

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Accounting Errors and Improper Accounting Treatment of Transactions – P14,152,487.08

1. **Of the total misstatements of P135,762,992.76 found in audit due to accounting errors, omissions and improper accounting treatment of transactions that are considered departures from the International Public Sector Accounting Standards (IPSAS), P121,610,505.68 had been adjusted, while P14,152,487.08 remained uncorrected as at year-end. Hence, based on the material impact of the said uncorrected misstatements, the reported balances of the affected accounts could not be relied upon which affect the fairness of presentation of the said balances in the financial statements (FSs) of the Philippine State College of Aeronautics (PhilSCA) as of December 31, 2022.**
 - 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. 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 P135,762,992.76, of which P121,610,505.68 were adjusted in the books of accounts, leaving a total uncorrected misstatement of P14,152,487.08 (See *Annex A*).
 - 1.4. The uncorrected misstatements affecting several accounts are discussed in detail in the succeeding paragraphs:

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

² Section 111 of PD No. 1445

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

Nature of Misstatement	Amount	Accounts Affected	Effect Under (Over) Statement
a) Net overstatement of Inventories account due to:			
a.1 Unrecorded issuances of Inventories	P 4,915,748.85	Inventory accounts	P (684,516.00)
		Semi-Expendable Inventory accounts	(1,448,427.01)
		Inventory Expense Accounts	2,132,943.01
a.2 Erroneous recording of returned/undelivered semi-expendable furniture and fixtures		Semi-Expendable-Furniture and Fixtures	(87,250.00)
		Accounts Payable	(87,250.00)
a.3 Erroneous reclassification of issued tangible items previously classified as Property, Plant and Equipment (PPE)		Semi-Expendable Inventory Accounts (net)	(2,695,555.84)
	Accumulated Surplus/(Deficit)	2,695,555.84	
b) Net understatement of PPE account due to:			
b.1 Unrecorded cost of transferred/donated buildings	8,595,113.42	School Buildings	11,274,115.98
		Donations in Kind	11,274,115.98
b.2 Non-derecognition of transferred PPEs to the Philippine Air Force (PAF)		School Buildings	(6,446,802.00)
		Accumulated Depreciation	4,883,128.57
		Accumulated Surplus/(Deficit)	1,563,673.43
b.3 Erroneous computation of depreciation		Accumulated Depreciation	(1,115,329.13)
	Accumulated Surplus/(Deficit)	(1,115,329.13)	
c) Understatement of Liability account due to:			
c.1 Erroneous recording of subsequent year remittance of taxes	641,624.81	Due to BIR	360,190.28
		Subsidy from National Government	(360,190.28)
c.2 Erroneous recording of payment of penalties due to late remittances of taxes		Due to BIR	281,434.53
		Due from Officers and Employees	281,434.53
Total Uncorrected Misstatements	P 14,152,487.08		

INVENTORIES

a.1 Unrecorded issuances of Inventories - P2,132,943.01

- 1.5. The Inventory and Custodian Slip (ICS)³ and Requisition and Issue Slip (RIS)⁴ are documents used by the Property and/or Supply Office to record issuances of inventory items to end-users. Additionally, the ICS is issued to establish accountability to end-users.
- 1.6. Audit of transactions involving the Inventory account during the year revealed that various items totaling P2,132,943.01 were not expensed upon distribution of the items and issuance of the ICS or RIS to the end-users or upon purchase through petty cash and cash advances (CA). Hence, the balance of the inventory account was overstated, while the related expenses account was understated by the same amount.

a.2 Erroneous recording of returned/undelivered Semi-Expendable Furniture and Fixtures - P87,250.00

- 1.7. The recognition principle of inventories provides that the account shall be recorded only upon inspection and acceptance of the items delivered by the Supplier or Contractor.
- 1.8. Inquiry with the Acting Head of the Property/Supply Office disclosed that various cabinets totaling P87,250.00 were returned to the Supplier for non-conformance with the size specifications and remained undelivered in Calendar Year (CY) 2022. The Accounting Unit, however, recognized the undelivered cabinets under the Journal Entry Voucher (JEV) No. GJ Local 22-12-044 as Semi-Expendable Furniture and Fixtures and credited the Accounts Payable account, thereby overstating both accounts.

a.3 Erroneous reclassifications of items that were previously classified as PPE - P2,695,555.84

- 1.9. The increase in the capitalization threshold of PPE from P15,000.00 to P50,000.00 shall be considered as a change in accounting policy and shall be applied retrospectively. The carrying amount of issued tangible items acquired prior to CY 2022 with amounts from P15,000.00 to P50,000.00 previously classified as PPE shall be expensed/charged to Accumulated Surplus/(Deficit) account⁵.

³ Appendix 59, GAM for NGAs, Volume II

⁴ Appendix 63, GAM for NGAs, Volume II

⁵ COA Circular No. 2022-004 dated May 31, 2022

- 1.10. Analysis of inventory account transactions in CY 2022 revealed that various issued tangible items totaling P11,322,186.95 (*gross*) previously recorded under various PPE accounts which are below the P50,000.00 capitalization threshold were reclassified to various Semi-Expendable accounts in the same amount and the corresponding Allowance for Impairment accounts were also recorded totaling P8,626,631.11.
- 1.11. However, it was determined during the validation conducted by the Audit Team with the Acting Head of the Supply/Property Office that the abovementioned items were already issued in previous years and that they did not have semi-expendable equipment in custody as of year-end.
- 1.12. The erroneous reclassification of issued tangible items below the P50,000.00 capitalization threshold to various Semi-Expendable accounts instead of debiting the net carrying value of the items to Accumulated Surplus/(Deficit) account, overstated the inventory accounts in the net amount of P2,696,555.84.
- 1.13. **We recommended and Management agreed to require the:**
- a) Supply/Property Office to submit to the Accounting Unit the RIS and ICS for all supplies and expendable tangible items issuances; and**
 - b) Accounting Unit to effect the necessary adjusting entries to reflect the accurate balance of the affected Inventory and the related accounts.**

PROPERTY, PLANT AND EQUIPMENT

b.1 Unrecorded cost of transferred/donated buildings - P11,274,115.98

- 1.14. Except as may otherwise be specifically provided by law or competent authority, all money 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 concerned at acquisition cost or on appraised value.⁶
- 1.15. The two-story school building at PhilSCA-Medellin Campus, Cebu, which was donated and transferred by Department of Public Works and Highways (DPWH) Cebu 1st District Engineering Office, was found existing during a physical count in October 2022 and was likewise included in the Report on the Physical Count of Property, Plant, and Equipment (RPCPPE) as of December 31, 2022.

⁶ Section 63 of PD No. 1445

- 1.16. However, it remained unrecorded due to the Property Unit's non-submission of supporting documents to the Accounting Unit, such as the Deed of Donation (DoD), Certificate of Completion and Acceptance, and Certificate of Turn-over, understating the PPE by P11,274,115.98.

b.2 Non-derecognition of transferred PPEs to the PAF - P1,563,673.43

- 1.17. 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 transfer⁷.
- 1.18. As reported in the CY 2021 Annual Audit Report (AAR), the Board of Trustees (BOT) in its Resolution No. 32 dated May 3, 2018 approved a Memorandum of Agreement (MOA) between PhilSCA and 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 facilities of PhilSCA under the concept of USUFRUCT.
- 1.19. The MOA 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 should be transferred, ceded and/or donated absolutely to PAF through AETDC.
- 1.20. However, further checking of the CY 2022 PPE Ledger Card (PPELC) revealed that the following properties located at the old site of FAB Campus with a net carrying value of P1,563,673.43 are still not derecognized as of year-end, thereby, overstating the balance of PPE reported in the FS in the same amount, as shown in *Table 2* below:

Table 2 - Non-Derecognized Properties at the Old Site of FAB Campus

Particulars	Acquisition Cost	Accumulated Depreciation	Net Carrying Value
	(In Php)		
Other Improvements	171,202.00	162,641.90	8,560.10
Stage	575,600.00	546,820.00	28,780.00
Covered Basketball Court	4,900,000.00	3,413,666.67	1,486,333.33
Quadrangle/Volleyball Court	800,000.00	760,000.00	40,000.00
Total	6,446,802.00	4,883,128.57	1,563,673.43

b.3 Erroneous computation of depreciation - P1,115,329.13

- 1.21. Recomputation of the total depreciation of PPE recorded as of December 31, 2022, showed erroneous computation on various accounts, thereby resulting in a net understatement of the PPE balance totaling P1,115,329.13, computed in *Table 3* hereunder:

⁷ Section 15, Chapter 10, GAM for NGAs, Volume 1

Table 3 - Erroneous Computation of Depreciation

PPE	Accumulated Depreciation		Difference
	Per Audit	Per Accounting	
	(In Php)		
Other Land Improvements	208,813.96	208,813.97	(0.01)
Buildings and Other Structures			
Buildings	608,232.86	608,232.87	(0.01)
School Buildings	29,922,627.14	29,161,216.09	761,411.05
Other Structures	6,081,688.87	6,082,411.01	(722.14)
Machinery and Equipment			
Office Equipment	9,577,987.58	9,651,464.11	(73,476.53)
Information and Communication Technology (ICT) Equipment	22,660,005.29	22,814,003.97	(153,998.68)
Communication Equipment	861,280.77	818,667.41	42,613.36
Technical and Scientific Equipment	16,812,316.30	16,667,867.39	144,448.91
Other Equipment	5,845,348.66	5,636,081.26	209,267.40
Transportation Equipment			
Motor Vehicles	12,107,146.18	11,986,262.19	120,883.99
Furniture, Fixtures and Books			
Furniture & Fixtures	7,036,884.54	6,978,818.00	58,066.54
Books	1,079,262.00	1,072,426.75	6,835.25
Net Understatement	112,801,594.15	111,686,265.02	1,115,329.13

1.22. **We recommended and Management agreed to instruct the Accounting Unit to:**

- a) **coordinate with the Property Unit to provide the necessary documents and recognize in the books the cost of donated buildings and equipment;**
- b) **derecognize the remaining properties located at the old site of FAB Campus in accordance with relevant documents such as Property Transfer Report (PTR); and**
- c) **correct the computation of depreciation and effect the necessary adjustments on the affected accounts.**

LIABILITIES

c.1 Erroneous recording of subsequent year remittance of taxes- P360,190.28

- 1.23. The supporting documents for the remittance to the BIR through electronic Tax Remittance Advice (eTRA) showed that the P360,190.28 remittance for TRA-Maintenance and Other Operating Expenses (MOOE) and Personnel Services (PS) that were recorded in December 2022 were remitted in January 2023. Therefore, it should not have been posted as a deduction or credit to the Due to BIR account for that month, which also understates the balance as of December 31, 2022. Similar findings have been observed in other months of CY 2022, where TRAs were recorded earlier than the actual date of remittances.

c.2 Erroneous recording of payment of penalties due to late remittances of taxes - P281,434.53

- 1.24. Audit of the Due to BIR account also showed that taxes withheld on salaries of plantilla personnel and supplier/contractor for the month of December 2021 amounting to P953,175.17 were belatedly remitted to BIR on February 2, 2022, through Land Bank of the Philippines (LBP) EDSA Extension – Roxas Blvd. Branch, thus incurring penalties amounting to P281,434.53.
- 1.25. Accordingly, the College, citing the predicaments of the COVID-19 pandemic, paid for the said penalties, which should have been borne by the Accountant who is responsible for the withholding and timely remittance of the tax as provided for in the BIR Revenue Regulations. Further, the audit disclosed that the said penalties were erroneously debited to Due to BIR account resulting in a reduction of its outstanding balance.
- 1.26. **We recommended and Management agreed to:**
 - a) **instruct the Accounting Unit to reconcile the monthly Summary of Taxes Withheld (STW) prepared by the remitting personnel with amounts in the General Ledger (GL) of Due to BIR account prior to remittance to ensure accurate reporting and amount of remittances;**
 - b) **strictly enforce remittance of taxes withheld within the prescribed period as provided by the law; and**
 - c) **prepare the adjusting entries to revert the erroneous entries in the Due to BIR account.**

Accounting Deficiencies Affecting the Reliability of Account Balances

2. **Accounting Deficiencies were noted, specifically unreconciled and unsubstantiated balances resulting from the absence or the inadequacy of records and/or schedules/documents, which affected some accounts to the extent of P348,952,944.92, thereby, the reported balances of the accounts affected could not be fully relied upon.**
 - 2.1. Section 6 (e) Chapter 19, Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I on the Qualitative Characteristics of Financial Reporting states that an entity shall present information including accounting policies in a manner that meets reliable information which is free from material error and bias, and can be depended on by users to represent faithfully that which it purports to represent or could reasonably be expected to represent.

- 2.2. Audit disclosed that there were accounting deficiencies in four (4) financial accounts with an aggregate amount of P348,952,944.92, which requires further analysis, reconciliation, physical count/verification, coordination, and future corrective actions as these have possible effects on the accuracy and reliability of the reported account balances of the Agency's FSs. Details of these deficiencies are summarized in the following *table*:

Table 4 - Accounts with Unreliable Balances Due to Accounting Deficiencies

Accounts Affected	Particulars	Amount (In Php)
1. Cash	Lapses in cash management resulting in (a) unauthorized retention of Payroll Fund; and (b) unreconciled balance per books as compared to confirmed balance per bank.	21,024,759.48
2. Inventories	Lapses in inventory management resulting in (a) purchases of inventories recorded as outright expenses; (b) prior year's undocumented adjustments; (c) non-moving balances; (d) incomplete conduct of physical count and delayed submission of Report on the Physical Count of Inventories (RPCI) for semi-expendable inventories; (e) non-maintenance of forms, registries, and various source documents	5,051,323.39
3. PPE	Lapses in PPE management resulting in (a) misclassifications of accounts within the PPE accounts group; (b) unreconciled differences between the FS and RPCPPE; (c) non-provision of depreciation on Office Equipment; and (d) unreconciled PPE balances between PPELC and FS.	316,331,965.19
4. Inter-Agency Payables	Unaccounted prior years' balances and non-maintenance of SLs to support the accounts balance.	991,927.79
5. Accounting Control Deficiency	Unreconciled balances between the FS and source Journals.	5,552,969.07
Total		348,952,944.92

CASH

- 2.3. The reliability of the reported Cash in Bank–Local Currency, Current Account (LCCA) account balance amounting to P556,577,041.43 as of December 31, 2022 pertaining to the Special Trust Fund (STF) and Payroll Fund could not be ascertained due to various lapses in cash management. Details are as follows:

a. Unauthorized retention of Payroll Fund - P137,678.53

- 2.4. Permanent Committee Joint Circular (JC) No. 4-2012 dated September 11, 2012, provides for the rationale for the reversion of all dormant accounts, unnecessary special and trust fund to the general fund.
- 2.5. The Payroll Fund of PhilSCA, despite its primary purpose to serve as a parking fund for employees' payroll, accumulated a balance of P91,855.23 to P137,678.53 as of December 31, 2022, which was not supported by documents that warrant unpaid salary obligations to PhilSCA employees.

b. Unreconciled balance per books as compared to confirmed balance per bank - P20,887,080.95

- 2.6. Section 74 of PD No. 1445 provides that the head of the agency shall see to it that a reconciliation is made between the balance shown in the reports and the balance found in the books of the agency.
- 2.7. Confirmation of the Cash in Bank accounts of the PhilSCA with the LBP-VAB Branch in Pasay City as of December 31, 2022, disclosed an unreconciled difference amounting to P20,887,080.95 between the FS and bank statement balances, the details of which could not be determined sans the SL and updated Bank Reconciliation Statement (BRS) for the months of May to December 2022.
- 2.8. The review of prior years' BRS revealed that unreconciled differences in past transactions were not carefully analyzed and effected as additions or deductions from the unadjusted book balance without supporting documents. This is not in accordance with generally accepted accounting standards. The unreconciled difference has varied every month since December 2020, but the account balance movement is unsupported, casting doubt on the integrity of the adjustments made.
- 2.9. The College Accountant commented that the unreconciled balance had been an issue for a considerable period, even prior to his employment at the College in 2019, which is being looked into closely as of audit date. They also attributed the delay in BRS preparation and submission to the bank's inability to provide timely printed statements, and they have already contacted and sent letters to the bank to follow up on the bank statements.
- 2.10. **We recommended and Management, thru the Accounting Office, agreed to:**
- a) determine the nature of the unknown deposits per bank under Payroll Fund and STF accounts and record in the books, if warranted by the circumstances; those allowed to be temporarily retained for specific**

purpose/activity should be closely monitored and any unutilized/unsupported balances should be deposited to the National Treasury;

- b) exert effort to account for the unreconciled difference of P20,887,080.95 and maintain supporting schedules to support the adjustments; and**
- c) regularly submit the monthly BRS and update the SLs in accordance with Section 74 of PD 1445.**

INVENTORIES

2.11. The accuracy, completeness, and existence of the recorded Inventories as of December 31, 2022, amounting to P7,808,892.13 is unreliable due to various control deficiencies in the recording of transactions. Details are as follows:

a. Purchases of inventories recorded as outright expenses - P2,524,430.65

2.12. Section 9, Chapter 8 of the GAM for NGAs, Volume I provides that purchases and receipts of inventory items shall be recorded using the Perpetual Inventory System. The Perpetual Inventory System requires that regular purchases be coursed through the inventory account and issues thereof should be recorded as they take place.

2.13. Analysis of the Inventory and Expense accounts covering CY 2022 transactions disclosed that various purchases of supplies and materials through small value procurement (SVP) and from the Department of Budget and Management-Procurement Service (DBM-PS) totaling P2,524,430.65 were directly charged to Expense accounts instead of initially recording them under the appropriate Inventory accounts. This weakens the monitoring controls and may expose the College to possible misuse of the inventory items since the recognition and related issuances were not properly accounted for.

b. Prior year's undocumented adjustments - P622,371.99

2.14. It was observed in the previous year's audit that the Accounting Unit prepared JEVs to record adjustments to Office Supplies Inventory in the aggregate amount of P620,568.49 and Accountable Forms, Plates, and Stickers Inventory account amounting to P1,803.50 without the attached supporting documents.

2.15. Per our verification, the Accounting Unit did not submit, as of the audit date, the supporting documents, and reports as a basis for recording the adjustments, and neither had they prepared the necessary journal entries to reverse these transactions.

c. Non-moving balances - P1,904,520.75

2.16. The Office Supplies Inventory, Medical, Dental and Laboratory Supplies Inventory, Textbooks and Instructional Materials Inventory, and Other Supplies and Materials Inventory accounts were also observed to be non-moving in the current and previous years' Statement of Financial Position. The existence and accuracy of balances could not be ascertained in the absence of the Supply Ledger Card (SLC), and Stock Card (SC), and RPCI.

2.17. We emphasized in our prior year's observation the need for immediate validation of the existence of all these inventories, particularly the Medical, Dental and Laboratory Supplies which may have expiration dates.

d. Incomplete conduct of physical count and delayed submission of RPCI for semi-expendable inventories

2.18. The agency conducted a physical count of semi-expendable inventories but was not able to include other inventory items like office supplies, drugs and medicines, textbooks and other supplies and materials, indicating incomplete physical count. Relatively, the CY 2022 RPCI on semi-expendable inventories as of June 30, 2023, was submitted only to the Audit Team on February 28, 2023, while the year-end RPCI was only submitted on March 26, 2023, hence, affected the timely verification of the inventory account transactions.

e. Non-maintenance of forms, registries, and various source documents

2.19. Verification revealed that PhilSCA is non-compliant with the usage/maintenance of forms, registry, and reports such as Stock Ledger Card (SLC), Stock Card (SC), Semi Expendable Property Card (SPC), Semi Expendable Property Ledger Card (SPLC), Registry of Semi Expendable Property Issued (RegSPI), Report of Semi Expendable Property Issued (RSPI), and Report on the Physical Count of Semi-Expendable Property (RPCSP).

2.20. We also observed that the copies of original source documents such as IARs, RIS and RSMIs are not attached together with the journal vouchers recording the purchases and issuances of inventories. Also, copies of SCs were not submitted together with the RPCIs.

2.21. **We reiterated our prior year's audit recommendation and Management, thru the Accounting and Supply Offices, agreed to:**

- a) 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) **substantiate the recorded adjustments of inventory accounts and submit the report to the Office of the Auditor; otherwise, reverse the prior year's recorded adjustments;**
- c) **immediately validate the existence and consequent issuances, if any of the inventories;**
- d) **require the Supply Office to conduct timely and complete physical count of inventories and prepare/submit the RPCI complete with the needed data/information, not later than July 31 and January 31 of each year; and**
- e) **require the Accounting and Property Office to maintain and keep file copies of the required forms, reports, and registries, as well as attached copies of original source documents as JEV's supporting documents.**

PROPERTY, PLANT AND EQUIPMENT

2.22. Audit of PPE accounts disclosed several accounting deficiencies which requires further analysis, reconciliation, physical count/verification, coordination, and future corrective actions. These deficiencies if not corrected and/or properly addressed will continuously affect the reliability, accuracy, completeness, and valuation of the reported PPE account balances in the FSs.

a. Misclassifications of accounts within the PPE accounts group - P309,210.58

2.23. Analysis of PPE balances reported in the FSs, Journals and JEVs recorded in CY 2022 revealed the following incorrect use of the prescribed accounts in the Revised Chart of Accounts (RCA) in the posting of transactions, which resulted in the misclassification of accounts within the PPE accounts group:

- a. The recording of depreciation expenses for Sports Equipment amounting to P40,706.28 was posted in Accumulated Depreciation - ICT Equipment.
- b. The derecognition of Other Equipment amounting to P141,318.05 was posted in Technical and Scientific Equipment.
- c. The derecognition of Accumulated Depreciation - Other Equipment account amounting to P127,186.25 was posted in Accumulated Depreciation - Technical and Scientific Equipment.

2.24. Although there is no effect on the ending balance of PPE accounts, the misclassification will somehow affect the comparability of the FSs for the current and prior years and the accuracy of the account balances.

b. *Unreconciled differences between the FS and RPCPPE -P310,790,296.11*

2.25. Comparison of the reported balances between the FS and RPCPPE as of December 31, 2022, disclosed a total unreconciled difference of P310,790,296.11, as presented in *Table 5*:

Table 5 - Unreconciled Variance Between the FSs and RPCPPE balance

No.	PPE Account	Balance		Unreconciled Differences
		Per FS	Per RPCPPE	
		(In Php)		
2	Other Land Improvements	522,434.50	125,000.00	397,434.50
3	Buildings	32,070,994.80	29,021,813.50	3,049,181.30
4	School Buildings	356,180,763.02	438,462,147.62	82,281,384.60
5	Other Structures	85,648,687.03	89,646,602.68	3,997,915.65
6	Power Supply System	63,840.00	-	63,840.00
7	Communication Network	5,800,000.00	-	5,800,000.00
8	Office Equipment	10,823,926.62	7,327,830.78	3,496,095.84
9	ICT Equipment	45,322,623.30	18,467,384.64	26,855,238.66
10	Communication Equipment	1,025,960.00	-	1,025,960.00
13	Sports Equipment	443,677.15	-	443,677.15
14	Technical and Scientific Equipment	17,110,961.65	58,742,020.75	41,631,059.10
15	Other Equipment	12,385,704.26	1,569,400.00	10,816,304.26
16	Motor Vehicles	13,828,576.30	10,900,740.00	2,927,836.30
17	Aircrafts and Aircrafts Ground Equipment	75,763,881.45	22,114,386.00	53,649,495.45
18	Furniture and Fixtures	2,634,800.00	1,836,139.84	798,660.16
19	Books	1,237,525.00	875,682.50	361,842.50
20	Other Property, Plant and Equipment	384,250.00	-	384,250.00
21	Construction in Progress - Building and Other Structures	72,810,120.64	-	72,810,120.64
Total		734,058,725.72	679,089,148.31	310,790,296.11

2.26. The following lapses and deficiencies were identified as the source of discrepancies between the records:

- a. Various College Information Systems were not included during the conduct of physical count because they were integrated into computers or other hardware.
- b. Various projects such as repainting, electrical rehabilitation and office improvements which are included in the records of the Accounting Unit were also not included in the RPCPPE as they are embedded in various buildings and structures.
- c. Unreconciled classification and description of PPE items listed in both the PPELC and RPCPPE.

- d. Difference in the recorded values of buildings and structures located at PhilSCA-VAB Campus.
- 2.27. The conduct of physical count of PPE is essential to verify the accuracy and reconciliation of records maintained by the Accounting and Property/Supply Offices as well as to validate the existence of the reported properties. Integrated information systems and embedded repainting, electrical rehabilitation, and office improvements, albeit may not be physically observable, are supported with various records such as contracts and Inspection and Acceptance Reports (IARs), hence, should be considered and included in the count of PPEs.
- c. *Non-provision of depreciation on Office Equipment - P3,242,027.50*
- 2.28. Of the P46,941,619.08 various properties received from Megaworld in CY 2011, based on the *List of Deliverables and Inventory of Equipment* provided by the Property Office, the Office Equipment account amounting to P3,242,027.50 was not identified and duly reconciled with the list. Further, it was noted upon evaluation that no depreciation was provided for the Office Equipment account.
- d. *Unreconciled PPE balances between PPELC and FS – P1,990,431.00*
- 2.29. The total acquisition cost reported in the PPELC did not tally with the balances per FS, thus affected the reliability of the accounts, as shown in *Table 6*:

Table 6 – Unreconciled PPE Balances between PPELC and FS

PPE Account	PPELC	FS	Variance
	(In Php)		
Other Structures	85,713,068.03	85,648,687.03	64,381.00
Office Equipment	13,923,004.12	14,065,954.12	(142,950.00)
ICT Equipment	50,678,023.30	48,631,023.30	2,047,000.00
Furniture and Fixtures	9,350,166.88	9,328,166.88	22,000.00
Total	159,664,262.33	157,673,831.33	1,990,431.00

2.30. We recommended and Management agreed to:

- a) **require the Accountant to make the necessary adjusting journal entries to reclassify the affected accounts within the PPE accounts;**
- b) **instruct the Accounting and Property Office to reconcile their records in order to identify the proper classification and description of the PPE items;**
- c) **instruct the Property Unit to determine the value and ownership of the donated three parcels of land and submit to the Accounting Unit pertinent supporting documents, such as the Deed of Donation for the three donated parcels of land for proper booking;**

- d) instruct the Accountant to recognize depreciation for items donated by Megaworld; and
- e) instruct the Accounting Unit to account for the unreconciled difference of the reported amount between the PPELC and FS.

INTER-AGENCY PAYABLES

a. *Unaccounted prior years' balances - P991,927.79*

- 2.31. The year-end balances per books of the Due to BIR, Due to GSIS, Due to Pag-IBIG and Due to PhilHealth accounts amounting to P3,790,147.19 P457,600.38, P722,893.92 and P21,103.82, respectively, are unreliable due to unaccounted amounts in prior years amounting to P356,452.73, P423,138.31, P177,064.84 and P35,271.91, respectively. The detail of which could not be verified in the absence of subsidiary ledger (SL) for the Due to BIR account.
- 2.32. **We recommended and Management, thru the Accounting Unit, agreed to 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.**

ACCOUNTING CONTROL DEFICIENCY

- 2.33. The GL summarizes all transactions recorded in the GJ and special journals maintained in the Accounting Division/Unit. Postings to this ledger shall come directly from the General and Special Journals. 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.
- 2.34. Review of balances reported in the GL, Journals and Summary of JEVs, posted in CY 2022 under Fund Cluster 05, revealed the following discrepancies:

Accounts	Balance per FS/TB/GL	Per Accounted JEVs ⁸	Difference
	(In Php)		
Accumulated Depreciation - School Buildings	3,183,708.70	8,723,830.34	5,540,121.64
Accumulated Depreciation - Motor Vehicles	11,986,262.19	11,986,263.19	1.00
Due to BIR	3,106,669.99	3,093,823.56	12,846.43
Total	18,276,640.88	23,803,917.09	5,552,969.07

⁸ Based on the total credit transactions less the total debit transactions during CY 2022

- 2.35. It has been a recurrent practice by the Accounting Unit to directly effect the adjustments of transactions in the GJ and special journals without drawing a JEV, thus resulting in the above-noted discrepancies that affected the completeness and accuracy of the balances of the accounts presented in the FSs.
- 2.36. **We recommended and Management, through the Accounting Unit, agreed to reconcile the account balances with noted discrepancies and prepare adjusting entries, as necessary.**

B. OTHER AUDIT AREAS

Utilization of the Budget under the General Appropriations Act (GAA)

3. **Of the total allotments received in CY 2022 amounting to P322,275,161.41, the amount of P309,370,130.48 or 96 percent was obligated by PhilSCA, leaving an unobligated balance of P12,905,030.93, or equivalent to a marginal percentage of four percent as at year-end, which was largely attributed to unutilized allotments for MOOE and PS. While the absorptive capacity of the College for its Regular Agency Fund (RAF) is generally commendable, several operational lapses in its planning, utilization and monitoring were observed such as the absence of detailed Work and Financial Plan (WFP), Annual Procurement Plan (APP) and Procurement Monitoring Report (PMR), which limited the Audit Team in identifying the utilization for specific Projects/Programs/ Activities (PPAs); and significant amount of unreleased appropriations of P218,523,206.00 or 42.03 percent, thus, the foregone operational benefits to stakeholders.**
- 3.1. The PhilSCA, being the only aeronautical state institution of higher learning in the country was given a very distinct congressional mandate to offer aeronautical and other aviation related courses not only in the technical and baccalaureate levels but also to afford those in the fields of the aeronautical engineering and airlines industries, the opportunity to pursue advanced studies. Towards this end, the college shall ensure maximum contribution of its educational resources to the realization of the goals of national development through coordination with other agencies within the context of free and democratic processes.
- 3.2. Section 68 of the General Provisions (GP) of the FY 2022 GAA provides that appropriations authorized shall be available for release and obligation for the purpose specified, and under the same general and special provisions applicable thereto, until December 31, 2023, except for personnel services which shall be available for release, obligation, and disbursement until December 31, 2022.

- 3.3. 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 APP.⁹ (Underscoring and emphasis supplied)
- 3.4. Further, for control and monitoring purposes, the Bids and Awards Committee (BAC) shall prepare a 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.
- 3.5. 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 Executive Order (EO) No. 662, s. 2007, as amended.¹⁰
- 3.6. Review of PhilSCA's FAR No. 1-A - Statement of Appropriations, Allotment, Obligations, Disbursements and Balances by Object of Expenditures (SAAODBOE) as of December 31, 2022, showed that out of the total adjusted appropriations of P540,798,367.41 for CY 2022, the amount of P322,275,161.41 was received as allotments including funds from Continuing Appropriations. Of the total allotments received, P309,370,130.48 or 96 percent was obligated, leaving an unobligated balance of P12,905,030.93 as summarized in *Table 7*:

Table 7 - RAF Budget Utilization Per Allotment Class (Amount in Php)

Sources of Funds	Adjusted Appropriation	Adjusted Allotment	Obligations Incurred		Unobligated Allotment	
			Amount	%	Amount	%
Current Year Budget Appropriations						
1.Agency Specific Budget						
PS	141,153,360.00	130,191,894.00	125,447,866.53	96.36	4,744,027.47	3.64
MOOE	360,671,640.00	160,109,900.00	157,434,312.84	98.33	2,675,587.16	1.67
CO	7,000,000.00	0.00	0.00	0.00	0.00	0.00
Sub-total	508,825,000.00	290,301,794.00	282,882,179.37	97.44	7,419,614.63	2.56
2Automatic Appropriations						
PS-RLIP	11,707,922.00	11,707,922.00	10,773,211.11	92.02	934,710.89	7.98
Sub-total	11,707,922.00	11,707,922.00	10,773,211.11	92.02	934,710.89	7.98
Total	520,532,922.00	302,009,716.00	293,655,390.48	97.23	8,354,325.52	2.77
Prior Year’s Budget/Continuing Appropriations						
1. Agency Specific Budget						
MOOE	5,245,445.41	5,245,445.41	826,740.00	15.76	4,418,705.41	84.24
CO	15,020,000.00	15,020,000.00	14,888,000.00	99.12	132,000.00	0.88
Total	20,265,445.41	20,265,445.41	15,714,740.00	77.54	4,550,705.41	22.46
Grand Total	540,798,367.41	322,275,161.41	309,370,130.48	96.00	12,905,030.93	4.00

⁹ Section 7.1 of RA No. 9184

¹⁰ Section 12.2 of the 2016 Revised IRR of RA No. 9184

- 3.7. The PS unobligated allotment, which totaled P5,678,738.36, represents the outstanding balance of unutilized PS appropriations from the vacancy of various teaching and non-teaching positions, after adjustments for the payment of authorized other personnel benefits in CY 2022.
- 3.8. For MOOE allocation in current year, out of the P2,675,587.16 total unobligated allotment, P2,500,000.00 or 93.44 percent pertains to the Agency Specific Budgets intended for the Locally Funded Projects such as Conduct of Activities for Sports and Culture Development and Capacity Development on Futures Thinking and Strategic Foresight with total released allotments of P500,000.00 and P2,000,000.00, respectively. The College was not able to fully utilize the allotments intended for these PPAs.
- 3.9. The Audit Team had difficulty in identifying the physical targets set and utilizations for specific PPAs due to the non-maintenance by the Budget Office of a separate Registry of Budget Utilization and Disbursements (RBUD) by Major Final Output (MFO) and non-submission of detailed WFP, APP and PMR for RAF.
- 3.10. Moreover, review of the Budget and Financial Accountability Reports (BFARs) also showed a significant amount of unreleased appropriations in CY 2022 pertaining to the Agency Personnel Benefits - Lump-sum for Filling of Positions – Civilian wherein only P6,933,534.00 or 38.75 percent of the P17,895,000.00 total adjusted appropriation was released as of December 31, 2022, resulting in unreleased appropriation of P10,961,466.00 or 61.25 percent.
- 3.11. Meanwhile, the appropriations for the Infrastructure and Smart Campus Development, Operationalization of Face-to-Face Classes and Upgrading/Procurement of Equipment and Student Assistance Program amounting to P11,400,000.00 and P500,000.00, respectively, were fully unreleased as at year end. These items of appropriations were also classified as for later release and require the submission of special budget request and the necessary supporting documents to the DBM.
- 3.12. Likewise, the Free Higher Education (FHE) program is subject to the submission of the Program of Receipts and Expenditures (PRE) based on the actual number of enrollees and fees authorized under RA No. 10931¹¹ and duly approved by the board of regents/trustees. For FY 2022 GAA, the P307,877,000.00 appropriation for FHE covers the 2nd semester of the Academic Year (AY) 2021-2022 and 1ST semester of AY 2022-2023.

¹¹ Universal Access to Quality Tertiary Education Act (UAQTE)

- 3.13. However, as of December 31, 2022, the DBM had only released to PhilSCA the Tuition and Other School Fees (TOSF) for 8,516 qualified students for the second semester of AY 2021–2022 amounting to P112,215,260.00, thus leaving an unreleased appropriation of P195,661,740.00 or 63.55 percent of the adjusted appropriation. According to our initial interview with the budget officer, there had been issues with the availability of enrollment data, which had deferred its submission and the BOT's subsequent approval. Only in January 2023 was the fund requested, and it was subsequently received by the College in February 2023.
- 3.14. Although the absorptive capacity of the College for RAF is generally commendable, as a government agency responsible for promoting higher education, the existence of unobligated allotments still reflects Management's inability to maximize the use of its authorized budgetary requirements; thus, depriving all its all students, faculty and personnel of the maximum benefits that can be derived from the allocated funds.
- 3.15. **We recommended and Management agreed to:**
- a) intensify the filling up of unfilled plantilla positions for teaching and non-teaching personnel through publication of the vacant positions;**
 - b) maximize the utilization of the allotments received within the period of its validity to ensure that the optimum results and benefits derived from the funds would be realized;**
 - c) promptly coordinate with the concerned College project proponents /focal person about the submission of necessary reports and documentary requirements to the DBM, to ensure the effective and efficient utilization of funds intended for its planned PPAs; and**
 - d) come up with a catch-up action plan including interventions on the programs with unutilized/underutilized allotments in FY 2022.**

Management's Comments

- 3.16. The Management informed that the Budget Office sent a letter dated July 18, 2022, to concerned College Officials and Personnel regarding the submission of documents and other requirements in relation to projects. Some identified project-end users were not able to submit documents at the end of the third quarter. The College started its 1st Semester of AY 2022-2023 last October 11, 2022, and the Registrar's Office, Data Center, and Collection Offices of four campuses of PhilSCA need to wait at least one week after the opening of classes due to the provision for adding and dropping of subjects.

- 3.17. The Budget Office has committed to coordinate with the process owner and identified end-users to fast track the submissions of the requirements so that the College can submit the request to the DBM and have it implemented on the prescribed budget year where the specific project is included to achieve total budget efficiency. They have also committed to adjust the APP and submit the PMR with justifications for unimplemented PPAs. Management has presented a status and catch-up plan for Future's Thinking, Strategic Foresight, and Sports and Culture Development projects, which will be implemented in the 2nd and 3rd quarters of the current year.

Underutilized Special Trust Fund (STF)

4. **The College had unutilized budget of P336,870,192.00 for the STF, which is 79.83 percent of the total budgeted revenue of P422,003,500.00 for CY 2022, resulting from over-budgeting and non-implementation of PPAs 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 (HEP).**

- 4.1. 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.¹²
- 4.2. 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 below:

Section 3 (v), Article I - 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.

¹² Section 4(d), RA No. 8292, or the Higher Education Modernization Act of 1997

- 4.3. 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 2022 had further increased to 79.83 percent from 69.86 percent in CY 2021, to wit:

Table 8 - Three-year Analysis of PhilSCA's STF Budget Utilization

Year	Adjusted	Utilization	Unutilized	Percentage		
	Budgeted Revenue			Budget	Utilized	Unutilized
	(In Php)					
2022	422,003,500.00	85,133,308.00	336,870,192.00	20.17	79.83	
2021	450,453,081.19	135,759,631.66	314,693,449.53	30.14	69.86	
2020	342,001,890.11	209,159,132.34	132,842,757.77	61.16	38.84	

- 4.4. 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 P422,003,500.00 for CY 2022, the amount of P85,133,308.00 or 20.17 percent was utilized, leaving an unutilized balance of P336,870,192.00, as summarized below:

Table 9 - STF Budget Utilization Per Allotment Class

Allotment Class	ABR	Utilizations	Unutilized Budget	Percentage	
				Utilized	Unutilized
	(In Php)				
PS	17,326,000.00	13,307,438.97	4,018,561.03	76.81	23.19
MOOE	270,928,300.00	71,405,839.03	199,522,460.97	26.36	73.64
CO	133,749,200.00	420,030.00	133,329,170.00	0.31	99.69
Total	422,003,500.00	85,133,308.00	336,870,192.00	20.17	79.83

- 4.5. The unutilized budget for MOOE, ranging from 60.85 percent to 97.89 percent, was attributed to the Programs for Training and Scholarship Expenses; Supplies and Materials Expenses; Survey, Research, Exploration, and Development Expenses; Repairs and Maintenance; and Other Maintenance and Operating Expenses either due to the agency's failure to carry out planned procurement activities under the subject PPAs or due to the agency's poor planning in the financial requirements of each activity, resulting in excessive budgets that remained unutilized at the end of the year.
- 4.6. The Audit Team cannot also identify the utilization of budget for specific PPAs due to the non-maintenance by the Budget Office of a separate RBUD by MFO or PPAs for MOOE, non-identification of specific object of expenditures to be charged for the listed activities in PRE and non-submission of WFP for STF.
- 4.7. The result of a three-year analysis of MOOE showed recurrent underutilization of the budgeted amount ranging from 47 to 98 percent for Training and Scholarship Expenses, Supplies and Materials Expenses, Survey, Research,

Exploration and Development Expenses, Repairs and Maintenance and Other MOOE objects of expenditure.

- 4.8. For Training and Scholarship Expenses, 91.05 percent or P127,385,000.00 of the budget was allocated for the procurement of outsourced Ground and Flight Services for 173 Bachelor of Science in Air Transportation (BSAT) students of the PhilSCA (66 Private Pilot License, 36 Commercial Pilot License and 71 Instrument Rating/Multi-Engine)¹³.
- 4.9. The procurement schedule for the projects was intended for competitive bidding from September 20 to October 26, 2022. However, the BAC resolution's approval for the contract award is still pending with the BOT, based on the Report of the Publicized Government PPAs (GPPAs) for the quarter ending December 31, 2022. This results in the P127,385,000 budget allotment not being utilized, potentially deprived of flying training hours for students. This issue has been observed in previous audits.
- 4.10. Supplies and Materials Expenses pertains to the procurement of ICT office supplies; common-use office supplies; drugs and medicines; medical, dental and laboratory supplies; Fuel, Oil and Lubricants Expenses; various semi-expendable equipment and Other Supplies and Materials Expenses which showed partial/full non-utilization of the total budgeted amount.
- 4.11. Repairs and Maintenance for the school buildings in PhilSCA-Mactan Benito Ebuen Air Base (MBEAB) Campus damaged by typhoon Odette in December 2021 (Chemistry Lab, Physics Lab, Administrative Supervisor and Collecting, Rooms 9/10/11, Drawing Room, Powerplant and Airframe Hangar, Make Shift Classrooms) amounting to P4,100,000.00 and the Administrative and Academic Buildings at PhilSCA-BAB Campus, amounting to P3,000,000.00 did not also push through in CY 2022, depriving the students, employees, and other stakeholders of convenient and safe facilities.
- 4.12. Since 2021, a budget of P3,000,000.00 has been allocated for the VAB Campus's Research Expenses, however 93.31 to 94.95 percent thereof has been significantly underutilized. The Audit Team is unable to determine the specific research programs covered by the allocation since the amount was lumped in the APP and Project Procurement Management Plan (PPMP).
- 4.13. The Director of the Research and Development Center (RDC) explained that a 93 percent underutilization rate does not mean that the year's research targets were not accomplished. He presented three in-house virtual workshops that were conducted spending P200,847.96 and other five research activities that were accomplished sans budget. He noted that the College was able to produce promising research output of 16 percent in the 1st semester of AY 2021-2022 and 22 percent for the 2nd semester, excluding Institute of Engineering and

¹³ As reported in the APP, revised August 2022

Technology (INET) and Institute of Liberal Arts and Sciences (ILAS) which have not submitted their official report as of December 2022. Cumulatively, the research output of the College for the AY 2021-2022 is 38 percent. The listed accomplishments or output indicate a growth in research activities of the College even without the necessary funding requirements which were brought about by the new normal – a shift to online activities.

- 4.14. For the CO, the P133,749,200.00 fund was allocated by the College for the Buildings, Other Structures, Office Equipment, ICT Equipment, Disaster Response and Rescue (DRR) Equipment, Sports Equipment, Technical and Scientific Equipment, Other Machinery and Equipment, Motor Vehicles and Furniture and Fixtures. Out of which, only P420,030.00 for office equipment was used to acquire nine units of 2.0 HP and six units of 1.0 HP air conditioners for PhilSCA campuses.
- 4.15. Management has not provided reasons for non-utilization of CO budgets. However, the Audit Team observed recurrent lapses in procurement planning, budgeting, and monitoring reports, demonstrating non-adherence to transparency principles. The Schedule for Each Procurement Activity Column did not indicate specific procurement activity periods, and the APP was not adequately completed. The PMR was not submitted to the Audit Team, preventing public and Audit Team access to the College's procurements, and confirming corrections in previous years' PMRs.
- 4.16. A procurement process timeline ensures everyone is aware of responsibilities and deadlines, minimizing supply chain disruptions and enabling effective planning and coordination. The low absorptive capacity of the College for the STF has been raised in the CYs 2019 to 2021 audit reports which evidently has not been acted upon to date.
- 4.17. The existence of 80 percent unutilized STF budget is a reflection on the College's unreadiness 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 world-class professionals in the aviation industry through quality instruction, research, extension, resource management and industry partnership.
- 4.18. **We reiterated our prior years' recommendations and Management agreed to:**
 - a) **consider scaling down the annual budget of the College to reflect only current needs and assess its capability to disburse to maximize the utilization of the STF for the effective implementation of planned programs/projects;**

- b) instruct the Budget Office to maintain a separate RBUD by MFO or PPA for MOOE and identify the object of expenditure of each PPAs in the PRE;
- c) instruct the BAC Secretariat to complete the details in the APP and PMR; and
- d) require the BAC Secretariat to 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.

Non-compliance with RA No. 9184 and its Revised Implementing Rules and Regulations (IRR)

5. Non-adherence to certain provisions of RA No. 9184 and its Revised IRR in the procurement of ten projects or services in the total amount of P9,188,769.49 cast doubts on their propriety and regularity and defeating the purpose of the law on transparency, competitiveness, and accountability.

- 5.1. RA No. 9184 or the Government Procurement Act, and its Revised IRR were promulgated for the purpose of prescribing the necessary rules and regulations for the standardization and regulation of procurement activities of all government agencies and instrumentalities. Provisions therein are in line with the government's effort to adhere to the principles of transparency, accountability, equity, efficiency, and economy in the procurement process.
- 5.2. Results of the auditorial review and post-audit of transactions in the procurement of infrastructures, goods and consultancy services undertaken by PhilSCA indicated deviations from certain provisions of the procurement law to wit:

Section of RA No. 9184, its RIRR and Other COA and GPPB Issuances	Observation/Deficiency
<p>Section 7.3.2, 2016 revised IRR of RA No. 9184 provides in the preparation of the indicative APP, the end-user or implementing units of the PE shall formulate their respective PPMPs for their different PAPs. The PPMP shall also identify among others the procurement method to be adopted.</p> <p>The Approved Budget for the Contract (ABC) is the proposed budget for the project approved by the HoPE based on the APP as consolidated from various PPMPs.</p>	<ul style="list-style-type: none"> a. Non-submission of the PPMP for the Construction of Canteen, Office Improvement and flood Control and Sewerage projects. b. Non-submission of a detailed breakdown of the ABC for the Construction of Canteen and Consultancy projects. The total costs of consultancy projects have marginal differences regardless of the project's complexity or size. c. The ABC for the Construction of Canteen project as advertised in the Invitation to Bid (ITB) and the bidding documents was P1,997,734.6, but the revised Detailed

Section of RA No. 9184, its RIRR and Other COA and GPPB Issuances	Observation/Deficiency
	Breakdown revealed an estimated ABC of P1,988,125.44.
<p>Annex H, Item of the revised IRR of RA No. 9184:</p> <p>D.5.8.1 The End-User shall submit a request for Small Value Procurement (SVP) to the BAC, which indicates the technical specifications, scope of work, Terms of Reference (TOR), ABC and terms and conditions.</p>	<p>d. Non-inclusion of the following details in the TORs on the consultancy projects:</p> <ol style="list-style-type: none"> 1. Period or the reckoning date of the contract, timelines, and level of participation of each personnel assigned to the engagement. 2. Evaluation criteria and method. 3. Timelines for submission of documentary requirements. 4. Schedule of payment. 5. Risks and Assumptions. 6. Provision for liquidated damages. <p>e. The frequency of billings varies and was left to the discretion of the consultant due to the absence of a predefined schedule of payment in TOR.</p> <p>f. The documents on the consultancy projects showed key personnel and contracts' implementation periods overlap. However, incomplete documentation and lack of information hinder the Audit Team's evaluation of firm personnel's deliverables, particularly for contract IDs 2021-06 and 2022-05 which the proximity of the project locations requires a three-hour drive.</p>
<p>D.5.8.2 The BAC shall prepare and send the Request for Quotations (RFQ)/Request for Proposals (RFP) to at least three (3) suppliers, contractors, or consultants of known qualifications.</p>	<p>g. Non-submission of the invitation letters to at least three (3) contractors of known qualifications for all Negotiated Procurement (NP)-SVP projects.</p>
<p>D.5.8.3 Except for those with ABCs equal to Fifty thousand Pesos and below, RFQs/RFPs shall be posted for a period of three (3) calendar days (CDs) in the PhilGEPS website, website of the Procuring Entity, if available, and at any conspicuous place reserved for this purpose in the premises of the PE.</p>	<p>h. Non-submission of a copy of the posting RFQs in the official website and at conspicuous places reserved for this purpose in the premises of PhilSCA.</p>
<p>D.5.8.5 After the deadline for submission of quotations/proposals, an Abstract of Quotations shall be prepared setting forth the names of those who responded to the RFQ/RFP.</p>	<p>On the consultancy projects:</p> <ol style="list-style-type: none"> i. Only one (1) proposal was received by the canvasser in response to the RFP that was posted on the PhilGEPS website for Ref. Nos.

Section of RA No. 9184, its RIRR and Other COA and GPPB Issuances	Observation/Deficiency
	<p>7207264 and 7207266. The amounts of offers were lumped up, and no supporting computations are included in the financial proposal letters from the winning bidder.</p> <p>j. Three proposals were received from the same set of bidders and same amount of bid for RFP Nos. 7485036 and 7485073 as shown in the Abstract of Canvass. The contracts were subsequently awarded to the same Consultant as in letter i. Even the errors on two bid proposals from one failed bidder are identical.</p> <p>k. In their financial proposal submission forms, the two failed bidders cited the RFP posted in PhilGEPS on February 19, 2021, but neither company appeared in the Opportunity Request List under the PhilGEPS Detail Tracking Report nor was sent the RFP by the BAC.</p> <p>l. The complete documentary requirements on the proposals of two failed bidders were not submitted, only the Certificate of PhilGEPS Registration, page 1 of 3.</p>
<p>D.5.8.6 The BAC shall recommend to the HoPE the award of contract in favor of the supplier or the contractor with the Single or Lowest Calculated and Responsive Quotation (for goods or infrastructure projects), or consultant with the single highest rated and responsive proposal (for consulting services). In case of approval, the HoPE shall immediately enter into contract with the said supplier, contractor, or consultant.</p>	<p>m. The Abstracts of Canvass were prepared for four consultancy projects. However, in all cases, pertinent information such as date and time of receipt of proposals, results of evaluation of eligibility, technical and financial requirements and ranking of participating bidders (in case of multiple bidders) were not provided.</p> <p>n. The issuance of a resolution recommending the award of contracts for the motor pool and driver's quarter project and the rehabilitation of the composite laboratory project was issued 95 CDs and 30 CDs, respectively, after the date of the abstract of canvass, contrary to the recommended maximum of 15 CDs allowed for such activity. Additionally, it was noted that the accountant took between 17 and 39 days after the date the work orders were prepared to certify that the fund was available, which stalled the proposed maximum 10-CD period of preparation and signing of the contract. One (1) to 20 days following the</p>

Section of RA No. 9184, its RIRR and Other COA and GPPB Issuances	Observation/Deficiency
	accountant's signing date, the contractor's representative signed the work orders.
35.2 In order to determine the reason for the failed bidding, the BAC shall conduct a mandatory review and evaluation of the terms, conditions, and specifications in the Bidding Documents, including its cost estimates.	o. Lack of basis or reference in the modification of the ABC on the Construction of Canteen project from P1,997,734.63 to P2,000,000.00 during the pre-bid conference and in the issued Supplemental/Bid Bulletin (SBB).
30.1 The BAC shall open the first bid envelopes in public to determine each bidder's compliance with the documents required to be submitted for eligibility and for the technical requirements, as prescribed in this IRR. For this purpose, the BAC shall check the submitted documents of each bidder against a checklist of required documents to ascertain if they are all present, using a non-discretionary "pass/fail" criterion, as stated in the Instructions to Bidders.	p. Deficiencies in the eligibility, financial and technical requirements was observed on the canteen project such as: 1) The Tax Clearance Certificate (TCC) was invalid/expired at the time of the conduct of opening of bids. 2) The stamp mark by the BIR of the CY 2018 Audited Financial Statements (AFS) was unreadable and unclear. 3) The Bid Form was not signed by the bidder or its duly authorized representative.
34.2 Within five calendar days from receipt by the bidder of the notice from the BAC that the bidder has the Lowest Calculated Bid or Highest Rated Bid, the bidder shall submit to the BAC its latest income and business tax returns, and other appropriate licenses and permits required by law and stated in the Bidding Documents.	q. Non-submission of latest income and business tax returns on the Construction of Canteen project. Further, the consulted party for the TCC in the post-qualification report was the Operation Manager of the contractor instead of BIR contact center/portal as prescribed under Clause 4.5 of BIR Revenue Regulations (RR) No. 3-2005 dated February 16,2005.
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, specifically the required posting document/ information in the PhilGEPS, conspicuous place reserved for this purpose in the premise of the PE and PE's website, if any	r. Non-posting of the ITB, downloadable complete Bidding Documents, NOA and Notice to Proceed (NTP) in the PhilGEPs and official PhilSCA website on the Construction of Canteen project.
Annex E of COA Circular No. 2009-001 dated February 12, 2009, provides the checklist of documents for infrastructure projects time extension evaluation.	s. Non-submission of documents supporting the 25 and 30-day extension for the Composite Laboratory and Sliding Steel Gate for Motor pool projects, respectively.

Section of RA No. 9184, its RIRR and Other COA and GPPB Issuances	Observation/Deficiency
Sections 6.1 and 6.2 of Annex E, 2016 Revised IRR of RA No. 9184 provides that progress payments are subject to ten percent (10%) retention money. Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment and shall be due for release upon final acceptance of the works.	t. Non-deduction of retention monies from the contractor's billings for the motor pool and driver's quarters, sliding steel gate for motor pool, and provision of drainage for flood control and sewerage projects.
Section 53.5 – Procurement of Goods, Infrastructure Projects, and Consulting Services from another agency of the GoP, such as the DBM-PS which is tasked with a centralized procurement of Common-Use Supplies for the GoP in accordance with Letters of Instructions No. 755 and E.O. No. 359, s. 1989.	u. Common-use supplies were not directly procured from the DBM-PS. P283,077.20, were procured through reimbursement, PCF, or cash advances, while, P663,689.00, were procured through alternative modes. These purchases were not supported by the DBM-PS's Certificate of Non-Availability of Stocks.

5.3. The above-mentioned deficiencies casts doubt whether the procurement planning, implementation and evaluation process was conducted in a careful, objective, and prudent manner to ascertain that the BAC decision is judicious, equitable and most advantageous to the government.

5.4. **We recommended and Management, through the BAC agreed to:**

- a) **submit the approved APP, PPMP and ABC as required under the 2016 Revised IRR of RA No. 9184;**
- b) **ensure the propriety and completeness of the required planning documents before the conduct of any procurement activities;**
- c) **ensure that proper and complete instructions are given to the bidders so that the compliances to various requirements will not be left to their discretion; any amendment to contracts shall be made in writing signed by the College and the Contractor/Supplier;**
- d) **submit the lacking documents and provide written justification on the noted deficiencies in the supporting documents and the timely award and acceptance of the work orders;**
- e) **exercise caution and prudence in the examination and evaluation of bids to erase doubts in the fairness in awarding of contracts;**
- f) **coordinate with the College Website Administrator in posting the ITB, SBB, and other required documents, and for future contracts, abide with the posting of requirements as prescribed in the IRR;**

- g) properly evaluate key personnel capacities in technical documents for efficient project implementation, especially for single contractors with overlapping multiple schedules;**
- h) submit the documents for request of contract extension and the basis in reduction of contract duration as required under the 2016 revised IRR of RA 9184 and COA Circular No. 2009-001 dated February 12, 2009; otherwise, impose the necessary liquidated damages;**
- i) ensure the withholding of ten (10) percent retention money for each progress billings for infrastructure projects; and**
- j) procure common use supplies from the DBM-PS except when the needed supplies are not available in the DBM-PS or in cases of unforeseen contingency, which requires immediate purchase. Procurement from suppliers aside from the DBM-PS should be supported with CNAS issued by the DBM-PS.**

Non-/delayed/deficient submission of perfected contracts and Work Orders (WOs) and its supporting documents

- 6. Copies of ten perfected contracts/work orders and its supporting documents relative to the procurement of services and infrastructure in CYs 2019-2021 totaling P9,188,769.49, respectively, were submitted to the Office of the Auditor beyond five working days from the execution, contrary to the requirements of COA Circular No. 2009-001 dated February 12, 2009, thus, precluded the timely and objective review and evaluation of the transactions.**
 - 6.1. COA Circular No. 2009-001 dated February 12, 2009, requires the submission of a copy of government contracts, purchase orders and their supporting documents to the COA within five working days from the execution of the contract.
 - 6.2. Evaluation of the submission of the above-listed contracts disclosed that the College incurred delays in its submission ranging from 37 to 465 CDs or more than a year.
 - 6.3. Aside from the delayed submission, it is also the College's recurrent practice to submit the copies of the contract 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.
 - 6.4. Moreover, review of the supporting documents of a contract on the Construction of Canteen project showed that the required documents were either deficient or not submitted, as listed below:

- a) Duly signed Manpower Schedule (List of skilled laborer with their curriculum vitae showing their educational attainment, professional qualification and experiences);
 - b) Contractor's All Risk issuance (CARI) in accordance with Clause 12 of the General Conditions of the Contract;
 - c) Construction Safety and Health Program received and approved by DOLE per D.O. 129, series of 2014 dated November 24, 2014; and
 - d) Program of Works (POWs) – within 10 days from receipt of NOA and updated POW every 60 days.
- 6.5. Whereas, the required performance and warranty securities were not submitted as supporting documents for the five NP-SVP projects, and the work orders did not indicate the performance security posted in favor of the College, possibly depriving the College of financial guarantee in the event of unsatisfactory work during project implementation and defects or other deficiencies that manifest after acceptance.
- 6.6. In order to claim that the transactions are regular in full aspect, the prescribed documents which forms part of the contract are required to be submitted by the contractor and need to be evaluated and approved by the College before implementing the project.
- 6.7. The non-compliance on the timely and complete submission of the supporting documents affected the prompt detection of possible deficiencies prejudicial to the College and reflects leniency in enforcing the requirements of RA No. 9184 and the provisions of its contracts with private entities.
- 6.8. **We recommended and Management agreed to:**
- a) **instruct the BAC to timely submit the perfected contract and its supporting documents within five CDs as required under COA Circular No. 2009-001 dated February 12, 2009; and**
 - b) **thru the BAC, submit within a reasonable period the required qualification requirement and performance and/or warranty securities for the five infrastructure projects as required under the 2016 Revised IRR of RA No. 9184 and provide written justification on the non-submission/deficient submission of the supporting documents.**

Expenses not supported with relevant and complete documentations

7. **Various expenses totaling P6,558,630.95 covering payment of goods, infrastructure, and services were not supported with relevant and complete documentation and information as required under COA Circular No. 2012-001 dated June 14, 2012, and the terms and conditions of contracts, hence, casting doubts on the propriety of the transactions.**

7.1. COA Circular No. 2012-001 dated June 14, 2012, prescribes the revised guidelines and documentary requirements for common government transactions. This includes among others, the following:

- a. Legality of transaction and conformity with laws, rules, and regulations
- b. Sufficient and relevant documents to establish validity of claim.

7.2. Section 3.1 of COA Circular No. 2012-003 dated October 29, 2012, defines irregular expenditure as an expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles, or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed without conforming with prescribed usages and rules of discipline.

7.3. The post-audit on the liquidation of the CAs granted to two AOs, payment for consulting services and the Construction of the Canteen Project revealed the following observations:

Reference	Amount (In Php)	Deficiencies
Administrative Officer IV at PhilSCA-FAB Campus		
97659 dated 6/4/2021	31,200.00	Lack of a contract agreement, as well as the identification (IDs), address, and qualifications of the laborers in the payment of labor for the fabrication of window grills. The payment was based on the total number of days in the covered period, including weekends, according to the signed payroll.
Assistant Professor IV at PhilSCA-VAB Campus		
Various (See Annex B)	2,915,890.95	Purchases of various items and travel expenses for the conduct of the PhilSCA year-end assembly during CYs 2019 to 2021 were not supported by receipts and supplementary documents evidencing delivery and payment.
Two Consulting Services Project – VAB Campus		
97578 dated 4/19/21, 97783 dated 8/3/21, 98056	1,611,640.00	Payments for progress and final billings were not supported with validated/approved report on attendance, weekly progress report, minutes of meeting, assessment of materials used, inspection

Reference	Amount (In Php)	Deficiencies
dated 12/23/21		report and review and assessment of billings submitted by contractor.
Construction of Canteen Project – VAB Campus		
91962 dated 11/11/20, 92046 dated 1/18/21	1,999,900.00	Non-submission of the following: a. Certificate of Completion/ Statement of Time Elapsed for the first progress billing. b. Copy of turnover of documents/ transfer of project facilities. c. Signed IAR for the first progress billing.
Total	6,558,630.95	

7.4. The regularity and validity of the payments cannot be ascertained due to lacking documents and information as required under COA Circular No. 2012-001 and the TOR. If not adequately documented and satisfactorily explained, the transactions may fall within the purview of an irregular expenditure.

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

- a) **require the AOs, Consultant and Contractor to submit the required documents and information to support the regularity and validity of the disbursements of public funds; and**
- b) **strictly require the Consultants to submit more specific reporting of their accomplishments that appropriately matches the requirements and deliverables listed in the TOR and conduct validation of those accomplishments prior to payment.**

Control deficiencies in Asset Management

8. **Deficient controls in the management of fixed assets were observed at PhilSCA, which resulted in the failure of the College to timely reconcile the reported balance of PPE and exposed the properties and stakeholders to the risk of hazards and possible losses without early detection and recovery, contrary to the pertinent provisions of GAM for NGAs, Volume I, and various COA and DBM issuances.**

8.1. Evaluation of the existing procedures and controls of PhilSCA was conducted to determine the Management's compliance with accounting and management of PPE prescribed under the various COA and DBM Circulars, GAM for NGAs and to identify the causes of the observed lapses, presented on the next page:

Specific Provision/s of GAM and other Existing Rules, Regulations, and Issuances on Property Management	Observation/Deficiency
<p>Section 38, Chapter 10 of GAM for NGAs Volume I prescribes that entities shall have a periodic physical count of PPE which shall be done annually and presented in the RPCPPE as at December 31 of each year. This shall be submitted to the Auditor concerned not later than January 31 of the following year. Equipment found in the station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.</p> <p>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.</p>	<p><i>a. Delayed submission of RPCPPE and the copies of property records</i></p> <p>The inventory committee at PhilSCA conducted a physical property count from September to October 2022, but submitted RPCPPE and reports for PPE accounts cleansing on February 28, 2023. The audit team requested an updated report by December 31, 2022, but the report was sent on March 13, 2023, 41 days beyond the deadline. This delay hampered the timely audit and reconciliation of PPE accounts.</p> <p>Likewise, one-time cleaning of PPE was not completed during the year. The Management attributed the delay to various intervening factors such as the regular tasks of the inventory committee, some of which are faculty members with administrative designations and the lack of additional manpower.</p> <p>Finally, we observed that PPELC is still lacking in details and was not properly accomplished. The copies of original source documents such as IARs and Delivery Receipts (DRs) were not attached together with the journal entry vouchers and the PPELC.</p>
<p>COA Memorandum No. 92-751 dated February 24, 1992, prescribes the required supporting documents to be complied with on request for relief from accountability.</p>	<p><i>b. Unsupported Report of Loss, Stolen, Damaged or Destroyed Property</i></p> <p>The Audit Team received a report about the theft incident on December 5, 2022, involving two desktop computers and sports equipment, but the basic notice of loss and request for relief from accountability were not submitted. As a result, the evaluation and resolution of the application for relief from accountability cannot be conducted.</p>
<p>DBM NBC No. 425 otherwise known as the Manual on Disposal of Government Property dated January 28, 1992, provides that the disposal proceedings shall be immediately initiated to avoid further</p>	<p><i>c. Undisposed unserviceable properties</i></p> <p>We observed that unserviceable and fully depreciated properties at the PhilSCA-VAB Campus were placed in the vacant</p>

Specific Provision/s of GAM and other Existing Rules, Regulations, and Issuances on Property Management	Observation/Deficiency
deterioration of the property and consequent depreciation in its value. Systematic and timely disposal will yield benefits for other purposes.	field in front of the Guestel and Flying School buildings and remained undisposed of for more than a year, exposing them to further deterioration and depreciation in value, as well as theft and loss. Students, faculty, and College employees must pass through this area to reach the canteen, laboratory, and dormitory, thus exposing them to risks and hazards.

8.2. We recommended and Management agreed to:

- a) require the Property Office to prepare, maintain copies of PC as prescribed in order to monitor the receipt and disposition of PPEs;**
- b) instruct the Accounting Unit to provide complete information of reported properties in the PPELC as required by GAM for NGAs Volumes I and II;**
- c) direct the Accounting Unit to attach copies of original source document such as IARs and DRs in the journal entry vouchers submitted and as supporting document to the PPELC prepared by their Office;**
- d) instruct the AOs to submit complete sets of documents required under COA Memorandum No. 92-751, dated February 24, 1992, and henceforth, immediately notify the COA Audit Team of any losses on the properties of the Colleges due to theft/robbery and submit relief of accountability; and**
- e) fully account all the items for disposal and fast-track the process of appraisal and disposal of the unserviceable properties.**

Management's Comments

- 8.3.** The security agency replaced lost items on March 6, 2023, as their contract carries liability for loss or damage to equipment, buildings, and properties. The Disposal Committee provided documentation of abandoned properties and a schedule of various activities to be carried out in CY 2023 for proper disposal and invited the team as a witness.

Auditor's Rejoinder

- 8.4. The Management was reminded to adhere to the due process of the law when reporting a theft incident, including setting up a receivable account to record accountability, derecognition of the lost PPE, and receiving compensation from the security agency.

Deficiencies Noted During Ocular Inspections of the Facilities at PhilSCA-MBEAB-Medellin Campus, Cebu

9. The delay in the repairs of buildings and structures and the construction of the new building projects on the PhilSCA-MBEAB Campus resulted in further deteriorations, deprived its students, employees, and other stakeholders of convenient and safe facilities, posed possible risks of hazardous elements, and affected the adequate security of its assets, equipment, records, and documents.

- 9.1. It is the declared policy of the State that all resources of the government shall be managed, expended, or utilized in accordance with law and regulations and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government.¹⁴ The head of any agency of the government is immediately and primarily responsible for all government funds and property pertaining to his agency.
- 9.2. The BOT, as the HoPE of SUCs shall have the power to authorize the College to undertake construction and/or repair of its buildings, machinery and equipment, and other facilities, subject to existing laws, orders, and decrees, the purchase, and acquisition of real and personal properties, including necessary supplies, materials, and equipment.¹⁵
- 9.3. Results on the Audit Team's conduct of ocular inspection of the facilities and equipment at PhilSCA-MBEAB Campus with a total acquisition cost of P9,937,500.00 and book value of P1,122,544.44 revealed the following:
- a. School buildings and structures are outdated, damaged, and demolished.
 - b. Various offices and classrooms have dilapidated ceilings, busted lights, untidy flooring/tiles, worn-down walls, and broken windows and doors.
 - c. Offices have torn and messy electrical wires, busted wooden ceilings, and worn-down walls.
 - d. The equipment, furniture, supplies and various unserviceable properties are exposed to elements and unsecured.
 - e. The concrete pavements and walkways have cracks.
 - f. The stage has dilapidated ceiling, missing roof, and chipped structure.
 - g. The basketball court has chipped pavement and broken goal post.

¹⁴ Section 2 of PD No. 1445

¹⁵ Section 11 (j) of RA No. 7605

- h. The fence, guardhouse, and waiting shed are damaged.
- 9.4. The Audit Team observed a worsening deterioration of the Campus' facilities compared to its reported condition in CY 2018, due to antiquity and lack of regular repairs and maintenance.
- 9.5. This was exacerbated by the devastation caused by Typhoon Odette on December 16, 2021. The agency did not immediately notify and submit to the Audit Team a report on the damages and loss of properties caused by Typhoon Odette and a request for relief of accountability, despite the discernable damages and aging of the infrastructure.
- 9.6. Moreover, despite the allocation of P40,000,000.00 in the CY 2022 APP of the College for the construction of the new administrative and academic building, including furniture and fixtures, in a parcel of land donated by the PAF also located inside the Mactan Air Base, procurement activities for the construction have yet to commence. The damaged buildings are still occupied and used as classrooms and offices.
- 9.7. The approved revised APP¹⁶ of the College for FY 2022 also showed an allocated budget of P4,100,000.00 for the Repair/Rehabilitation of the PhilSCA-MBEAB Campus (Chemistry Lab, Physics Lab, Admin Supervisor, and Collecting, Rooms 9/10/11, Drawing Room, Powerplant and Airframe Hangar, Makeshift classroom) but the procurement activities for this project has not yet commenced as of audit date. According to the Report of the GPPAs as of December 31, 2022, submitted by the Main Campus Acting Procurement Officer, the preparation of TOR, specifications, BOQ, etc. is still ongoing.
- 9.8. The observed physical condition of the buildings and structures may not be conducive to an effective learning environment for its students and convenient and safe facilities for its employees and other stakeholders.
- 9.9. The hybrid learning sessions of the College commenced on October 10, 2022, and the Audit Team observed the inconvenience and safety hazards of conducting face-to-face classes in run-down classrooms without electricity and accompanied by heavy rains. Under the circumstances, prudence and diligence would dictate the necessity for the College Management to urgently plan and execute an appropriate contingency measure to prevent or minimize the probability of any event or action to happen that may have harmful or unfavorable effects to its students, employees, and other stakeholders.
- 9.10. **We recommended and Management agreed to:**
- a) evaluate the conduciveness, safety, and stability of the buildings and structures at PhilSCA-MBEAB Campus;**

¹⁶ BOT Resolution No. 456, s. 2022 in its Hybrid Special Meeting on August 8, 2022

- b) promptly conduct the necessary substantial repairs and maintenance and fast-track the procurement process for the construction of a new building at the new site; and
- c) henceforth, immediately notify the COA Audit Team of any damages and losses on the properties of the Colleges caused by fortuitous events such as typhoons and elements of time and submit a request for relief from accountability in accordance with Section 73 of PD No. 1445, COA Memorandum No. 92-751 dated February 24, 1992, and Section 41, Chapter 10, of the GAM for NGAs Volume I.

Lapses in the Operation of the Income Generating Projects (IGP)

10. **Deficiencies and lapses in the IGP operations of the PhilSCA-MBEAB Campus were still observed, despite the audit team's prior year's audit observations and recommendations, resulting in poor program implementation and a lack of program reporting and control mechanisms and exposing the College to the risk of not being indemnified or compensated in case of loss through theft or misappropriation.**
 - 10.1. CHED Memorandum Order No. 20 Series of 2011, dated August 4, 2011, provides the policy and guidelines to be observed by the SUCs in the use and disposition of all internally generated funds of the SUC in accordance with the pertinent provisions of RA No. 8292, otherwise known as the Higher Education Modernization Act (HEMA) of 1997.
 - 10.2. PhilSCA Administrative Manual 2010 Edition defines IGP as activities that generate additional revenue for the specific purpose for which it was created. The Auxiliary Services Unit of SUCs shall cover all Productions/IGP and Food Services, such as canteen/fast food/cafeteria, rental for school facilities, stall rentals and other IGPs.
 - 10.3. The Audit Team conducted an ocular inspection of the PhilSCA-MBEAB-Medellin Campus and interviewed the Campus Director and IGP Head to validate previous observations about the IGP operations on the campus.
 - 10.4. It was found that the sale of various school paraphernalia such as wings, shoulder boards, nameplates, polo shirts, PE t-shirts, ID slings, and IDs, which are categorized as other income-generating projects, is ongoing, and previous year's observations are still prevalent, and management has not addressed them. These are as follows:

Specific Provision/s of GAM and other existing rules, regulations, and issuances on IGP Operations	Observation/Deficiency
<p>Chapter 8, Sections 9, 13, 14, and 17 of the GAM for NGAs Volume I provides the pertinent provisions related to the Inventory Accounting System. It consists of monitoring, controlling, and recording of acquisition and disposal of inventory. It includes a list and explanation of the records, forms, and reports prescribed for use and/or to be maintained by the NGAs to implement the system effectively.</p>	<p><i>a. The receipts, requisitions, issuances, and Summary Reports of Income Earned from IGP operations are not properly and completely documented</i></p> <p>PhilSCA-MBEAB Campus reported collections from IGP/Accessories operations from April 26 to October 10, 2022, but there is no summary of IGP profits earned for OR details. The IGP Head, also a College Assistant Professor in the Avionics course presented improvised documents from June 2022, stating he was unaware of the forms and reports to be maintained and was not properly oriented on his duties and responsibilities before his designation.</p> <p><i>b. An agreement or contract was not executed before the commencement of IGP programs</i></p> <p>Campus Management failed to post an RFQ on PhilGEPs and College websites, raising doubts about the objective selection process for the PhilSCA-MBEAB current IGP supplier. There is no prescribed profit margin across all PhilSCA campuses and rates vary based on supplier quotations. The Campus Director did not conform to the proposed quotation, causing lack of reference and enforcement of legal obligations.</p>
<p>Paragraph 4 of Treasury Circular No. 02-2009 dated August 6, 2009, provides that every officer, agent, and employee of the Government of the Philippines, regardless of the status of their appointment, whenever the nature of the duties performed permits or requires the possession, custody or control of funds or properties for which he is accountable shall be bonded.</p>	<p><i>c. The IGP Head was not bonded</i></p> <p>The IGP Head is still not bonded despite being designated on November 3, 2021, exposed the College to the risk of not being indemnified or compensated in case of loss through theft or misappropriation.</p>

- 10.5. Due to a lack of policies and controls, the College IGPs have been the target of complaints, and audit findings. Without the approved or updated Manual of Operations, which will regulate the operating, accounting, reporting, and utilization of income of the IGPs, those operations would be subject to the management style of whoever is in charge.

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

- a) **provide the designated IGP Head with training as to the proper Management of the inventory items, maintenance of summary reports for record keeping and accountability monitoring purposes, as well as to serve as an audit trail during cash examination;**
- b) **formulate comprehensive internal control policies and operating procedures that will govern the operational, accounting, reporting, and utilization guidelines to be followed by the personnel assigned to manage and operate the College's IGPs across all campuses; and**
- c) **ensure that the IGP Heads are properly bonded.**

Tulong Dunong Program (TDP)

11. **The unreleased/delayed release of funds to student-grantees, absence of MOA with CHED Regional Offices (CHEDROs) and inadequate submission of supporting documents for the liquidation of funds were still observed in the implementation of the TDP, causing deferment of educational support benefits for the underprivileged student-grantees of PhilSCA, precluding the Audit Team from properly evaluating the compliance of the campuses with the project reporting and monitoring, and affecting the propriety and reliability of funds utilized, contrary to CHED-DBM issuances, and various laws, rules, and regulations.**

11.1. Pursuant to Section 7 of RA No. 10931, the "Universal Access to Quality Tertiary Education Act", the TES was established for Filipino students who shall enroll in undergraduate-post secondary programs of SUCs, CHED-Recognized Local Universities and Colleges (LUCs), private Higher Education Institutions (HEIs) and all Technical Vocational Institutions (TVIs), to support the cost of tertiary education or any portion thereof.

11.2. 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).

11.3. Based on our evaluation, several lapses and non-compliances with the guidelines were observed, details are as follows:

Existing Guidelines, Rules, Regulations, and Issuances on TDP Implementation	Observation/Deficiency
Section 11.4 of CHED-Unified Student Financial Assistance System for Tertiary Education (UniFAST) MC No. 02, s. 2021 requires the HEI to facilitate immediate	<i>a. Delayed release of funds to students-grantees by 14 to 125 days</i>

Existing Guidelines, Rules, Regulations, and Issuances on TDP Implementation	Observation/Deficiency
<p>release of financial benefits to students-grantees.</p>	<p>Delays ranging from 14 to 125 days were observed from the date of CHED fund transfer to PhilSCA to the actual release of funds to student-grantees in CY 2022. Moreover, the billing statement of TDP grants, for AYs 2018–2019, 2019–2020, and 2020–2021 totaling P1,035,000.00, was only submitted to CHED on April 27, 2022.</p> <p><i>b. Unreleased TDP grants totaling P580,987.50</i></p> <p>TDP grants totaling P580,987.50 were received and receipted under various ORs during December 2022 for BAB Campus. Based on the description provided in the ROC, the grants covered the period of AY 2020–2021; however, no liquidations have been reported and copies of LR were not submitted to the COA Office.</p>
<p>Item 9.2, Section 9 of CHED-DBM JMC No. 04 s. 2019, requires the submission of the MOA with participating HEIs with 10 or more grantees to facilitate transfer of funds, and to ensure compliance with control mechanisms.</p>	<p><i>c. Non-submission of MOA with CHEDROs</i></p> <p>The PhilSCA Campuses of VAB at Pasay City, BAB at Floridablanca, Pampanga, FAB at Lipa City, Batangas, and MBEAB, at Mactan, Cebu still did not furnish a copy of their MOA with CHEDROs NCR, III, IV-A and VII, respectively, thereby precluding the Audit Team from properly reporting and control mechanisms of TDP. This observation has been recurrently raised in CYs 2019, 2020 and 2021 audit reports.</p>
<p>Item 9.2.1., Section 6 of the UniFAST JMC No. 02, s.2022 - Liquidation of Funds Transferred to SUCs, CHED-Recognized LUCs, and Private HEIs. For proper reporting on the release of funds, SUCs, CHED Recognized LUCs, and Private HEIs should prepare and submit to the CHED Regional Offices within 90 days after the end of the 2nd semester of the academic calendar the following documents:</p> <p>a. Fund Utilization Report (FUR) duly certified by the Accountant and/ or Vice President for Finance, duly verified by the internal / external Auditor and</p>	<p><i>d. Inadequate submission of supporting documents (SD) for the liquidation of funds</i></p> <ol style="list-style-type: none"> 1. Only three out of 12 transactions on the release of TDP grants totaling P1,275,712.50 were supported with billing statements. Two of these were not stamped received by CHED and copies of CHED-validated master lists were not attached together with the aforesaid billing statements. 2. Only the TDP grants amounting to P937,500.00 distributed under check no. 98294 for FAB Campus grantees were supported with validated master list

Existing Guidelines, Rules, Regulations, and Issuances on TDP Implementation	Observation/Deficiency
<p>approved by the President/ Head (Annex 8);</p> <p>b. Report of Checks Issued (RCI) with supporting documents for Administrative Support Cost (ASC), approved by the Finance Officer or Authorized Official (Annex 9)</p> <p>c. Official receipts (ORs) and other pertinent documents to substantiate the use of ASC;</p> <p>d. General Payroll duly signed by the recipients of TES-TDP (Annex 10);</p> <p>e. If disbursed through alternative modes, RCI for TES-TDP, signed by the Cashier if released through check (Annex 9); payroll register, if released through the bank; or transaction receipt, if released through other alternative modes;</p> <p>f. Photocopy of Identification Card of the student with a specimen signature, or in case of submission of a certificate of non-issuance of ID by the HEI, a copy of the same certification and any government-issued ID with specimen signature.</p>	<p>from CHED-UniFAST, however, billing statements was not attached with the liquidation.</p> <p>3. Grants released under check nos. 98115 and 110156 in the amount of P30,000.00 and P67,500.00 in PhilSCA-BAB Campus, Pampanga were not supported with photocopies of Identification Card of the student with a specimen signature.</p> <p>4. Issuance of OR for the grants released under check no. 110122 dated September 5, 2022, amounting to P1,035,000.00 was not verified by the Audit Team due to lacking detail in the submitted LR.</p> <p>5. The copies of LRs submitted to the Audit Team were not stamped received by the respective CHEDROs of the PhilSCA campuses, hence, reliability of the liquidation was not established.</p>

11.4. The non-submission of supporting documents and other deficiencies observed hampered the Audit Team in thoroughly evaluating the extent of PhilSCA's compliance of billing and liquidation control mechanisms provided in the above-mentioned Circulars as well as validating the propriety on the release of grants to the listed student-grantees.

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

- a) **expedite the release of the TDP grants totaling P580,987.50 to the grantees and furnish the Audit Team of the CHED-received liquidation reports;**
- b) **make representation with CHED-UniFAST for any unreleased funds as of audit date and expediate the preparation of the billing statements and subsequent release of TDP grants, as necessary;**
- c) **submit the copies of MOA with CHEDROs NCR, IV-A, III and VI of FAB, BAB and MBEAB Campuses; and**

- d) ensure the submission of required documents such as CHED-validated master lists, billing statements, general payrolls, and photocopies of Identification Cards in their prescribed forms, pursuant to Sections 5 and 6 of CHED-UniFAST MC No. 02, s. 2022 and other related laws, rules, and regulations.

Compliance with Other Government Laws, Rules, and Regulations (LRRs)

Gender and Development (GAD)

- 12. **PhilSCA has allocated at least five percent (5%) of its budget for the implementation of GAD-related programs and activities pursuant to Section 34, GP of the FY 2022 GAA. However, of the 16 activities in GAD plan, only five were implemented as reported in the Accomplishment Report (AR), resulting to underutilization of GAD funds. Furthermore, other lapses were observed such as the failure to submit the supporting documents and proof of submission for review of AR to the CHED and Philippine Commission of Women (PCW), according to DBM- National Economic and Development Authority (NEDA)-PCW Joint Circular No. 2012-001 and PCW MC No. 2022-07 dated December 6, 2022.**
 - 12.1. Section 34 of the GP of RA No. 11639, the GAA for FY 2022 provides that 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).
 - 12.2. The GAD Plan shall be integrated into the regular activities of the agencies which shall be at least five percent of their budgets. Utilization of the GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.
 - 12.3. COA Circular No. 2014-001 dated March 18, 2014, requires the audited agency to submit a copy of the AR to the audit Team within five working days from the end of January of the preceding year. Item 10.4 of the DBM-NEDA-PCW Joint Circular No. 2012-001 provides that the annual GAD AR shall be accompanied by the following: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations if any.

- 12.4. Whereas PCW MC No. 2022-07: Submission of FY 2022 GAD AR dated December 6, 2022, provides that *“Pursuant to Section 36 of Republic Act 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 government-owned and/or controlled corporations (GOCCs) shall submit their consolidated FY 2022 GAD ARs to PCW through the PCW Gender Mainstreaming Monitoring System (GMMS) on or before the following dates:*

February 24, 2023	Deadline of SUCs to submit to the CHED regional offices.
March 24, 2023	Deadline of CHED regional offices to submit to PCW the reviewed FY 2022 GAD AR of SUCs.

- 12.5. Further, Item 3.1. provides that agencies shall print the returned GAD ARs with PCW’s final observations and remarks and submit the signed GAD ARs to the PCW and to COA Audit Team.
- 12.6. Review of PhilSCA GAD AR disclosed that the total amount of P44,498,729.06 or 77 percent of the approved budget, has been utilized for GAD thru programs and projects that integrated gender perspective in the operations of the College.
- 12.7. The underutilization of P10,723,776.52 is mainly due to unexpended balance of GAD programs in PhilSCA building construction, but we cannot determine the specific GAD activity attributed to these infrastructure projects due to non-submission of the required supporting documents of annual GAD AR such as brief summary of the reported program or project and the results of HGDG tests, if any.
- 12.8. While the three Client-Focused activities conducted have an aggregate excess budget of P157,494.42, with utilization rates ranging from 33.07 to 86.87 percent.
- 12.9. Unutilized GAD budget also came from seven Client-Focused and four Organizational-Focused activities totaling P2,270,000.00 which were not conducted in CY 2022. 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.
- 12.10. Furthermore, on February 7, 2023, PhilSCA GFPS TWG submitted the GAD AR for CY 2022 to the Audit Team, but it lacked supporting documents and a separate report certifying submission to CHED regional office.

- 12.11. The GAD AR is submitted to CHED and PCW to ensure that the activities conducted at PhilSCA address gender issues. It serves as the basis for PCW's Annual GAD Budget Report for submission to Congress and other oversight agencies, and PCW's remarks guide agency implementation and future GAD programs and policies.
- 12.12. Without the submission of AR, the effectiveness of the interventions implemented in addressing gender issues towards the realization of the objectives of the College's commitments, plans, and policies in women's empowerment and gender equality cannot be ascertained.
- 12.13. **We reiterated our prior year audit recommendation that Management, thru the GFPS TWG:**
 - a) **set an attainable level of GPB and ensure that GPBs are fully implemented within the set timeline to achieve the objectives and maximize the utilization of the GAD funds; and**
 - b) **submit to the Office of the Auditor the proof of submission for review of AR to the CHED and PCW and a copy of the final GAD AR with PCW's remarks and observations.**

Management's Comments

- 12.14. The GAD GFPS Chairperson commented that the preparation of the GPB was undertaken the prior year and with all the adjustment to the new normal, lined up GAD activities was not fully implemented as clearly reflected in the AOM. She informed that the GFPS of PhilSCA was reconstituted on February 17, 2023, under College MC No.02, series 2023 and they are closely coordinating with the different offices for the implementation of GAD activities for 2023 to achieve a better and effective gender mainstreaming of the College. Moreover, a hard copy of GAD AR for 2022 was submitted to COA Office as requested, but they failed to beat the deadline on February 24, 2023, due to an influx of submissions from other NGAs, GOCC, LGUs and SUCs.

Senior Citizens and Persons with Disability (PWDs)

13. **The PhilSCA management did not formulate plans, programs and projects addressing the concerns of the senior citizens and PWDs, contrary to Section 35 and 36 of the GP of RA No. 11639 or the GAA for FY 2022.**
 - 13.1. Section 35 of the GP of the GAA provides that all agencies of the government shall formulate plans, programs and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities¹⁷.

¹⁷ Section 35 of the GP of the FY 2022 GAA

- 13.2. 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 (BP) Blg. 344 and RA No. 7277, as amended.
- 13.3. Section 36 of the same Act provides that pursuant to RA No. 7277¹⁸ and BP Blg. 344¹⁹, all government agencies and instrumentalities shall ensure of a barrier-free environment that will enable disabled persons to have access in public and private buildings for public use, educational institutions, airports, sports and recreation centers and complexes, shopping centers or establishments, public parking places, workplaces, and public utilities.
- 13.4. The Audit Team reviewed and verified the CY 2022 PRE and WFP of the PhilSCA and noted that there were no plans and programs to address the concerns of the Senior Citizens and PWDs, contrary to Section 35 of the GP of the GAA for FY 2022. Additionally, PhilSCA has no plans or programs in the attainment of a barrier-free environment that will enable disabled persons to have access in public buildings for public use, educational institutions, and workplaces contrary to Section 36 of the GP of the GAA for FY 2022.
- 13.5. **We recommended and Management agreed that, henceforth, the PhilSCA management designate a focal person and prepare programs and projects to address the concerns of the Senior Citizens and PWDs pursuant to Sections 35 and 36 of the GP of the GAA.**

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

14. **PhilSCA had substantially complied with the laws and regulations on deduction of premium contributions from its personnel and remittance of the same, including the government share, to BIR, GSIS and PhilHealth. However, considerable unremitted balances to Pag-IBIG totaling P545,829.08 were noted for the year.**
 - 14.1. The laws, rules and regulations that govern the deduction and remittance required by BIR, GSIS, PhilHealth, and Pag-IBIG and the corresponding compliance by PhilSCA are as follows:
 - Section 2.58(A) of Revenue Regulation (RR) No. 2-98, as amended by Section 5 of RR No. 11-2018;
 - Section 14, Rule III of RA No. 8291, the GSIS Act of 1997;

¹⁸ Magna Carta for Persons with Disability

¹⁹ Accessibility Law

- Section 3(a), Rule VII of the IRR of RA No. 9679, the Home Development Mutual Fund (HDMF) Law; and
 - Paragraphs (a) and (b) of Section 18 of the IRR of RA No. 7875 as amended by RA No. 9241 and RA No. 10606, the National Health Insurance Act of 2013.
 - PhilHealth Circular No. 0001 series of 2014 dated January 9, 2014, provides the new payment deadline of premium contributions starting April 2014 for the applicable month of March 2014 onwards for the Formal Sector, specifically all Government and Private Employers.
- 14.2. PhilSCA had substantially complied on the withholding of taxes from its personnel and suppliers/contractors for CY 2022. However, the General Ledger postings in Due to BIR account reflected that the taxes withheld as compared with remittances made indicated variances in amount due to monthly under and over remittances, or net under remittance of P517,680.79.
- 14.3. PhilSCA had substantially complied with the requirements of RA Nos. 8291 and 10606 and its IRRs pertaining to the withholding and remittances of premium contributions to the GSIS and PhilHealth for CY 2022. However, unremitted balance amounting to P457,600.38 and P21,103.82, respectively were noted as of December 31, 2022.
- 14.4. PhilSCA had also substantially complied with the with the provisions of HDMF Law of and its IRR in the withholding and remittances of premium contributions for its employees for the months of January to May, July, and November to December. However, unremitted balance amounting to P722,893.92 was noted as of December 31, 2022, the majority of which are from the unremitted deductions for the months of June and August to October.
- 14.5. 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 10 - Summary of Deductions and Remittances of Inter-Agency Payables

Deduction	Remittance/ Adjustment	Unremitted Balance	Status
<i>Due to BIR</i>			
25,170,002.84	21,379,855.65	3,790,147.19	Pertains to prior years and CY 2022 net under remittances amounting to P356,452.73 and P3,433,694.46, which is still for reconciliation.
<i>Due to GSIS</i>			
18,017,548.02	17,559,947.64	457,600.38	Pertains to prior years and CY 2022 net under remittances amounting to P423,138.31 and P34,462.07,

Table 10 - Summary of Deductions and Remittances of Inter-Agency Payables

Deduction	Remittance/ Adjustment	Unremitted Balance	Status
			respectively, which is still for reconciliation.
<i>Due to PhilHealth</i>			
1,765,865.11	1,744,761.29	21,103.82	Pertains to prior year's net under remittance of P35,271.91 and CY 2022 net over remittance amounting to P14,168.09, which is still for reconciliation.
<i>Due to Pag-IBIG</i>			
3,531,488.65	2,808,594.73	722,893.92	Pertains to prior years and CY 2022 net under remittances amounting to P177,064.84 and P545,829.08, respectively, which is still for reconciliation.

- 14.6. **The Audit Team commended PhilSCA's substantial compliance with the requirement of RA Nos. 8291 and 10606 its IRRs and other issuances in the timely withholding and remittance of taxes, and premium contributions to GSIS, Pag-IBIG and PhilHealth during the year.**
- 14.7. **However, we reiterated our prior years' recommendation that Management direct the Accounting and Human Resource Office to facilitate the immediate reconciliation of prior and current years' transactions and effect the necessary adjustment or remittance, whichever is appropriate, to ensure reliability of the year-end balance of the Inter-Agency payable accounts and to avoid any unnecessary penalties due to delayed remittances.**

Management's Comments

- 14.8. The Director of HRMDS reported that based on their record, PhilSCA complied with the deductions and remittances to the concerned government agencies in CY 2022. The Audit Team was furnished with a copy of the Clearance Certificate from Pag-IBIG Fund in relation to the remitted membership savings of PhilSCA personnel for the period of January 1995 to February 2023.

Auditor's Rejoinder

- 14.9. The Audit Team clarified that any discrepancies in the reports of the Accounting and HRMDS Offices must be reconciled between them, as the balances provided in the AOM were taken from the financial reports and recorded transactions of the Accounting Unit.

15. **PhilSCA was able to insure its properties and assets in compliance with RA No. 656 or the Property Insurance Law, however, the required 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 of not being indemnified in case of loss due to fortuitous events.**
- 15.1. RA No. 656, otherwise known as the Property Insurance Law, as amended by PD No. 245, requires all government agencies to insure against any insurable risk their properties, assets, and interest with the General Insurance Fund (GIF), as administered by the GSIS.
- 15.2. COA Circular No. 2018-002 dated May 31, 2018, prescribes the submission of the PIF as basis for the assessment of general insurance coverage over all insurable assets, properties, and interests of the government with the GIF of the GSIS. It is being issued to assist in the implementation of the provisions of RA No. 656, as amended, on the insurance and bonding of risks on insurable government assets and properties with the GIF.
- 15.3. In CY 2022, the College paid P4,267,022.95 to the GSIS for the various insurable assets, properties and interests consisting of buildings, equipment, supplies and materials, aircraft and motor vehicles totaling P710,826,790.56.
- 15.4. The buildings, motor vehicles and aircrafts were identified in the insurance policies, however, the equipment, supplies and materials totaling P84,271,350.94 and P46,130,106.68 located in the PhilSCA Main Campus and Regional Campuses, respectively, were not specifically listed in the policies.
- 15.5. Likewise, the 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 flood, fire, earthquake, and other casualties.
- 15.6. **We reiterated our prior year's recommendation and Management agreed to:**
- a) **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; and**
 - b) **submit the reply/confirmation and status of the insurance claimed filed with the GSIS for the buildings, equipment and materials damaged by typhoon "Odette" in December 2021.**

Status of Settlement of Audit Suspensions, Disallowances and Charges

16. Suspensions and disallowances totaling P28,949,904.57 and P30,201,916.26, respectively, remained unsettled as of December 31, 2022, contrary to COA Circular No. 2009-006 dated September 15, 2009, which prescribes the rules and regulations in the settlement of accounts.

Table 11 - Status of Audit Suspensions, Disallowances and Charges

Particulars	Beginning Balance, January 1, 2022	Issuances During the Year	Settlements During the Year	Ending Balance, December 31, 2022
Notice of Suspension (NS)	5,723,871.11	23,922,424.96	696,391.50	28,949,904.57
Notice of Disallowance (ND) ²⁰	30,201,916.26	25,500.00	25,500.00	30,201,916.26
Total	35,925,787.37	23,947,924.96	721,891.50	59,151,820.83

- 16.1. Out of the total suspensions and disallowances issued to PhilSCA of P29,646,296.07 and P30,227,416.26, respectively, only a total of P696,391.50 and P25,500.00 were settled for suspensions and disallowance, respectively, leaving a balance of P28,949,904.57 and P30,201,916.26, as of yearend. The status of disallowances as of December 31, 2022, is shown in *Table 12*.

Table 12 - 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 P130,000.00, out of the total disallowance of P355,000.00. The Team is currently monitoring the appeal that will be filed by the Persons Liable in response to receiving copies of the NDs via registered mail on October 14, 2022.
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.

²⁰ Excludes disallowances issued prior to the implementation of the RRSA in CY 2009 amounting to P263,000.00

Table 12 - Status of Unsettled Disallowances

Number Date	Amount (In Php)	Description/ Nature	Status
			Commission Secretariat Decision No. 2022-227 dated Jan. 24, 2022, denied the Petition for Review of the Persons Liable and affirmed with finality the COA NGAS-Cluster 5 Decision No. 2018-019 dated September 13, 2018, dated June 29, 2012.
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, affirmed 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 P432,000.00. The rest of the persons held liable under the NDs shall continue to be liable, therefore.
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 2014 to RA No. 8292	Appeal was filed with the Office of the Cluster Director, Cluster 5, NGS, COA. The Audit Team submitted Answer to Appeal on June 5, 2017. On March 18, 2022, the Office of the Cluster Director, NGAS Cluster 5 send Notification to the appellant, informing that the Appeal from the ND has been elevated to the CP for automatic review.
2016-002-164 (12& 13) 8/22/2016	18,681,300.00		
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		

16.2. 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.