the issuance of Notice of Disallowance.**

13.15 Management's Comments:

The HRMD Director commented that they are now on the process of requiring the concerned personnel to submit their Accomplishment Report (approved service report) and called the attention of their immediate supervisors to sign the DTRs of their subordinates as documentary requirements for the payment of hazard pay.

Budget Utilization on Research Programs, Projects and Activities

- 14. The minimal utilization of the budget for research projects, programs and activities (PPAs) of only ₱34,285.48 or less than one percent of the ₱5,083,027.91 allocated budget, defeated the goals and objectives of the College to establish research culture by promoting and enhancing research awareness among faculty members and students and to conduct relevant and high impact researches in the fields of Aeronautical education.**

- 14.1 Section 8, Article III on the Specific Budgetary Allocation of the CHED Memorandum Order No. 20 series of 2011 on Policies and Guidelines for the Use of Income, Special Trust Fund and Programs of Receipt and Expenditures of the SUCs mandates that:

“Section 8. Budget Allocation for Research Services (10%) of tuition fees – Budget allocation for the second major function of the SUC, the research function, shall be set at a fixed rate of ten percent (10%) of tuition fees after deducting allowance for college wide common administrative costs. Said allocation shall be used for the objects of expenditure related to the formulation or implementation of programs, projects, and activities, such as but not limited to honoraria and incentives of researchers, lecturers, or research presenters, research assistants (with contract of employment), and wages of other personnel, office and IT equipment, facilities, supplies and materials, training and travel expenses, in-house research review, research presentation in appropriate forum and other research activities or undertaking that is geared towards producing research outputs that would be beneficial for the development of the community or locality where the SUC is located.”

14.2 The State Colleges and Universities (SUCs) perform three basic functions namely: instruction, research and extension services to achieve objectives under its respective charter. The research program/project plays a significant role in SUCs effective operations but also in directing the educational process towards the attainment of growth and development objectives pertinent to its institution and or/ national development.

14.3 The PhilSCA's Research Manual was approved by its Academic Council (AC) under AC Resolution No. 05 s. 2011. The Manual established the Research and Development Center (RDC) to be headed by a Director who reports directly to the College President. The Manual states the RDC's vision, mission and goals and objectives, to wit:

Vision: PhilSCA shall be the leading research engine in aeronautical technology in the country responding to society's needs of improving the aviation industry to satisfy demands for better quality and safety in air transportation.

Mission: To generate and disseminate knowledge in aeronautical sciences through meaningful and challenging research programs in aircraft design, innovations, maintenance and operations and aviation information technology for the benefit of the people and the society.

Goals and Objectives:

- *Strengthen R & D capabilities in terms of both manpower and research facilities as a strategy for long-term excellence and competitiveness.*
- *Establish research culture by promoting and enhancing research awareness among faculty members and students.*
- *Provide financial support through research and scholarship grants.*
- *Encourage research collaboration and cooperation among members of the academic community and other institutions locally and internationally.*
- *Conduct relevant and high impact researches in the fields of Aeronautical education.*

14.4 The College allocated ₱5,083,027.91 for the implementation of research programs, projects and activities, as disclosed in their PRE of FY 2020, and supported by the FY 2020 Annual Procurement Plan (APP), presented as follows:

Table 45. Summary of FY 2020 APP for Research

Source of Fund	Campus/ End-User	Mode of Procurement	Amount (in Php)
Tuition Fee	VAB, Pasay	Small Value	4,305,989.55

Source of Fund	Campus/ End-User	Mode of Procurement	Amount (in Php)
Fiduciary Fee	BAB, Pampanga	Procurement	176,862.75
Tuition Fee	FAB, Batangas		136,288.11
Tuition Fee	MAB, Cebu		463,887.50
Total			5,083,027.91

14.5 Review of the supporting PPMPs for the research revealed that the allocated budget shall be used for the remuneration of employee/s, procurement of supplies and equipment; personnel development activities; research collaboration activities; attendance to local and international trainings/workshops; publication of research journals; and research grants/incentives. The PPMP was signed only by the Director of the Research and Extension office.

14.6 Examination on the implementation of the PPAs and utilization of budget for research revealed that only ₱34,285.48 or less than one percent of the ₱5,083,027.91 budget was utilized for meetings conducted and travel and training/workshop attended, which disbursements were not properly documented, as shown in the table below:

Table 46. Utilization of Budget Allocated for Research, FY 2020

Date	Check No.	DV No.	Particulars	Amount (in Php)	Findings/ Observations
02/11/2020	91692	2020-002-00231	Payment for the meal expenses during the meeting under the Research and Extension and Development Office from January 22-29, 2020	10,560.00	Lack of pertinent supporting documents on the meeting conducted (<i>e.g. Office/Training Order, signed list of participants and recipients; minutes of the meetings conducted, etc.</i>) Also, the attached receipt with OR No. 0337 dated February 12, 2020 amounted to only ₱10,032.00.
2/28/2020	91766	2020-002-00333	Reimbursement of the travelling expenses to attend training/ workshop entitled “Training-Workshop and Internal Quality Audit Team Meeting” on January 28-30, 2020	15,565.48	Lack of pertinent supporting documents on the travel and training/workshop attended (<i>e.g. travel/mission order; passenger terminal fee ticket/plane ticket/boarding pass; certificate of appearance/participation, narrative report/documentation, etc.</i>)
12/20/2020	92169	2020-012-01129	Reimbursement of expenses incurred as Director for Research & Extension during the RDlead Program & Orientation last March 3, 2020	8,160.00	Lack of pertinent supporting documents on the travel and orientation attended (<i>e.g. receipts and/or Reimbursement Expense Receipt (RER); travel/ mission order, certificate of appearance/ participation, narrative report/ documentation, etc.</i>)
Total				34,285.48	

- 14.7 The minimal utilization of the allocated budget for research PPAs defeated the goals and objectives of the College to establish research culture by promoting and enhancing research awareness among faculty members and students and to conduct relevant and high impact researches in the fields of Aeronautical education.
- 14.8 As noted there were 14 research proposals already approved by the BOT in 2012, through BOT Resolution No. 58 series of 2012 and BOT Resolution No. 25 series of 2013, presented as follows:

Table 47. Schedule of PhilSCA's Approved Research Proposals

No.	Research Proposal	Budget
<i>BOT Resolution No. 58 series of 2012 and PhilSCA Research Council Resolution No. 1 s. 2012</i>		
1	Comparative Study on the Manual and On-Line Ticketing Course Lecture System for information Management major in Airline Operations Program	50,000.00
2	Students Journalism in the Philippine State College of Aeronautics: Aeronautica Then and Now	50,000.00
3	Multi-Sensor Waste Generator	120,000.00
4	Imahe ng Baler at Pangasinan Bilang Mga Destinasyon Pang-Turismo: Pagmamapa sa Ugnayan ng Wika at Turismo	120,000.00
5	PhilSCA On-Line Tourism Web Portal Support to PhilSCA Aviation Tourism Advocacy Program	150,000.00
6	Comparative Analysis of Mechanical and Thermal Properties of Composites from Selected Natural Fibers	150,000.00
7	Philippine Air Force College of Aeronautics: A Study of Change and Transition as a Reflection of the Institution's Value for Heritage	160,000.00
8	Design of a Meteorological Surveillance and Terrain Mapping Aircraft (MSaT)	200,000.00
9	Design and Construction of Composite Trainer Aircraft (Phase 1) PhilSCA Experimental Aircraft PXA 001	200,000.00
<i>BOT Resolution No. 25 series of 2013</i>		
10	Marshalling the Landscape Aviation Education in the Philippine Context	400,000.00
11	A Study on the Reasons and Expectations of the New Students in Enrolling at PhilSCA	
12	Performance in the Aeronautical Engineering Board Examination for the Last Five Years: Trends, Issues and Future Directions	
13	An Assessment of the Manifestation of PhilSCA-VAB Vision, Mission, Goals and Objectives to Meet the Course Outcomes of the CMO28 for Aeronautical Engineering	
14	Gear Applied Wooden Wing Rib Stress Tester	
Total		1,600,000.00

- 14.9 In compliance with the audit recommendation, the Management provided the Audit Team the status of implementation/completion of the aforesaid research projects/proposals, which shows that not a single approved proposal was pursued due the following reasons:

NO.	PROPONENTS	TITLE OF RESEARCH PROPOSAL	STATUS
(BOT Resolution No. 58, S. 2012)			
1	APOSTOL, Bely B CAGUIA, Cielito M	Comparative Study on the Manual and On-Line Ticketing Course Lecture System for	Pertinent documents for the funding request

NO.	PROPOSERS	TITLE OF RESEARCH PROPOSAL	STATUS
	VISTA, Mary Ann A	Information Management Major in Airline Operation Program	were submitted before but funds not released yet
2	AQUINO, Ferena S ESTRELLA, Victor P MANSUJETO, Patrick John F	Student Journalism in the Philippine State College of Aeronautics: Aeronautics Then and Now	Proponents are no longer connected with PhilSCA
3	VISTA, Mary Ann A ALOJADO, Aron J AGUSTIN, Alan Lino Silverio	Multi-Sensor Waste Generator	Pertinent documents for the funding request were submitted before but funds not released yet
4	GONZALES, Gerlie G CONCEPCION, Gerard	Imahe ng Baler at Pangasinan Bilang ga Destinasyong Pang-Turismo: Pagmamapa sa Ugnayan ng Turismo	Pertinent documents for the funding request were submitted before but funds not released yet
5	DUMLAO, Menchita F DASALLA, Jerum B PARCON, Willie Joseph	PhilSCA Online Tourism Web Portal in Support to PhilSCA Aviation Tourism Advocacy Program	Pertinent documents for the funding request were submitted before but funds not released yet Other proponents are no longer connected with PhilSCA
6	FLORES, Rodante G MANALO, Zoilo Cesar	Comparative Analysis of Mechanical and Thermal Properties of Composites from Selected Natural Fibers	Pertinent documents for the funding request were submitted before but funds not released yet
7	ZAMORA, Chalum A ESTRELLA, Victor P MANSUJETO, Patrick John F CABALLES, Maria Fatima B	Philippine Air Force College of Aeronautics: A Study of Change and Transition as a Reflection of the Institution's Value for Heritage	Proponents are no longer connected with PhilSCA
8	MEDINA, Romnick B DELICANO, Joeferm A RAPA III, Valentin B VARGAS, Jahaziel I VILARROYA, Jeffrey R	Design of a Meteorological Surveillance and Terrain Mapping Aircraft (MSaT)	Pertinent documents for the funding request were submitted before but funds not released yet Other proponents are no longer connected with PhilSCA
9	FLORES, Rodante G MINA, Nestor L.	Design and Construction of Composite Trainer Aircraft (Phase 1) PhilSCA Experimental Aircraft PXA 001'	Pertinent documents for the funding request were submitted before but funds not released yet
(BOT Resolution No. 25, S. 2013)			
10	ESTRELLA, Victor P MANSUJETO, Patrick John F	Marshalling the Landscape of Aviation Education in the Philippine Context	Proponents are no longer connected with PhilSCA

NO.	PROPOSERS	TITLE OF RESEARCH PROPOSAL	STATUS
	TACADENA, MRJ		
11	SANTIAGO, Roderick C YAGO, Estrella E GRAMPIL, Elisa F	A Study on the Reasons and Expectations of the New Students in Enrolling at PhilSCA	Pertinent documents for the funding request were submitted before but funds not released yet
12	DELICANO, J CELIS, O.I CORTEZ, MJ DIZO, JK	Performance in the Aeronautical Engineering Board Examination for the Last Five Years: Trends, Issues and Future Directions	Proponents are no longer connected with PhilSCA
13	MEDINA R.	An Assessment on the Manifestation of PhilSCA-VAB Vision Mission Goals and Objectives to Meet the Course Outcomes of the CMO28 for Aeronautical Engineering	Proponents are no longer connected with PhilSCA
14	VILLARROYA, J et.al	Gear Applied System Wing Rib Stress Tester	Proponents are no longer connected with PhilSCA

14.10 We recommended that Management

- a. **activate the research function of the College thru the implementation of the budgeted and programmed research projects and activities in line with its objective of promoting and enhancing research awareness and developing high impact researches in the fields of aeronautical education; and**
- b. **submit relevant supporting documents on the research-related expenses amounting to ₱34,285.48 to preclude the issuance of a Notice of Suspension/Notice of Disallowance by COA.**

14.11 Management's Comments:

- a. The Management commented that due to the unforeseen situation of the COVID-19 pandemic in 2020, the College halted the conduct of various activities pertaining to the research and development, thus implementation of the PPAs was not achieved.

The Director for Research submitted relevant documents for research-related expenses amounting to ₱15,565.48.

14.12 Auditor's Rejoinder:

The Audit Team noted that not all required documents were submitted, hence it is reiterating the submission of complete documents on research-related expenses.

OTHER COMPLIANCE ISSUES

Gender and Development (GAD)

15. Out of the proposed GAD Budget of ₱4,285,000.00, only ₱25,560.00 was utilized and only 2.42 percent instead of the five percent of the PhilSCA annual budget of ₱176,816,000.00 was programmed for GAD programs and projects, which was inconsistent with Section 6.1 of the Philippine Commission on Women (PCW)-National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM) Joint Circular No. 2012-01 and Section 31 of the GAA for FY2020; and 16 out of 17 targeted activities in the GAD Plan and Budget (GPB) were not accomplished while three activities not included therein with incurred expenditures of ₱820,000.00 were accomplished, as presented in the GAD Accomplishment Report (AR).

15.1 Section 6.1 of R.A. 9710 of PCW-NEDA-DBM JC No. 1012-01 provides that:

“At least five percent of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency’s maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS). It is understood that the GAD budget does not constitute an additional budget over an agency’s total budget appropriations.”

15.2 Section 31 of the General Provisions of RA No. 11465, the GAA for FY 2020 provides that:

“All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under R.A. 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).”

15.3 Verification of PhilSCA’s GPB for CY 2020 revealed that only ₱4,285,000.00 or 2.42 percent was allocated for GAD out of the required five percent of the Agency’s total budget of ₱176,816,000.00 or a deficiency of ₱4,555,800.00.

15.4 Shown below are the contents of the 2020 GPB of the College.

Table 48. Client-Focused and Organization-Focused Activities

GENDER ISSUE / GAD MANDATE		GAD ACTIVITY	OUTPUT PERFORMANCE INDICATORS/ TARGET	GAD BUDGET (in Php)
<i>Client-focused Activities</i>				
Low level of awareness and understanding of GAD issues and concerns, and laws on women among faculty members, school personnel and students of the 4 PhilSCA Campuses	I	Conduct of 2-day Gender Sensitivity Seminar w/ Integration of VAW laws for students, faculty and admin personnel of 4 PhilSCA Campuses	1 batch of Gender Sensitivity Seminar conducted by 2nd Quarter 1,000.00 students and SSC Officers, 200 faculty and admin personnel oriented on GAD issues and concerns, and laws on women (VAB)	150,000.00
Low level of awareness and understanding of GAD issues and concerns, and laws on women among faculty members, school personnel and students of the 4 PhilSCA Campuses	II	Posting of updates in the GAD Advocacy Corner or as the needs arises. Semi-annual updating of the advocacy corner of the four (4) campuses	4 advocacy corners updated with all gender issues in 4 campuses (VAB, FAB, BAB & MBEAB)	15,000.00
Low level of awareness and understanding of GAD issues and concerns, and laws on women among partner airline companies	III	Conduct advocacy Forum in the aviation Industry	150 personnel from the different local airlines operating in Manila, MIA and NAIA airport participated	300,000.00
Low level of awareness on gender issues and RA 7877 or Anti-Sexual Harassment Act	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)	4 batches of GSS conducted (300 students & SSC officers, 100 faculty and admin personnel participated in the seminar (VAB Villamor Main Campus)	150,000.00
Low level of awareness on gender issues and RA 7877 or Anti-Sexual Harassment Act	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	20 students & SSC officers, 50 faculty and admin personnel participated in the seminar (FAB Lipa Campus)	60,000.00
Low level of awareness on gender issues and RA 7877 or Anti-Sexual Harassment Act	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	20 students & SSC officers, 50 faculty and admin personnel participated in the seminar (BAB Basa Campus)	80,000.00
Low level of awareness on reproductive health concerns of PhilSCA personnel and students	VII	Conduct of forum on Adolescent and Reproductive Health Issues and Perspectives in all PhilSCA campuses	50 admin personnel, 100 faculty members and 2,500 students attended and participated in the forum for the four campuses	80,000.00

GENDER ISSUE / GAD MANDATE	GAD ACTIVITY		OUTPUT PERFORMANCE INDICATORS/ TARGET	GAD BUDGET (in Php)
Observance of Women's Month in accordance with proclamation Nos. 224 and, series of 1988	VIII	Conduct of the following in connection with the set theme: Art exhibit of ten (10) women who contributed in the Country-Film Showing Seminar/Forum in connection with the Women's Month theme	50 faculty members, 50 admin personnel 2,000 students	200,000.00
			1 forum/seminar on reproductive rights conducted	
			1 photo art exhibit done/float parade	
			6 tarpaulins hanged/displayed	
Observance of the 18th - day Campaign to End Violence Against Women (VAW) in accordance with Proclamation No 1172, series of 2006	IX	Conduct of info drive on VAW different PhilSCA Campuses	4 info drive conducted	200,000.00
Need to strengthen the development of Standard Operating Procedures (SOPs) to facilitate reporting of SH cases among students and faculty members in PhilSCA and there are sexual harassment incidentsreported and there were no SOPs to the filing of complaints	X	Publication of SOPs	1 SOPs published	50,000.00
Need to enhance curriculum with integrated gender issues/concepts	XI	Conduct of workshops to identify gender issues/GAD core messages and how these can be integrated in the curriculum targeting the syllabus of the general education subjects (use gender issues in certain subjects like English, Psychology, etc.)	1 seminar/workshop on gender integration in the gender integration in the curriculum conducted with the PhilSCA Faculty members in all campuses	200,000.00
			10 syllabus integrated with gender	
Organization-focused Activities				
Need to systematized collection of sex-disaggregated data in PhilSCA	XII	Development of sex-disaggregated database	90% sex disaggregated data completed	50,000.00
Inadequate support services for employees with young children and breastfeeding mothers (affecting productivity, especially among women on implementation of RA 10028)	XIII	Issuance of policy on the setting-up of the child minding center and lactation room. Setting-up of a child minding and lactation room for PhilSCA employees in all PhilSCA Campuses, VAB Campus, FAB Campus, BAB Campus, MBEAB Campus	1 policy on the setting-up of the child minding center, lactation room issued and 1 room allocated for childminding and lactation	100,000.00
Need to enhance GFPS/TWG on CHED GAD CMO No. 1 s	XIV	Develop and publish a GAD newsletter and	1 GAD newsletter and research journal published	300,000.00

GENDER ISSUE / GAD MANDATE		GAD ACTIVITY	OUTPUT PERFORMANCE INDICATORS/ TARGET	GAD BUDGET (in Php)
2015		research journal	1 GAD Magazine	
Pursuant to Section 36 of RA No. 9710, otherwise known as the Magna Carta of Women (MCW), and Section 37-C of the Implementation Rules and Regulation (IRR) of the MCW.	XV	Conduct of GST for PhilSCA GFPS members	1 GST/TOT for GFPS conducted	800,000.00
			1 GST++	
			1 GAD Planning & Budgeting Seminar and GA Tools	
			60 GFPS members trained	
Pursuant to section 36 of RA No. 9710, otherwise known as the Magna Carta of Women (MCW), and section 37-C of the Implementation Rules and Regulation (IRR) of the MCW.		Attendance and participation to seminars sponsored by other agencies such as UP Center for Women's Studies, CHED SUC's LGU's, PAGDAI, etc.	Local/International seminars attended outside PhilSCA 1 representative to attend International Conference	850,000.00
Pursuant to Section 36 of RA No. 9710, otherwise known as the Magna Carta of Women (MCW), and Section 37-C of the Implementation Rules and Regulation (IRR) of the MCW.		Review of existing policy/GAD programs and publication of the result of the study	Policy/GAD Program reviewed Result of the study published locally/internationally	700,000.00
Total				4,285,000.00

15.5 Section 8 of PCW-NEDA-DBM Joint Circular No. 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 GPB 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 adjusted GPB to PCW. The adjusted GPB shall be the basis for implementing the GPB, as well as, for monitoring and reporting.

- 15.6 Just like in previous years, PhilSCA's GPB was not reviewed and endorsed by the PCW, contrary to Section 8 of the said Joint Circular.
- 15.7 This resulted in non-assurance on the propriety and validity of the total expenses incurred as contained in the submitted GAD AR.
- 15.8 Based on the GAD AR, PhilSCA spent only ₱25,560.00 attributed to training and capability building which was way below the total agency GPB for CY 2020 of ₱4,285,000.00. Moreover, out of the 17 identified activities in the 2020 GPB, only one was completed and the remaining sixteen were not accomplished. Consequently, identified gender issues and concerns were not fully addressed by the College. Still, the approved GPB was not strictly followed by the College.
- 15.9 In the the submitted GAD AR, the Audit Team likewise noted that there were three activities with incurred expenditures of ₱820,000.00 that were undertaken and reflected in GAD AR although not included in the GPB for CY 2020.
- 15.10 The conducted activities per GAD AR were within the context of the PhilSCA's mandate to mainstream gender perspectives in their policies, programs and projects. However, the validity and propriety of the reported accomplishments and utilization of GAD funds may be refuted due to the absence of the PCW-reviewed/endorsed GPB.
- 15.11 Furthermore, the continued non-allocation of the required GAD budget precluded PhilSCA to achieve fully the objectives of the GAD program.
- 15.12 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 (CO), as the case maybe. Likewise, a copy of the corresponding Accomplishment Report shall be furnished to the Audit Team within five working days from the end of January of the preceding year.
- 15.13 **We recommended that the GAD Focal Committee:**
 - a. **allocate the five percent of the College appropriations for GAD activities thru attribution of its regular programs and activities to**

GAD, in compliance with the requirements of the PCW-NEDA-DBM JC No. 2012-01 and the General Provisions of FY 2021 GAA;

- b. prepare and submit the GPB, thru the GAD Focal Point System (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;**
- c. develop a GPB with PPAs that will be more responsive to the gender issues envisioned to promote gender equality among its employees and students; and**
- d. fully implement those identified GAD related activities in the approved GPB, thru the Chair of the GAD Focal Point System.**

15.14 Management's Comments:

The Management commented that in the proposed PhilSCA GPB, there were series of activities lined up but due to the COVID-19 pandemic and declaration of national lockdown in March 2020, it was impossible for them to implement such.

They further committed that PhilSCA Management, through the GAD Focal Point System, will exert its effort to be GAD compliant and successfully implement the approved and endorsed PhilSCA GPB for CY 2021.

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

16. PhilSCA did not formulate plans and programs that will address concerns of SCs and PWDs of the College, contrary to Section 32 of the General Provisions of RA No. 11465, the GAA for FY 2020.

16.1 Section 32 of the General Provisions of RA No. 11465 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.

16.2 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 RA No. 7277, as amended.

16.3 In the reply to our inquiry letter addressed to the Management dated February 16, 2021, the Vice-President for Admin and Finance informed the Audit Team that there were still no concrete programs for Senior Citizens in particular but for the Differently Abled Persons, concerns were considered and integrated to all proposed infra projects.

16.4 **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.**

Compliance with Tax Laws

17. 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, PhilSCA was able to withhold and remit taxes amounting to ₱16,114,761.04 during CY 2020.

17.1 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 BIR Revenue Regulations 1-87 dated April 2, 1987 and Revenue Memorandum Order No. 8-2003 dated March 3, 2003.

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

17.3 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.

17.4 Records and per audit of the monthly BIR Forms 1619Es, 1601EQs 1601-Cs, 1600s and Tax Remittance Advices (TRA) showed that taxes withheld in CY 2020 amounted to ₱14,591,095.37, details as follows:

Table 49. Schedule of Taxes Withheld

Month	Taxes Withheld (in Php)								
	From Compensation			From Suppliers					Total from Compensation and Suppliers
	1601-C-Local	1601-C-GF (TRA)	Total	1619E / 1601EQ (Local Fund)	1600 (Local Fund)	1619E / 1601EQ (GF-TRA)	1600 (GF-TRA)	Total	
January	81,899.67	461,772.57	543,672.24	57,556.87	173,269.39	5,784.09	15,697.47	252,307.82	795,980.06
February	89,461.13	538,291.85	627,752.98	97,724.51	273,751.09	33,380.91	82,978.04	487,834.55	1,115,587.53
March	158,194.77	463,853.98	622,048.75	28,452.90	80,395.67	1,263.44	3,158.59	113,270.60	735,319.35
April	79,045.78	463,853.98	542,899.76	-	-	-	-	-	542,899.76

Month	Taxes Withheld (in Php)								
	From Compensation			From Suppliers					Total from Compensation and Suppliers
	1601-C-Local	1601-C-GF (TRA)	Total	1619E / 1601EQ (Local Fund)	1600 (Local Fund)	1619E / 1601EQ (GF-TRA)	1600 (GF-TRA)	Total	
May	8,448.75	463,853.98	472,302.73	1,312.50	6,562.50	-	-	7,875.00	480,177.73
June	181,413.33	540,203.75	721,617.08	74,821.86	291,092.90	89,644.35	228,929.36	684,488.47	1,406,105.55
July	619,620.63	459,851.23	1,079,471.86	43,186.51	51,537.85	2,546.57	6,366.43	103,637.36	1,183,109.22
August	-	455,034.35	455,034.35	51,224.19	102,751.85	61,550.20	150,397.68	365,923.92	820,958.27
September	30,649.96	705,307.72	735,957.68	375,820.84	865,745.94	22,736.72	39,479.83	1,303,783.33	2,039,741.01
October	407,136.63	734,135.51	1,141,272.14	67,939.00	173,039.46	67,203.51	267,700.69	575,882.66	1,717,154.80
November	277,212.57	222,478.02	499,690.59	41,203.55	113,185.35	206,574.20	479,258.21	840,221.31	1,339,911.90
December	386,701.28	-	386,701.28	472,087.36	1,476,452.71	21,174.68	57,734.16	2,027,448.91	2,414,150.19
Total	2,319,784.50	5,508,636.94	7,828,421.44	1,311,330.09	3,607,784.71	511,858.67	1,331,700.46	6,762,673.93	14,591,095.37

17.5 On the other hand, the Reports of Checks Issued (RCI) and TRAs for CY 2020 showed total remittances of ₱16,114,761.04, as follows:

Table 50. Total Remittances			
Month	Remittances Made (in Php)		
	Check	TRA	Total Remittances
Beginning Balance-1/1/2020	228,127.25	1,295,538.42	1,523,665.67
January	312,725.93	483,254.13	795,980.06
February	460,936.73	654,650.80	1,115,587.53
March	267,043.34	468,276.01	735,319.35
April	79,045.78	463,853.98	542,899.76
May	16,323.75	463,853.98	480,177.73
June	547,328.09	858,777.46	1,406,105.55
July	714,344.99	468,764.23	1,183,109.22
August	153,976.04	666,982.23	820,958.27
September	1,272,216.74	767,524.27	2,039,741.01
October	648,115.09	1,069,039.71	1,717,154.80
November	431,601.47	908,310.43	1,339,911.90
December	2,335,241.35	78,908.84	2,414,150.19
Total	7,467,026.55	8,647,734.49	16,114,761.04

Incurred Interest/penalties for delayed remittance of GSIS premiums

18. Incurrence of interest/penalties totaling ₱453,128.63, caused by the delayed remittances of premiums due to GSIS, were paid out of Agency's fund instead

of charging it to the accountable officers and employees responsible for the delay, which resulted in unnecessary losses and wastage of College' funds.

- 18.1 Section 2 2 of PD No. 1445 provides that it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.
- 18.2 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.
- 18.3 Section 7 of the same RA discusses interests on delayed remittances that *"Agencies which delay the remittance of any and all monies due the GSIS shall be charged interests as may be prescribed by the Board but not less than two percent (2%) simple interest per month. Such interest shall be paid by the employers concerned."*
- 18.4 During CY 2020, PhilSCA remitted their premium in arrears totaling ₱2,141,730.90 covering the period January 2012 to February 2020, summarized as follows:

**Table 51. Payment of Premiums in Arrears
(January 2012 to February 2020)**

Date	Check No.	Period of Delay	Amount of Premium in Arrears
06/25/2020	157882	January 2019 to February 2020 (14 months due)	₱1,874,570.99
10/29/2020	161061	January 2015 to February 2020 (29 months due)	254,616.89
		February 2012 to December 2014 (31 months due)	12,543.02
Total			₱2,141,730.90

- 18.5 Examination of subsequent payment to GSIS revealed that PhilSCA paid ₱453,128.63 for the interest which resulted from the delayed remittances, presented as follows:

**Table 52. Payment of Interest Due to Delayed Remittances
of Premiums to GSIS**

Date	Check No.	DV No.	Period of Delay	Amount
10/29/2020	157882	2020-010-00942	January 2019 to February 2020	₱ 345,455.92
12/15/2020	161091	2020-012-01093	January 2015 to February 2020 <i>(various months in arrears)</i>	107,672.71
Total				₱ <u>453,128.63</u>

- 18.6 Attached to the DV is an information letter from GSIS acknowledging the receipt of supplemental remittances for the months due (January 2015 to February 2020); and notifying the College for the immediate settlement of interest incurred due to the delayed remittances.
- 18.7 Further, interest for the delayed remittances covering the period of February 2012 to December 2014 (31 months due) has yet to be settled and/or condoned. The College has yet to forward to the COA Office the DV and/or any corresponding document as proof of payment and/or condonation.
- 18.8 The incurrence and payment of such interest caused by delayed remittances of premiums to GSIS indicated oversight by the responsible officials and unnecessary losses/wastage of the College funds, contrary to Section 2 of PD No. 1445.
- 18.9 Also, the delayed remittances of premiums to the GSIS might adversely affect the retirement benefits and claims of the employees of PhilSCA.
- 18.10 Sound fiscal management dictates that all obligations shall be settled on or before due dates to avoid penalties and charges. Non-compliance therewith shall make the responsible employees liable to any penalties and surcharges caused by the delays.
- 18.11 **We recommended that Management:**
- a. **submit justification for the delayed remittances for evaluation of the Audit Team to determine whether the issuance of Notice of Disallowance (ND) is warranted;**
 - b. **settle all the due premium remittances and interest to the GSIS immediately; and**
 - c. **ensure complete and timely remittances of premiums to the GSIS, to avoid incurrence of unnecessary interest, otherwise the persons responsible for the delay shall be administratively and pecuniarily liable therefor.**

18.12 Management's Comment:

The HRMD justified that the delayed remittances were due to the updating of the GSIS (*software system*) and that the notice on arrears incurred in the prior years were only transmitted last year (CY 2020).

Compliance with GSIS, HDMF and PhilHealth on remittance of premiums

19. For CY 2020, PhilSCA had faithfully withheld from the salaries of its personnel and remitted the required premiums to the concerned agencies within the prescribed period as provided under pertinent rules and regulations. However, remittances of government share premium by DBM-GSIS on behalf of PhilSCA cannot be determined and validated due to non-submission of supporting documents and schedules.

19.1 Section 1, Rule VI of the Implementing Rules and Regulations 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).

a. Remittance of Premiums to HDMF CY 2020

19.2 Total remittances to HDMF for CY 2020 amounted to ₱3,227,337.21, which pertained to the current employees and government premium contributions, as well as the payment of employees' loans, shown as follows:

Table 53. Remittance of Premiums to HDMF CY 2020

Particulars	Amount (in Php)
Employee's Share	1,755,122.95
Government's Share	251,500.00
Loans Payment	1,220,714.26
Total	3,227,337.21

b. Remittance of Premiums to PhilHealth for CY 2020

- 19.3 PhilSCA withheld and remitted ₱2,314,480.38 for the premium contributions of employee's share and government's share to PhilHealth, presented as follows:

Table 54. Remittance of Premiums to PhilHealth for CY 2020

Particulars	Amount (in Php)
Employee's Share	1,157,231.73
Government's Share	1,157,248.59
Total	2,314,480.38

c. Remittance of Premiums to GSIS, CY 2020

- 19.4 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.
- 19.5 DBM Circular Letter (CL) No. 2020-6 dated March 30, 2020, supplemented by DBM Circular Letter No. 2020-7 dated April 16, 2020, prescribes the revised payment arrangements of employer (government) share in retirement and life insurance premium (RLIP) contribution remitted to the GSIS.
- 19.6 Section 3 of DBM Circular Letter (CL) No. 2020-6 dated March 30, 2020 states *"As a result of the existence of a National Emergency arising from the Coronavirus Disease 2019 (COVID-19), GSIS, through the Department of Finance, requested the timely remittance of the government share in premium contribution to ensure that any benefit pay-outs required by its members are fully provided."*
- 19.7 Section 4.1 of the above CL further states that *"While the full year requirement of the government share in RLIP have been released comprehensively under General Allotment Release Order (GARO) No. 2020-1 dated January 6, 2020, all concerned departments/ agencies are advised that the amounts covering the 12% government share in premium contribution for the period April to December 2020 are hereby withdrawn effective immediately. Accordingly, the negative GARO shall be issued for the purpose covering the 2nd to 4th quarters funding requirement of the government share."*

- 19.8 Section 4.2 of the same CL prescribes “*Starting April 2020, the DBM shall directly remit to the GSIS the government share in the RLIP contribution for all departments, bureaus and offices of the national government. A Special Allotment Release Order (SARO) reflecting the DBM as the responsible department charged with the remittance of the government share of the premium contribution to GSIS shall be issued. The corresponding Notice of Cash Allocation (NCA) will likewise be released to the DBM on a quarterly basis.*
- 19.9 Section 2.1 of DBM Circular Letter No. 2020-7 dated April 16, 2020 states that the DBM shall issue the negative SARO to immediately withdraw the amounts covering the second to the fourth quarter RLIP requirements for FY 2020, earlier authorized by SAROs issued as of March 31, 2020, as applicable.
- 19.10 For CY 2020, PhilSCA withheld and remitted ₱14,923,078.84 to the GSIS, consisting of GSIS employee’s personal premium, loans amortization. ECC premium and partial payment of government share premium, presented in the following table:

Table 55. Remittance of Premiums to GSIS CY 2020

Particulars	Payment thru Checks	Payments thru Oncoll Payment Slip	Total
	(in Php)		
Employee Share Premium	3,599,548.11	3,727,583.79	7,327,132.20
Loans Amortization	1,952,202.67	2,461,653.47	4,413,856.14
Government Share <i>(remitted by PhilSCA)</i>	2,338,863.36	594,927.44	2,933,790.80
ECC Premium	122,600.00	125,700.00	248,300.00
Total	8,013,214.14	6,909,865.00	14,923,079.14

- 19.11 Per inquiry with the concerned offices, government share premium for the months of April to December 2020 were directly remitted/ paid by the DBM to GSIS in accordance with DBM Circular Letter No. 2020-6 dated March 30, 2020.
- 19.12 In pursuance to the CL, DBM issued GARO No. 2020-2 dated April 2, 2020 to adjust the allotment of the RLIP contributions of PhilSCA in the amount of ₱6,053,000.00.
- 19.13 Also, DBM issued negative SARO-NCR-20-0008459 dated April 30, 2020 amounting to ₱517,000.00 to PhilSCA, to withdraw the government share for RLIP contributions.

19.14 However, government share premium remitted by DBM to GSIS on behalf of PhilSCA cannot be determined and validated due to non-submission of supporting documents and schedules (e.g., official receipts, confirmation letter, etc.).

19.15 **We commended the Management on their timely remittances of the required premiums due to HDMF, PhilHealth and GSIS.**

19.16 Management's Comments:

The Management submitted eBilling and Collection System (eBCS) of GSIS – summary amounting to ₱6,526,281.96 for the government share of PhilSCA covering the months of April to December 2020.

Compliance with RA No. 656 or the Property Insurance Law

20. 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. PhilSCA insured its buildings, equipment/aircrafts, supplies and materials as well as its service vehicles in CY 2020, however, the insurance coverage amounted to ₱483,378,301.92, which is higher by ₱347,604,285.41 compared with the total PPE total amount of only ₱135,774,016.51 reported in the submitted Property Inventory Form (PIF) under COA Circular No. 2018-002 dated May 31, 2018. Moreover, an insured Motor Vehicle (MV) was not recorded in the books, while four booked up MVs were not insured.

20.1 RA No. 656, otherwise known as the Property Insurance Law, as amended by PD No. 245, requires all government agencies (except municipal governments below first class category) to insure against any insurable risk their properties, assets and interests with the General Insurance Fund (GIF), as administered by the GSIS.

20.2 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.

20.3 COA Circular No. 2018-002 dated May 31, 2018 prescribes the submission of the PIF as basis for the assessment of general insurance coverage over all insurable assets, properties, and interests of the government with the GIF of the GSIS. It 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.

a) Discrepancy of Insurance Coverage between Submitted PIF and Insurance Policies

- 20.4 On October 15, 2020, PhilSCA submitted to the COA Office the PIF as of December 31, 2019, which showed a total of ₱135,774,016.51 as acquisition cost/ insurable interest of PPEs and inventories. However, the submitted PIF cannot be validated due to non-submission of the Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of Property, Plant and Equipment (RPCPPE).
- 20.5 PhilSCA paid ₱2,890,110.25 insurance premiums to insure its school buildings, equipment/aircraft, supplies and materials and motor vehicles, with total insurance coverage in the amount of ₱483,378,301.92 based on the attached photocopies of insurance policies, presented as follows:

Table 56. Schedule of Insurance Premiums Paid

Date	Check No.	Assets Insured	Amount of Insurance Premiums Paid (in Php)	Insurance Coverage (in Php)
12/29/2020	92184	PhilSCA Buildings, other structures, equipment, supplies and materials	1,970,693.59	467,153,699.52
12/20/2020	161174	Aircrafts	880,375.60	9,150,400.00
Various	Various	Motor Vehicles	39,041.06	7,074,202.4
Total			2,890,110.25	483,378,301.92

- 20.6 Comparison between the insurance coverage and the properties listed in the PIF resulted in a discrepancy amounting to ₱347,604,285.41 in insurable amount, determined as follows:

Table 57. Discrepancy in Insurable Amount of PPE for CY 2020

Particulars	Amount (in Php)
PPE coverage per attached insurance policies	483,378,301.92
Properties listed in the submitted PIF	135,774,016.51
Discrepancy	347,604,285.41

- 20.7 The College did not adhere to the provisions of COA Circular No. 2018-002 dated May 31, 2018 which prescribes that the *PIF shall be the basis* for the assessment of general insurance coverage of all insurable assets, properties and interests with the GIF of the GSIS.

b) Insured Motor Vehicle Unrecorded in the Books and Four Motor Vehicles Were Not Insured

- 20.8 Evaluation revealed that PhilSCA paid ₱39,041.06 for the insurance of its motor vehicles listed in the submitted PIF, shown as follows:

Table 58. Insurance of its Motor Vehicles in PIF

Date	Check No.	Description	Acquisition Cost/ Insurable Interest (per PIF) (inPhp)	Amount of Insurance Premiums Paid (in Php)
12/20/2020	161173	Mitsubishi L300 SJT 191	738,520.00	4,080.45
9/29/2020	92034	Mitsubishi L-300 (SJT 190)	738,520.00	3,950.92
		Adventure Mitsubishi (SJT 189)	749,480.00	3,452.97
2/27/2020	157756	Toyota Revo SFU 653	535,500.00	2,904.25
3/27/2020	157781	Nissan Bus 20019 SKE 644	4,700,000.00	15,450.24
		2013 Hyundai County 29+ Bus DSL	2,943,200.00	1,073.05
7/15/2020	157940	Mitsubishi L300 Exceed B2-D537 (PhilSCA-BAB)	822,200.00	8,129.18
Total			11,227,420.00	39,041.06

20.9 Analysis revealed that the motor vehicle located in PhilSCA-BAB Campus Pampanga with insurable interest amounting to ₱822,200.00 in the PIF was not recorded in the books of accounts of PhilSCA.

20.10 Moreover, based on the PPELC submitted by the Accounting Office, four motor vehicles totaling ₱1,299,153.49 were not listed in the PIF, thus were not insured with the GSIS, presented as follows:

Table 59. Motor Vehicles Not Listed in PIF

Motor Vehicle	Date Acquired	Book Value as of December 31, 2020 (per PPELC) (in Php)
Toyota Tamaraw FX (TSU 732)	1/17/1995	47,807.10
Mitsubishi L-300 (SFU 357)	7/15/1997	39,828.53
Mitsubishi L-300 van FB (SFR247)	1/13/2000	51,000.00
Asian Utility Vehicle	5/16/2020	1,160,517.86
Total		1,299,153.49

20.11 **We recommended that Management:**

- a. **reconcile the difference between the values of properties stated in the PIF and the values of insured properties to ascertain the amount of overpaid insurance premiums for possible refund from the GSIS or application for ensuing year's property insurance premiums;**
- b. **submit to the Audit Team justification for the disparity in the values of properties as basis of decision in audit;**

- c. prepare and submit the PIF in accordance with the provisions of COA Circular No. 2018-002 dated May 31, 2018, which shall be the basis of the insurance coverage to be paid for;
- d. verify the existence/ownership of the motor vehicle (*Mitsubishi L300 Exceed B2-D537*) located in PhilSCA-BAB Campus and prepare JEV to recognize the MV; otherwise, if the MV is not owned by PhilSCA, refund the insurance payment made; and
- e. secure property insurance for the uninsured motor vehicles, in compliance with RA No. 656, as amended by PD No. 245.

20.12 Management's Comment:

The Management submitted copy of the Deed of Donation from the Provincial Government of Pampanga for the unrecognized motor vehicle (Mitsubishi L300 Exceed B2-D537) located in PhilSCA-BAB Campus. However, the MV remained unbooked due to incomplete documentation to determine its value.

Status of Audit Suspensions, Disallowances and Charges

21. Audit suspensions and disallowances totalling ₱5,613,243.11 and ₱30,201,916.26, respectively, remained unsettled as of December 31, 2020, contrary to COA Circular No. 2009-006 dated September 15, 2009, which prescribes the rules and regulations in the settlement of accounts.

21.1 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:

PhilSCA's Status of Compliance with Suspensions, Disallowances and Charges Issued in Prior Years and During CY 2020				
Particulars	Beginning Balance January 1, 2020	Issuance/ Adjustment During the Year	Settlement/ Adjustment During the Year	Ending Balance December 31, 2020
Audit Suspensions	₱5,652,043.11	₱ -	₱ 38,800.00	₱5,613,243.11
Audit Disallowances	30,202,460.26	-	544.00	30,201,916.26
Audit Charges	-	-	-	-
Total	₱35,854,503.37	₱ -	₱ 39,344.00	₱35,815,159.37

21.2 Out of the total suspensions and disallowances of ₱5,652,043.11 and ₱30,206,460.26, respectively, ₱38,800.00 and ₱544.00 were settled for the suspensions and disallowances, respectively, leaving a balance of ₱5,613,243.11 and ₱30,201,916.26, respectively, as of December 31, 2020.

21.3 The breakdown of disallowances amounting to ₱30,201,916.26 as of December 31, 2020 is shown below:

Details of Notices of Disallowances				
Notice of Disallowance			Description/ Nature	Status
Number	Date	Amount		
11-001-164(07-09)	2/25/2011	₱355,000.00	Hiring of private legal counsel without concurrence of COA	COA Decision No. 2020-229 dated January 29, 2020 was issued denying the Motion for Reconsideration of Ms. Imelda Frias-Navigar, Accountant III, Head, Accounting Unit, for lack of merit and affirming with finality COA Audit Decision No. 2018-298 dated March 15, 2018 which upholds Ms. Navigar liable for the amount of ₱130,000.00, out of the total disallowance of ₱355,000.00.
11-003-164(10)	6/28/2011	327,096.79		Issued Notice of Finality of Decision (NFD) dated July 12, 2012.
12-001-164(06&07)	6/29/2012	1,371,750.00	Non-compliance with the requirements within the reglementary period.	NGS Cluster 5 submitted an "Answer" to the Petition for Review (COA CP Case No. 2019-432 dated May 31, 2019) on NGS-Cluster 5 Decision No. 2018-019 dated September 13, 2018, denying the appeal and affirming the ND issued

Details of Notices of Disallowances				
Notice of Disallowance			Description/ Nature	Status
Number	Date	Amount		
				in the amount of ₱1,371,750.00, 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.
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 was 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 was filed with the Office of the Cluster Director, Cluster 5 – NGS, COA. The Audit Team submitted Answer to Appeal on June 5, 2017.

Details of Notices of Disallowances				
Notice of Disallowance			Description/ Nature	Status
Number	Date	Amount		
2016-002-164(12&13)	8/22/2016	18,681,300.00	Payment of Personnel Welfare Benefit for CYs 2012 and 2013- non-conformance with RA No. 8292	
17-003-01(2017)	7/20/2017	1,385.00	Excess payment of payroll	Pending issuance of NSSDC for settlements made through payroll upon submission of the Admin Unit of proof of deduction.
Total		₱30,201,916.26		

- 21.4 The disallowances issued prior to the implementation of the RRSA amounting to ₱263,000.00 were not included in the balance of the Statement of Audit Suspensions, Disallowances and Charges (SASDC) for the period ending December 31, 2017.
- 21.5 **We recommended that the Management require the concerned persons determined liable to immediately settle their suspensions and disallowances in accordance with the revised RRSA.**