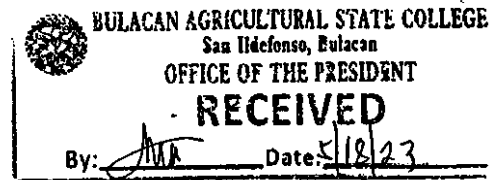




REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

May 8, 2023

Dr. JAMESON H. TAN, CESE
College President
Bulacan Agricultural State College
San Ildefonso, Bulacan



Dear **President Tan**,

We are pleased to transmit the Annual Audit Report on the audit of the Bulacan Agricultural State College (BASC) for Calendar Year 2022 in compliance with Section 43 of the Government Auditing Code of the Philippines (P.D. No. 1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and we believe that it provided a reasonable basis for the audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements of the College owing to the exceptions noted in the audit as stated in the Independent Auditor's Report in Part I of the report.

The significant audit observations and recommendations requiring immediate action are as follows:

1. Inventories as of December 31, 2022 included issued semi-expendable properties with a total carrying value of ₱66,582,224.11 which is not in accordance with COA Circular No. 2022-004 dated May 31, 2022, thereby overstating the Accumulated Surplus by the same amount and overstating the Semi-Expendable Property accounts and the corresponding Allowance for Impairment Loss by ₱79,220,909.67 and ₱12,638,685.56, respectively. Likewise, a difference between the accounting and property records amounting to ₱1,360,809.82 remained unreconciled as of year-end. (**Observation No. 1**)

We recommended that Management: (a) Require the Accountant to draw the appropriate adjusting entries to properly charge the carrying amounts of semi-expendable properties that were issued to end-users to the Accumulated Surplus accounts; (b) Direct the Accountant and the Supply Unit to expedite the reconciliation of the remaining semi-

expendable property accounts with deficiencies and adjust the books of accounts and property records, as warranted, once the results have been established; (c) Initiate the creation and issuance of its own policy on the estimated useful life of each semi-expendable item; (d) Require the Property Officer to prepare and maintain the Registry of Semi-Expendable Property Issued and Report of Semi-Expendable Property Issued; and (e) Direct the Accountant and the Property Officer to observe the rules and guidelines on the categorization of semi-expendable properties under COA Circular No. 2022-04 dated May 31, 2022.

2. The accuracy of the balances of the Property, Plant and Equipment (PPE) accounts with a total carrying amount of ₱624,956,966.76 as of December 31, 2022 was not established due to: (a) unreconciled difference between the accounting and property records amounting to ₱374,500.90; (b) inclusion of semi-expendable properties totaling ₱1,098,373.92; and (c) inclusion of unserviceable items with a total carrying amount of ₱39,435.10, contrary to the provisions of Section 79 of Presidential Decree No. 1445, Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and COA Circular No. 2022-004 dated May 31, 2022. **(Observation No. 2)**

We recommended that Management: (a) Direct the Accountant to adjust the books of accounts, as warranted, once the results have been established; (b) Require the Accountant to draw the appropriate adjusting entries to properly recognize the equipment donated to the College, charge the carrying amounts of the semi-expendable properties that were issued to end-users from PPE accounts to the Accumulated Surplus accounts, as well as to drop the unserviceable items lodged in the PPE accounts, to ensure that financial reports represent reliable information; and (c) Ensure proper coordination between the Property Officer and the Accountant to facilitate timely monitoring in the movements of accounts.

3. Despite similar observations in the previous year, the balance of the Due to NGAs account as of December 31, 2022 still included funds which are incorrectly recognized as payables in the books, contrary to the Government Accounting Manual for National Government Agencies (GAM for NGAs), Volume III, thus the reported balance of Due to NGAs and Accumulated Surplus in the financial statements as of year-end are misstated by ₱1,002,892.07. In addition, unexpended fund balances of completed projects totaling ₱206,555.47 are yet to be returned to their sources, inconsistent with Section 4.9 of COA Circular No. 94-013 dated December 13, 1994. **(Observation No. 3)**

Direct the College Accountant to: (a) Draw adjusting entries to derecognize subsidy received from DA RFO III and CHED for loan assistance to farmers and the Interest Income from loan payments of farmers from Due to NGAs to Revenue/Accumulated Surplus; (b) Properly recognize loan payments and interest earned from loans to farmers as Loans Receivable – Others and Interest Income; and (c) Maintain individual subsidiary ledgers to monitor the transactions of each loan assistance program.

4. Overtime pay totaling ₱340,043.75 to some Job Order workers of the BASC from January 1 to December 31, 2022 showed non-compliance with the payment terms as

stipulated in the contracts, resulting in irregular disbursement of government funds.
(Observation No. 4)

We recommended that Management: (a) Cease the payment of overtime services to JO workers whose contracts do not include stipulations on the rendering and payment of overtime, owing to lack of legal basis; and (b) Cause the review of payment terms stipulated in the contracts prior to effecting payments to JOs.

The other audit observations, together with the recommended courses of action, are discussed in detail in Part II of the report. These, along with the prior year's findings not yet or partially acted upon and included in Part III of the report, had been discussed with the officials and staff of the College.

We request that the recommended measures be implemented and we would appreciate receiving an action plan and status report, thru accomplishing the attached Agency Action Plan and Status of Implementation (AAPSI) form, to be submitted to the Audit Team within 60 days from receipt of this report, pursuant to Section 97 of the General Provisions of the General Appropriations Act for FY 2022.

We appreciate the invaluable support and cooperation extended to our Audit Team by the officials and staff of the College.

Very truly yours,


OMAR S. ROQUE
Regional Director

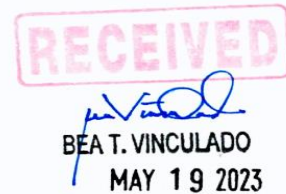
cc: *Chairperson-Senate Finance Committee*
Chairperson-Appropriations Committee
Secretary of the Department of Budget and Management
Presidential Management Staff, Office of the President
The Assistant Commissioner, NGS, COA, Quezon City
National Library (soft copy)
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REPUBLIC OF THE PHILIPPINES
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City of San Fernando, Pampanga

May 8, 2023

HON. J. PROSPERO E. DE VERA III, DPA
Chairperson
Bulacan Agricultural State College Board of Regents
Commission on Higher Education
Diliman, Quezon City



Dear **Chairman De Vera**,

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OMAR S. ROQUE
Regional Director

cc: *Chairperson-Senate Finance Committee*
Chairperson-Appropriations Committee
Secretary of the Department of Budget and Management
Presidential Management Staff, Office of the President
The Assistant Commissioner, NGS, COA, Quezon City
National Library (soft copy)
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