

EXECUTIVE SUMMARY

A. Introduction

The Philippine State College of Aeronautics (PhilSCA) was established in 1967 as a community college, the Basa Air Base Community College, in Floridablanca, Pampanga. The College was operated under the Armed Forces of the Philippines (AFP) Regulations Series of 168-342 issued by the AFP and approved by the Department of National Defense (DND) on April 1, 1968 to cater to the educational needs of the military personnel, civilian employees and their dependents. In 1977, then President Ferdinand Marcos signed Presidential Decree (PD) No. 1078 converting Basa Air Base Community College into a full-fledged College and was renamed Philippine Air Force College of Aeronautics (PAFCA). On June 3, 1992, Republic Act (RA) No. 7605 was approved by then President Corazon C. Aquino, converting PAFCA into a state college known as the PhilSCA. It has four Campuses located in Mactan, Cebu; Floridablanca, Pampanga; Lipa City, Batangas; and the main campus in Villamor Air Base (VAB), Pasay City.

The College aims to provide professional and advanced technical and technological instructions and trainings in the fields of aeronautical sciences and in the general area of science and technology for the Philippine Air Force (PAF) and the airline industries.

The administration and management of PhilSCA is vested in the Board of Trustees (BOT) as the governing body of the College under Section Nos. 5 and 11 of RA No. 7605, composed of the following:

Name		Position/ Designation	Mother Unit/Agency
1	Prof. Lilian A. De Las Llagas, MScTM, LLB, Ph.D.	Chairperson	Commission on Higher Education (CHED)
2	Prof. Marwin M. Dela Cruz, Ph.D.	Vice-Chairperson	PhilSCA
3	Senator Emmanuel Joel Villanueva	Member	Senate of the Philippines
4	Congressman Mark O. Go	Member	House of Representatives
5	Secretary Karl Kendrick T. Chua	Member	National Economic and Development Authority
6	Lt. Gen. Connor Anthony Canlas, AFP	Member	Philippine Air Force
7	Major Gen. Ramon A. Ragasa, AFP (Ret)	Member	Private Sector Representative
8	Col. Inocencio Silbol PAF (Ret)	Member	Private Sector Representative
9	Asst. Prof. Ramsey S. Ferrer	Member	Faculty Representative

To date, there are no members of the BOT representing the alumni trustee and student trustee.

As of December 31, 2021, PhilSCA has 500 personnel assigned in the different Campuses, as follows:

Particulars	Total	Villamor Campus	Fernando Campus	Mactan Campus	Basa Campus
<i>Status:</i>					
Permanent	220	132	28	31	29
Contractual	280	161	36	47	36
Total	500	293	64	78	65
<i>Workforce:</i>					
Academe	323	184	45	53	41
Part-timers	40	36	1	1	2
Admin and Support Staff	137	73	18	24	22
Total	500	293	64	78	65

B. Operational Highlights

During the Academic Years (AYs) 2021-2022, a total of 9,614 students were enrolled at PhilSCA-VAB Campus and in its three other Campuses, of which 194 belong to the graduate studies and 9,420 in the undergraduate schools, while the total number of graduates for AYs 2020-2021 totaled 2,200, presented as follows:

Particulars	Total	Villamor Campus	Fernando Air Base Campus	Mactan Air Base Campus	Basa Air Base Campus
Undergraduate Studies	2,149	1,056	400	261	432
Graduate Studies	51	51	-	-	-
Total	2,200	1,107	400	261	432

The reported plans/targets vis-à-vis its accomplishments for Calendar Year (CY) 2021 are as follows:

Major Final Outputs (MFOs) and Performance Indicators	Targets	Accomplishments	
		Actual	Percentage
MFO 1- Higher Education Program			
Outcome Indicators: 1. Percentage of first-time licensure exam-takers that pass the licensure exams	72%	70%	97.22
2. Percentage of graduates (Two years prior) that are employed	53%	47.10%	88.87
Output Indicators: 1. Percentage of undergraduate student population enrolled in CHED-identified and RDC-identified priority programs	50%	90.67%	181.34
2. Percentage of undergraduate programs with accreditation	42%	70%	166.67

C. Financial Highlights

For CY 2021, the PhilSCA has total adjusted appropriations of ₱227,344,261.00 consisting of current year budget of ₱216,113,000.00 as provided for in the General Appropriations Act (GAA) for Fiscal Year (FY) 2021 or RA No. 11518, Automatic Appropriations of ₱11,231,261.00 for Retirement and Life Insurance Premiums (RLIP). Total allotments received from the Department of Budget and Management (DBM) for the year amounted to ₱196,136,394.00, of which ₱191,415,155.71 was obligated, thereby leaving an unobligated balance of ₱4,721,238.29. The details are presented as follows:

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
	(Amount in Php)			
Current Year Appropriations				
Agency Specific Budget				
Personnel Services (PS)	140,799,345.00	125,591,478.00	125,392,136.23	199,341.77
Maintenance and Other Operating Expenses (MOOE)	45,313,655.00	44,313,655.00	40,068,209.59	4,245,445.41
Capital Outlay	30,000,000.00	15,000,000.00	14,980,000.00	20,000.00
Subtotal	216,113,000.00	184,905,133.00	180,440,345.82	4,464,787.18
Automatic Appropriations				
RLIP	11,231,261.00	11,231,261.00	10,974,809.89	256,451.11
Subtotal	11,231,261.00	11,231,261.00	10,974,809.89	256,451.11
Total	227,344,261.00	196,136,394.00	191,415,155.71	4,721,238.29

Also, PhilSCA has a total allotment of ₱450,453,081.19 from the approved budget on income utilization under the Special Trust Fund (STF), of which ₱135,759,631.66 or 30 percent was utilized, leaving an unobligated balance of ₱314,693,449.53 or 70 percent as at yearend.

The PhilSCA's financial position and financial performance for CY 2021 with comparative figures for CY 2020 are as follows:

Particulars	2021	2020 Restated
	(Amount in Php)	
Financial Position		
Assets	1,174,552,973.71	1,133,387,808.37
Liabilities	72,559,799.27	114,721,074.21
Equity	1,101,993,174.44	1,018,666,734.16
Financial Performance		
Revenue	313,317,008.75	87,238,304.94
Less: Current Operating Expenses		
PS	149,205,934.54	134,194,925.48
MOOE	169,738,480.99	113,186,228.26
Financial Expenses	1,538,893.70	

Particulars	2021	2020 Restated
	(Amount in Php)	
Non-Cash Expenses	11,555,907.83	6,249,751.43
Surplus/(Deficit) from Current Operations	(18,722,208.31)	(166,392,600.23)
Net Assistance/Subsidy	192,174,021.86	177,286,492.19
Surplus for the Period	173,451,813.55	10,893,891.96

D. Scope of Audit

The audit covered the review of accounts and operations of PhilSCA and its Campuses for the year ended December 31, 2021, in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit was conducted to: a) ascertain the level of assurance that may be placed on Management's assertions on the financial statements (FSs); b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; and c) determine the extent of implementation of prior years' audit recommendations.

E. Independent Auditor's Report on the FSs

The Auditor rendered a qualified opinion on the fairness of presentation of the FSs of the PhilSCA for CY 2021, due to misstatements in three Asset accounts and one Liability account totaling ₱75,927,905.33 and ₱3,722,897.37, respectively, as at December 31, 2021.

F. Summary of Significant Audit Observations and Recommendations

The following are the significant audit observations and recommendations, which are discussed in detail in Part II of this report:

Financial Audit

1. Of the total misstatements of ₱298,014,498.54 found in audit due to accounting errors, omissions and improper accounting treatment of transactions that are considered departure from the International Public Sector Accounting Standards (IPSAS), ₱218,363,695.84 had been adjusted, while ₱79,650,802.70 remained uncorrected as at yearend. Hence, based on the material impact of the uncorrected misstatements, the reported balances of the affected accounts could not be relied upon which affect the fairness of the FSs of the PhilSCA as of December 31, 2021. (*Observation No. 1*)

We recommended and Management agreed to:

For Receivables Accounts

- a. prepare the necessary entries to recognize the accrual of interest income earned; and

- b. coordinate with Philippine International Trading Corporation (PITC) on the remittance of the said interest income.**

For Inventories accounts

- a. thru the Accounting and Supply Offices, effect the necessary adjustments to reflect the accurate balance of the affected Inventory accounts and Accumulated Surplus/(Deficit) accounts.**

For Property, Plant and Equipment (PPE) accounts

I. instruct the Accounting Office to:

- a. recognize in the books the cost of completed building and other structures already transferred by Department of Public Works and Highways (DPWH) Regional Office (RO) IV-A and provide depreciation thereon;**
- b. derecognize in the books the amount of the transferred properties located at the old site of Fernando Air Base (FAB) Campus, ensuring, however, that complete supporting documents are prepared;**
- c. record the impairment loss on unserviceable PPEs;**
- d. record the adjustment on the incorrect computation of depreciation;**
- e. adopt the straight-line method in computing the depreciation of PPEs; and**
- f. reclassify all items costing below the capitalization threshold of ₱15,000.00 to its appropriate semi-expendable inventory account. For items that had been issued to end-users, debit appropriate Semi-Expendable Expenses account, if issued in the current year, or Accumulated Surplus/(Deficit) account, if issued in prior years.**

II. direct the Property/Supply Office to:

- g. accomplish completely the Inventory and Inspection Report on Unserviceable Properties (IIRUP) dated September 16, 2020 and submit supporting documents on the disposal of the unserviceable properties for reconciliation in the records of the Accounting; and**
- h. accomplish Waste Material Report (WMR) to report the disposal of the semi-expendable properties amounting to less than ₱13,310.00.**

For Liability accounts

- a. verify and analyze the remaining outstanding accounts payable and revert to the unappropriated surplus of the General Fund those which are**

undocumented/not supported with valid claims and those aged two years or more; and

- b. direct the Head of the Accounting and Budget Office to ensure that payables recognized as due and demandable on the Financial Accountability Report (FAR) No. 3 are based on bills/statement or proofs of delivery/services rendered, completion and/or acceptance of the items or services, to prevent the occurrence of similar deficiencies in the ensuing years.

Other Accounting Deficiencies

2. The FSs of the College are not reliable due to: a) unreconciled balances between the General Ledger (GL) and source Journals totaling ₱89,846,827.82; b) non-maintenance of Subsidiary Ledger (SL) for all real accounts with an aggregate amount of ₱2,421,582,788.06; and c) non-adherence to fund cluster accounting system in recording collections and maintenance of Journals as prescribed in Presidential Decree (PD) No. 1445 and Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. (*Observation No. 2*)

We recommended and Management agreed to:

For the unreconciled balances in the FSs and source Journals

III. instruct the Accounting Office to:

- a. reconcile the account balances with noted discrepancies and prepare adjusting entries, as necessary;
- b. ensure that all adjustments in the General Journal (GJ) and special journals are supported with a Journal Entry Voucher (JEV); and
- c. henceforth, conduct a careful and thorough review of the accounts before closing the books to ensure the completeness and accuracy of the balances of the accounts presented in the FSs.

For the non-maintenance of SLs

- d. evaluate the performance of the Accounting Unit and determine the cause of these procedural deficiencies;
- e. suspend the salaries of the concerned officials or employees responsible for keeping the necessary records such as SL and GL, to be instituted by the Head of Agency/Accountant within ten (10) days from receipt hereof, until they have complied with the said requirements of the PD and Commission on Audit (COA);

- f. **initiate the roll-out of the Electronic New Government Accounting System (eNGAS) to facilitate the maintenance of SLs and expedite the generation of financial reports;**
- g. **thru the Accountant, exert extra effort to analyze and identify the unaccounted prior years' balances and maintain SL of the controlling accounts to establish the validity of the amounts in the Statement of Financial Position;**

For the non-adherence to fund cluster accounting system in recording collections and maintenance of Journals

- h. **adhere to separate fund cluster accounting system and ensure all transactions are accounted for within the same fund clusters; and**
 - i. **thru the Cash Unit, maintain separate Official Receipt (OR) series, Report of Collections and Deposits (RCD) and Cash Receipts Journal (CRJ) for the Regular Agency Fund (RAF).**
3. The Inventory account balance at yearend amounting to ₱2,386,788.75 is unreliable due to: a) recording of purchases of inventories as outright expenses totaling ₱3,019,814.50; b) undocumented adjustments totaling ₱622,371.99; and c) non-moving balances totaling ₱743,645.00, contrary to the provisions of GAM for NGAS, Volume I. (*Observation No. 3*)

We recommended and Management agreed to:

- a. **require the Accountant to record all purchases and receipts of supplies as debit to Inventory accounts and charge the same to the appropriate expense account only upon issuance to end-users following the Perpetual Inventory System, except for supplies and materials purchased out of Petty Cash Fund for immediate use or on emergency cases;**
- b. **require the Accountant to substantiate the recorded adjustments of inventory accounts and submit the report to the Office of the Auditor, otherwise, reverse JEV Nos. GJ Local 21-12-127 and GJ Local 21-12-133; and**
- c. **require the Supply Office to immediately validate the existence of Medical, Dental and Laboratory Supplies and determine their expiration date, as necessary.**

4. The non-provision of depreciation on various PPEs received as donation from Megaworld and unresolved variance of ₱8,968,636.29 between FS/GL and PPE Ledger Card (PPELC) were noted which affected the reliability of the reported account balances of the FSs. (*Observation No. 4*)

We recommended and Management agreed to:

- a. **instruct the Accounting Office and Property Office to reconcile and provide complete information such as property number, description, quantity and date of receipt of the PPE and other deliverables received from Megaworld;**
- b. **direct the Property Office to prepare and submit Inspection and Acceptance Reports (IAR) on the deliverables received from Megaworld;**
- c. **instruct the Accountant to adjust and recognize the depreciation of the identified and reconciled PPE items donated by Megaworld;**
- d. **direct the current Property Officer to confirm the receipt of other PPE deliverables from Megaworld not listed in the Inventory of Equipment prepared by the previous Property Officer and record the same if duly received by the College; and**
- e. **instruct the Accountant to identify the difference of the reported amount in the FS/GL and the PPELC.**

Compliance Audit

5. For CY 2021, the College had unutilized budget of ₱314,693,449.53 for the STF which is 70 percent of the total budgeted revenue of ₱450,453,081.19, resulting mostly from over-budgeting and non-implementation of projects/activities within the budget year, hence the lost opportunity of improving its operations as well as foregone economic benefits for its students, faculty, and personnel realizable from the utilization of the programmed funds for Higher Education Programs. Further, lapses in the procurement of goods and services, planning and monitoring were observed, which showed non-adherence to the principles of transparency, accountability, and economy, contrary to RA No. 9184 or the Government Procurement Reform Act and other related procurement rules and regulations. (*Observation No. 5*)

We recommended and Management agreed to:

- a. **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;**

- b. **scale down the annual budget to reflect only current needs and, in the proper case, absorption capacity;**
 - c. **review the College's internal processes related to planning and procurement monitoring in order to further improve its service delivery;**
 - d. **instruct the Budget Office to maintain a separate Registry of Budget Utilization and Disbursements (RBUD) by MFO or Program/Activities/Projects (PAP) for MOOE, identify the object of expenditure of each PAPs in Program of Receipts and Expenditures (PRE) and submit a Work and Financial Plan (WFP) for CY 2021;**
 - e. **instruct the Bids and Awards Committee (BAC) Secretariat to complete the details in the Annual Procurement Plan (APP) and Procurement Monitoring Report (PMR); and**
 - f. **require the BAC Secretariat to prepare and submit to the Government Procurement Policy Board (GPPB) the PMR within 14 calendar days after the end of each semester and adhere to the required posting of the report in the College's website.**
6. The PhilSCA did not adhere to some of the provisions of RA No. 9184 or the Government Procurement Reform Act and COA rules and regulations in the procurement of goods, services and infrastructure related projects as the following deficiencies were noted: a) lapses during the procurement activities; b) payment for progress and final billing were not supported with proper and complete documentation; c) disposal of properties was included as scope of work of the contract; d) discrepancy of 120 days in the target date of completion between the Contract and its Special Condition for Rehabilitation of Electrical Lines and Equipment; e) deficiencies in the request for extension of contract time; and f) delayed submission of perfected contracts and supporting documents. All these cast doubts on the propriety and regularity of the procurement processes, defeating the purpose of the law on transparency, competitiveness and accountability (*Observation No. 6*)

We recommended and Management agreed to:

On the Lapses during the Procurement Process

- a. **thru the BAC, submit the lacking documents as required under the 2016 Revised IRR of RA No. 9184 and provide written justification on the noted deficiencies in the supporting documents;**
- b. **advise the BAC to coordinate with the College Website Administrator in posting the Invitation to Bid (ITB), Supplemental/Bid Bulletins (SBB), and other required documents, make sure that the Notice of Award (NOA) can be viewed, and for future contracts, abide with the posting of requirements as prescribed in the IRR;**

On the Deficiencies on the Payment of Progress/Final Billing

- c. thru the Accountant, submit the lacking documents on the progress billings/payments as required under COA Circular No. 2012-001 dated June 14, 2012 and submit written explanation on the noted deficiencies, to avoid suspension in audit;
- d. thru the Accountant, ensure to attach properly captioned photographs of infrastructure projects duly referenced with the related work performed/specific component of the project;
- e. require the assigned inspectors to always prepare and submit a punch list, detailing the remaining works, work deficiencies for necessary corrections, and the specific duration/time to fully complete the project as required under Annex E of the Revised IRR of RA No. 9184;
- f. require the contractors to submit Program of Work (specifically the detailed work specifications), as required under Section 37.1.1 of the Revised IRR of RA No. 9184.

On the Disposal of properties as scope of work of the contract

- g. submit a justification on the inclusion of disposal/hauling of replaced/removed materials among the scope of work and on the non-conformance with NBC No. 425 or the Manual of Disposal of Government Property;
- h. require the contractor, thru the BAC, to submit the disposal/hauling report and to demand for the proceeds from sale if disposed thru sale. However, if the materials are still in the custody of PhilSCA, dispose the same in accordance with existing laws, rules and regulations;
- i. formulate guidelines on the disposal of the removed and/or replaced materials in accordance with NBC No. 425 or the Manual on Disposal of Government Property;

On the discrepancy of 120 days between the Contract and its Special Condition for Rehabilitation of Electrical Lines and Equipment

- j. instruct the BAC Secretariat to be mindful of the periods/dates of undertaking in the formulation of the contracts, special condition of the contract and in all other pertinent documents;

On the Deficiencies in the Request for Extension of Contract Time – Rehabilitation of Electrical Lines and Equipment of Buildings A and B

- k. submit written explanation on the noted deficiencies and submit the lacking documents as provided under the 2016 Revised IRR of RA No. 9184;

- l. thru the BAC, submit within a reasonable period the lacking documents for contract extension. Otherwise, demand the contractor to pay the liquidated damages and penalties for the delayed completion of the electrical rehabilitation project as set forth in the contract and prescribed under RA No. 9184; and**

On the Delayed submission of perfected contracts and supporting documents

- m. instruct the BAC to timely submit the perfected Contract and its supporting documents within five (5) calendar days as required under COA Circular No. 2009-001 dated February 12, 2009.**
7. Defects on the completed Face Lifting and General Renovation of the Guestel project were not rectified, repainting or replacement of the rusty metal fixtures, old electrical outlets and tiles were not included in the scope of work for the project and the project was not supported with Program of Work (POW) which precluded the Audit Team from checking the completeness and propriety of the renovation performed by the contractor. (*Observation No. 7*)

We recommended and Management agreed to:

- a. immediately require the contractor to rectify the noted defects or requests for a deductive variation, whichever is appropriate;**
 - b. submit justification on the reason for non-inclusion of the repainting or replacement of the rusty metal fixtures, old electrical outlets and tiles (in the cafeteria) among the scope of work for the project; and**
 - c. thru the BAC, submit the approved POWs and report on the disposal of materials.**
8. Cash advances (CAs) totaling ₱1,619,449.53 as of December 31, 2021 remained unliquidated beyond the prescribed period and despite the completion of the purpose for which these were granted, and the College has granted CA to: (a) Accountable Officers (AOs) despite the non-liquidation of the previous CA; (b) four special disbursing officers (SDOs) in excess of their respective maximum cash accountability; (c) AOs who are not bonded, contrary to Section 89 of PD No. 1445; COA Circular No. 97-002 dated February 10, 1997; and Section 14 (d), Chapter 6, Volume I of the GAM for NGAs, thus, exposing the funds to risk of loss and shortages either through misappropriation or negligence. (*Observation No. 8*)

We recommended and Management agreed to:

- a. **require all officials and employees to liquidate their CAs within the prescribed period, and as soon as the purposes for which these were granted have been served/completed;**
 - b. **send demand letter to the Accountable Officer in Mactan-Benito Ebuen Air Base Campus to settle his account immediately;**
 - c. **stop the practice of granting additional/multiple CAs to AOs with outstanding unliquidated CAs;**
 - d. **stop the granting of CAs to AOs in excess of their maximum accountability to avoid risk of possible misappropriation and losses or consider increasing their maximum accountability after a careful evaluation of the transactions chargeable to their CA; and**
 - e. **direct the AOs to monitor the expiration of their fidelity bond and to immediately file for bond renewal, and henceforth ensure that the renewal of bonds is done at least a month before its expiration.**
9. The accuracy and existence of the reported Inventory and PPE accounts amounting to ₱2,386,788.75 and ₱453,900,362.31, respectively, as of December 31, 2021 could not be fully validated due to deficient control in the property and inventory accounting system such as: a) non-conduct of physical count and non-submission of Report on the Physical Count of Inventories (RPCI) and Report on the Physical Count of PPE (RPCPPE); b) non-maintenance of Supply Ledger Card (SLC), Stock Card (SC), Property Cards (PC) and various source documents; c) use of Purchase Order (PO) as source document in recording the inventory account instead of the IAR and Delivery Receipt (DR); and d) purchases of common-use supplies through reimbursements, petty cash and cash advances instead of procurement from Department of Budget and Management-Procurement Service (DBM-PS).(*Observation No. 9*)

We recommended and Management agreed to:

- a. **create an Inventory Committee (have at least one member each from the Accounting and Property/Supply Office) and conduct physical count of PPE and Inventory in accordance with the prescribed procedures and forms under COA Circular No. 2020-006 dated January 31, 2020 and GAM for NGAs to validate the existence of PPEs and Inventories and timely detection and recovery of possible property losses;**
- b. **require the Property/Supply Office to conduct timely and complete physical count of inventories and PPE and prepare/submit the RPCI and RPCPPE complete with the needed data/information, not later than July**

31 and January 31 of each year for Inventory and not later than January 31 of the following year for PPE;

- c. require the Supply Office to forward to the Accounting Office copies of DR, IAR, PO, and ICS for timely recording and to serve as the file copy of the Accounting Office of the transactions;**
- d. require the Accounting Office to maintain and keep file copies of the original source documents such as IAR, DR and Inventory Custodian Slip (ICS) which serve as the original sources of information in preparing the SLC and SC as prescribed in GAM for NGAs, Volumes I and II;**
- e. require the Supply Office to prepare and maintain Report of Supplies and Materials Issued (RSMI) on a daily basis and per fund cluster;**
- f. require the Accounting Office to submit justification regarding the non-reconciliation of records with the Supply Office despite discrepancy observed by the former;**
- g. require the Accounting and Supply Office to prepare and maintain SLC, SC, and PC, respectively, as prescribed in order to monitor the movement of the purchases and issuances of inventory;**
- h. direct the Accounting Office to revise the PPELC in conformance to the prescribed form and completely provide the required information under GAM for NGAs Volume I and II;**
- i. require the Accounting Office to record the receipt/acceptance of inventory based on the DR and IAR which contain the information on the actual quantity and cost of supplies accepted/received by the Supply Office;**
- j. require both the Accounting and Supply Office to effect the timely reconciliation of records against the related forms/reports to facilitate timely verification and adjustments of noted discrepancies;**
- k. effectively plan and monitor the procurement and replenishment of common office supplies and avoid the purchases through reimbursements, petty cash and cash advances as much as practicable;**
- l. procure common use supplies from the DBM-PS in compliance with Section 20 of the General Provisions of the GAA for FY 2021 except when the needed supplies are not available in the DBM-PS or in cases of unforeseen contingency which requires immediate purchase subject to the conditions prescribed in RA No. 9184, its IRR and GPPB guidelines. Procurement from suppliers aside from the DBM-PS should be supported**

with Certificate of Non-Availability of Stocks (CNAS) issued by the DBM-PS;

- m. strengthen the internal controls by formulating guidelines and procedures in the receiving and issuance of inventory, including responsible offices, officials and appropriate documentation for the inventory accounting system; and**
- n. suspend the salaries of the concerned officials and employees responsible for such deficiencies within 10 days from receipt hereof, until they have complied with the said requirements of COA.**

Program Evaluation

- 10. The College did not strictly adhere to the provisions of RA No. 10931 and its IRR and CHED-Unified Student Financial Assistance System for Tertiary Education (UniFAST)-DBM Joint Memorandum Circular (JMC) No. 04 S. 2020 as lapses in the implementation of Tertiary Education Subsidy (TES) program were observed such as: a) delayed issuance of ORs for every amount received from CHED Regional Offices (CHEDRO); b) delayed release of funds, causing deferment of benefits to the student-grantees; c) inadequate submission of supporting documents for the liquidation of funds, affecting the timely evaluation of the propriety of fund utilization; d) non-utilization of the Administrative Support Cost (ASC), adding unnecessary expenses to the College; and e) non-maintenance of separate book for Trust Receipts. (*Observation No. 14*)

We recommended and Management agreed to:

- a. instruct the Program Coordinator, Cashier and Accounting Office to coordinate with each other for the immediate issuance of ORs and timely recognition of receipts from CHED in the books of accounts of the College;**
- b. ensure immediate release of TES funds to student-grantees;**
- c. immediately distribute the unreleased TES funds of ₱41,200.00 to the qualified TES student-grantees;**
- d. submit the required supporting documents on the liquidation of TES funds such as the Fund Utilization Reports (FURs), TES billing statements and clear photocopies of school identification cards of TES student-grantees with specimen signature duly certified and verified by the College Accountant/responsible officials;**

- e. **instruct the College Accountant to ensure the completeness and propriety of the supporting documents for the liquidation of the TES funds;**
 - f. **maximize the utilization of the ASC within the prescribed period; and**
 - g. **maintain a separate bank account with the Land Bank of the Philippines (LBP) and a separate book of accounts to properly and timely manage the receipt and distribution of the TES financial assistance funds transferred by CHED.**
11. As in previous years, lapses in the implementation of the Tulong Dunong Program (TDP) were observed such as: a) non-submission of the Memorandum of Agreement (MOA) from CHEDROs, thereby precluding the Audit Team from properly evaluating the compliance of the Regional Campuses with the project reporting and control mechanisms; b) delayed release of funds by 27 to 1,156 days or more than three years, causing deferment of educational support benefits for the underprivileged student-grantees of PhilSCA; and c) inadequate submission of supporting documents for the liquidation of funds, affecting the timely evaluation of the propriety of fund utilization, contrary to the CHED-DBM issuances and COA Circular No. 94-013 dated December 13, 1994. (*Observation No. 15*)

We recommended and Management agreed to:

- a. **submit the MOA with CHEDROs IV-A, III and VI of Fernando Air Base Basa Air Base and Mactan Benito Ebuen Air Base Campuses;**
- b. **ensure the immediate release of TDP financial assistance to student-grantees upon receipt of fund transfers from CHEDROs;**
- c. **furnish the Audit Team copies of issued ORs for the funds transferred by CHEDRO VII;**
- d. **prepare and accomplish the TDP payroll based on the prescribed format and provide the required information by the CHEDROs;**
- e. **instruct the Accountant to send demand letters to the AO responsible for release of financial assistance to MBEAB Campus amounting to ₱97,500.00; and**
- f. **attach supporting documents such as photocopies of identification cards showing the signature of the grantees and photocopies of ORs acknowledging the receipt of funds.**

The foregoing audit observations and recommendations were communicated through Audit Observation Memoranda (AOM) and discussed during the Exit Conference with concerned PhilSCA officials and employees on April 12, 2022. Their comments were incorporated in this Annual Audit Report (AAR), where appropriate.

G. Status of Settlement of Audit Suspensions, Disallowances and Charges

As at December 31, 2021, the PhilSCA has unsettled suspensions and disallowances of ₱5,723,871.11 and ₱30,201,916.26, respectively. Details are discussed in Part II of this Report.

H. Status of Implementation of Prior Years' Audit Recommendations

Of the audit recommendations embodied in the prior years' AARs, 58 were fully implemented, 43 were not implemented, as summarized in the table below. The details of prior years' audit recommendations are discussed in Part III of this Report.

Status of Implementation	Number	Percentage
Fully Implemented	58	57
Not Implemented	43	43
Total	101	100