

PART II - OBSERVATIONS AND RECOMMENDATIONS

FINANCIAL AUDIT

Accounting Errors, Omissions and Improper Accounting Treatment of Transactions

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 financial statements (FSs) of the Philippine State College of Aeronautics (PhilSCA) as of December 31, 2021.**
 - 1.1. The FSs 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.¹
 - 1.2. The accounts of an agency shall be kept 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 the fiscal or control agencies of the government. It further states that the highest standards of honesty, objectivity, and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.²
 - 1.3. The Audit of PhilSCA's FSs disclosed accounting errors, omissions and improper accounting treatment aggregating ₱298,014,498.54, of which ₱218,363,695.84 were adjusted in the books of accounts, leaving a total uncorrected misstatement of ₱79,650,802.70 (See *Annex A*).
 - 1.4. The uncorrected misstatements affecting several accounts are shown below, and discussed in detail in the succeeding paragraphs:

Table 1 – Summary of Uncorrected Misstatements/Errors in the FSs

Nature of Deficiency	Amount	Accounts Affected	Effect Under (Over) Statement
a) Understatement of Receivable account due to:			
a.1 Unrecorded interest income earned from the	8,153.82	Due from Government	8,153.82

¹ Section 15, Chapter 2 of the GAM for NGAs, Volume I

² Section 111 of Presidential Decree (PD) No. 1445

Table 1 – Summary of Uncorrected Misstatements/Errors in the FSs

Nature of Deficiency	Amount	Accounts Affected	Effect Under (Over) Statement
College’s transferred funds to the Philippine International Trading Corporation (PITC) for the fourth quarter of Calendar Year (CY) 2021		Owned and Controlled Corporations (GOCCs) Interest Income	 8,153.82
b) Net understatement of Inventories account due to:			
b.1 Unrecorded issuances of Semi-Expendable Inventories	72,238.10	Semi-Expendable Inventory accounts	(457,243.00)
		Semi-Expendable Machinery and Equipment Expenses	321,625.00
		Semi-Expendable Furniture, Fixtures and Books Expenses	135,618.00
b.2 Unrecorded deliveries of Inventories from Department of Budget and Management-Procurement Service (DBM-PS)		Office Supplies Inventory	529,481.10
		Office Supplies Expenses	529,481.10
c) Net understatement of Property, Plant and Equipment (PPE) account due to:			
c.1 Unrecorded cost of completed building and gymnasium transferred by the Department of Public Works and Highways (DPWH) Regional Office IV-A	75,847,513.41	School Buildings	77,200,000.00
		Other Structures	8,820,000.00
		Accumulated Surplus/(Deficit)	86,020,000.00
c.2 Non-derecognition of transferred PPEs to the Philippine Air Force (PAF)		School Buildings	(16,406,802.00)
		Accumulated Depreciation	(10,241,446.81)
		Accumulated Surplus/(Deficit)	(6,165,355.19)
c.3 Unrecorded impairment loss on unserviceable properties		PPE accounts	(12,736,489.36)
		Impairment Loss-PPE	1,273,648.94
		Accumulated Depreciation	(11,462,840.42)
c.4 Incorrect method of depreciation		PPE accounts	(2,433,744.72)
		Accumulated Depreciation	(2,433,744.72)
c.5 Erroneous adjustment of Other Land Improvement and depreciation			Other Land Improvements

Table 1 – Summary of Uncorrected Misstatements/Errors in the FSs

Nature of Deficiency	Amount	Accounts Affected	Effect Under (Over) Statement
		Accumulated Surplus/(Deficit)	(299,737.74)
d) Overstatement of Financial Liability account due to:			
d.1 Recognition of various obligations as payables despite the absence of proof of actual delivery and rendered service.	3,722,897.37	Accounts Payable	(3,722,897.37)
		Accumulated Surplus/(Deficit)	(3,722,897.37)
Total Uncorrected Misstatements	79,650,802.70		

RECEIVABLE ACCOUNTS

a.1 Unrecorded interest income earned – ₱8,153.82

- 1.5. Interests earned, based on the prevailing interest rate, on interest bearing checking account/s with the Authorized Government Depository Banks (AGDB) at the time of fund transfer, on the funds transferred by the PhilSCA to the PITC shall be for the account of the PhilSCA.³
- 1.6. On December 16, 2021, PhilSCA received the sum of all money transferred to PITC amounting to ₱87,761,106.30 (net of cancellation fee of ₱1,538,893.70) due to cancellation of all outstanding Agency Outsourcing requests. Thus, the Due from GOCCs account of the PhilSCA in the Statement of Financial Position showed a zero balance as at December 31, 2021.
- 1.7. However, confirmation of the book balance with the PITC revealed a net discrepancy of ₱8,153.82. This discrepancy pertains to the unrecorded interest income for the 4th quarter of CY 2021, which could have been avoided had both agencies conducted a regular inter-agency reconciliation of their accounts, as required in COA Circular No. 2016-005 dated December 19, 2016.
- 1.8. The foregoing deficiency understated the Due from GOCC-PITC and the related Interest Income account by ₱8,153.82.
- 1.9. **We recommended and Management, thru the Accounting Office, agreed to:**
 - a. prepare the necessary entries to recognize the accrual of interest income earned; and**

³ Article II.3 of the Memorandum of Agreement (MOA) between PhilSCA and PITC dated August 16, 2017

b. coordinate with PITC on the remittance of the said interest income.

INVENTORIES

b.1 Unrecorded issuances of Semi- Expendable Inventories - ₱457,243.00

- 1.10. Verification of the Semi-Expendable Office Equipment, Semi-Expendable Information and Communications Technology (ICT) Equipment and Semi-Expendable Sports Equipment accounts totaling ₱321,625.00 revealed that these were fully issued to the end-users based on the Requisition Issue Slip (RIS) and Inventory Custodian Slip (ICS) attached to the Journal Entry Vouchers (JEVs), while ₱135,618.00 out of the ₱177,788.00 balance of Semi-Expendable Furniture and Fixtures, had been issued to end-users based on the attached RIS and ICS.

b.2 Unrecorded deliveries of Inventories from DBM-PS - ₱529,481.10

- 1.11. Confirmation of the book balance with the DBM-PS revealed that deliveries in CY 2021 totaling ₱529,481.10 were not recorded in the Inventory account. The non-recognition of these deliveries in the books understated the Inventory accounts and the corresponding expense accounts both by ₱529,481.10.
- 1.12. **We recommended and Management, thru the Accounting and Supply Offices, agreed to effect the necessary adjustments to reflect the accurate balances of the affected Inventory accounts and Accumulated Surplus/(Deficit) accounts.**

PROPERTY, PLANT AND EQUIPMENT

c.1 Unrecorded cost of completed building and gymnasium - ₱86,020,000.00

- 1.13. Except as may otherwise be specifically provided by law or competent authority, all moneys and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds and property. Government property shall be taken up in the books of the agency at acquisition cost or an appraised value.⁴
- 1.14. The Board of Trustees (BOT) in its Resolution No. 32 dated May 3, 2018 approved a Memorandum of Agreement (MOA) between PhilSCA and the PAF, through its Air Education Training and Doctrine Command (AETDC), to continuously occupy and use a portion of a lot in Fernando Air Base (FAB) Campus, Batangas as a site for the relocation of the school buildings and other

⁴ Section 63 of PD No. 1445

facilities of PhilSCA under the concept of usufruct.⁵ The said Resolution also authorized the President to sign the MOA in behalf of PhilSCA BOT.⁶ In line with this, the Local Government of Batangas committed to assist and support the construction or establishment of school buildings, structures, facilities and other improvements to the new FAB Campus relocation site.

- 1.15. The BOT Resolution No. 432 dated April 29, 2021, approved and granted authority to the College President to accept and sign the Certificate of Acceptance and Turn-over of buildings and facilities for the new FAB Campus from DPWH RO IV-A.⁷
- 1.16. The Acting Vice President for Administration and Finance (VPAF) furnished the Audit Team on November 5, 2021 copies of undated Inspection and Acceptance Reports (IAR), Certificate of Acceptance, Certificates of Turn-over duly signed by the College President on the projects turned over by the DPWH RO IV-A, to wit:

Contract ID No.	Project	Amount
18DD0667	Multi-purpose Building (4-storey)	77,200,000.00
19DD0107	School Gymnasium	8,820,000.00
Total		86,020,000.00

- 1.17. Validation disclosed, however, that these properties remained unrecorded in the books as of December 31, 2021, due to non-submission of the aforementioned documents and other pertinent documents to the Property and Accounting Office, thereby, understating the balance of the PPE reported in the FS. The details of transfer were also not disclosed in the Notes to FSs.

c.2 Non-derecognition of transferred PPEs to the PAF - ₱6,165,355.19

- 1.18. Section 15, Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, provides that transfer from one government entity to another shall be recognized by the recipient entity at net carrying value. The transferor shall derecognize the PPE account upon transfer.
- 1.19. The MOA on the relocation of the PhilSCA-FAB Campus, Batangas also stipulated that the school buildings, structures, facilities and other improvements abandoned at the old site as a result of its relocation to the new site shall be transferred, ceded and/or donated absolutely to PAF through AETDC.

⁵ The legal right of using and enjoying the fruits or profits of something belonging to another

⁶ Excerpt from the Minutes of the BOT Second Quarter Regular Meeting FY 2018 held on July 20, 2018

⁷ Secretary's Certificate dated July 1, 2021

- 1.20. Based on the submitted CY 2021 PPE Ledger Card (PPELC), the PPE items listed in Table 2 were incorrectly recorded as School Buildings.

Table 2 – PPE Items Incorrectly Recorded as School Buildings

Particulars	Acquisition Cost	Accumulated Depreciation	Net Carrying Value
Guard House, Gate and Front Perimeter Fence	150,000.00	64,115.80	85,884.20
Other Improvements	171,202.00	162,641.90	8,560.10
Pathway with Concrete benches	100,000.00	95,000.00	5,000.00
Perimeter Fence	300,000.00	285,000.00	15,000.00
Water Tank	100,000.00	95,000.00	5,000.00
Ralph Recto Type School Building	8,000,000.00	3,959,332.75	4,040,667.25
8 Classrooms/ Admin Office/ Library/ SSC Room	500,000.00	450,000.00	50,000.00
Classroom/Admin Office/ Library/ Faculty	800,000.00	740,400.00	59,600.00
Stag	575,600.00	546,820.00	28,780.00
Covered Basketball Court	4,900,000.00	3,073,636.36	1,826,363.64
Flagpole with Concrete benches	10,000.00	9,500.00	500.00
Quadrangle with Volleyball Court	800,000.00	760,000.00	40,000.00
Total	16,406,802.00	10,241,446.81	6,165,355.19

- 1.21. Validation disclosed that the school buildings and other structures located at the old site of FAB Campus are still recorded in the books although these were no longer reported in the CY 2020 Report on the Physical Count of PPE (RPCPPE). According to the College Accountant, their Office was not furnished with copies of the MOA and other supporting documents and the CY 2020 RPCPPE was also belatedly submitted, hence they were not able to record the transfer on time.

c.3 Unrecorded Impairment Loss on unserviceable properties - ₱1,273,648.94

- 1.22. The Inventory and Inspection Report on Unserviceable Properties (IIRUP)⁸ is a report prepared by the Supply and/or Property Unit as basis to record the dropping from the books of the unserviceable properties carried in the PPE accounts. The report shall be submitted to the Accounting Division/Unit after the disposal is completed, who in turn shall record the disposal by debiting Impairment Loss-PPE and crediting the net carrying value of the PPE (cost of PPE less Accumulated Depreciation and Accumulated Impairment Losses).⁹
- 1.23. On September 16, 2020, the Audit Team, together with the Inspection/Disposal Committee and the College Accountant had inspected the unserviceable PPEs including the buildings and other structures at the old site of FAB Campus which are to be transferred to PAF.

⁸ Format provided in Appendix 74, GAM for NGAs, Volume II

⁹ Section 40 (d), Chapter 10 of GAM for NGAs, Volume I

- 1.24. On March 3, 2021, the Inspection/Disposal Committee submitted to the Audit Team the final IIRUP dated September 16, 2020, as summarized in Table 3.

Table 3 - IIRUP dated September 16, 2020

PPEs reported in the IIRUP (FAB Campus)	Total Cost	Accumulated Depreciation	Accumulated Impairment Losses
School Buildings	9,300,000.00	8,370,000.00	930,000.00
Other Structures	650,000.00	585,000.00	65,000.00
Subtotal	9,950,000.00	8,955,000.00	995,000.00
Office Equipment	482,591.96	434,332.76	48,259.20
ICT Equipment	1,649,596.40	1,484,636.76	164,959.64
Technical and Scientific Equipment	45,630.00	41,067.00	4,563.00
Motor Vehicles	478,071.00	430,263.90	47,807.10
Other Equipment ¹⁰	15,100.00	13,590.00	1,510.00
Other PPE	115,500.00	103,950.00	11,550.00
Subtotal	2,786,489.36	2,507,840.42	278,648.94
Total	12,736,489.36	11,462,840.42	1,273,648.94

- 1.25. In our perusal of the IIRUP, it was observed that the report was not completely accomplished, particularly the mode of disposal whether thru sale, transfer or destruction. The appraised value and record of sales, if applicable, were left blank, and the fund cluster (FC) code was not identified. The IIRUP was supported with a Deed of Donation, which was neither signed by the PhilSCA College President (Donor) and the AETDC, PAF representative (Donee), nor notarized.
- 1.26. The IIRUP was also not submitted to the Accounting Office resulting in non-recognition of impairment losses for the unserviceable properties. Also, pertinent details in the IIRUP such as the total cost, accumulated depreciation and accumulated impairment losses cannot be ascertained due to non-reconciliation with the records of the Accounting Office.
- 1.27. Moreover, six semi-expendable items totaling ₱13,310.00 were also found in the old site and included in the IIRUP. These should also be disposed by accomplishing the Waste Material Report (WMR).¹¹

c.4 Incorrect method of depreciation - ₱2,433,744.72

- 1.28. PPE gradually loses its ability to provide service over the course of time. Because of this, its cost needs to be distributed on a systematic basis over its useful life. The allocated cost is referred to as depreciation.¹²

¹⁰ The account name in the IIRUP was Other Equipment and Machinery, however, the Audit Team adopted the modified account name in the Revised Chart of Accounts (Updated 2019) - Other Equipment.

¹¹ Format is prescribed in Appendix 65, GAM for NGAs, Volume II

¹² Section 27, Chapter 10, GAM for NGAs, Volume I

- 1.29. The straight-line method of depreciation shall be adopted unless another method is more appropriate for entity operation.¹³ Whatever method is chosen by an agency shall be applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.
- 1.30. Examination of the CY 2021 PPELC disclosed that the Accounting Office had not been using the straight-line method in computing the depreciation for all its PPE, but had used the diminishing value method in several instances, thereby, misstating various PPE accounts and resulted in net overstatement of ₱2,433,744.72 computed as follows:

Table 4 - Misstatement Due to Erroneous Computation of Depreciation (In Php)

PPE Accounts	Carrying Amount		(Over)/Under Statement
	Per Audit	Per PPELC	
School Buildings	19,222,492.60	19,672,807.23	(450,314.63)
Other Structures	10,282,865.48	10,277,608.18	5,257.30
Other Land Improvement	249,572.16	249,570.32	1.84
Office Equipment	3,680,324.52	4,156,975.46	(476,650.94)
ICT Equipment	6,302,353.35	7,157,168.06	(854,814.71)
Communication Equipment	5,378,135.78	6,289,620.03	(911,484.25)
Medical Equipment	104,434.75	73,538.13	30,896.62
Sports Equipment	255,011.01	254,879.67	131.34
Technical and Scientific Equipment	61,169.67	24,070.63	37,099.04
Motor Vehicles	1,175,707.57	1,195,451.02	(19,743.45)
Other Equipment	442,314.24	452,954.62	(10,640.38)
Aircraft and Aircraft Ground Equipment	6,118,347.17	5,884,177.19	234,169.98
Furnitures and Fixtures	101,078.40	118,156.32	(17,077.92)
Other PPE	49,476.00	50,050.56	(574.56)
Total	53,423,282.70	55,857,027.42	(2,433,744.72)

c.5 Erroneous adjustment of Other Land Improvements and depreciation amounting to ₱299,737.74 (net)

- 1.31. In CY 2018, the Audit Team raised an observation pertaining to four properties amounting to ₱306,202.00 under FC 05 misclassified in School Buildings account instead of Other Land Improvements, broken down as follows:

Table 5- Other Land Improvements Recorded as School Buildings

Description	Amount
Mini Grotto	50,000.00
Manually Operated Galvalume Shutter	75,000.00
Perimeter Fence	171,202.00
Flagpole	10,000.00
Total	306,202.00

¹³ Section 27 (e), Chapter 10, GAM for NGAs, Volume I

- 1.32. Subsequently, the Accounting Office prepared the adjusting entries under JEV numbers GJ MOOE 21-02-007 and GJ MOOE 21-02-008 but recorded these entries in FC 01 instead of FC 05. The depreciation of these PPEs was also recorded in FC 01 under JEV Number GJ MOOE 21-12-052, thereby, overstating the accounts in FC 01, as shown in Table 6.

Table 6- Overstatement of Other Land Improvements

Observation/ Findings	Accounts	(Over)/Under
a) Erroneous adjusting journal entry recorded under FC 01 for misclassified School Buildings account under FC 05	Other Land Improvements	(306,202.00)
	Accumulated Surplus/(Deficit)	(306,202.00)
b) Erroneous recognition of depreciation expense under FC 01 instead of FC 05	Depreciation - Buildings and Other Structures	(6,464.26)
	Accumulated Depreciation - Buildings and Other Structures	(6,464.26)

- 1.33. It was further observed that the Flagpole presented in Table 5 was also recorded as part of School Building although the costs is less than the capitalization threshold of ₱15,000.00, thus should have been reclassified as Semi-Expendable-Furniture and Fixtures.

- 1.34. **We recommended and Management agreed to:**

I. instruct the Accounting Office to:

- a. recognize in the books the cost of completed building and other structures already transferred by DPWH RO IV-A and provide depreciation thereon;
- b. derecognize in the books the amount of the transferred properties located at the old site of 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;
- 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 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 WMR to report the disposal of the semi-expendable properties totaling ₱13,310.00.**

- 1.35. The Accounting Office commented that they had requested copies of the documents from VPAF Office on April 6, 2022, which will be the basis for recognition of PPE, dropping of transferred/donated property in the old site of FAB Campus and recording of impairment loss on unserviceable PPEs in the books of accounts. They will also coordinate with the Property/Supply Office on the necessary detail to support the reconciliation and adjustments of other noted discrepancies.

LIABILITIES

d.1 Unreverted Accounts Payable - ₱3,722,897.37

- 1.36. Section 2 (a), Chapter 6, of the GAM for NGAs, Volume I, defines Accounts Payable (A/P) as valid and legal obligations of NGAs, for which, goods/services/projects have been delivered/rendered/completed and accepted, regardless of the year when these obligations were incurred.
- 1.37. Based on the validation conducted by the Audit Team for CY 2021 A/P transactions, a total of ₱73,313,443.18 represents claims recognized as payables even without supporting documents on the delivery of goods/services.
- 1.38. It is noteworthy to mention that upon receipt of the audit observation on improper recognition of various A/P, the Accounting Office had prepared the necessary adjustments, except for the payables shown in Table 7 which represents previous years' recognized payables despite the absence of proof of delivery.

Table 7- Accounts Payable Which Were Not Reverted

Age of A/P	Particulars/Supplier	Amount
Over 1 year	Purchase of various ink and toner /	9,937.50
Over 1 year	Purchase of various electrical supplies and materials	11,320.27

Age of A/P	Particulars/Supplier	Amount
	needed for the electrical maintenance of PhilSCA-VAB/	
90 days and below	Payable for contract of Ground/Flight training provider/	3,701,639.60
Total		3,722,897.37

- 1.39. It was also observed that the age of these payables as presented in the Aging Schedule of A/P as of December 31, 2021 did not change despite the passage of one year from December 31, 2020. The details can no longer be determined, sans the necessary Subsidiary Ledger (SL) for each account.
- 1.40. Interview with the Accountant revealed that it is the College's recurrent practice to recognize A/Ps at yearend based on Budget Utilization Request and Status (BURS)¹⁴ supported by Purchase Order (PO)/Work Order which were prepared by the Requesting/Originating Office and certified by the Budget Head as to the availability of budget for its utilization.
- 1.41. However, both Offices were not able to validate if the goods and services were actually delivered/rendered by the supplier during the year. Whereas, actual deliveries will determine if the outstanding obligations at year-end is due or demandable (which are recorded as A/P in the books) and not yet due and demandable (reported only as outstanding obligation) in FAR No. 3 or the Aging of Obligations.
- 1.42. Failure to provide detailed information and the incomplete submission of supporting documents for obligations certified as A/P casted doubt on the agency's valid commitments/obligations, thus, affecting the accuracy and reliability of the A/P as at December 31, 2021 in the total amount of ₱3,722,897.37.
- 1.43. In view of the foregoing condition, the Agency is not fully compliant with Section 37, Chapter 2 of GAM, Volume I, particularly on the requirement that no obligation shall be certified to A/P unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence.
- 1.44. **We recommended and Management agreed to:**
- a. **verify and analyze the remaining outstanding A/P 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**

¹⁴ Section 19, Chapter 3 of GAM for NGAs, Volume I

- b. direct the Head of the Accounting and Budget Office to ensure that payables recognized as due and demandable on 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

Deficiencies affecting the reliability of FSs

- 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 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 PD No. 1445 and GAM for NGAs, Volume I.**
 - 2.1. The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.¹⁵
 - 2.2. In preparing the FSs, Management is making implicit/explicit claims (i.e., assertions) regarding the recognition, measurement and presentation of assets, liabilities, equity, income, expenses and disclosures in accordance with the applicable financial reporting framework, or the IPSAS. Among the Management's assertions are completeness and accuracy. The completeness assertion addresses whether all transactions that were supposed to be recorded have been recognized in the FS, while the accuracy assertion addresses whether full amounts of all transactions were recorded, without error.
 - 2.3. The following deficiencies in recording and reporting financial transactions have been observed upon tie-in analysis of the PhilSCA's CY 2021 FSs, GL, Journals together with JEVs and supporting documents which affected the reliability, accuracy, and completeness of the reported account balances of the FSs:
 - a) Unreconciled balances in the FSs and source Journals*
 - 2.4. The GL summarizes all transactions recorded in the GJ and special journal (e.g., Cash Receipts Journal (CRJ), Cash Disbursements Journal (CDJ), Check Disbursements Journal (CkDJ), etc.) maintained in the Accounting Division/Unit. Postings to this ledger shall come directly from the General and Special Journals.¹⁶

¹⁵ Section 111, Chapter 2 of PD No. 1445

¹⁶ Appendix 5 of the GAM for NGAs, Volume II

2.5. Whereas JEVs shall be used to record all transactions of the NGAs, whether cash receipts, cash disbursements or non-cash transactions. Accounting journal entries shall be reflected therein and it shall serve as the basis for recording in the books of accounts.

2.6. Review of balances reported in the FSs, Trial Balances (TBs), GL, Journals and JEVs posted in CY 2021 revealed the following discrepancies:

Table 8 - JEVs Not Posted in the GL

Accounts	Balance per FS/TB/GL	Balance per Journals/JEVs	Difference
FC 01			
Cash - Treasury/Agency Deposit, Regular	0.00	(6,123.12)	6,123.12
Cash - Modified Disbursement System (MDS), Regular	0.00	2,400.00	(2,400.00)
Cash - Tax Remittance Advice	0.00	770,708.89	(770,708.89)
Advances to Special Disbursing Officers (SDO)	211,000.00	217,123.12	(6,123.12)
Due to BIR	950,979.77	1,721,688.66	(770,708.89)
Training Expenses	698,908.75	668,473.00	30,435.75
Office Supplies Expenses	203,046.58	234,272.33	(31,225.75)
Fuel, Oil and Lubricants Expenses	648,620.25	572,970.25	75,650.00
Other Supplies and Materials Expenses	1,065,129.39	1,064,339.39	790.00
Telephone Expenses	240,133.00	313,383.00	(73,250.00)
Subtotal	4,017,817.74	5,559,235.52	(1,541,417.78)
FC 05			
Cash in Bank - Local Currency, Current Account	538,117,110.53	538,247,985.89	(130,875.36)
Other Structures	19,579,796.51	19,496,296.51	83,500.00
Accumulated Depreciation - Other Structures	389,296.57	388,276.18	1,020.39
Accumulated Depreciation – ICT Equipment	26,549,822.12	26,572,690.14	(22,868.02)
Accumulated Depreciation - Other Equipment	1,172,994.27	1,204,268.52	(31,274.25)
Aircrafts and Aircrafts Ground Equipment	20,942,479.33	21,025,979.33	(83,500.00)
Construction in Progress	-	(63,371.36)	63,371.36
Advances to SDO	2,629,341.00	2,614,217.88	15,123.12
Advances to Officers and Employees	56,527.28	62,527.28	(6,000.00)
Advances to Contractors	5,278,981.25	5,294,168.75	(15,187.50)
Prepaid Subscription	1,955,766.67	1,806,366.67	149,400.00
Accounts Payable	12,667,567.26	12,833,495.13	(165,927.87)
Due to BIR	1,412,971.47	1,136,612.62	276,358.85
Other Payables	3,406,583.22	3,739,105.76	(332,522.54)
Miscellaneous Income	257,077.18	88,018,183.48	(87,761,106.30)
Honoraria	11,708,736.94	11,754,230.34	(45,493.40)
Training Expenses	63,006,894.48	62,988,396.98	18,497.50
Other Supplies and Materials Expenses	1,235,788.99	1,248,100.49	(12,311.50)
Electricity Expenses	448,170.96	448,360.96	(190.00)
Postage and Courier Expenses	4,088.50	3,898.50	190.00
Internet Expenses	291,542.67	270,742.67	20,800.00
Other Professional Services	38,603,079.50	38,543,972.69	59,106.81

Table 8 - JEVs Not Posted in the GL

Accounts	Balance per FS/TB/GL	Balance per Journals/JEVs	Difference
Other General Services	13,456,328.12	13,519,141.57	(62,813.45)
Advertising Expenses	140,000.00	133,187.96	6,812.04
Representation Expenses	994,802.25	995,192.25	(390.00)
Subscription Expenses	230,234.73	386,446.77	(156,212.04)
Repairs and Maintenance - Machinery and Equipment	579,357.57	586,653.57	(7,296.00)
Other Maintenance and Operating Expenses	123,141.00	235,641.00	(112,500.00)
Depreciation - Buildings and Other Structures	277,107.87	276,087.48	1,020.39
Depreciation - ICT Equipment	876,268.99	899,137.01	(22,868.02)
Depreciation - Other Equipment	54,181.82	85,456.07	(31,274.25)
Subtotal	766,446,039.05	854,751,449.10	(88,305,410.06)
Grand Total	770,463,856.79	860,310,684.61	(89,846,827.82)

- 2.7. The difference in Cash - Treasury/Agency Deposit, Regular and Advances to SDO accounts amounting to ₱6,123.12 under FC 01 pertain to JEV No. CRJ 21-10-046 dated October 31, 2021 recorded under FC 05 which was subsequently accounted to the GL of FC 01.
- 2.8. The difference in Cash -Tax Remittance Advice and Due to BIR accounts under FC 01 amounting to ₱770,708.89 pertains to the remittance of taxes thru Tax Remittance Advice (TRA) posted in the GL but was not supported by JEV.
- 2.9. The differences in Cash - MDS, Regular and Telephone Expenses accounts amounting to ₱2,400.00, and ₱73,250.00, respectively, under FC 01 pertain to JEV Nos. 2021-05-111 and 2021-12-328 dated May 21, 2021, and December 29, 2021, respectively, which were not posted in the GL. Consequently, the offsetting balance of the total discrepancies of these accounts amounting to ₱75,650.00 were traced to Fuel, Oil and Lubricants Expenses. However, the reclassification was not supported by a JEV.
- 2.10. The same have been observed on the differences in Training Expenses, Office Supplies Expenses and Other Supplies and Materials Expenses accounts wherein the amounts were reclassified from/to each account without drawing the JEVs to record the adjustments.
- 2.11. The Audit Team had also identified the sources of discrepancies between the balances reported in the FSs, TBs, GL, Journals and JEVs of some accounts under FC 05 and the summary thereof is attached as Annex B of this Report. However, there are still accounts which cannot be accounted for and need to be reconciled by the Accounting Unit.

- 2.12. Interview with the Accountant revealed that it is their recurrent practice to directly effect the adjustments of transactions in the GJ and special journals without drawing a JEV, thus resulted in the above-noted discrepancies which affected the completeness and accuracy of the balances of the accounts presented in the FSs.
- 2.13. **We recommended and Management, thru the Accounting Unit, agreed to:**
- a. reconcile the account balances with noted discrepancies and prepare adjusting entries, as necessary;**
 - b. ensure that all adjustments in the GJ and special journals are supported with a 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.**
- b) Non-maintenance of SLs to support the accounts balance*
- 2.14. This is a reiteration of observations in paragraphs 4.a of the CY 2020 AAR on the maintenance of SL for each bank account, paragraph 2 of the CY 2019 AAR for the Due to BIR and other accounts related to withholding and remittance of taxes and paragraph 3 of the CY 2019 AAR for the maintenance of SL per accountable officer (AO).
- 2.15. The accounts of an agency shall be kept in such detail as is 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 subsidiary records shall be kept where necessary.¹⁷
- 2.16. A subsidiary ledger provides the details that make up the balance of specific GL accounts. Because GL accounts only provide an ending balance for each account, an SL is used to provide the details that result in that GL balance.
- 2.17. Appendix 6 of the GAM for NGAs, Volume II, provides the format of the SL as well as the instructions in accomplishing the same, to wit: a) SL should show details for each control account in the GL which is maintained per account and fund cluster by the Accounting Division and b) the totals of the SL balances shall be reconciled with the corresponding GL controlling account.
- 2.18. Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment

¹⁷ Supra note 2

of their salaries until they have complied with the requirements of the Commission.¹⁸

- 2.19. Review of the accounts of the PhilSCA disclosed that the Accounting Unit does not maintain the necessary SLs for all accounts, rendering it difficult to verify details of prior years' transactions, considering that 96 percent of the balances of accounts came from the beginning balance of CY 2021 in the amount of ₱2,266,775,616.74, as summarized in Table 9.

Table 9 - Summary of FSs Accounts Balances

Account	Beginning Balance, 1/1/2021	Transactions (CY 2021)	Ending Balance, 12/31/2021
Assets	1,133,387,808.37	41,165,165.34	1,174,552,973.71
Liabilities	114,721,074.21	(42,161,274.94)	72,559,799.27
Net Assets/Equity	1,018,666,734.16	83,326,440.28	1,101,993,174.44
Total	2,266,775,616.74	82,330,330.68	2,349,105,947.42
Percentage	96	4	100

- 2.20. Inquiry with the Accountant disclosed that the Accounting Division, for the past several years had not maintained the SLs which resulted in the accumulation of unaccounted balances. However, we have noted that even the transactions in current and immediately preceding years which had been processed by the incumbent personnel of the Accounting Division are also not provided with SLs.
- 2.21. Only the following accounts were provided with Aging Schedule, wherein the Accounts Receivable, Operating Lease Receivable and Due to Officers and Employees do not tally with their respective controlling accounts:

Table 10 - FSs Accounts Provided with Aging Schedule

Accounts	Balance		Difference
	GL	Aging Schedule	
Petty Cash	455,000.00	455,000.00	-
Accounts Receivable	27,647,833.82	26,659,018.82	(988,815.00)
Operating Lease Receivable	175,632.50	95,710.00	(79,922.50)
Due from NGAs	138,582,024.39	138,582,024.39	-
Advances to SDO	2,840,341.00	2,840,341.00	-
Advances to Officers and Employees	56,527.28	56,527.28	-
Advances to Contractors	7,510,793.75	7,510,793.75	-
Accounts Payable	75,804,137.66	75,804,137.66	-
Due to Officers and Employees	1,729,309.67	21,222.00	(1,708,087.67)
Due to NGAs	47,005,300.00	47,005,300.00	-
Total	299,030,074.90	301,806,900.07	(2,776,825.17)

¹⁸ Paragraph No. 2 of Section 122 of PD No. 1445

2.22. Unlike the SL, Aging Schedule does not provide complete details of transactions for each GL account. The continuous non-compliance by the Accounting Unit with the required reconciliation and maintenance of SLs to support the GL control accounts prevented the stakeholders to monitor the transactions and attendant adjustments and the conduct of the necessary verification of the College's accounts balances casting doubts on the correctness and reliability of the account balances presented in the FSs.

c) Non-adherence to fund cluster accounting system in recording collections and maintenance of Journals

2.23. Section 6 (g), Chapter 2 of the GAM for NGAs, Volume I, provides the basic government accounting and budget reporting principles, one of which is the fund cluster accounting. Fund Cluster is an aggregation of Funding Sources for the purpose of recording transactions and preparing report in the Budget, Treasury and Accounting processes. The aggregation of Funding Source codes into FC is necessary, otherwise, each Funding Source code will have its own separate books of accounts.

2.24. The College is maintaining two books of accounts by fund cluster, namely: (a) FC 01- Regular Agency Fund (RAF) for the funds sourced from the General Appropriations Act (GAA) and (b) FC 05-Internally Generated Funds (IGF).

2.25. The GL transactions of Cash - Treasury/Agency Deposit, Regular account in the months of July and October 2021, showed collected refunds of unutilized cash advances to SDOs amounting to ₱8,809.19 and ₱6,123.12, respectively, while the ₱87,761,106.30 pertains to return of fund transfer to the PITC per AR Nos. 2699 and 2698 dated December 29, 2017, AR No 2692 dated December 28, 2017 and CR Nos. 0129, 0130 and 0132 dated September 26, 2018 due to cancelled procurement of aircrafts and construction of Administrative and Classroom Building at Cuenca, Batangas and Medelin Campus, Cebu. These were deposited to the Bureau of the Treasury (BTr) and recorded as a debit to Cash - Treasury/Agency Deposit, Regular account.

2.26. Further verification revealed that although the originating transactions of the abovementioned refunds were from FC 01–RAF, the collections and deposits were accounted and recorded under FC 05–IGF. This occurred due to absence of separate Officials Receipts (ORs) series allocated for the RAF. The Collecting Officer prepares only one set of Report of Collection and Deposits (RCD) for the two fund clusters which is the basis of the Accounting Division in the preparation of JEV and CRJ under IGF.

2.27. However, despite the manner of recording, the Cash - Treasury/Agency Deposit, Regular account is still reported to the GL of RAF at the end of each month. These inconsistencies in the accounting and reporting procedures also showed non-adherence to separate fund cluster accounting system prescribed

in Section 6 of GAM for NGAs, thereby, casting doubts on the fair presentation of the affected accounts in the FSs.

2.28. We recommended and Management agreed to:

- a. evaluate the performance of the Accounting Unit and determine the cause of these procedural deficiencies;**
- b. 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 COA;**
- c. 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;**
- d. thru the Accounting Unit, 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;**
- e. thru the Accounting Unit, adhere to separate fund cluster accounting system and ensure all transactions are accounted for within the same fund clusters; and**
- f. thru the Cash Unit, maintain separate OR series, RCD and CRJ for the RAF.**

Management's Comments

- 2.29. Management commented that the Accounting Office is closely coordinating with other offices and previous accountable officers on the possible locations of existing records and documents. The Accounting Office and Supply Office had requested for additional Support Staff to assist in the reconciliation of accounts.
- 2.30. On April 6, 2022, PhilSCA received a message from COA-Government Accountancy Sector (GAS) confirming the former's compliance with the minimum requirements for eNGAS installation. However, they were also informed that the GAS's training schedule is fully booked for CY 2022, hence the training for PhilSCA is slotted on the 1st quarter of 2023.

- 2.31. The Accounting Office also coordinated and agreed with the Cash Unit on the immediate compliance regarding the maintenance of separate RCD and dedicated OR for FC 01 starting March 2022 and onwards.

Deficiencies affecting the reliability of Inventory accounts balances

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.**

a) Purchases of inventories recorded as outright expense

- 3.1. Perpetual Inventory System¹⁹ requires that regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of Petty Cash Fund (PCF) for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.
- 3.2. Analysis of Inventory and Expense accounts covering CY 2021 transactions disclosed that various purchases of supplies and materials through small value procurement (SVP) and from the DBM-PS totaling ₱3,019,814.50 were directly charged to Expense accounts, instead of initially recording it under the appropriate Inventory accounts in conformity with the Perpetual Inventory System.
- 3.3. The practice of recognizing the procurement of supplies and materials as outright expense weakens the monitoring controls, thus may expose the College to possible misuse of these items, since the inventory recognition and related issuances were not properly accounted or recorded, and likewise affects the fair presentation of the affected accounts in the FSs.

b) Undocumented adjustments on Office Supplies Inventory and Accountable Forms, Plates and Stickers Inventory accounts

- 3.4. Comparison of the CYs 2021 and 2020 balances of the Office Supplies Inventory account revealed a significant increase of ₱620,568.49 or 140 percent. Examination of the transactions disclosed that the Accounting Office prepared JEV Nos. GJ Local 21-12-127 and GJ Local 21-12-133 to record adjustments to office supplies inventory in the amount of ₱711,323.01 (credit) and ₱1,331,891.50 (debit), respectively. However, the adjustments were not supported with any relevant document, thus the nature of the adjustment cannot be determined.

¹⁹ Section 9, Chapter 8 of the GAM for NGAs, Volume I

- 3.5. Likewise, adjustments to the Accountable Forms, Plates and Stickers Inventory account amounting to ₱1,803.50 under JEV Nos. GJ Local 2021-12-128 and GJ Local 2021-12-129 in the amount of ₱8,141.00 (credit) and ₱9,944.50 (debit) were also unsubstantiated.
- 3.6. It has been a recurring practice of the Accounting Office to record year-end adjustments of the inventory accounts despite the non-reconciliation of records with the Supply Office and lack of relevant supporting documents. This practice does not promote effective control and monitoring as prescribed under the Inventory Accounting System, thus the unreliability of the reported balance.

c) Non-moving balances of Inventory accounts

- 3.7. Some Inventory accounts were also observed to be non-moving in current and previous years' Statement of Financial Position. However, the existence and accuracy of balances could not be ascertained in the absence of Supply Ledger Card (SLC) and Stock Card (SC), and Report on the Physical Count of Inventories (RPCI). Details are as follows:

Accounts	Amount	Unmoving since
Medical, Dental and Laboratory Supplies Inventory	132,800.00	2020
Textbooks and Instructional Materials Inventory	481,595.00	2019
Other Supplies and Materials Inventory	129,250.00	2020
Total	743,645.00	

- 3.8. The College was reminded for the immediate validation of the existence of all these inventories, particularly the Medical, Dental and Laboratory Supplies which may have expiration dates; hence, valuation may be affected.
- 3.9. The observations on purchases of inventories recorded as outright expense and undocumented adjustments are reiterations of observations in paragraph 2, items e and i, respectively, of the CY 2019 AAR.
- 3.10. **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.

Deficiencies affecting the reliability of PPE accounts balances

- 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 PPELC were noted which affected the reliability of the reported account balances of the FSs.**

a) Non-provision of depreciation on various PPEs donated by Megaworld

- 4.1. Perusal of the Notes to FSs disclosed that PhilSCA received various properties from Megaworld, namely: 150 Cessna aircraft, audio visual and speech laboratory equipment, chemistry and physics laboratory facilities, standby generator, noise barrier, motor vehicle and other equipment, as presented in Table 11.

Table 11 - PPEs Donated by Megaworld

PPE	Date	Acquisition Cost
Other Structures (Noise Barrier, Additional Works, Other Improvements)	Not provided	6,977,372.74
Motor Vehicles	-do-	4,700,000.00
Aircraft and Aircrafts Ground Equipment	-do-	1,400,000.00
ICT Equipment	-do-	3,308,400.00
Technical and Scientific Equipment	-do-	4,764,421.00
Furniture and Fixtures	-do-	6,693,366.88
Other Equipment	August 1, 2013	2,292,925.00
Total		30,136,485.62

- 4.2. However, it was discovered upon examination of CY 2021 PPELC that the College did not record the depreciation on the aforementioned donated properties, in the absence of pertinent details such as date, description, reference documents and quantity of the donated PPEs.
- 4.3. Further, based on the copy of List of Deliverables from Megaworld and Inventory of Equipment received in CY 2011 provided by the Property Office, the total cost of PPE items delivered by Megaworld was ₱36,743,207.24, presented as follows:

Table 12 - List of Deliverables from Megaworld

Particulars	Amount
1. Inventory and semi-expendables such as chairs, tables and ceiling fans	7,635,894.88
2. PPE items such as aircraft, engine, facilities and other improvement	36,743,207.24
Subtotal	44,379,102.12
3. Reported in List of Deliverables but not included in Inventory of Equipment	2,562,516.96
Total	46,941,619.08

- 4.4. The previous Property Officer confirmed that the above-listed properties were received and inspected by him and the recipient General Services Division (GSD) Office. He also stated that the reported amount was based on the List of Deliverables submitted by Megaworld. However, no IARs was prepared on the day it was received. The report also lacks detail such as serial number, property number and current Property Custodian and/or responsible office, hence full reconciliation of balances cannot be performed and the difference between the PPELC and List of Deliverables amounting to ₱6,606,721.62 (difference of the total properties presented in Table 11 and item 2 in Table 12) cannot be accounted for.
- 4.5. Likewise, various properties totaling ₱2,562,516.96 included in the List of Deliverables were not included in the Inventory of Equipment, however, these were noted “for delivery Sept.21, 2011, for delivery Oct.2011 and installed” in the List of Deliverables. According to the Property Officer, they will still confirm if the College actually received such items.

b) Unresolved variance between FS/GL and PPELC

- 4.6. Further, the reported amount in the PPELC did not tally with the balances per FS and Notes to FS, thus affected the reliability of the accounts, as shown below:

<u>Particulars</u>	<u>Amount</u>
Per CY 2021 FS/GL	₱ 510,828,935.62
Per PPELC	<u>501,860,299.33</u>
Difference	<u>₱ 8,968,636.29</u>

- 4.7. **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 the 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

Underutilization of Special Trust Fund (STF)

- 5. For CY 2021, the College had unutilized budget of ₱314,693,449.53 for the Special Trust Fund (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 operation as well as forgone 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 Republic Act (RA) No. 9184 or the Government Procurement Reform Act and other related procurement rules and regulations.**
 - 5.1. 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.²⁰**
 - 5.2. Commission on Higher Education (CHED) Memorandum Order (CMO) No. 20, series of 2011, dated August 4, 2011, prescribes the policies and guidelines on the use of income, STF, and Programs of Receipts and Expenditures (PRE) of the SUCs. Pertinent provisions are emphasized as shown on next page:**

²⁰ Section 4(d), RA No. 8292 or the Higher Education Modernization Act of 1997

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 24, Article IV – Implementation of the Budget – Budget authorized by the BOR/T shall be implemented within the CY for which it was formulated.

Section 36, Article VII- Formulation of Internal Procedures and Process Flow - It shall be the responsibility of the SUC to formulate internal procedures and process flows to implement the provisions in this guidelines, and the same shall be modified periodically in compliance with rules and regulations that may be passed by other concerned NGAs 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.

- 5.3. All Procuring Entities (PEs) shall be governed by the principle on transparency and system of accountability in the procurement process and in the implementation of procurement contracts where those parties, directly or indirectly involved in the process, are, when warranted by circumstances, investigated, and held liable for their actions relative thereto.²¹
- 5.4. All procurement should be within the approved budget of the PE and should be **meticulously and judiciously planned** by the PE concerned. No government procurement should be undertaken unless it is in accordance with an approved Annual Procurement Plan (APP).²² (Underscoring and emphasis supplied)
- 5.5. Further, for control and monitoring purposes, the Bids and Awards Committee (BAC) shall prepare a Procurement Monitoring Report (PMR) which shall cover all procurement activities specified in the APP, whether ongoing and completed, from the holding of the Pre-procurement Conference to the issuance of Notice of Award (NOA) and the approval of the contract, including the standard and actual time for each major procurement activity. The PMR shall be approved and submitted by the Head of the Procuring Entity (HoPE) to the Government Procurement Policy Board (GPPB) in printed and electronic format within 14 calendar days after the end of each semester. The PMR shall likewise be posted in the Agency website in accordance with EO No. 662, s. 2007, as amended.²³

²¹ Section 3 of RA No. 9184 and its Implementing Rules and Regulations (IRR)

²² Section 7.1 of RA No. 9184

²³ Section 12.2 of the 2016 Revised IRR of RA No. 9184

- 5.6. We conducted a three-year analysis of PhilSCA's STF budget utilization, which showed a steady increase in the unutilized amount, wherein the percentage of unutilized budget in 2021 had further increased to 70 percent from 39 percent in CY 2020, to wit:

Table 13 - Three-year Analysis of PhilSCA's STF Budget Utilization

Year	Adjusted Budgeted Revenue	Utilization	Unutilized Budget	Percentage	
				Utilized	Unutilized
2021	450,453,081.19	135,759,631.66	314,693,449.53	30	70
2020	342,001,890.11	209,159,132.34	132,842,757.77	61	39
2019	179,755,231.63	115,158,326.97	64,596,904.66	64	36

- 5.7. Review of PhilSCA's Financial Accountability Report (FAR) No. 2 - Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB) and FAR No. 2-A - Statement of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures (SABUDBOE) showed that of the total Adjusted Budgeted Revenue (ABR) of ₱450,453,081.19 for CY 2021, the amount of ₱135,759,631.66 or 30 percent was utilized, leaving an unutilized balance of ₱314,693,449.53, as summarized below:

Table 14 - STF Budget Utilization Per Allotment Class

Allotment Class	ABR	Utilizations	Unutilized Budget	Percentage	
				Utilized	Unutilized
PS	19,074,500.00	12,442,972.95	6,631,527.05	65	35
MOOE	202,548,906.20	73,899,830.40	128,649,075.80	36	64
CO	228,829,674.99	49,416,828.31	179,412,846.68	22	78
Total	450,453,081.19	135,759,631.66	314,693,449.53	30	70

- 5.8. We also noted significant unobligated allotments for MOOE and CO in the College's STF amounting to ₱128,649,075.80 and ₱179,412,846.68, comprising 41 and 57 percent of the total unutilized budget of ₱314,693,449.53, respectively.
- 5.9. Review of the reports submitted by the Budget and Procurement Office on the actual performance or work accomplishment in relation to the Program of Expenditure of the College vis-à-vis the financial resources determined the cause of underutilization, as follows:

a) Unutilized MOOE Budget of ₱128,649,075.80

- 5.10. Table 15 shows the funds for MOOE allocated by the College as well as the utilization of the expenditures. As can be gleaned from the Table, programs for Training and Scholarship Expenses; Survey, Research, Exploration and Development Expenses; Other Maintenance and Operating Expenses; Supplies and Materials Expenses; Traveling Expenses; Communication Expenses; Repairs and Maintenance; and Awards/Rewards and Prizes had substantial unutilized budgets of more than 50 up to 100 percent.

Table 15 – Unutilized MOOE Budget

Object of Expenditure	ABR	Utilizations		Unutilized Budget	
		Amount	%	Amount	%
Training and Scholarship Expenses	38,788,500.00	1,528,580.68	3.94	37,259,919.32	96.06
Survey, Research, Exploration and Development Expenses	3,000,000.00	151,397.96	5.05	2,848,602.04	94.95
Other Maintenance and Operating Expenses	45,289,273.20	7,172,805.23	15.84	38,116,467.97	84.16
Supplies and Materials Expenses	17,691,370.00	4,198,249.10	23.73	13,493,120.90	76.27
Traveling Expenses	2,025,000.00	570,786.16	28.19	1,454,213.84	71.81
Communication Expenses	270,000.00	94,147.98	34.87	175,852.02	65.13
Repairs and Maintenance	11,208,091.00	4,585,249.95	40.91	6,622,841.05	59.09
General Services	25,414,472.00	13,365,474.82	52.59	12,048,997.18	47.41
Utility Expenses	2,000,000.00	1,058,663.53	52.93	941,336.47	47.07
Professional Services	56,577,200.00	41,001,389.68	72.47	15,575,810.32	27.53
Awards/Rewards and Prizes	110,000.00	-	0.00	110,000.00	100.00
Taxes, Insurance Premiums and Other Fees	175,000.00	173,085.31	98.91	1,914.69	1.09
Total	202,548,906.20	73,899,830.40	36.48	128,649,075.80	63.52

5.11. For CY 2021, 99 percent or ₱38,540,000.00 of the budget on Training and Scholarship Expenses was allocated for the procurement of outsourced Ground and Flight Services for 72 Bachelor of Science in Air Transportation (BSAT) Students of the PhilSCA.²⁴ This was scheduled to be procured through Competitive Bidding in June to December 2021 per APP, **but the bidding only commenced on November 10, 2021**, thus the budget allocation amounting to ₱30,540,000.00 was not utilized as of December 31, 2021.

5.12. For the other objects of expenditures, the Audit Team had difficulty in identifying the utilization for specific Program/Activities/Projects (PAP) due to the non-maintenance by the Budget Office of a separate Registry of Budget Utilization and Disbursements (RBUD) by Major Final Output (MFO) or PAP for MOOE, non-identification of specific object of expenditures to be charged for the listed activities in PRE and non-submission of Work and Financial Plan (WFP) for STF.

5.13. Given the limited information and in order to determine if the underutilization of Budget was caused by the Coronavirus Disease (COVID-19) pandemic, we conducted a three-year analysis of MOOE utilization. The result showed the recurrent underutilization of funds ranging from 10 to 96 percent for seven objects of expenditures as shown in Table 16.

²⁴ As reported in the PMR

Table 16 - Three-year Analysis of MOOE Underutilization

Object of Expenditures	CY 2021		CY 2020		CY 2019	
	Amount	%	Amount	%	Amount	%
1. Traveling Expenses	1,454,213.84	71.81	2,609,698.32	87.00	2,050,115.11	55.83
2. Training and Scholarship Expenses	37,259,919.32	96.06	9,802,046.67	10.00	5,302,158.00	84.28
3. Supplies and Materials Expenses	13,493,120.90	76.27	4,313,165.32	47.00	3,552,271.06	61.84
4. Survey, Research, Exploration and Development Expenses	2,848,602.04	94.95	0.00	-	329,163.03	76.05
5. General Services	12,048,997.18	47.41	5,058,019.81	26.00	8,440,326.06	58.66
6. Repairs and Maintenance	6,622,841.05	59.09	4,455,348.72	82.00	3,532,227.25	45.79
7. Other Maintenance and Operating Expenses	38,116,467.97	84.16	20,226,027.05	79.00	3,644,688.05	67.94
Total	111,844,162.30		46,464,305.89		26,850,948.56	

5.14. As can be gleaned from Table 16, the College had not been maximizing the utilization of its budget for most of its programmed activities even before the pandemic broke out in March 2020, signifying weak budget planning and program preparation resulting in excessive budgets. The unutilized funds could have been used to finance other activities or pay other valid obligations of the College, thus the foregone operational benefits thereof.

b) Unutilized CO Budget of ₱179,412,846.68

5.15. For the CO, the fund was allocated by the College for the following expenditures:

Table 17 - Unutilized CO Budget

Object of Expenditure	ABR	Utilization		Unutilized Budget	
		Amount	%	Amount	%
Buildings	80,000,000.00	-	-	80,000,000.00	100.00
Other Structures	800,000.00	-	-	800,000.00	100.00
ICT Equipment	30,334,200.00	-	-	30,334,200.00	100.00
Communication Equipment	2,025,000.00	-	-	2,025,000.00	100.00
Medical Equipment	225,000.00	-	-	225,000.00	100.00
Other Property, Plant and Equipment	16,388,439.00	-	-	16,388,439.00	100.00
School Buildings	30,000,000.00	24,999,953.31	83.33	5,000,046.69	16.67
Technical and Scientific Equipment	47,250,000.00	22,470,000.00	47.56	24,780,000.00	52.44
Aircrafts and Aircrafts Ground Equipment	19,997,035.99	280,106.00	1.40	19,716,929.99	98.60
Furniture and Fixtures	75,000.00	44,800.00	59.73	30,200.00	40.27
Office Equipment	1,175,000.00	1,167,330.00	99.35	7,670.00	0.65
Books	560,000.00	454,639.00	81.19	105,361.00	18.81
Total	228,829,674.99	49,416,828.31	21.60	179,412,846.68	78.40

- 5.16. As shown in the table, the allocation of ₱30,000,000.00 for School Buildings which pertains to the Construction of Laboratory Building at PhilSCA Basa Annex, Resettlement Area, Palmayo, Floridablanca, Pampanga (BAB Campus) showed 83.33 percent utilization rate in SABUDOE. **However, the contract was signed only on December 16, 2021**, thus rendering it also impossible to attain its physical target during the year.
- 5.17. Further review revealed that the unutilized budget mostly came from the PAPs for Higher Education Services (HES) listed in Table 18 totaling ₱129,772,639.00 which showed zero fund utilization in the SABUDBOE. As reported in the PMR, the prospective winning bidder for Project No. 1 failed during Post-Qualification. On the other hand, the following projects are not included in the PMR:

Table 18 - PAPs for Higher Education Services

Object of Expenditure and PAPs	ABR	Procurement Timeline
Buildings		
1. Construction of Four-Storey Dormitory with Roof Deck in VAB Campus (Design and Build)	80,000,000.00	January to December 2021
Other Structures		
2. Construction of Bedrock parking	800,000.00	January to December 2021
ICT Equipment		
3. Procurement of Desktop Computers	1,050,000.00	January to December 2021
4. Procurement of Desktop Computers	90,000.00	
5. Procurement of Laptop Computer	60,000.00	
6. Procurement of Data Document Projector	90,000.00	
7. Procurement of Document Scanner	140,000.00	
8. Procurement of MATLAB Engineering Software	3,150,000.00	
9. Procurement of Printer	340,000.00	
10. Procurement of Printer (Dot Matrix)	15,000.00	
11. Television (for instructional purposes)	35,000.00	
12. Subscription of Turnitin Software	500,000.00	
13. PhilSCA SMART Campus Flight Plan25	24,864,200.00	October to December 2021
Communication Equipment		
14. Telephone/Internet Connectivity	2,000,000.00	January to December 2021
15. Handheld/Wireless Handset 2 Way Radio	25,000.00	
Medical Equipment		
16. Procurement of Medical Equipment	200,000.00	January to December 2021
17. Procurement of Hospital Bed	25,000.00	
Other Property, Plant and Equipment		
18. Learning Hub	16,388,439.00	
Total	129,772,639.00	

²⁵ Fund transfer was credited to PhilSCA's LCCA on September 9, 2021; All unutilized budget in the CHED Grants will be transferred to the succeeding fiscal year based on the Project Agreement and WFP (PhilSCA PRE 2021 rev.2)

- 5.18. We also noted that PhilSCA's Technical and Scientific Equipment and Aircrafts and Aircrafts Ground Equipment expenditures have remarkable unutilized budgets of 52.44 and 98.60 percent, respectively. The low percentage of utilization was attributed to the following projects, which did not push through in CY 2021:

Table 19 - Unutilized Fund Allocation for Technical and Scientific Equipment and Aircrafts and Aircrafts Ground Equipment

Object of Expenditure and PAPs	ABR	Procurement Timeline
Technical and Scientific Equipment		
1. Procurement of Engineering Laboratory Tools and Equipment	2,510,000.00	January to December 2021
2. Procurement of Chemistry and Physics Laboratory Tools and Equipment	240,000.00	
3. Upgrading of Institute of Engineering and Technology Laboratory of PhilSCA (CHED Grant) ²⁶	22,000,000.00	October to December 2021
Subtotal	24,750,000.00	
Aircrafts and Aircrafts Ground Equipment		
4. Provision for the Procurement of 3 Trainer Aircraft (Augmentation)	19,697,035.99	January to December 2021
Grand Total	44,447,035.99	

- 5.19. While it was reported in the PMR that the resolution for Project No. 3 had been approved and signed by the College President on March 9, 2022, the other three projects were not reported in the PMR. Apparently, based on the foregoing information, the expected benefits from these projects were not fully attained due to non-implementation in CY 2021.

c) Lapses in Procurement Planning and APP and PMR reports

- 5.20. The original, revised and supplemental APP of the College for FY 2021 were submitted by the Management on March 16, 2022, upon the request by the Audit Team. The result of the evaluation of the adequacy and completeness of the said reports are as follows:
- a) Details of PAP Codes are lacking;
 - b) Clarity and accuracy in describing each procurement program/project is not complied with;
 - c) Specific periods (dates, months, quarter) when each major procurement activities such as advertising/posting, submission and receipt/opening of bids, award of contract and contract signing will be done are not indicated in the Schedule for Each Procurement Activity Column. Majority of PAPs simply showed January to December 2021 timeline;

²⁶ Fund transfer was credited to PhilSCA LCCA on July 2, 2021; All unutilized budget in the CHED Grants will be transferred to the succeeding fiscal year based on the Project Agreement and WFP

- d) The source of fund is not properly identified whether it comes from the GAA or Local Income; and
 - e) The Remarks column does not provide brief description of program or project.
- 5.21. These lapses indicate that the APP was not meticulously and judiciously planned and not compliant with the general procurement activities timeline requirements of RA No. 9184 and its IRR.
- 5.22. In addition to the observation discussed in the preceding paragraphs regarding the projects that were not included in the PMR totaling ₱129,772,639.00, the PMR²⁷ was also belatedly prepared and submitted to the Audit Team. According to the BAC Secretariat, they are not familiar with the report and not aware of the required submission thereof to the GPPB in printed and electronic format within 14 calendar days after the end of each semester. Consequently, the PMR in current and previous years were not posted in PhilSCA's website, precluding the public and the Audit Team from being apprised of the College's procurements.
- 5.23. Perusal of the PMR submitted by the BAC Secretariat on March 28, 2022 also showed the following lapses:
- a) Not all procurement activities specified in the APPs are included;
 - b) Details of PAP Codes are lacking;
 - c) The source of fund is not properly identified whether it comes from the GAA or Local Income;
 - d) The Allotment Class is not identified whether MOOE or CO; and
 - e) The Remarks column explaining the changes from the APP was not filled out.
- 5.24. Sound management practice requires, among others, the efficient and effective management and utilization of its available budget following strictly the existing rules and regulations on the matter. Primarily, the alignment of its approved budget for the period vis-à-vis the PAPs scheduled to be implemented during the year must be assured to avoid the excessive allocation of its funds. The low absorptive capacity of the College for the STF has been raised in the CYs 2019 and 2020 audit reports which evidently has not been acted upon to date.
- 5.25. The existence of 70 percent unutilized STF budget is a reflection on the College's capacity to execute its planned PPAs, depriving all students, faculty and personnel of the maximum benefits that can be derived from the allocated funds. This is not supportive of the College's thrust/mission of producing

²⁷ A tool in monitoring the procurement of PAPs and evaluation on whether all contracts were awarded pursuant to the provisions of RA No. 9184

world-class professionals in the aviation industry through quality instruction, research, extension, resource management and industry partnership.

5.26. 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 RBUD by MFO or PAP for MOOE, identify the object of expenditure of each PAPs in PRE and submit a WFP for CY 2021;**
- e. instruct the BAC Secretariat to complete the details in the APP and PMR; and**
- f. require the BAC Secretariat to prepare and submit to the GPPB the PMR report within 14 calendar days after the end of each semester and adhere to the required posting of the report in the College's website.**

5.27. During the Exit Conference, the College President explained that the CY 2021 budget was prepared in CY 2020 on the premise that the COVID-19 pandemic will be contained. The process of supply chain and limited availability of personnel remain the main issue and caused the delay or non-implementation of PAPs within the budget year.

Non-compliance with RA No. 9184 and Other Procurement Rules and Regulations

- 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.

- 6.1. The Revised IRR of RA No. 9184 aimed for the modernization, standardization, and regulation of the procurement activities of the government and outlined the procedures and the documentary requirements to be prepared and submitted as supporting documents to a contract.
- 6.2. COA Circular No. 2012-001 dated June 14, 2012 was issued to prescribe the revised guidelines and documentary requirements for government transactions.
- 6.3. COA Circular No. 2009-001 dated February 12, 2009 requires the submission of copy of government contracts, purchase orders and their supporting documents to the COA within five working days from the execution of the contract.
- 6.4. The purpose of furnishing the advance copy of contracts is for the auditor to review and evaluate its compliance with requirements of applicable laws, rules, and regulations, completeness of documentary requirements, that the contractual covenants are not disadvantageous to the government and if there be deficiencies, suggest corrective measures as are appropriate and warranted.

a) Lapses during the procurement activities

- 6.5. The Audit team conducted auditorial review on the two projects: a) Face Lifting and General Renovation of the Guestel amounting to ₱5,071,810.60; b) Rehabilitation of Electrical Lines and Equipment of Buildings A and B amounting to ₱19,965,086.24. Examination of the submitted supporting documents revealed non-compliance with the provisions of the IRR of RA No. 9184 for the two projects, as follows:

Table 20 – Lapses During the Procurement Activities

Provision	Observation/Deficiency
Section 7.3.2 - In the preparation of the indicative APP, the end-user of the Procuring Entity shall formulate their respective Project Procurement Management Plans (PPMPs) for their different programs, activities, and projects (PAPs)	The submitted APP FY 2020 was not supported with the corresponding Project Procurement Management Plan (PPMP) formulated/revised by the end-user for the two infrastructure projects.
Section 3(g), Annex A – the Approved Budget for the Contract (ABC) to be bid shall be prepared by official(s) duly designated by the Head of the Procuring Entity (HoPE) concerned or his duly authorized official. It shall be approved by the HoPE or his duly designated official.	The Approved Budget for the Contract (ABC) for the two projects were prepared by the end-user and signed recommended (for) approval by the budget officer. However, the ABC was not signed approved by the College President.

Provision	Observation/Deficiency
Section 21.2.1 Except as otherwise provided in Sections 21.2.2 and 54.2 of the IRR and for the procurement of common-use goods and supplies, the Invitation to Bid/Request for Expression of Interest shall be posted continuously in the PhilGEPS website, the website of the procuring entity concerned, if available	Proof of posting the Invitation to Bid (ITB) in the College's official website within the prescribed period was not submitted for the two projects.
Section 22.5.1 Supplemental/Bid Bulletin, duly signed by the BAC chairman, to be made available to all those who have properly secured the Bidding Documents, at least seven (7) calendar days before the deadline for the submission and receipt of bids Section 22.5.3 Any Supplemental/Bid Bulletin issued by the BAC shall also be posted on the PhilGEPS and the website of the procuring entity concerned, if available.	The Supplemental/ Bid Bulletins (SBB) was issued on a shorter period for the Face Lifting and General Renovation of the Guestel. Proof of posting the SBB in the College's official website within the prescribed period was not submitted for the two projects.
39.1 To guarantee faithful performance by the winning bidder of its obligations under the contract in accordance with the Bidding Documents, it shall post a performance security prior to the signing of the contract. Section 39.2. xxx - Surety bond callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security. (This shall be 30% of the Total Contract Price)	The performance security for the Face Lifting and General Renovation of the Guestel project was not submitted. While for the Rehabilitation of Electrical Lines and Equipment of Buildings A and B project, the winning bidder posted a performance security in the form of surety bond amounting to ₱5,989,526.00 (or equivalent to the required 30%). However, it was not supported with the required certification from the Insurance Commission.
37.1.6. The BAC, through the Secretariat, shall post, within three calendar days from its issuance, the Notice of Award in the PhilGEPS, the website of the Procuring Entity, if any, and any conspicuous place in the premises of the Procuring Entity	Proof of posting the NOA in the Philippine Government Electronic Procurement System (PhilGEPs) and College's official website within three calendar days was not submitted for the two projects.
37.4.2. The procuring entity, through the BAC Secretariat, shall post a copy of the NTP and the approved contract in the PhilGEPS and the website of the procuring entity, if any, within fifteen (15) calendar days from the issuance of the Notice to Proceed.	Proof of posting the Notice to Proceed in the PhilGEPs and College's official website within 15 calendar days was not submitted for the two projects.

- 6.6. The non-compliance on the timely submission of the supporting documents and the noted deficiencies in the submitted documents affected the prompt detection of possible deficiencies prejudicial to the Agency.

b) Payments for progress and final billings were not supported with proper and complete documentation

- 6.7. Audit of the Disbursement Vouchers (DVs) and the supporting documents for the payments of progress/final billings of the Guestel Renovation and Electrical Rehabilitation projects disclosed non-submission or deficient submission of the documentary requirements prescribed under Sections 9.1.1 and 9.1.1.4 of COA Circular No. 2012-001 dated June 14, 2012, presented as follows:

Table 21 – Deficiencies on the Payment of Progress/Final Billing

Provision	Observation/Deficiency
Section 9.1 Basic Requirements for all types of procurement through public bidding	a. Duly approved Program of Work was not submitted despite the demands made by the Audit Team.
Section 9.1.1 Additional documentary requirements common to all infrastructure project Common to progress/final payments	<p>a. The Statement of Work Accomplished (SWA) showed the cumulative progress of work accomplished based on the items in the Bill of Quantities (BOQ) in percentage and in amount. However, the quantity of the items used for the two projects was not accomplished and was left blank; thereby hindering the comparison of the actual quantity of the materials used versus the quantity in the approved BOQ.</p> <p>b. A separate inspection report was not submitted by the College' authorized inspection team/engineer. Instead, they opted to sign the SWAs/Progress Billings (PBs) submitted by the contractor. Inspection Report on the replaced/removed materials for the electrical rehabilitation project was also not submitted.</p> <p>c. Contractor's Affidavit on payment of laborers and materials for the electrical rehabilitation project was not attached in the progress/final payment billing.</p> <p>d. The submitted pictures before, during and after the Guestel Renovation and Electrical Rehabilitation especially the embedded items, were minimal and lacked captions and descriptions in reference to the approved drawings/plans.</p> <p>e. The date of issuance of certificate of acceptance and completion for the Guestel Renovation project was March 8, 2021, as indicated in the document, however, the date of project completion shown in the statement of time elapsed submitted by the contractor was March 12, 2021, thus the reliability of the project completion date cannot be ascertained.</p> <p>For the electrical rehabilitation project, the Certificate of Completion and Acceptance dated May 6, 2021 cannot be ascertained due to deficiencies noted, to wit:</p>

Provision	Observation/Deficiency
	<ul style="list-style-type: none"> The original date of project completion disclosed in the statement of time elapsed was May 26, 2021. Letter dated June 18, 2021 by the assigned consultant transmitting to the College the certificate of completion and acceptance noted <i>“that there are some minor pending items that are presently being attended to by the contractor and may be revisited before release of their retention fee.”</i> <p>The pending items (<i>although minor but still significant</i>) as noted by the project’s consultants showed that the project was not yet 100% complete as of the reported completion date and/or the date of the transmittal letter.</p>
Section 9.1.1.4 Final Payment	<p>a. The required as-built plans for Electrical Rehabilitation project were not attached in the final progress billing (upon 95% completion)</p> <p>b. Warranty Security for the two projects were not submitted.</p> <p>c. Turn-over documents were not submitted for the two projects.</p>

6.8. The incomplete submission of documents and deficiencies noted affected the validity and propriety of the payments. The Accounting Unit/Accountant should have looked into the completeness of the supporting documents in processing the progress and final payments.

c) Disposal of properties as part of the scope of work of the contract

6.9. Among the scope of work of the contractor were the removal, cleaning/clearing, hauling and disposal/transfer of (removed/replaced) panel boards, wires, and other fixtures in the total amount of ₱343,683.95.

6.10. The inclusion of the abovementioned works was contrary to National Budget Circular (NBC) No. 425 or the Manual on Disposal of Government Property. The College should have disposed the replaced materials in the most advantageous manner (like disposal thru sale), instead of spending funds for the hauling/disposal.

6.11. Moreover, Inspection Report of the removed/replaced panel boards, wires, conduits, lighting fixtures and ceiling, as well as the report on the hauling/disposal/transfer of materials (such as mode of disposal) were not submitted. Therefore, these affected the reliability of the accomplishment of the works. If the replaced materials were disposed by the contractor thru sale, the College should demand from the contractor the proceeds from the sale.

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

- 6.12. Examination of the Contract Agreement for the Rehabilitation of Electrical Lines and Equipment of Buildings A and B disclosed that there is a discrepancy of 120 days with regards to the completion period of the contract, as shown below:

Section 6 of the Contract of Agreement	The CONTRACTOR BINDS ITSELF TO COMPLETE THE UNDERTAKING HEREIN CONTRACTED WITHIN Two Hundred Forty (240) calendar days commencing on the day the undertaking started which should not be later than ten (10) calendar days from receipt of the Notice to Proceed
Item 1.17, Section V - Special Conditions of Contract	The Intended Completion Date <i>is within 4 months</i> from receipt by the Contractor of the Notice to Proceed

- 6.13. The intended completion date of four months or 120 days shall prevail, considering Section 5, Article 1370 of the Civil Code of the Philippines which states: “If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control. **If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.**”

- 6.14. The signed Contract stipulating 240 days not only created confusion but had also put the College to the risk of not being able to impose liquidated damages for delayed completion or the risk that the amount of liquidated damages maybe contested.

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

- 6.15. The original date of completion of the electrical rehabilitation was on March 12, 2021 or within four months from receipt by the contractor of the Notice to Proceed (NTP) dated November 12, 2020. The project was completed on May 6, 2021, as stated in the certificate of completion and acceptance.
- 6.16. It was noted that the contractor requested two contract extensions dated January 21, 2021 and April 15, 2021 citing the delayed delivery of supplies from China and the implementation of health and safety protocols as well as lockdowns due to COVID-19 pandemic as reasons. Perusal of the DVs revealed that the documents enumerated in the succeeding page were not submitted, contrary to Annex E of COA Circular No. 2009-001 dated February 12, 2009:

1. Copy of Evaluation Report by the agency concerned establishing the need for time extension including computation showing sufficient detail how the number of days of extension was determined;
 2. Certification or reports establishing the existence of the grounds for the contract time extension, as follows:
 - a. Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) Report covering the area where the project is located, if extension requested is due to adverse weather conditions;
 - b. Provincial Commander's Report, if the extension requested is due to deteriorating/ worsening peace and order situation;
 - c. Certification from Department of Labor and Employment (DOLE), Department of Trade and Industry (DTI), Department of the Interior and Local Government (DILG) and/or Department of National Defense (DND), among others, whichever is applicable, for other grounds such as shortage of construction materials, general labor strike or similar activities that disrupted construction operations through no fault of the contractor;
 - d. Copy of NTP with the date of receipt by the contractor/consultant;
 - e. Copy of the approved original Program Evaluation and Review Technique (PERT)/Critical Path Method (CPM) Network Diagram and the corresponding detailed computation of the contract time;
 - f. Copy of the approved revised PERT/CPM Network Diagram reflecting the effect of the subject time extension on the original contract time and all previously issued Time Extensions, Suspension/Resumption Orders, and Variation Orders (for infrastructure projects), if any; and
 - g. Copy of Approved Original and Revised (if any) Manning Schedule
- 6.17. The College also belatedly submitted the supporting documents of the contract and did not notify the Audit Team on the two requests for extension which are also not supported with complete documents, hence the evaluation for the original contract and the Variation Orders (for infrastructure projects) with additive/ deductive time, and all previously issued time extensions was not timely conducted by the Audit Team.

- 6.18. Likewise, not all requirements under Technical Evaluation of Infrastructure Contract Variation Checklist for each Variation Order and/or time extension were submitted.
- 6.19. Moreover, Item 10.5, Annex E of the Revised IRR required that the written consent of bondsmen must be attached to any request of the contractor for extension of contract time and submitted to the PE for consideration and the validity of the performance security shall be correspondingly extended. This, however, was also not submitted.
- 6.20. In view of this, the contractor must be held liable for liquidated damages and penalties for the delayed completion of the electrical rehabilitation project. Otherwise, the non-imposition of liquidated damages and penalties may be a precedent for future defaulting contracts, to the detriment of the government.

f) Delayed submission of perfected contracts and supporting documents

- 6.21. Evaluation of the submission of contracts in CY 2021 disclosed that the College incurred delays ranging from nine to 105 calendar days on the submission of three perfected contracts, while submission of supporting documents for six contracts were belatedly submitted from 97 to 308 calendar days in the total amount of ₱29,191,270.33 and ₱105,624,388.76, respectively.
- 6.22. Aside from the delayed submission, it is also the College's recurrent practice to submit the copies of contracts and its supporting documents separately. The supporting documents are usually attached to the DVs upon payment of mobilization fee and/or progress billings to suppliers. As a result, the Audit Team was precluded from performing auditorial review of the procurement transactions and the prompt detection/correction of possible deficiencies as well as the timely reporting of the audit results to the Management.
- 6.23. In view of the deficiencies noted, the College is reminded of sanctions provided under Section 4 of COA Circular No. 2009-001, to wit:
- “Any unjustified failure of the officials and employees concerned to comply with the requirements herein imposed shall be subject to the administrative disciplinary action provided in (a) Section 127 of Presidential Decree No. 1445; (b) Section 55, Title I-B, Book V of the Revised Administrative Code of 1987; and (c) Section 11 of RA No. 6713.”*
- 6.24. The Audit Team emphasized that it is the responsibility of the Agency to undertake strict control, inspection and monitoring of the project; and ensure the complete and proper submission of the documents required set forth under RA No. 9184, COA Circular No. 2009-001, COA Circular No. 2012-001 dated June 14, 2012 and other pertinent laws, rules and regulations.

6.25. 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 ITB, SBB, and other required documents, make sure that the NOA can be viewed, and for future contracts, abide by 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; and**
- 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.**

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.**

Management's Comments

- 6.26. Management commented that they have no intention of not submitting the noted deficiencies as required in the Revised IRR of RA No. 9184 and COA Circular No. 2012-001. The multiple lockdowns in relation to COVID-19 pandemic had hampered the office work and only skeletal workforce had reported on site and there are also instances that the website of PhilSCA is under maintenance and the internet connectivity of the College is not stable.

Auditor's Rejoinder

- 6.27. Management had also submitted several documents and reports in compliance with our recommendation, however, upon evaluation, substantial compliance is still not met and other required documents submitted are still deficient.

- 6.28. We reiterated the submission of the required documents and/or provide necessary information in order to determine compliance with the 2016 Revised IRR of RA No. 9184 and COA Circular No. 2021-001 dated June 14, 2012. We emphasized that the Management needs to evaluate the necessity to refund the amount of ₱271,794.54 paid to the contractor pertaining to the hauling and disposal/transfer of materials.

Deficiencies Noted During Ocular Inspections of the completed Face Lifting and General Renovation of the Guestel project

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 which impeded the Audit Team in checking the completeness and propriety of the renovation performed by the contractor.**
- 7.1. Before any project is undertaken, the necessary Program of Work (POW)²⁸ shall be prepared and submitted for approval. In no case shall construction work on a project be started before the POW is approved. No POW for any project shall be approved without detailed engineering plan. The POW shall include, among other things, estimates of the work, items, quantities and costs and a PERT/CPM network of the project activities.
- 7.2. Once the project reaches an accomplishment of 95% of the total contract amount, the procuring entity may create an Inspectorate Team to make preliminary inspection and submit a punch-list to the contractor in preparation for the final turnover of the project. Said punch-list will contain, among others, the remaining works, work deficiencies for necessary corrections, and the specific duration/time to fully complete the project considering the approved remaining contract time. This, however, shall not preclude the procuring entity's claim for liquidated damages.²⁹
- 7.3. The Audit Team conducted inspection of the Guestel on June 3, 2021 to validate the completion of the face-lifting and renovation undertaken, completed in March 2021. The Audit Team requested the contractor and the BAC Secretariat for copy of approved POWs to verify the physical aspect of the project. However, the approved POWs were not furnished during the inspection, instead the "Specifications - Scope of Work" and the BOQ were presented to the Audit Team.
- 7.4. The non-submission of the approved POWs impeded the inspection of the Audit Team in checking the completeness and propriety of the renovation performed by the contractor. Nevertheless, the ocular visit to assess/examine the scope of the

²⁸ Item 3 (i), Annex A of the IRR of RA No. 9184

²⁹ Section 7, Annex E of the IRR of RA No. 9184, Guidelines in the preparation and submission of punch-list of remaining works and deficiencies to the contractor

work implemented as against the SWAs of the face-lifting and renovation is presented as follows:

Table 22 – Deficiencies Noted on the Face-lifting and Renovation of Guestel

Scope of Work	Deficiency
I. Perspective Face Lift	<ul style="list-style-type: none"> • Chipped concreting on the second-floor open space (facelift).
II. Strut Beam and Roofing Framing	
III. Dry Walling: Face lifting, Room 8, Room 205 dropped wall, provision of wall @ enclosure and sound proofing @ president's quarters	
IV. Enclosure of the stair into dry walling and fix glass finish	<ul style="list-style-type: none"> • A glass door/window in the ground floor was not repaired and remained broken.
V. Masonry Works: Provision of concrete wall partition and provide opening for door and door jambs; Provision of opening door; disposal of debris	<ul style="list-style-type: none"> • No report on disposal of debris (or WMR) attached in the SWAs.
VI. Carpentry Works: Replacement of door jambs; Replacement of Doors; Replacement of toilet and bath doors which are infested by termites with PVC door	<ul style="list-style-type: none"> • No report on disposal of replaced doors and door jambs (or WMR) attached in the SWAs.
VII. Plumbing Works	<ul style="list-style-type: none"> • No report on the replaced/ repaired pipes (or WMR) attached in the SWAs.
VIII. Tiling Works: chipping of existing tiles, disposal of debris , toilet & bath tiling, floor tiling	<ul style="list-style-type: none"> • The tiles in the cafeteria area in the ground floor were not chipped and not replaced. • No report on the disposal of debris (or WMR) attached in the SWAs.
IX. Electrical Works	<ul style="list-style-type: none"> • No electrical works done in the lobby and hallways. • Old outlets were not replaced. • Several lighting fixtures were not replaced. • No specific electrical work scope and description
X. Painting works: Exterior and Interior	<ul style="list-style-type: none"> • Rusty metal window frames/grills and other metal fixtures were not repainted/replaced.

- 7.5. During the inspection conducted, the Audit Team noted that some aspects of the renovation works were inadequately carried out, such as the non-replacement of the broken glass and non-replacement of tiles in the ground floor cafeteria area. Other important components which needed improvement in the Guestel were not implemented/applied in the project, such as the replacement of old electrical outlets and the repainting or replacement of the rusty metals' fixtures, thus the presence of work hazards.

7.6. The WMR shall be used by the Supply and/or Property Custodian to report all waste materials previously taken up in the books of accounts as assets or in his/her custody so that they may be properly disposed of and derecognized from the books. In this project, the WMR on the disposed and replaced materials/debris was not submitted. Thus, this precluded the Audit Team from inspecting and verifying the reported remnants.

7.7. **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.**

Management's Comments

7.8. The Management commented that the repainting or replacement of the rusty metal fixtures are not included in the POW since it is on provision to install an air-condition unit. The replacement of old electrical outlets and replacement of tiles in the cafeteria were not included in the Terms of Reference because it is still in good serviceable condition. There is no WMR in the POW because the replaced materials and debris were infested by termites and were recommended to be disposed immediately.

Auditor's Rejoinder:

7.9. The Audit Team emphasized that the abovementioned scopes of works were not explicitly excluded in the Bidding Documents and even though the POW was mentioned in Management's comment, it was still not submitted, hence the submission of WMR and POWs was reiterated.

Deficiencies in the Granting and Liquidation of Cash Advances

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; and**
 - (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.

- 8.1. Section 89 of PD No. 1445 provides that no CA shall be given unless for a legally authorized specific purpose. A CA shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional CA shall be allowed to any official or employee unless the previous CA given to him is first settled or a proper accounting thereof is made.³⁰ The amount of CA which may be granted shall not exceed the maximum cash accountability covered by his/her bond.³¹
- 8.2. Examination of the transactions and schedules of CAs for CY 2021 of the PhilSCA-Main revealed that cash advances totaling ₱1,612,075.25 remained unliquidated despite the completion of the purpose to which the CA was granted. Moreover, the cash advance of an accountable officer in Mactan-Benito Ebuen Air Base (MBEAB) Campus, Cebu City for travelling expenses to attend a meeting on November 13, 2019 amounting to ₱7,374.28 remained unliquidated despite the prior years' observation wherein immediate settlement/refund of the unused CA was recommended.
- 8.3. Moreover, multiple and additional CAs were granted to AOs with unliquidated cash advances resulting in accumulation of considerable amount of unliquidated CAs, four SDOs of PhilSCA were granted CA in excess of their respective maximum cash accountability and the fidelity bonds of some AOs were not renewed before the expiration of the one-year effectivity.³²
- 8.4. The non-observance of the rules and regulations on the granting and liquidation of CAs exposes the funds to risk of possible loss and shortages through misappropriation or negligence.
- 8.5. **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 purpose for which these were granted have been served/completed;**
 - b. **send demand letter to the accountable officer in MBEAB Campus to settle his account immediately;**
 - c. **stop the practice of granting additional/multiple CAs to AOs with outstanding unliquidated CAs;**

³⁰ Section 89 of PD No. 1445; Paragraph 4.1.2 of COA Circular No. 97-002 dated February 10, 1997; Item c, Chapter 6, Section 14, Volume I of the GAM for NGAs

³¹ Item d, Chapter 6, Section 14, Volume I of the GAM for NGAs

³² Section 4.10 of the General Provisions of Treasury Circular No. 02-2009

- 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.

Non-compliance with PPE Management and Inventory Accounting System

- 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 RPCI and RPCPPE; b) non-maintenance of SLC, SC, PC and various source documents; c) use of 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 DBM-PS.

- 9.1. The heads of the government agencies are responsible for ensuring that all resources entrusted to them shall be managed, expended, or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, ensuring efficiency, economy and effectiveness in the operations of government, as provided under PD No. 1445, s. 1978, as amended. Internal control provides the foundation for stronger accountability and good governance in public service organizations.
- 9.2. Chapter 8, GAM for NGAs, Volume I, provides the pertinent provisions related to Inventory Accounting System. These are as follows:

Section 9 - Perpetual Inventory System requires accounting records to show the amount of inventory on hand at all times through the maintenance of the SLC by the Accounting Division/Unit and SC by the Supply and/or Property Division/Unit for each item in stock.

Section 13 - The Inventory Accounting System consists of the system of monitoring, controlling, and recording of acquisition and disposal of inventory. It also requires that the Accounting and Property Offices shall conduct periodic reconciliation of their records to identify and adjust any discrepancy.

Section 14 - The Sub-Systems for inventory accounting are as follows: a) Receipt, Inspection, Acceptance and Recording Deliveries of Inventory Items; b) Requisition and Issue of Inventory Items; and c) Transfer and/or Disposal of Inventory Items.

Section 17 – Provided list and explanation of the records, forms, and reports prescribed for use and/or to be maintained by the NGAs for the effective implementation of Inventory Accounting System.

- 9.3. Chapter 10 of GAM for NGAs, Volume I prescribes the procedures on recording and monitoring of PPE as well as the records, forms and reports to be maintained by the Accounting and Property Office for effective and efficient valuation and recognition of PPE; regular reconciliation of records to identify and adjust any discrepancy thereof; and validate the integrity of property custodianship by conducting physical count of PPEs.
- 9.4. COA Circular No. 2020-006 dated January 31, 2020 prescribes the Guidelines and Procedures in the Conduct of Physical Count of PPE, Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies.
- 9.5. The Circular requires the Inventory Committee in coordination with the Property Division/Unit, to plan/strategize the conduct and complete physical inventory within the prescribed period and to prepare Physical Inventory Plan (PIP) for approval of the Head of the Agency and for submission to the COA Audit Team at least (10) calendar days before the scheduled start of the inventory-taking activities.
- 9.6. All NGAs shall purchase their common use supplies requirements from the PS as mandated under Letter of Instructions No. 755 dated October 18, 1978, Executive Order (EO) No. 359, s. 1989, Administrative Order No. 17, s. 2011 and such other guidelines issued thereon.³³
- 9.7. Further, Section 122 of PD No. 1445 requires that:
 - 1) Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

³³ Section 20 of the General Provisions of RA No. 11518 or the GAA of FY 2021

- 2) Failure on the part of officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they have complied with the requirements of the Commission.
- 9.8. Evaluation of the existing procedures and controls of PhilSCA was conducted to determine the Management's compliance with accounting and management of PPE and Inventory Accounting System prescribed under the GAM for NGAs and to identify the causes of the observed lapses, presented as follows:
- a) Non-conduct of physical count and non-submission of RPCI and RPCPPE*
- 9.9. Physical count/inventory, which is required semi-annually, is an indispensable procedure for checking the integrity of property custodianship.³⁴ The conduct of physical count of inventories is necessary in order to verify the accuracy of and to reconcile the records maintained by the Accounting and Supply Offices; validate the existence of the reported inventory items/supplies; detect possible losses and establish the integrity of property custodianship.
- 9.10. The RPCI³⁵ by type of inventory are required to be submitted not later than July 31 and January 31 of each year for the first and second semesters, respectively. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property, the issuance of which is covered by ICS. The RPCPPE shall be submitted to the Auditor concerned not later than January 31 of the following year.
- 9.11. Verification revealed that the College did not conduct physical count of PPE and Inventory for CY 2021 and consequently the RPCPPE and RPCI was not submitted. CY 2020 RPCPPE was submitted only on February 28, 2022 to the Audit Team and in March 2022 to the Accounting Office, thus the Accounting and Property Offices have yet to reconcile the latest inventory report with their respective records and prepare a (1) list of PPE items which are recorded in the PPELCs but not included in the RPCPPE and (2) list of PPE items which are included in the RPCPPE but not recorded in the PPELCs.
- 9.12. Upon perusal of the submitted CY 2020 RPCPPE, it was observed that the reported PPE items were assigned with uniform property identification as prescribed in the Circular, however, the Audit Team was precluded to ascertain whether Property Number (PN) stickers were attached in the listed properties because we were not invited to observe the physical count.³⁶ Furthermore, the CY 2020 RPCPPE did not include the properties in PhilSCA-VAB Campus, which comprise the big bulk of PPE in the Statement

³⁴ Section 13, Chapter 8, Volume 1, GAM for NGAs

³⁵ Section 17 (i), Chapter 8, Volume 1, GAM for NGAs

³⁶ Sections 5.4, 5.6 and 5.7 of COA Circular No. 2020-001 dated January 31, 2020

of Financial Position of PhilSCA as at December 31, 2020, thus rendering the report submitted for CY 2020 incomplete.

- 9.13. Conduct of physical count of PPE and Inventory is essential in order to verify the accuracy and reconciliation of the records maintained by the Accounting and Property/Supply Offices; validate the existence of the reported properties and inventories; detect possible losses and establish the integrity of property custodianship. Failure to conduct physical count resulted in non-submission of RPCPPE and RPCI and had cast doubts as to the correctness and existence of the PPEs and Inventories recorded in the College's books of accounts and exposes the properties and inventories to possible risk of losses without early detection and recovery.

b) Non-maintenance of SLC, SC, PC and various sources and non-conformance of the PPELC to the prescribed format in GAM for NGAs

- 9.14. The Accounting Office shall maintain SLC (Appendix 57) to record materials received, issued and the balance both in quantity and amount at any time. The IAR (Appendix 62), RIS (Appendix 63), Report of Supplies and Materials Issued (RSMI) (Appendix 64), PO (Appendix 61), and DR serve as the original sources of information for making entries on the SLC.³⁷
- 9.15. Likewise, the PPELC shall be used for each class of PPE to record the acquisition, description, custody, estimated life, depreciation, impairment, disposal, transfer/adjustment, repair history and other information about the property. It shall be kept and maintained by the Accounting Office/Unit.³⁸ Transactions shall be posted from the source documents.³⁹
- 9.16. Further, for check and balance, the same Manual prescribes the maintenance of SC⁴⁰ and PC⁴¹ by the Property/Supply Office for inventories and PPE in their custody to account for the receipt and disposition of the same. Periodically, the balance per SC and PC shall be reconciled with SLC and PPELC maintained by the Accounting Office. PC and PPELC shall also be reconciled with other property records like Property Acknowledgment Receipt (PAR).⁴²
- 9.17. The Audit Team requested the copies of the abovementioned reports and source documents from the Accounting and Property/Supply Offices for validation. To date, however, only the PPELC was provided. Follow-up inquiry with the concerned Offices revealed that both Offices still do not

³⁷ Section 17 (c) of the GAM for NGAs, Volume I. The format of the Appendices are prescribed in Volume II of the same Manual.

³⁸ Chapter 10, Section 42 of GAM for NGAs, Volume I

³⁹ Appendix 71 (c), GAM for NGAs, Volume II

⁴⁰ Format is prescribed in Appendix 58, GAM for NGAs, Volume II

⁴¹ Format is prescribed in Appendix 70, GAM for NGAs, Volume II

⁴² Format is prescribed in Appendix 71, GAM for NGAs, Volume II

maintain the required forms/cards to record the procurement and issuances of the supplies.

- 9.18. According to the Accounting Office, no separate files were maintained by them because the Supply Office is not furnishing them the copies of DR, IAR, PO upon receipt of supplies as well as the ICS upon issuance to end-user, thus transactions were not timely recorded. The Supply Office, however, files the DR together with the Sales Invoice.
- 9.19. Perusal of the submitted PPELCs showed that the records maintained by the Accounting Office were not in conformance to the prescribed form in Appendix 7 of GAM for NGAs, Volume II and the required information were not reported, as shown in Table 23.

Table 23 - Non-conformances of PPELCs Maintained by Accounting Office

No.	Particulars	FC 01	FC 05	Findings/Observation
3	Property, Plant and Equipment – type of PPE (i.e., photocopying machine, filing cabinet, etc.)	✓	x	Several PPEs were not properly classified. Buildings were reported in School Buildings PPELC and Communications Network were reported in Communication Equipment PPELC, thus no accumulated depreciation were presented in the FSs.
4	Description – description of the PPE (i.e., brand, size, color, etc.)	x	x	Brand, size, color and other identifying description of several PPEs were not completely provided and some PPEs lack any description (e.g., for FC 05 Office Equipment Account, some were only identified as digital camera, digital photocopier, 2HP window type aircon, etc; for FC 01 server and IT peripherals, desktop computers, etc.).
5	Object Account Code – object account code in accordance with the RCA	x	x	Several PPE accounts were not updated with the RCA (Updated 2019).
6	Estimated Useful Life – estimated useful life of PPE	✓	x	Some PPEs such as the donations from Megaworld were not provided with estimated useful life.
7	Rate of Depreciation – rate of depreciation per month to be recorded in the books of accounts starting on the 2nd month following the date of acquisition/delivery. It shall be computed using the straight-	✓	x	Diminishing Balance method of depreciation was applied under FC 05 instead of Straight-Line. Also, the Accounting Office records depreciation expenses on annual basis instead of monthly.

Table 23 - Non-conformances of PPELCs Maintained by Accounting Office

No.	Particulars	FC 01	FC 05	Findings/Observation
	line method of depreciation			
8	Date – date of the source document	✓	x	No dates of acquisition were reported on several PPEs.
9	Reference – reference documents used as the bases in recording the transactions such as JEV	x	x	Reference column not presented in the PPELCs and reference documents used as the bases in recording the transactions such as JEV were not submitted/attached.
10	Receipt-Qty./Unit Cost/ Total Cost – the quantity, unit cost and total cost of the PPE received	x	x	The quantity and unit cost were not reported in several PPEs reported in the PPELCs.
11	Accumulated Depreciation – the amount of depreciation charged to the PPE	✓	x	Accumulated Depreciation were not provided and recorded on depreciable PPEs.
12	Accumulated Impairment Losses – the amount of impairment losses charged to the PPE	x	x	Accumulated Impairment Losses column was not presented.
13	Issues/Transfers/Adjustments – the cost of the asset issued, transferred to other NGAs, disposed, or the amount of adjustment/s made through JEV	x	x	Issues/Transfers/Adjustments columns were not provided.
14	Adjusted Cost – the difference between the total cost of the asset less the accumulated depreciation, accumulated impairment losses, and issues/transfers/adjustments, if any	x	x	Adjusted Cost was not presented.
15	Repair History-Nature of Repair/Amount – the nature of repair (specify nature of minor or major repair, i.e., change tire, rewiring, engine overhaul, etc.) and the cost of repair	x	x	Repair History-Nature of Repair/Amount columns were not shown.
C	Transactions shall be posted from the source documents.	x	x	Source documents were not identified.

Table 23 - Non-conformances of PPELCs Maintained by Accounting Office

No.	Particulars	FC 01	FC 05	Findings/Observation
D	The PPELC shall be reconciled with the Report on the Physical Count of PPE, PC and the control accounts. Any discrepancies shall be immediately verified and adjusted	x	x	No reconciliation report on latest RPCPPE (CY 2020) submitted. The Property Office still does not maintain PC.

Legend: ✓ - compliant; x – non-compliant;

- 9.20. The failure of the Accounting Office to comply with the required information to be reported in the PPELC such as the reference, date, description, quantity and cost per unit of each item of PPE hampered effective and efficient reconciliation with other records such as the PCs and RPCPPE. Reconciliation of records is of paramount importance to ensure that the PPEs recorded in the books of the College actually exist.
- 9.21. It was also discovered upon inquiry that the Supply Office regularly prepares and submits the accomplished monthly RSMI to the Accounting Office, however, the Accounting Office had not acted on the RSMIs because there were noted discrepancies with their records and cannot be relied upon. It is emphasized that the Accounting Office should have coordinated immediately with the Supply Office upon discovery of the discrepancies in their records to facilitate reconciliation and timely recording/reporting of transactions pertaining to inventory accounts, in compliance with the requirements of the GAM.
- 9.22. Further, perusal of the RSMIs for CY 2021 disclosed that significant information such as the description and quantity of the item issued were provided and the same was supported with copies of issued RIS for the month, thus information from the original source document (RIS) can be checked and referred to. However, the following lapses were observed:
- non-conformance to the prescribed form;
 - non-preparation on a daily basis and per fund cluster, but instead was summarized on a monthly basis; and
 - RIS number was not specified in the report.
- 9.23. The Accounting Office should have responsibly followed up copies of the original source documents from the Supply Office and/or obtained copies of the source documents which are usually attached in the DVs for the payment to suppliers, since both the Accounting Office and Supply Office are required to keep copies of original source documents which are the basis for recording in the SLC and SC as well as recording in the Journals.

- 9.24. The absence of such records including the RPCI and RPCPPE hampers the timely reconciliation of records and the recording of transactions, precluding the immediate verification and adjustment thereof.
- 9.25. The non-conduct of periodic reconciliation of the inventory and PPE records between the Supply and Accounting Offices and non-maintenance of SLC, SC, PC and various source documents were already mentioned in paragraph 2 (i) of the CY 2019 AAR but not acted upon by the Accounting and Property/Supply Unit to date.
- 9.26. Moreover, most of the observations on the PPE accounts in this report are merely reiterations of the observations in Paragraph 2 (j) of the CY 2019 AAR.

c) PO was used as a source document in recording the inventories

- 9.27. Moreover, the Accounting Office also explained that it is their existing practice to debit Inventories based on the initially prepared PO by the Supply Unit which was forwarded to them by the Budget Office for certification/signature of Chief Accountant as to availability of fund, instead of the required Copy 3 of IAR and photocopy of PO and DR.
- 9.28. The Accounting Office is well reminded that the PO is a document used by the Agency addressed to the Supplier to deliver specific quantities of supplies/goods/property subject to the terms and conditions.⁴³ It is used by the Supply Office to check whether the delivered items conform to the specifications and quantity of the approved PO. There may be instances when differences between the ordered and delivered supplies may occur, i.e., the delivery is incomplete or partial and/or not in conformity with the specifications and terms agreed under the approved PO, **thus PO should not be the basis in recording the receipt of supplies.**

d) Purchases of common-use supplies through reimbursements, petty cash and cash advances instead of procurement from DBM-PS.

- 9.29. For FC 01, office supplies were mostly procured through reimbursements, petty cash and cash advances amounting to as much as ₱166,490.83 or 71 percent of the office supplies purchased for the year. Other supplies and materials amounting to ₱1,064,339.39 or 100 percent of the reported Other Supplies and Materials expenses were also procured through cash advances. Similar condition was also observed in the purchases of other supplies and materials under FC 05, wherein ₱803,423.99 or 53 percent of the reported expenses were procured either through reimbursements, petty cash and cash advances.

⁴³ Appendix 61 Volume II, GAM for NGAs

- 9.30. The above purchases were not supported with the Certificate of Non-Availability of Stocks (CNAS) issued by the DBM-PS and could not be considered as cases of unforeseen contingency which requires immediate purchase. Likewise, the respective PPMP of PhilSCA Offices showed the estimates of their common-use supplies usage for the year. These should have been meticulously consolidated by the BAC for inclusion in the APP – Common Use Supplies and Equipment (APP-CSE) of the College.
- 9.31. However, the high percentage of purchases from different suppliers through reimbursements, petty cash and cash advances instead of procuring from the DBM-PS as prescribed under Section 20 of the General Provisions of the GAA for FY 2021 demonstrates weakness in the internal control of the College as to planning and monitoring of common supplies which should be regularly replenished and procured upon reaching low stock level or when the items/supplies are insufficient for the period.
- 9.32. **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 ICS which serve as the original sources of information in preparing the SLC, SC and PC as prescribed in GAM for NGAs, Volumes I and II;**
 - e. require the Supply Office to prepare and maintain 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 inventories;**
- 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 and PPE based on the DR and IAR which contains 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 CNAS issued by the DBM-PS;**
- m. strengthen the internal controls by formulating guidelines and procedures in the receiving and issuance of inventory and PPE, including responsible offices, officials and appropriate documentation for the inventory accounting system; and**
- n. suspend the salaries of the concerned officials or employees responsible for such deficiencies, within 10 days from receipt hereof, until they have complied with the said requirements of COA.**

Petty Cash Fund Expenses and Replenishment

10. The propriety and validity of the disbursements totaling ₱1,229,255.07 charged to the Petty Cash Fund (PCF) of a PCF Custodian for CY 2021 cannot be ascertained due to: (a) incomplete/improper documentation; and (b) unrelated and unidentified purposes and recipients, contrary to COA Circular Nos. 2012-001, 2004-006, and 2021-001 dated June 14, 2012, September 9, 2004, and dated June 14, 2021, respectively.

10.1. Section 1.2.2 of COA Circular No. 2012-001 dated June 14, 2012 prescribes, among others, the following specific requirements for the liquidation of petty cash fund:

- a. Bills, receipts, invoices
- b. Certificate of inspection and acceptance
- c. Report of Waste Material in case of replacement/repair
- d. Canvass from at least three suppliers for purchases involving ₱1,000.00 and above, except for purchases made while on official travel
- e. Summary/Abstract of Canvass
- f. ORs in case of refund
- g. For reimbursement of toll receipts
- h. Toll receipts
- i. Trip tickets

10.2. COA Circular No. 2004-006 dated September 9, 2004 states the guidelines and principles of the acceptability of the evidence of receipt of payment for disbursements. Among its pertinent provisions are the following:

3.1 Generally, the objective of examining the evidence of receipt of payment is to establish that the funds disbursed have actually been received by the payee so that any liability arising from the claim has indeed been extinguished or reduced in the amount received by the payee.

3.2 Such evidence of receipt of payment may take several forms as described below, but whatever form is taken, the minimum data content are as follows:

- a. Name of Disbursing Officer making the payment
- b. Date of payment
- c. Name of Recipient
- d. Address of the Recipient
- e. Purpose of the Payment
- f. Amount of Payment Received

10.3. COA Circular No. 2021-001 dated June 14, 2021 clarifies the use of Reimbursement Expense Receipt (RER) and Certification in relation to reimbursement of expenses not requiring ORs, to wit:

Particulars	Documents Required
Expenses regardless of amount purchased from/rendered by establishment issuing receipts/invoices	OR/Invoice
Expenses amounting to ₱300.00 or less purchased from/ rendered by establishment not issuing receipts/invoice	Certification of Expenses Not Requiring Receipts (CENRR)
Expenses amounting to more than ₱300.00 but not exceeding ₱1,000.00 purchased from/ rendered by establishment not issuing receipt/invoice	RER

10.4. The PCF Custodian is entrusted with PCF of ₱100,000.00. Our audit of the Petty Cash Fund expenses during CY 2021 disclosed the following observations:

Observation/ Findings	Amount
a. Purchases of perishable goods and other supplies for the subsistence of employees working under the Skeletal Work Force Arrangement, not supported with complete documents (though signed list of recipients of the food subsistence were attached).	<u>875,066.20</u>
<ul style="list-style-type: none"> • ORs/invoices and canvass totaling as much as the ₱15,000.00 ceiling per transaction. • The CENRRs/RERs, amounting to more than ₱300.00/₱1,000.00 (ceiling), do not have the required minimum information such as the name and address of the seller/establishment. • Unnumbered receipts, handwritten list of supplies/items the quantity and price/unit of several purchases were not specified. • Documents not signed by the payee/establishment. • Some purchases included “assorted” goods/supplies and were not particularly identified. 	
b. Petty cash expenses with lacking documentary requirements/ minimum data not provided	<u>39,233.95</u>
<ul style="list-style-type: none"> • Purchase of curtain, table runner, lockset and facemask in Kawit, Cavite- No proof of canvass 	16,125.75
<ul style="list-style-type: none"> • Dismantle and repair of piping for fire protection supply under the soil, excavation, back filling and welding works: payor is VAB Campus located in Pasay but payee was located in Pampanga-no proof of canvass 	12,000.00
<ul style="list-style-type: none"> • Purchase of 2 units of galvanized iron wire - The 3 canvass proposals does not include the actual establishment where the items were purchased; ₱2,980.00 	2,980.00
<ul style="list-style-type: none"> • Purchase of meals for official meeting: no proof of canvass was attached 	3,850.00
<ul style="list-style-type: none"> • No trip tickets attached for the reimbursement/ payment of gasoline and payment of toll fees 	1,378.20
<ul style="list-style-type: none"> • Other purchases with no proof of canvass and/or ORs/invoice (Gina Cloth, pots and ginger) 	1,900.00
<ul style="list-style-type: none"> • Two transactions for the payment of disinfection of the College – 	

Observation/ Findings	Amount
minimum data not provided	1,000.00
c. Petty expenses involving repairs/replacement of motor vehicles (parts), aircon, refrigerator, pipe lines - no report on waste material.	33,648.54
d. Payments for garbage collection amounting to ₱300.00 per transaction, of PhilSCA VAB Campus, the CENRR/RER, no name and address of the garbage collector.	6,000.00
e. Petty expenditures with no stated purpose and/or identified recipients, hence expenses cannot be determined whether personal or official <ul style="list-style-type: none"> Recipients/offices were not identified for the purchases of alcohol and Lysol. Travel to the bank where the passenger is not the designated Cashier, purchases of pandesal and purchase of upholstery and seat cover. Payment of gasoline and toll fees with no specified purpose. 	<u>131,557.38</u> 100,565.85 24,814.53 6,177.00
f. Payment for gasoline, fuel and toll fees in transporting employees to and from PhilSCA/home when public transport is already available	4,870.00
g. Expenditures did not conform with the established rules of Petty Cash Fund (ceiling of ₱15,000.00, regular expenditure) as well as the alternative mode of procurement under RA No. 9184 and other auditing rules and regulations:	<u>138,879.00</u>
<ul style="list-style-type: none"> Two payments/transactions related to the face lifting and general renovation of PhilSCA's Guestel building 11 split transactions related to the renovation of Cash Services Offices 11 split transaction related to the construction of Founder's Park. This includes two purchases in April 2021 amounting to ₱24,000 and ₱36,000 which are in excess of the ₱15,000.00 limitation for Petty Cash Fund Two split payments/expenses related to renovation of stage Five split payments/expenses for acrylic barrier of the library (Sept. 20 to Oct. 8, 2021) 	7,270.00 22,290.00 79,590.00 12,200.00 17,529.00
Total	1,229,255.07

10.5. Based on the abovementioned observations, the petty cash expenses amounting to ₱1,229,255.07 lacks sufficient information/data to determine their validity, in compliance with COA Circular Nos. 2012-001, 2004-006, and 2021-001 dated June 14, 2012, September 9, 2004, and June 14, 2021, respectively. Moreover, unnecessary expenses had been incurred, contrary to COA Circular No. 2012-003 dated October 29, 2012.

10.6. **We recommended and Management, thru the PCF Custodian, agreed to:**

- a. submit the required supporting documents to substantiate the validity and propriety of the petty expenses;**

- b. submit justification/explanation on the observed deficiencies on the use of petty cash fund and non-conformance with established rules and regulations;**
- c. establish adequate control and monitoring policies on Petty Cash Fund to ensure that payments are supported with complete and proper documentation as well as purposes/recipients of expenditures are specified to establish validity of the transactions;**
- d. refrain from disbursing regular expenditures which cannot be considered petty in nature as well as expenses which are not related to the main purpose of the transaction and can be dispensed with; and**
- e. ensure that supporting documents are the latest prescribed format and that these provides the required minimum data in accordance with COA Circular No. 2004-006 dated September 9, 2004.**

Management's Comments

- 10.7. The PCF Custodian explained that the procurement of goods was done early morning from street vendors and market stalls, with instructions to the purchaser to avoid overcrowded places in observance of the social distancing protocol. In these particular transactions, the receipts were mostly not available but for documentation purposes, the vendors had provided details of goods procured through pieces of yellow paper, bond paper, etc.. The PCF Custodian then transferred the detailed items in the RER and CENRR form to acknowledge the transactions as signed by payee and witness. They simply were not aware of the updates about the new forms and committed to comply with the recommendations of the Audit Team.

Payment of Telephone/Communication Expenses

- 11. The propriety and validity of payment of telephone/communication allowance to 44 employees totaling ₱308,050.00 cannot be ascertained due to the non-submission of complete documentary requirements, contrary to COA Circular No. 2012-001 dated June 14, 2012 and were given to employees as a fixed monthly allowance instead of reimbursement, contrary to PhilSCA Memorandum Circular (MC) No. 04, s. 2019 dated August 23, 2019.**

- 11.1. Claims against government funds shall be supported with complete documentation.⁴⁴ Supporting documents are necessary to establish the validity of the expenditures.

⁴⁴ Paragraph 6, Section 4 of P.D. 1445

- 11.2. Complementary to COA Circular No. 2012-001 dated June 14, 2012,⁴⁵ the PhilSCA issued MC No. 04, Series of 2019 dated August 23, 2019 to prescribe the guidelines on the provision and use of official mobile phones, postpaid lines, and prepaid loads. One salient provision of the MC is that *“This provision shall not be treated as allowance, but as an expense subject to reimbursement or liquidation procedure.”* It also prescribes the authorized/eligible recipients, the monthly ceiling of the allowable communication reimbursement, the procedures of payment and the required supporting documents.
- 11.3. Section 4.B of the College MC identified the following supporting documents that need to be provided by the authorized/eligible recipients prior to payment of Postpaid Line and Prepaid Load Provision:
- For postpaid line under the PhilSCA account, claims for postpaid line and prepaid load must be supported by a Statement of Account (SOA)/Bill/Certification by Agency Head or his authorized representative or the eligible recipient stating that calls are all official in nature.
 - For prepaid load, payment shall be made on the basis of an OR from the seller or a Certification by the direct supervisor of the incumbent or his/her representative.
- a) Non-submission of complete documentary requirements*
- 11.4. Post-audit on payments of telephone/communication expenses to 44 PhilSCA administrative employees for the period January to December 2021 totaling ₱308,050.00 showed that the payments were not supported by complete documentary requirements for reimbursement of claims as required in Section 4.B of the MC.
- 11.5. Payments were credited to employee’s payroll accounts and the Report of Disbursements (RODs) were supported only by monthly payroll register/list of authorized claimants which were not signed by the recipient employees. This prohibits the Audit Team to substantiate the validity and propriety of the communication expenses incurred by the College.
- b) Payment of a fixed monthly allowance instead of reimbursement*
- 11.6. It was also observed that the amount paid each month to employees were the same as the prescribed limit of claimable reimbursement as set forth in the MC. Without the supporting documents evidencing that the amount given were disbursed by the recipients, it is construed that the payments were given as a fixed monthly allowance, contrary to the provisions of the MC that the expense is subject to reimbursement or liquidation procedures.

⁴⁵ Prescribes the Revised Guidelines on Documentary Requirement for Common Government Transactions

- 11.7. The Audit Team reiterates that payment of telephone expenses should be supported with complete and proper documents to substantiate the transactions and should not be treated as regular allowance/payroll.
- 11.8. **We recommended and Management agreed to:**
- a. **strictly comply with the provisions of PhilSCA MC on the practice of treating the telephone/communication expenses as fixed monthly allowance/regular payroll to avoid disallowance; and**
 - b. **submit the required supporting documents provided in Section 4.B of the College MC to substantiate the validity and propriety of the telephone expenses.**

Payment of Honoraria

12. **Honoraria of a Guest Resource Speaker of the PhilSCA Gender and Development (GAD) Webinars for CY 2021 amounting to ₱139,230.00 (a) were paid in the absence of guidelines established by the College, as required in DBM Budget Circular No. 2007-1 dated April 23, 2007; and (b) were not supported with complete documentary requirements, contrary to COA Circular No. 2012-001 dated June 14, 2012, casting doubts on the validity and propriety of the said disbursements.**
- 12.1. An honorarium is a form of compensation given to professionals for services in recognition of their expertise, broad and superior knowledge in specific fields and special projects. This also includes payments to lecturers, resource persons, coordinators and facilitators in seminars, training programs and other similar activities in training institutions including those who render services beyond their regular workload.⁴⁶
- 12.2. A resource person (RP) is any person, who, by virtue of his/her expertise in a specific subject area, serves as speaker in seminars, conferences, symposia, training programs and similar activities.⁴⁷
- 12.3. DBM Budget Circular No. 2007-1 dated April 23, 2007 prescribes the guidelines on the grant of honoraria to lecturers, resource persons, coordinators and facilitators. Section 4.3 of the Budget Circular provides that lecturers, resource persons, coordinators and facilitators from the private sector may be paid honoraria at such rates as may be determined by the agency authorities concerned and by using the formula on Section 4.2 of the Budget Circular as guide.

⁴⁶ Chapter 3, Volume III-RCA (Updated 2019) of the GAM for NGAs

⁴⁷ Item 2.3, DBM Budget Circular No. 2007-1 dated April 23, 2007

- 12.4. For CY 2021, PhilSCA had paid a total of ₱139,230.00 (net of tax of ₱1,770.00) to one resource speaker for the conduct of five Webinars/Seminars at a rate of ₱6,000.00 per day, details of which are as follows:

Name of Seminar	No. of Days	Gross Amount/ Net Pay
1. Gender Based Sexual Harassment in HEIs on April 20-27, 2021.	6	36,000.00 35,280.00
2. Gender Sensitivity Seminar with Integration of RA No. 7877 & RA No. 11313, otherwise known as "Safe Spaces Act," on May 2021 via Zoom	6	36,000.00 35,640.00
3. Basic Orientation and Revised Sexual Harassment Rules pursuant to RA No. 11313, also known as Safe Spaces Act, on July 5, 6, 7, 12 and 13, 2021	5	30,000.00 29,700.00
4. Webinar on Excellence with the Theme: Achieving Excellence and Gender Equality by Empowering PhilSCA Students for the topic: Creating Gender Responsive Environment for Empowered PhilSCAns on July 17, 2021	-	3,000.00 2,970.00
5. Basic Orientation and Revised Sexual Harassment Rules	6	36,000.00 35,640.00
Total		141,000.00 139,230.00

- 12.5. The speaker is a GAD expert doing lectures on topics of Anti-Violence Against Women and Their Children (VAWC), Anti-Sexual Harassment (SH), Magna Carta of Women and other GAD related concerns. Likewise, as stated in his resume, he was a certified member of Batch 4, National Gender Resource Pool of the Philippine Commission on Women (PCW) from 2017 to date. However, scrutiny of the partnership agreement with the PCW disclosed that its effectivity period commenced on June 2019 and had expired on July 1, 2021. In the absence of a renewed agreement, the trainings conducted starting July 5, 2021, may not be valid.

a) Absence of guidelines on the payment of honoraria to private entities

- 12.6. Audit of the DVs revealed that the College has no concrete policy for payments of honoraria to private entities as prescribed in Section 4.3 of the Budget Circular. Only the operational plan approved by the College President for the Gender Sensitivity Seminar with Integration of RA No. 7877 and RA No. 11313 otherwise known as "Safe Spaces Act" for the period of March 24, 2021 to April 23, 2021 with background/rationale and budgetary requirements attached.
- 12.7. Moreover, the number of actual lecture/training hours per seminar was not included in the supporting documents. This precluded the Audit Team from determining the propriety of the amount of honorarium paid.

b) Lack of supporting documents on the payment of honoraria

- 12.8. All claims against government funds shall be supported with complete documentation in all financial transactions and operations of any government agency.⁴⁸
- 12.9. COA Circular No. 2012-001 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common government transactions. Section 5.7. thereof enumerates the documentary requirements for the payment of honoraria to lectures, resource persons, coordinators and facilitators. Aside from the deficiencies discussed in paragraph 12.6, we also noted the lacking documentary requirements pertaining to the payment of honoraria in the five trainings conducted, to wit:
- a. Office Order/Invite;
 - b. Coordinator's report or Lecturer's Schedule
 - c. Course Syllabus/Program of Lectures
- 12.10. It was also noted that in one of the DVs for the training conducted in May, 2021, the attached Certification of Conducted Seminar was for June 3,4, 8-11, 2021, thus the doubtful date of the training.
- 12.11. **We recommended and Management agreed to:**
- a. **establish guidelines on the payment of honoraria in compliance with DBM Budget Circular No. 2007-1;**
 - b. **require the Resource Speaker to submit copy of the renewed partnership agreement with PCW effective July 1, 2021; and**
 - c. **submit the required documents and ensure that payments for honoraria are fully supported with all the required documents, in compliance with Section 4 of PD No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.**

Management's Comments

- 12.12. The Management commented that they use the suggested ₱1,500.00/ hour rate of PCW-Technical Services and Regional Coordination Division and the agreed rate is much lower than the supposed payment of ₱16,008.00 per day had the College used the formula as provided for in DBM Circular No. 2007-01. Nevertheless, the Management will establish a clear internal policy on the requirements to support any claim for payment of honoraria of invited RPs who are proven to be subject matter experts in their field for future undertakings.

⁴⁸ Supra, Note 44

Audit Team's Rejoinder

- 12.13. The Audit Team reminded the Management to give attention to control mechanisms in determining the actual date of preparation and submission of the documents to the concerned offices to ensure the Agency's adherence to the prescribed guidelines and procedures and emphasized the role of the Management and Accountant in ensuring the timely submission and completeness of supporting documents by the end-users/ suppliers before processing/ approving the DVs.

Compliance with Transparency Seal

- 13. The non-posting of the Report on Commission on Audit's (COA) Findings and Recommendations and non-updating of the information in the Transparency Seal of the PhilSCA's official website during the year precluded the public in (a) assessing the PhilSCA's performance and its compliance with the audit recommendations outlined in the COA's Annual Audit Report; (b) monitoring the agency programs/activities; and (c) being apprised of the agency's procurement, as mandated under Sections 91, 95 and 96 of the General Provisions, GAA for Fiscal Year 2021 or RA No. 11518, RA No. 9184 and its Revised IRR.**

- 13.1. Sections 91, 95 and 96 of the General Provisions in the GAA of FY 2021 or RA No. 11518 provides that specific reports and information are required to be posted in the official website of the Agency to enhance transparency and accountability in the government.
- 13.2. **The head of agency concerned and the agency's web administrator or his/her equivalent shall be responsible for ensuring that said status reports are posted on the agency's website.** (Underscoring and emphasis supplied)
- 13.3. Further, GPPB Circular No. 01-2021 dated March 4, 2021 reminds all PEs to strictly comply with the transparency, accountability and good governance policies and measures in the procurement process set forth under RA No. 9184 and its 2016 Revised IRR, the GAA, Resolutions issued by GPPB and other relevant laws, rules and regulations.
- 13.4. Validation of the Agency's official website at <https://www.philsca.edu.ph/> conducted on March 25, 2022 showed that the following requirements mandated under Sections 91, 95 and 96 of the GP, GAA for FY 2021 or RA No. 11518 and RA No. 9184 and its 2016 Revised IRR are not complied with or only partially complied with by the PhilSCA:

Table 24 - Results of Validation of the Agency's Website

Required Information for Posting	Audit Team Validation	PhilSCA's Compliance
I - Report on Commission on Audit Findings and Recommendations		
Status report on the actions taken on audit findings and recommendations using the prescribed form under COA Memorandum No. 2014-002 dated March 18, 2014	No report posted.	Non-compliant
II - Transparency in Infrastructure Projects		
<p>a) The project title, location and detailed description; detailed estimates in arriving at the ABC; the winning contractor and the detailed estimates of the bid as awarded; source of fund; implementing office, responsible official and their contact details; and start of construction date and target date of completion within thirty (30) calendar days from entering into contract;</p> <p>b) Quarterly status update, including geo-tagged photos, of the project, and in case of delay, state the reason/s; and</p> <p>c) The detailed actual cost of the project; and Variation Orders issued, if any, within thirty (30) calendar days from the issuance of a certificate of completion.</p>	No report posted.	Non-compliant
III – Transparency Seal		
i. the agency's mandates and functions, names of its officials with their position and designation, and contact information.	PhilSCA's Vision, Mission, and Mandate are posted. However, names of its officials with their position designation, and contact information are not posted.	Partially Compliant
ii. modifications made pursuant to the general and special provisions in this Act;	Modifications in the allotment were observed in FARs and the corresponding Modification Advice Forms were submitted to COA Office upon request, however, the said reports are not posted on the website.	Non-compliant
iii. APP and contracts awarded with the winning supplier, contractor, or consultant	No report posted.	Non-compliant
iv. annual reports on the status of	No report posted. Only the	Non-

Table 24 - Results of Validation of the Agency's Website

Required Information for Posting	Audit Team Validation	PhilSCA's Compliance
income authorized by law to be retained and/or used and be deposited outside of the National Treasury, which shall include the legal basis for its retention and/or use, the beginning balance, income collected and its sources, expenditures, and ending balance for the preceding fiscal year.	FSs of the PhilSCA as of December 31, 2017 were posted.	compliant
IV- RA No. 9184 and its 2016 Revised IRR (Attached as Annex A)		
i. Section 12.2 –PMR	No report posted for current and previous years.	Non-compliant
ii. Sec.8.4.2 - ITB (Goods and Infrastructure Projects)	Only four (4) of the 27 listed contracts from CYs 2018 to 2021 have ITB posted on the website.	Partially Compliant
iii. Sec.8.4.2 and 17.4 - Downloadable complete Bidding Documents	No document posted.	Non-compliant
iv. Sec. 8.4.3 - SBB, if applicable	Two (2) contracts have SBB posted in the website.	Partially Compliant
v. Sec.37.1.6 - NOA	Nine (9) contracts from CYs 2018 to 2021 have NOA posted in the website.	Partially Compliant
vi. Sec. 37.4.2 - NTP	Four (4) contracts from CYs 2018 to 2021 have NOA posted in the website.	Partially Compliant
vii. Sec. 37.4.2 - Approved Contract	No document posted.	Non-compliant

- 13.5. The Management's lack of full disclosure of all the vital information enumerated above is a setback in adopting measures to ensure transparency and accountability required from the College.
- 13.6. Likewise, the need to employ the available information technology resources is more fitting nowadays due to the challenges brought in by the pandemic, where restriction of movement is imposed across the country. Using the digital technology at hand in disseminating and gathering information is now the new norm suitable under these circumstances.
- 13.7. This is also a reiteration of observations in Paragraph 13 of the CY 2019 AAR.

13.8. We recommended and Management agreed to:

- a. instruct the Web Administrator to update the Transparency Seal with the required information by coordinating with the concerned College officials and employees; and**
- b. fully leverage the College's available information technology by ensuring that fiscal and operational information are disclosed in its official website on a regular basis to clearly demonstrate its commitment to transparency and accountability.**

PROGRAM EVALUATION

Lapses in the Implementation of Tertiary Education Subsidy (TES)

14. The College did not strictly adhere to the provisions of RA No. 10931 and its IRR and CHED-UniFAST-DBM Joint Memorandum Circular (JMC) No. 04 S. 2020 as lapses in the implementation of TES program were observed such as: a) delayed issuance of ORs for every amount received from CHED Regional Office (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.

14.1. Section 22 of the IRR of RA No. 10931, also known as the "Universal Access to Tertiary Education Act," states that the TES shall 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, CHED-recognized Local Universities and Colleges (LUCs), and private Higher Education Institutions (HEIs).

14.2. CHED-UniFAST-DBM JMC No. 04 S. 2020, which prescribes the enhanced guidelines on the TES Program, was amended by CHED-UniFAST MC No. 4, Series 2021 to ensure the efficient implementation of the TES during the COVID-19 pandemic thru various disbursement/distribution mechanism such as direct cash payouts, money remittances and any other mode to expedite the distribution of said grants.

14.3. TES student-grantee enrolled and qualified under the existing admission and retention requirements of SUCs shall receive a maximum of ₱40,000.00 grant per academic year or ₱20,000.00 per semester.⁴⁹

⁴⁹ Section IV.4.5.1 and Section V of CHED-UniFAST-DBM JMC No. 04 S. 2020

14.4. For the proper implementation of the billing and disbursement procedures and monitoring of the TES payments to public and private HEIs, the JMC set out the functions, roles and responsibilities of the parties/agencies, pursuant to their respective mandate in relation to the fund management of the TES. Listed below are some of the roles and responsibilities of the HEIs⁵⁰:

- 1) Orient the qualified TES student-grantees, administrative officials and staff, parents, as well as all other stakeholders related to the TES implementation utilizing the HEI's Administrative Support Cost (ASC)⁵¹ with assistance of the Regional Coordinators and officials of the CHEDRO whenever requested by the HEI;
- 2) Perform administrative and financial procedures such as:
 - a) Issue an OR for every amount received from CHED RO in relation to the TES implementation;
 - b) Maintain a separate bank account with the Land Bank of the Philippines (LBP);
 - c) Provide bank account details for cheque received from CHEDRO, to the separate bank account maintained;
 - d) Comply with the provisions of COA Circular No. 94-013 as may be warranted.
- 3) Prepare the TES billings;
- 4) Ensure that full assistance through proper orientation and information dissemination has been provided to qualified enrolled TES student-grantees; and
- 5) Be accountable for the funds received from the CHEDRO pursuant to the MOA.

14.5. For the liquidation of funds received from CHED of public HEIs, the SUCs and CHED-recognized LUCs shall submit the documents within 60 days after the end of the 2nd semester of the academic calendar or before the prescribed period for the funds released to them either through the List of Due and Demandable Accounts Payable with Advice to Debit Account (LDDAP-ADA) or through checks,⁵² as follows:

- 1) Fund Utilization Report (FUR) duly certified by the Accountant and/or Vice President for Finance, duly verified by the internal/ external Auditor and approved by the President/Head;
- 2) Report of Checks Issued (RCI) for ASC, signed by the Cashier;
- 3) ORs and other pertinent documents to substantiate the use of ASC;
- 4) TES Billing Details approved by the President/ Head (print-out and electronic copy);

⁵⁰ Section XII of CHED-UniFAST-DBM JMC No. 04 S. 2020

⁵¹ Section XIII of CHED-UniFAST-DBM JMC No. 04 S. 2020

⁵² Section XVI of CHED-UniFAST-DBM JMC No. 04 S. 2020

- 5) Notarized Registrar's Certification stating the total number of qualified TES student-grantees for each regular term of the academic year and the names of grantees who were not readmitted, on leave of absence, transferred to another HEI, dropped from the school roster, suspended, excluded, expelled and unable to continue studies due to other reasons (print-out and electronic copy); and
- 6) Certificate of Registration of the TES student-grantees for each regular term during the academic year (PDF copy).

Additional requirements in case stipends for grantees were disbursed through SUCs and CHED-recognized LUCs:

- 1) FUR for stipends, duly certified by the Accountant and/ or Vice President for Finance, duly verified by the internal / external Auditor and approved by the President/ Head;
 - 2) RCI for stipends, signed by the Cashier;
 - 3) Payroll report duly signed by the recipients of TES; and
 - 4) Photocopy of school identification card of TES student-grantees with specimen signature.
- 14.6. No payment of any nature shall be received by a Collecting Officer without **immediately issuing an OR** in acknowledgment thereof.⁵³ (Emphasis and underlining supplied)
- 14.7. The results of the review of the CY 2021 TES transactions and their supporting documents revealed the following non-adherence of the College to the provisions of RA No. 10931 and its IRR and CHED-UniFAST-DBM JMC No. 04 S. 2020:
- a) Delayed issuance of ORs for every amount received from CHEDRO*
- 14.8. Examination of the financial assistance granted by CHEDRO during CY 2021 totaling ₱6,281,200.00 for the Academic Years' (AYs) 2019-2020 and 2020-2021 TES program of PhilSCA showed that all funds received have a corresponding OR. However, a delay of more than one month up to more than one year was observed in the issuance of the OR since the balance from CHED was credited to the bank.
- 14.9. The practice of delayed issuance of ORs by the Cashier and Accounting Office is not supportive of the efficient implementation of TES program and indicates poor monitoring by the College of the funds entrusted to them.

⁵³ Sec. 68, PD No. 1445; Section 4, Chapter 2, GAM, Volume I

b) Delayed release of funds to student-grantees

- 14.10. Consequently, the timely release of financial assistance through direct cash payments (payroll) and money remittances was also delayed by more than two months up to more than 11 months due to failure by the Cashier and Accounting Office to immediately account the receipt of grants from the CHED, thereby causing deferment of support for the education related expenses of the qualified student-grantees.
- 14.11. Financial assistance amounting to ₱41,200.00 deposited in PhilSCA account on January 4, 2021 was only issued with OR on October 14, 2021 and remains unreleased as of December 31, 2021, causing unjust delay of the benefits due to the qualified student-grantees.
- 14.12. It is emphasized that the TES was established to support the education related expenses that includes, among others, the cost of books, supplies, transportation, rental or purchase of personal computer or laptop, allowance for room and board cost,⁵⁴ hence a delay in the release of the funds is a delay in the provision of the needed support for the completion of the student-grantee's education, which is contrary to the objective of the TES program.

c) Inadequate submission of supporting documents for the liquidation of funds

- 14.13. Perusal of the submitted Liquidation Reports (LRs) for the distribution of TES financial assistance made through direct cash payments and money remittances showed that all were duly supported with signed payrolls, and money remittance forms. However, out of ₱6,240,000.00 released funds, only ₱4,480,000.00 have FURs signed by the College President and Accountant, and only ₱4,720,000.00 have TES billing details. Other supporting documents required for the liquidation of the fund transfers such as notarized registrar certification and certificate of registration and photocopy of school identification (ID) card of the grantees were not attached.
- 14.14. The Audit Team was precluded in verifying the student's signature affixed on the payroll for TES financial assistance due to non-submission of the required photocopy of school ID card showing the specimen signature of student-grantees. Moreover, timely evaluation on the propriety of fund utilization was not done due to incomplete submission of supporting documents for the liquidation of funds.
- 14.15. The delayed release of financial assistance and inadequate submission of supporting documents for the liquidation of funds is a reiteration of observations in Paragraph 7 of CY 2020 AAR.

⁵⁴ Item No. 2, Section IV of CHED-UniFAST-DBM JMC No. 04 S. 2020

d) Non-utilization of the ASC

- 14.16. The ASC for HEIs shall be a percentage of the total actual TES funds received by the HEI, which shall not be more than the percentage set by the corresponding Special Provision of the GAA of the current fiscal year. This shall cover expenses on monitoring, notarization of documents, office supplies and materials, salary of project technical staff or job order, communication, transportation/ travel, remedial/ mentoring program and meetings/ orientation/ seminar/ general assembly and cash cards that will be issued to the TES grantees.
- 14.17. It was observed that the ASC for TES funds covering AYs 2018-2019 and 2019-2020 totaling ₱136,200.00 were not used for their intended purpose, thus, the funds have fully lapsed and were reverted to CHED under Check No. 97807 dated August 16, 2021. The non-utilization of the ASC are forgone benefits and had caused incurrence of expense charged to the local fund of PhilSCA.

e) Non-maintenance of separate book for Trust Receipts

- 14.18. The GAM for NGAs prescribes that Trust Receipts or Custodial Funds, such as inter-agency transfer funds (IATF), grants and donations from other government and non-government agencies, and other receipts wherein the agency acts as trustee, agent or administrator shall be recorded under a separate accounting book with FC 07.
- 14.19. Likewise, Items 7.6.2 and 7.6.3, Section XII of the MOA listed the maintenance of a separate bank account with the LBP and provision of bank account details for cheque received from CHEDRO, to the separate bank account maintained as one of the administrative and financial procedures which needs to be performed by HEIs.
- 14.20. However, it was observed that the funds received from CHED for the implementation of TES which are Trust Receipts were not recorded in a separate book. Instead, these were recognized under FC 05 which is for Internally Generated Fund or for recording of income from tuition fees and other school fees and disbursements relative thereto, thereby causing difficulty on the part of the College to properly account for the receipt and disbursement and efficiently and effectively manage the TES funds, contrary to the GAM for NGAs, RA No. 10931 and its IRR and CHED-UniFAST-DBM Joint JMC No. 04 S. 2020.
- 14.21. The delayed release of financial assistance, inadequate submission of supporting documents for the liquidation of funds and maintenance of separate bank account with the LBP for proper management of TES funds are reiterations of observations in Paragraph 7 of CY 2020 AAR.

14.22. **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 FURs, TES billing statements and clear photocopies of school ID card 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 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.**

14.23. The College Scholarship Coordinator commented that there were lapses on the issuance of ORs for the past years because they were not immediately informed by the CHED that the funds were already transferred to the account of PhilSCA. It took months to be notified thru emails together with the DVs and the list of grantees. It took also more than two (2) days to process because they had to secure bank certification to issue ORs. This is also the reason why the ASC had lapsed and were not used.

14.24. There were also lapses in the release of funds to student-grantees due to lack of available SDOs. There was a surge in the COVID-19 cases during that time, thus the number of personnel reporting to work were limited and students were not allowed to enter PhilSCA premises.

14.25. The Accounting Office also informed that they are collaborating with the Program Coordinator and Cashier on the close monitoring of funds receipts thru LBP's WeAccess and from CHED for the timely issuance of OR and distribution of subsidy to the student-beneficiaries of TES.

Lapses in the Implementation of Tulong Dunong Program (TDP)

15. **As in previous years, lapses in the implementation of the TDP were observed such as: a) non-submission of the MOA by and between the CHEDROs and the PhilSCA Regional Campuses, thereby precluding the Audit Team to properly evaluate 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.**
 - 15.1. The CHED-TDP aims to provide financial assistance to qualified and deserving students. It is intended for the new grantees who are enrolled or will enroll in any curriculum year level in CHED-recognized programs of Private HEIs, or SUCs/ LUCs with Certificate of Program Compliance (COPC).
 - 15.2. CHED and DBM JMC No. 2017-3 dated May 24, 2017 prescribes the implementing guidelines on the TDP to ensure that existing programs are rationalized in accordance with the UniFAST Act given the grant of free tuition fee subsidy. The revised guidelines were issued through CHED-DBM JMC No. 04 s. 2019, among the salient sections of which are as follows:
 - a. Section 5 provides that a student-grantee shall be entitled to ₱15,000.00 financial assistance per academic year, which may be used to support the cost of higher education expenses (i.e., educational and cost of living allowance);
 - b. Item 9.2, Section 9 requires the submission of the following documents for the payment of grants through HEIs:
 - i. MOA with participating HEIs with 10 or more grantees to facilitate transfer of funds, and to ensure compliance with the control mechanisms;
 - ii. Billing statement from the Chief Accountant and President/School Head, supported by the Registrar's Certificate which specifically indicates the number of units enrolled, general weighted average (GWA), program, curriculum, and semester or term; and
 - c. Section 13.4 - One of the responsibilities of HEIs as implementers is to provide assistance to the grantees in compliance with the required documents, and facilitate the immediate release of the financial benefits.
 - 15.3. Section 4.1 of COA Circular No. 94-013 dated December 13, 1994 requires the undertaking of agreement between the source agency (SA) with the

implementing agency (IA). The agreement shall provide for the requirements for project implementation and reporting.

- 15.4. Sections 4.6 of the same Circular provides that within 10 days after the end of each month/end of the agreed period for the Project, the IA shall submit the RCI and the Report of Disbursements (RD) to report the utilization of the funds. Only **actual project expenses** shall be reported. The reports shall be approved by the Head of the IA. (Underscoring and emphasis supplied)
- 15.5. The Audit Team noted the following deficiencies during the course of audit in the implementation of TDP by the College:
 - a) *Non-submission of MOA with CHEDROs*
- 15.6. The PhilSCA Regional Campuses of FAB at Lipa City, Batangas, Basa Air Base (BAB) at Floridablanca, Pampanga and MBEAB at Mactan, Cebu still did not submit a copy of their MOA with CHEDROs IV-A, III and VII, respectively, thereby precluding the Audit Team from properly evaluating the compliance of the Regional Campuses with the project reporting and control mechanisms of TDP.
- 15.7. This observation had been raised in CYs 2019 and 2020 audits.
 - b) *Delayed release of the financial assistance to student-beneficiaries by 27 to 1,156 days*
- 15.8. For CYs 2017-2021, PhilSCA- FAB, BAB and MBEAB Campuses received a total of ₱4,484,500.00 grants from CHEDROs IV-A, III and VII for the implementation of the TDP for various AYs. Subsequently, cash advances were given to AOs of Campuses to administer the release of funds to student-grantees. Considerable delays ranging from 27 to 1,156 days were observed from the date of CHED fund transfer to the actual release of funds to student-grantees in CY 2021.
- 15.9. TDP educational assistance totaling ₱1,503,000.00 for the student-grantees of FAB Campus for AYs 2019-2020 and 2020-2021 were released within 27 to 230 days from receipt of funds from CHED. On the other hand, the number of days delay for the BAB campus could not be determined in the absence of details in the submitted reports.
- 15.10. For MBEAB Campus, a total of ₱2,315,500.00 TDP financial assistance intended for the second semester of AYs 2016-2017 to 2018-2019 were granted to students only in CY 2021, or delays ranging from 387 to 1,156 days. This delay of **more than one to three years** is attributed to the failure of the concerned Campus official/s to immediately release the fund despite

CHEDRO VII's regular transmittal of communication letter to the College informing them of the funds transferred.

- 15.11. The letter from CHEDRO VII further instructed the MBEAB Campus to send back to them the attached CHED DV and payroll together with the OR issued per student to acknowledge the receipt of funds. However, a copy of such reports is not attached to the submitted LRs, thus precluded the Audit Team from confirming whether the funds were duly issued with ORs at the time the funds were transferred to the account of PhilSCA.
- 15.12. The MBEAB Campus also received a total of ₱426,000.00 TDP financial assistance covering AY 2019-2020 and 2020-2021 from CHED. However, the issuance of OR for the CHED fund transfer with reference Check Number 9920110761 dated November 12, 2020 amounting to ₱186,000.00 was not verified by the Audit Team due to lack of detail in the submitted LRs. While the remaining ₱97,500.00 were advanced to an AO on December 16, 2021 for the distribution of the assistance, the LR remained unsubmitted as of December 31, 2021, which is again contrary to Section 4.6 of COA Circular No. 94-013.
- 15.13. The unjust delay on the distribution of TDP assistance by 27 to 1156 days or three years, deprived the underprivileged student-grantees of timely support for the cost of their higher education expenses, defeating the objective of the TDP.
- 15.14. Perusal of the submitted LR and RD also revealed that TDP funds received by PhilSCA is considered liquidated upon granting a cash advance to the AO, although the funds are still subject to liquidation to establish the actual TDP funds released to student-grantees, in accordance with Section 4.6 of COA Circular No. 94-013 dated December 13, 1994.

c) Inadequate submission of supporting documents for the liquidation of funds

- 15.15. Further, vouching of the recorded TDP fund liquidations of three PhilSCA Campuses for CY 2021 disclosed that some of the required supporting documents are lacking.
- 15.16. In FAB Campus, photocopies of student IDs showing the signature of the student grantees and signed payroll required by CHEDRO IV were attached as supporting documents to LRs for the grant of the assistance. It was noted that there is a notation placed at the bottom of the master list page which says "to return the document with complete signature of the student-grantees and their date of receipt and attach clear copies of student IDs (showing the signature of student-grantees) along with the document." A reminder to liquidate within 30 days upon receipt of the check was also included. This practice showed

efficient internal control in ascertaining the authenticity of signatures affixed in the TDP payroll.

15.17. For BAB and MBEAB Campuses, the financial assistance provided to the student-grantees were also supported by the signed payrolls and remittance forms. However, photocopies of students' IDs bearing their signature was not submitted, thus hampered the Audit Team in verifying the student's signature affixed on the payroll.

15.18. It was also observed that the payroll of MBEAB Campus did not conform to the prescribed format by CHEDRO VII, whereas, the required information such as the OR Number and date, name of the designated releasing staff and the return date to CHED acknowledging the receipt of funds were not provided.

15.19. **We recommended and Management agreed to:**

- a. submit the MOA with CHEDROs IV-A, III and VI of FAB, BAB and MBEAB 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 ID cards showing the signature of the grantees and photocopies of ORs acknowledging the receipt of funds.**

15.20. The College Scholarship Coordinator commented that for the VAB Campus, TDP grants were directly released to students, while for the regional campuses, the receipt and liquidation of funds were only monitored by and submitted to the Accounting Office. But similar to the condition in TES, the College was not immediately informed by the CHED of the availability of check and funds transferred to the account of PhilSCA. Management also explained during the Exit Conference that TES and TDP funds were already lodged to the CY 2022 GAA, hence this may resolve some of these perennial problems on delayed release of funds to student-beneficiaries.

OTHER COMPLIANCE ISSUES

Gender and Development (GAD)

16. **The College GAD Accomplishment Report (AR) for CY 2021 reflected a favorable improvement in the incurrence of attributed GAD related expenditures compared to previous years. However, other lapses in the implementation of the GAD Programs were observed such as: a) underutilization and full non-implementation of various specifically appropriated programs; and b) the AR was not reviewed by the CHED and PCW, thus prevented the Audit Team in ensuring that the activities conducted address the identified gender issues in the PhilSCA according to the General Provisions of the GAA for FY 2021, and the Philippine Commission of Women (PCW) Memorandum Circular (MC) No. 2021-06 dated December 10, 2021.**
- 16.1. All agencies of the government shall formulate a GAD Plan designed to address issues within their concerned sectors or mandate and implement the applicable provisions under RA No. 9710 or the Magna Carta of Women (MWC), 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). The GAD Plan shall be integrated in the regular activities of the agencies which shall be at least five percent of their budgets.⁵⁵
- 16.2. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights and practice of gender-responsive governance are considered sufficient compliance with the said requirement. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.
- 16.3. Pursuant to Section 36 of RA No. 9710 or the Magna Carta of Women, the utilization and outcome of the GAD budget shall be annually monitored and evaluated. As such, all line departments, constitutional bodies, judicial and legislative bodies, attached agencies/bureaus, other executive offices (OEOs) and GOCCs shall submit their consolidated FY 2021 GAD ARs to PCW through the PCW Gender Mainstreaming Monitoring System (GMMS) on or before the following dates⁵⁶:

February 24, 2022	Deadline of SUCs to submit to the CHED Regional Offices.
March 25, 2022	Deadline for CHED Regional Offices to submit to

⁵⁵ Section 32 of the General Provisions of the GAA for FY 2021

⁵⁶ PCW MC No. 2021-06 dated December 10, 2021: Submission of FY 2021 GAD AR

	PCW the reviewed FY 2021 GAD AR of SUCs.
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- 16.4. For SUCs, their GAD ARs that have been submitted through the GMMS shall first be reviewed by the concerned CHEDRO. Once the GAD AR has been reviewed, the CHEDRO shall submit the GAD AR to PCW.
- 16.5. Moreover, Item V of COA Circular No. 2014-001 dated March 18, 2014 states that the Auditee Agency shall submit a copy of the Annual GPB to the COA Audit Team assigned to the Agency within five (5) working days from the receipt of the approved plan from PCW. Likewise, a copy of the corresponding GAD AR shall be furnished the said Audit Team within five working days from the end of January of the preceding year.
- 16.6. Item 3.4 of the PCW-NEDA-DBM Joint Circular No. 2012-01, delineating the guidelines for the preparation of the Annual GPB and GAD AR to implement the Magna Carta of Women, provides that to aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the Harmonized Gender and Development Guideline (HGDG), to ensure that the different concerns of women and men are addressed equally and equitably in their PAPs.
- 16.7. Further, Item 10.2 thereof specifies that in case an agency attributes a portion or the whole of the budget of its major program to the GAD Budget, it shall subject the same to the HGDG test to determine the actual expenditures that may be attributed to GAD Budget. If required, the agency may present the HGDG test result to GAD funds audit to justify GAD budget expenses. The result of the HGDG test shall be submitted to PCW.
- a) Underutilization and full non-implementation of various specifically appropriated programs*
- 16.8. Records show that the PhilSCA provided a total of ₱101,951,082.94 for its GPB for CY 2021, which represents 47.17 percent of its CY 2021 appropriations of ₱216,113,000.00. It was noted that the said budget is way above the minimum requirement of five percent which should be ₱10,805,650.00 only.
- 16.9. Further, the AR showed that the total amount of ₱60,363,397.22 or only 59 percent of the approved budget, has been utilized for GAD thru programs and projects that integrated gender perspective in the operations of the College as summarized in the table below:

Table 25 - GAD Budget Utilization Per Activity

GAD Activities	Count	Budget	Actual Expenditure		Unexpended Balance	
			Amount	%	Amount	%
Client-Focused	12	2,155,000.00	346,822.07	16	1,808,177.93	84
Organizational-Focused	6	2,800,000.00	-	-	2,800,000.00	100

Table 25 - GAD Budget Utilization Per Activity

GAD Activities	Count	Budget	Actual Expenditure		Unexpended Balance	
			Amount	%	Amount	%
Attributed Program	3	96,996,082.94	60,016,575.15	62	36,979,507.79	38
Total	21	101,951,082.94	60,363,397.22	59	41,587,685.72	41

16.10. As can be gleaned from the table above, the high incurrence of GAD expenditures amounting to ₱60,016,575.15 in CY 2021 pertains to the 62 percent attributed GAD programs related to the placement of gender-neutral comfort rooms in PhilSCA constructed buildings with a total budget of ₱96,996,082.94.

16.11. Moreover, as shown in Table 26, the AR show unutilized GAD budget from the five Client-Focused and six Organizational-Focused activities totaling ₱3,765,000.00 which were not conducted in CY 2021:

Table 26 - Fully Unutilized GAD Budget

No.	GAD Activity	Approved Budget
Client-Focused Activities		
1.	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	300,000.00
2.	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.)	200,000.00
3.	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	15,000.00
4.	Conduct advocacy Forum in the aviation industry (Face to Face/Online)	300,000.00
5.	Trained and strengthened CODI for timely, effective and efficient action/delivery of services needed such as counselling for both victims and alleged perpetrators	150,000.00
Subtotal		965,000.00
Organizational-Focused Activities		
1.	Development of sex-disaggregated database	50,000.00
2.	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	100,000.00
3.	Develop and publish a GAD newsletter and research journal	300,000.00
4.	Conduct of GST for PhilSCA GAD Focal Point System (GFPS) members	800,000.00
5.	Attendance and participation to seminars sponsored by other agencies such as UP Center for Women's Studies, CHED SUCs, LGUs PAGDAI, etc.	850,000.00
6.	Review of existing policy/GAD programs of the result of the study	700,000.00
Subtotal		2,800,000.00
Grand Total		3,765,000.00

16.12. In effect, the College was not able to maximize the use of the allocated budget and the GAD related objectives that were integrated in each activity were not fully achieved.

- 16.13. While the seven Client-Focused activities conducted have an aggregate excess budget of ₱843,177.93 and the utilization rate for each activity ranged from four to 100 percent, as shown in the table below:

Table 27 - Savings from Fully Implemented GPB

No.	GAD Activity	Approved Budget	Actual Expenditure		Unexpended Balance	
			Amount	%	Amount	%
1.	Conduct of 2-day Gender Sensitivity Seminar w/ Integration of RA 7877: (experts as Resource Speaker) for students, faculty and admin personnel of 4 PhilSCA Campuses	250,000.00	239,588.70	96	10,411.30	4
2.		80,000.00	7,524.56	9	72,475.44	91
3.		80,000.00	7,419.75	9	72,580.25	91
4.		80,000.00	-	0	80,000.00	100
5.	Conduct of info drive on VAW in the four (4) PhilSCA Campuses	200,000.00	750.00	0	199,250.00	100
6.	Conduct of 3-day Gender Sensitivity Seminar w/ Integration of VAW laws for students, faculty and admin personnel of 4 PhilSCA Campuses	250,000.00	91,539.06	37	158,460.94	63
7.	Conduct of forum on adolescent and reproductive health issues in all PhilSCA campuses, Mental Health Awareness Amidst the COVID-19 pandemic	250,000.00	-	0	250,000.00	100
Total		1,190,000.00	346,822.07	29	843,177.93	71

- 16.14. As reflected in the GPB and AR, the activities were planned to be conducted either online or face-to-face if the situation allows. But because there are still restrictions in CY 2021 due to COVID-19 pandemic, all were conducted through webinars, thus the generated savings. However, the College is still reminded that although the unexpended balance can be considered as savings, they still need to evaluate the cause of its significant amount to avoid over-estimated or excessive allocation of budget and to ensure that the available GPB will be used efficiently for its intended purpose.

b) Delayed submission of GAD AR to the CHED and PCW for review

- 16.15. On April 13, 2022, the Chairperson of PhilSCA GFPS Technical Working Group (TWG) submitted to the Audit Team the GAD AR for CY 2021 which was submitted through the GMMS for review on the same day. It was observed that it was past the submission deadline of SUCs to CHED on February 24, 2022 and the deadline for CHED to submit to PCW on March 25, 2022. Likewise, a separate report certifying that the AR was submitted first to CHEDRO for review and consolidation as required under PCW MC No. 2021-06 dated December 10, 2021 was not provided.
- 16.16. Further, result of the HGDG tests in the attribution of expenses were not yet submitted to the Office of the Auditor to support the reported accomplishments, hence validation cannot be completely done.

16.17. Although the PhilSCA religiously conduct GAD related activities, the submission of the GAD AR to the CHED on the set deadline for proper review and submission to the PCW is a requirement that would ensure that the activities conducted address the identified gender issues in the PhilSCA. It also serves as basis of PCW for the preparation of the Annual GAD Budget Report for submission to Congress and other oversight agencies. In addition, the remarks and observations provided by PCW in the agency GAD AR shall serve as reference or guide for the concerned agency in the implementation of their current GAD programs and policies, as well as in the preparation of their succeeding GPBs.

16.18. As a result, optimum implementation of GAD plans and programs and the areas that need improvement were not properly assessed and identified. Also, the effectiveness of the interventions implemented in addressing the gender issues towards the realization of the objectives of the country's commitments, plans, and policies in women's empowerment and gender equality cannot be ascertained.

16.19. **We recommended and Management, thru the GFPs, agreed to:**

- a. ensure that GPBs are fully implemented within the set timeline to achieve the objectives and maximize the utilization of the GAD funds;**
- b. ensure timely submission of the GAD AR to CHED and PCW for review, approval and endorsement to DBM; and**
- c. submit to the Office of the Auditor the reviewed GAD AR with PCW's remarks and observations, including the HGDG test result.**

Senior Citizens and Persons with Disability

17. The PhilSCA complied with Section 33 of the General Provisions of RA No. 11518 or the GAA for FY 2021 in the implementation of programs/projects and plans for senior citizens and differently-abled persons.

17.1. 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. Moreover, all government infrastructures and facilities shall provide architectural or structural features, designs or facilities that will reasonably enhance the mobility, safety and welfare of persons with disability pursuant to Batas Pambansa Blg. 344 and RA No. 7277.⁵⁷

⁵⁷ Section 33 of the General Provisions of RA No. 11518, the GAA for FY 2021

- 17.2. For CY 2021, the College had extended consideration to senior citizens employees including persons with comorbidities placing them under Work-from-Home (WFH) arrangement during the pandemic.
- 17.3. Moreover, the newly constructed Technical Laboratory Building at PhilSCA-VAB Campus includes facilities for PWDs such as ramps with stainless steel railing located at the entrance area of the constructed building, grab rails inside the toilets and sufficient space for mobility of wheelchairs.
- 17.4. **We commended Management for its continuous support and implementation of programs benefitting senior citizens and PWDs.**

Remittances to Government Service Insurance System (GSIS), Bureau of Internal Revenue (BIR), PhilHealth and Pag-IBIG Fund

18. **Mandatory deductions for remittance to BIR, GSIS, PhilHealth and Pag-IBIG totaling ₱2,363,951.24, ₱423,138.31, ₱35,271.91 and ₱177,064.84, respectively, remained unremitted as at December 31, 2021, the details of which could not be determined due to non-maintenance of SLs by the Accounting Office, thus exposing the concerned members/employees to possible forfeiture of claims/benefits and may also result in unnecessary penalties and charges for delayed remittances.**
- 18.1. Summarized below are the data on deductions from the salaries of PhilSCA's personnel and the corresponding remittances to the concerned institutions or agencies.

Table 28 - Summary of Deductions and Remittances of Inter-Agency Payables

Deduction	Remittance	Unremitted Balance	Status
<i>Due to BIR</i>			
24,881,358.13	22,517,406.89	2,363,951.24	Pertains to prior year's net under remittance of ₱5,322,035.18, CY 2021 net over remittance of ₱2,463,733.90 and unaccounted credit balance (understatement) between GL and Statement of Financial Position of ₱494,350.04, which is still for reconciliation by Management.
<i>Due to GSIS</i>			
19,494,250.57	19,071,112.26	423,138.31	Pertains to prior year's net over remittance of ₱641,356.35 and CY 2021 net under remittance amounting to ₱1,064,494.66, which is still for reconciliation.

Table 28 - Summary of Deductions and Remittances of Inter-Agency Payables

Deduction	Remittance	Unremitted Balance	Status
<i>Due to PhilHealth</i>			
1,268,618.09	1,233,346.18	35,271.91	Pertains to prior year's net under remittance of ₱36,833.32 and CY 2021 net over remittance amounting to ₱1,561.41, which is still for reconciliation.
<i>Due to Pag-IBIG</i>			
3,391,000.86	3,213,936.02	177,064.84	Pertains to prior years and CY 2021 net under remittances amounting to ₱51,906.16 and ₱125,158.68, respectively, which is still for reconciliation.

18.2. We recommended and Management agreed to:

a. direct the Accounting and Human Resource Office to:

- **analyze and reconcile the prior years' balances and effect the necessary adjustment or remittance, whichever is appropriate;**
- **analyze and reconcile the CY 2021 transactions and effect the necessary adjustment or remittance, whichever is appropriate; and**

b. require the Accounting Office to maintain SLs for Inter-Agency Payables to be monitored and reconciled every month to establish the correct amounts due the BIR, GSIS, HDMF and PhilHealth and the corresponding remittance thereof within the prescribed period.

Compliance with RA No. 656 or the Property Insurance Law

19. PhilSCA was able to insure its properties, in compliance with RA No. 656 or the Property Insurance Law, however, the Property Insurance Form (PIF) detailing the properties insured was not submitted, thus completeness of the insurance coverage cannot be ascertained, exposing the College to the risk that of not being indemnified in case of loss due to fortuitous events.

19.1. 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 interest with the General Insurance Fund (GIF), as administered by the GSIS.

- 19.2. COA Circular No. 2018-002 dated May 31, 2018 prescribes the submission of the Property Inventory Form (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.
- 19.3. For CY 2021, the College paid ₱3,644,566.54 to the GSIS for the various insurable assets, properties and interests consisting of buildings, equipment, aircrafts and motor vehicles totaling ₱578,890,925.82.
- 19.4. The buildings, motor vehicles and aircrafts were identified in the insurance policies, however, the equipment, supplies and materials amounting to ₱64,514,716.43 and ₱21,438,391.36 located in the Main Campus and Regional Campuses, respectively, were not specifically listed in the policies and supporting documents such as PIF and/or inventory of insurable physical assets were not attached, thus completeness of insurance coverage cannot be ascertained and may expose the properties to unnecessary losses due to fire, earthquake and other casualties.
- 19.5. **We reiterated our prior year's recommendation that Management require the Supply/Property Office to prepare the PIF listing all insurable properties showing their latest appraised valuation, acquisition date, location and other relevant information as prescribed under COA Circular No. 2018-002 dated May 31, 2018.**

Status of Settlement of Audit Suspensions, Disallowances and Charges

20. **Suspensions and disallowances totaling ₱5,723,871.11 and ₱30,201,916.26, respectively, remained unsettled as of December 31, 2021, contrary to COA Circular No. 2009-006 dated September 15, 2009, which prescribes the rules and regulations in the settlement of accounts.**

Table 29 - Status of Audit Suspensions, Disallowances and Charges

Particulars	Beginning Balance, January 1, 2021	Issuances During the Year	Settlements During the Year	Ending Balance, December 31, 2021
Notice of Suspension (NS)	5,613,243.11	238,832.88	128,204.88	5,723,871.11
Notice of Disallowance (ND) ⁵⁸	30,201,916.26	-	-	30,201,916.26
Total	35,815,159.37	238,832.88	128,204.88	35,925,787.37

⁵⁸ Excludes disallowances issued prior to the implementation of the RRSA in CY 2009 amounting to ₱263,000.00

- 20.1. Out of the total suspensions and disallowances issued to PhilSCA of ₱5,852,075.99 and ₱30,201,916.26, respectively, only a total of ₱128,204.88 was settled for suspensions, leaving a balance of ₱5,723,871.11 and ₱30,201,916.26, as of yearend. The status of disallowances as of December 31, 2021 is shown in Table 30.

Table 30 – Status of Unsettled Disallowances

Number/ Date	Amount (In Php)	Description/ Nature	Status
11-001-164 (07-09) 2/25/2011	355,000.00	Hiring of private legal counsel without the concurrence of COA	COA Decision No. 2020-229 dated January 29, 2020 was issued denying the Motion for Reconsideration filed by the Head, Accounting Unit, for lack of merit and affirming with finality COA Audit Decision No. 2018-298 dated March 15, 2018, which upholds her liability of ₱130,000.00, out of the total disallowance of ₱355,000.00.
11-003-164 (10) 6/28/2011	327,096.79		With 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.
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 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	COA Decision No. 2021-501 dated December 22, 2021 granted the Petition for Review by the Accountant III, one of the persons liable, docketed as COA CP Case No. 2015-023 dated December 18, 2015 and reversed and set aside COA NGS Cluster 5 Decision No. 2015-023 dated December 18, 2015, which denied the Petitioner's appeal for exclusion from liability under ND Nos. 13-001-164-(11) and 13-002-164-(12) dated October 7, 2013 and October 11, 2013, respectively, on the payment for legal services totaling ₱432,000.00. The rest of the persons held liable under the NDs shall continue to be liable therefor.
13-002-164 (2012) 10/11/2013	216,000.00		
2016-002-164 (14) 8/22/2016	8,554,353.16	Non-conformance of payment of Personnel Welfare Benefit for CY	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.

Number/ Date	Amount (In Php)	Description/ Nature	Status
2016-002-164 (12&13) 8/22/2016	18,681,300.00	2014 to 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 Administrative Unit of proof of deduction.
Total	30,201,916.26		

20.2. **We recommended and Management agreed to require the responsible/liable persons to immediately settle the audit suspensions and disallowances in accordance with the revised RRSA.**