**PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS**

 The audit of financial transactions and operations of the Bulacan Agricultural State College (BASC) for calendar year (CY) 2021 disclosed some observations that needed improvements and/or corrections. Our observations with the corresponding recommendations are discussed in detail in the succeeding paragraphs.

**Financial Audit**

*Unreliable PPE balances - ₱589.112 million*

1. ***The accuracy, completeness and existence of the balances of the Property, Plant and Equipment (PPE) accounts with a carrying amount of ₱589,112,115.66 as of December 31, 2021 were not established due to (a) unreconciled difference between Accounting and Property records amounting to ₱904,976.22; (b) inclusion of semi-expendable items totaling ₱2,158,600.00 in the Building account; and (c) inclusion of unserviceable items with a total carrying value of ₱196,209.26, contrary to the provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and Section 79 of Presidential Decree (P.D.) No. 1445.***
2. *Unreconciled balances between Accounting and Property records – ₱904,976.22*
	1. To establish the accuracy of the balances of Property, Plant and Equipment (PPE) accounts, the Audit Team compared the General Inventory Report (GIR) of PPE prepared by the Property Officer with the accounting records. Exclusive of the Construction in Progress (CIP) accounts, a huge difference amounting to ₱904,976.22 was established, as summarized below:

| **PPE Account** | **Per accounting records** | **Per property records** | **Variance** |
| --- | --- | --- | --- |
| Land | ₱ 149,430,284.00 | ₱ 149,430,284.00 | ₱ 0.00 |
| Land Improvements  | 21,980,413.31 | 21,980,413.31 | 0.00 |
| Infrastructure Assets  | 2,584,518.00 | 2,572,018.00 | 12,500.00 |
| Buildings and Other Structures | 407,740,717.42 | 406,771,217.42 | 969,500.00 |
| Machinery and Equipment  | 77,635,462.29 | 78,433,248.07 | (797,785.78) |
| Transportation Equipment | 13,914,890.40 | 13,914,890.40 | 0.00 |
| Furniture, Fixtures and Books  | 8,440,736.12 | 8,405,824.12 | 34,912.00 |
| Other PPE | 2,701,590.20 | 2,015,740.20 | 685,850.00 |
| **Total**  | **684,428,611.74** | **683,523,635.52** | **904,976.22** |
| Construction-in-Progress\* | 29,696,155.11 |  |  |
| **GRAND TOTAL** | **₱714,124,766.85** | **₱683,523,635.52** |  |
| Less: Accumulated Depreciation | (125,012,651.19) |  |  |
| Net Carrying Amount  | **₱589,112,115.66** |  |  |

*\*Not included in the property records unless finished.*

* 1. According to the Accountant and the Property Officer, there is an ongoing reconciliation between their records to establish the details of the unreconciled amount.
1. *Inclusion of office equipment and semi-expendable items in the carrying amount of the buildings – ₱2,158,000.00*
	1. Section 5, Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, prescribes that the cost of an item of PPE includes, among others, the following:
* Purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
* Any cost directly attributable to bringing the asset to the location and condition for it to be capable of operating in the manner intended by Management.
* The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.
	1. Review of the GIR of PPE prepared by the Property Officer revealed that the recorded cost of some buildings constructed for and owned by the Bulacan Agricultural State College (BASC) included office equipment and semi-expendable items which were not directly attributable to the assets. In our analysis, these expenses should not have been capitalized to the Buildings and Other Structures account, as tabulated below:

| **Buildings** | **Cost** | **Semi Expendable items capitalized\*** | **Particulars** |
| --- | --- | --- | --- |
| College Library Extension | ₱10,000,000.00 | ₱ 116,000.00 | Monoblock chairs with backrest and ceiling fans |
| Student Center  | 9,999,273.20 | 92,000.00 | Monoblock chairs with backrest and ceiling fans |
| Graduate Studies Building  | 9,999,240.17 | 182,800.00 | Armchairs, teachers’ tables and chairs, ceiling and wall fans |
| Agri-Business Building  | 19,999,079.34 | 799,600.00 | Armchairs, whiteboard, greenboard, teachers’ tables and chairs, ceiling fans, aircon units, and television sets |
| Animal Science Building  | 19,977,263.00 | 526,000.00 | Armchairs, whiteboard, teachers’ tables and chairs, ceiling and wall fans, stainless steel tables and high stool chairs  |
| 2-Storey Information and Technology Building  | 16,983,338.65 | 442,200.00 | Whiteboard, aluminum chairs, teachers’ tables and chairs, and ceiling fans  |
| **TOTAL** | **₱86,958,194.36** | **₱2,158,600.00** |  |

*\*The semi-expendable properties are itemized in Appendix A.*

* 1. Scrutiny of the Detailed Estimates prepared by the College Engineer revealed that the abovementioned properties were included in the total cost of each building as Miscellaneous Items.
	2. Upon completion and turnover of the infrastructure, the Accountant recorded the total cost of the project under the same PPE account, Buildings and Other Structures, inclusive of the costs that were not directly attributable to the construction thereof.
	3. Other than Office Equipment, majority of the items are non-capitalizable which qualify more as semi-expendable properties. As such, reclassification to the appropriate account must be made in accordance with Section 2.1., Department of Budget and Management (DBM) Circular Letter No. 2016-7 dated July 20, 2016, viz:

*Tangible items below the capitalization threshold of ₱15,000.00 shall be accounted as semi-expendable property. The following policies shall apply:*

*2.1.1. Semi-expendable property which were recognized as Property, Plant and Equipment shall be reclassified to the affected accounts.*

*2.1.2. These tangible items shall be recognized as expenses upon issue to the end-user.*

* 1. The Audit Team also noted that the semi-expendable properties were included in the computation of the depreciation expense.
	2. The failure of the Accountant to recognize the semi-expendable properties and properly adjust the other affected accounts resulted in the overstatement by ₱2,158,600.00 in the Buildings and Other Structures account reported in the financial statements (FS) as of December 31, 2021. Conversely, Accumulated Surplus and Accumulated Depreciation Expense accounts were understated by ₱916,260.89. (Appendix B)
	3. Considering the above circumstances, the following adjusting journal entries should have been taken up:

|  | **Debit** |  | **Credit** |
| --- | --- | --- | --- |
| Semi-Expendable Furniture and Fixtures | ₱60,000.00 |  |  |
| Semi-Expendable Office Equipment  | 56,000.00 |  |  |
| Accumulated Depreciation  | 11,020.04 |  |  |
| Building |  |  | ₱116,000.00 |
| Accumulated Surplus |  |  | 11,020.04 |
| *To record the adjustment on the cost of Building – College Library and its corresponding depreciation* |
|  |  |  |  |
| Semi-Expendable Furniture and Fixtures | ₱36,000.00 |  |  |
| Semi-Expendable Office Equipment  | 56,000.00 |  |  |
| Accumulated Depreciation  | 8,739.97 |  |  |
| Building |  |  | ₱92,000.00 |
| Accumulated Surplus |  |  | 8,739.97 |
| *To record the adjustment on the cost of Building - Student Center and its corresponding depreciation* |
|  |  |  |  |
| Semi-Expendable Furniture and Fixtures | ₱144,800.00 |  |  |
| Semi-Expendable Office Equipment  | 38,000.00 |  |  |
| Accumulated Surplus | 88,181.66 |  |  |
| Building |  |  | ₱182,800.00 |
| Accumulated Depreciation |  |  | 88,181.66 |
| *To record the adjustment on the cost of Building – Graduate Studies Building and its corresponding depreciation* |
|  |  |  |  |
| Office Equipment  | ₱380,000.00 |  |  |
| Semi-Expendable Furniture and Fixtures | 307,600.00 |  |  |
| Semi-Expendable Office Equipment  | 112,000.00 |  |  |
| Accumulated Surplus | 351,739.34 |  |  |
| Building |  |  | ₱799,600.00 |
| Accumulated Depreciation |  |  | 351,739.34 |
| *To record the adjustment on the cost of Building – Agri-Business Building and its corresponding depreciation* |
| Semi-Expendable Furniture and Fixtures | ₱278,000.00 |  |  |
| Semi-Expendable Office Equipment  | 248,000.00 |  |  |
| Accumulated Surplus  | 160,901.03 |  |  |
|  Building |  |  | ₱526,000.00 |
|  Accumulated Depreciation |  |  | 160,901.03 |
| *To record the adjustment on the recorded cost of Building – Animal Science Building and its corresponding depreciation* |
| Semi-Expendable Furniture and Fixtures | ₱85,200.00 |  |  |
| Semi-Expendable Office Equipment  | 357,000.00 |  |  |
| Accumulated Surplus  | 335,198.88 |  |  |
| Building |  |  | ₱442,200.00 |
| Accumulated Depreciation |  |  | 335,198.88 |
| *To record the adjustment on the recorded cost of Building – 2-storey Information and Technology Laboratory Building*  |

1. *Idle, obsolete and unserviceable PPEs – ₱196,209.26*
	1. Section 79 of Presidential Decree (P.D.) No. 1445 provides that:

*Destruction or sale of unserviceable property. When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. xxx*

* 1. Further, the Manual on Disposal of Government Property embodied under NBC No. 425 dated January 28, 1992 was issued to guide agencies in their disposal undertakings. Part I (A) thereof provides, among others, that disposal occurs when a piece of equipment or property can no longer provide efficient service or, though still working, has been rendered useless due to obsolescence.
	2. Pertinent provisions under Section 40, Chapter 10 of GAM for NGAs are hereby quoted:
1. *A PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.*
2. *All unserviceable property shall be reported in the Inventory and Inspection Report of Unserviceable Property (IIRUP) (Appendix 74). PPE reported in the IIRUP shall be dropped from the books by debiting Impairment Loss-Property, Plant and Equipment (cost of the PPE less Accumulated Depreciation).*
	1. The IIRUP as of December 31, 2021 submitted by the Property Officer to the Audit Team listed unserviceable PPE items with a total carrying value of ₱196,209.26, the details of which are shown in Appendix C.
	2. Verification of financial records and inquiry with the Accountant disclosed that the unserviceable items were still carried in the books of the University as of December 31, 2021, overstating the reported balances of the affected PPEs in the FS by their carrying amounts since they no longer qualify as assets as of year-end.
	3. Additionally, the failure to initiate disposal proceedings resulted to further deterioration of the property and consequent depreciation in their value. A systematic and timely disposal will yield benefits to the College in terms of a higher appraised value/selling price and wider space/storage areas available for other purposes.
	4. **In view of the foregoing, we recommended and Management agreed to:**
3. **direct the Accountant and the Property Officer to adjust the books of accounts and property records, as warranted, once the results of reconciliation have been established;**
4. **require the Accountant to draw the appropriate adjusting entries to properly recognize the office equipment and semi-expendable items misclassified under the Building and Other Structures accounts, as well as other affected accounts, to ensure that the financial reports represent reliable information; and**
5. **initiate proper disposal procedures for the unserviceable PPEs and direct the Accountant to derecognize the same in the books based on the IIRUP prepared by the Property Officer.**

*Management Comments:*

* 1. In Management’s written reply to AOM No. 2022-07(2021) dated March 29, 2022, the University officials concerned expressed their appreciation of the observations and recommendations made by the Audit Team on the PPE accounts as of December 31, 2021. The following actions have been made by Management as of this writing:
1. The College President issued Memorandum No. 2022-07 dated March 24, 2022 directing the College Accountant and the Property Officer to make the necessary adjustments in the book of accounts and property records. To date, they have completed the reconciliation of the records and a copy of the report was provided to the Audit Team;
2. Adjusting entries were drawn in January 2022 to properly recognize the office equipment and semi-expendable items incorporated in the Building and Other Structures accounts, as well as the other affected accounts. Copies of the Journal Entry Vouchers (JEVs) were submitted to the Audit Team;
3. The College Accountant will prepare the JEV for the deduction of unserviceable PPE upon approval of the IIRUP.
	1. During the exit conference held on March 31, 2022, the Audit Team reminded Management that proper procedures must be observed during the disposal of unserviceable PPE. The College President responded in the affirmative and instructed the officials concerned to perform the disposal procedures to make the storage areas available for other purposes.

*Inaccurate Inventory account balances – ₱32.999 million*

1. ***The accuracy of the reported Inventories as of December 31, 2021 with a carrying amount of ₱32,998,737.71 remained doubtful due to (a) unreconciled difference of ₱934,280.98 between the Accounting and Property records; and (b) incomplete Supplies Ledger Cards (SLCs) maintained by the Accounting Unit, inconsistent with the Instructions provided in Appendix 57 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume II.***
	1. To establish the reliability of the balances reported in the Financial Statements (FS), the Audit Team compared the Report on Physical Count of Inventories (RCPI) submitted by the Property Unit with the Accounting records and a difference of ₱943,280.98 was noted, broken down as follows:

| **Account** |  **Per Accounting Records**  | **Per Property Records**  | **Variance** |
| --- | --- | --- | --- |
| Office Supplies Inventory  | ₱ 795,370.91  | ₱ 0.00  | ₱795,370.91  |
| Textbook and Instructional Materials Inventory  | 1,856,136.80  | 1,831,900.85  | 24,235.95  |
| Other Supplies and Materials Inventory  | 3,045,892.92  | 3,217,778.81  |  (171,885.89)  |
| Semi-Expendables - Furniture and Fixtures | 9,906,837.34  | 9,820,708.34  | 86,129.00  |
| Semi-Expendables - Office Equipment  | 2,276,461.42  | 2,083,023.61  | 193,437.81  |
| Semi-Expendables - ICT Equipment  | 4,334,884.59  | 4,409,726.59  | (74,842.00)  |
| Semi-Expendables – Agricultural and Forestry Equipment  |  1,638,420.03  |  1,634,008.03  |  4,412.00  |
| Semi-Expendables - Communication Equipment  | 1,486,304.47  | 1,492,219.27  | (5,914.80)  |
| Semi-Expendables - Disaster Response and Rescue Equipment  | 119,575.50  | 119,575.50  | 0.00 |
| Semi-Expendables - Medical Equipment  | 153,879.50  | 135,379.50  | 18,500.00  |
| Semi-Expendables - Sports Equipment  | 914,943.50  | 878,063.50  | 36,880.00  |
| Semi-Expendables - Technical and Scientific Equipment  | 864,408.27  | 838,408.27  | 26,000.00  |
| Semi-Expendables - Other Machinery and Equipment  | 830,186.30  | 833,886.30  | (3,700.00) |
| Semi-Expendables - Machinery  | 18,390.00  | 18,390.00  | 0.00  |
| Semi-Expendables - Books  | 4,757,046.16  | 4,742,388.16  | 14,658.00  |
| **Total Inventories**  | **₱32,998,737.71**  | **₱32,055,456.73**  | **₱943,280.98**  |

* 1. According to the Accountant, there is an ongoing reconciliation between the accounting and property records to establish the details of the discrepancies.
	2. The Audit Team further noted that the Accounting Unit already started preparing Supplies Ledger Cards (SLCs) in compliance with the audit recommendation in CY 2020. However, the preparation of SLCs was done only for acquisitions of inventories and semi-expendable items in the current year.
	3. The maintenance of SLC is a requirement under Section 17, Chapter 8, GAM for NGAs, Volume I, viz:

*Supplies Ledger Card (SLC) (Appendix 57) – shall be used to record materials received, issued and the balance of both in quantity and amount at any time. It shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. The IAR. RIS, RSMI, PO and DR serve as the original sources of information for making entries on the card.*

* 1. The instructions for accomplishing the ledger cards are provided in Appendix 57, GAM for NGAs, Volume II, Item D of which instructs agencies that:

*The agency shall conduct physical count of inventories every semester. The physical inventory of supplies shall be reconciled with the SLCs and controlling accounts of Supply and/or Property records. Any discrepancies shall be immediately verified and adjusted.*

* 1. Upon inquiry with the Accountant, we gathered that a personnel was hired in October 2021 to focus on the preparation of the SLCs. Incidentally, those inventories acquired last year have yet to be supported with SLCs as of this writing. As such, it was difficult for them to determine and monitor the materials purchased and issued, as well as the remaining balance of the inventories both in quantity and amount at a given time.
	2. Despite the efforts of the two offices in reconciling their records, a larger amount of discrepancy was identified in CY 2021 as compared to last year. Their continued inability to resolve this matter rendered doubt on the accuracy and reliability of the amounts presented in the FS of BASC.
	3. **We recommended and Management agreed to: (a) instruct the Accountant and the Supply Unit to facilitate the reconciliation of the accounting books and property records, and immediately adjust the discrepancies noted, as warranted; and (b) instruct the University Accountant to prepare Supplies and Ledger Cards (SLCs) for each kind of supplies and materials as required in Section 17, Chapter 8 of GAM for NGAs, Volume II.**

*Management Comments:*

* 1. In Management’s written reply to AOM No. 2022-05(2021) dated March 30, 2022, the Audit Team was informed that the College Accountant and the Property Officer have been instructed through a memorandum to reconcile their records and accordingly adjust the books of accounts and property records. As of this writing, some accounts were already partially reconciled and Journal Entry Vouchers (JEVs) have been drawn to effect the adjustments. Management has furnished the Report of Reconciliation and copies of the JEVs to the Audit Team for verification. Reconciliation of the rest of the accounts is currently ongoing. The Accounting and Property Offices committed to fully reconcile their records by June 30, 2022.
	2. Moreover, the Accounting Office informed the Audit Team during the exit conference that they already started preparing Supplies Ledger Cards (SLCs) for both Fund 101 and 164 for the months of January and February, 2022. Additionally, the Accounting Unit has also started the preparation of SLCs for the calendar years 2021 and prior years.

*Erroneous recording of Smart Campus Development Funds – ₱25 million*

1. ***The grant of financial assistance from the Commission on Higher Education (CHED) under the Smart Campus Development Program was recognized in the books as a liability instead of revenue despite the issuance of a Memorandum by the Office of the CHED Executive Director dated December 6, 2021 clarifying the nature of the funds as a donation, resulting in the overstatement of the Due to NGAs and understatement of Income from Grants and Donations account by the same amount of ₱25,000,000.00 as of December 31, 2021.***
	1. Republic Act (R.A.) No. 11494 dated September 11, 2020 otherwise known as the “Bayanihan to Recover as One Act” (BARO Act), particularly Section 10(i), appropriated *three billion pesos (₱3,000,000,000.00) to assist State Universities and Colleges (SUCs) in the development of smart campuses through investments in ICT infrastructure, acquisition of learning management systems and other appropriate equipment to fully implement flexible learning modalities.* In accordance with the R.A., the Commission on Higher Education (CHED) issued Memorandum Order (MO) No. 9, series of 2020, dated October 12, 2020 prescribing the Guidelines on the Allocation of Financial Assistance for State Universities and Colleges for the Development of Smart Campuses as provided in Section 10(i) of R.A. No. 11494. Under the MO, eligible SUCs will be granted a financial assistance of no more than ₱25,000,000.00 for each submitted proposal, subject to the evaluation of the Technical Working Group (TWG) for Smart Campus Development and the approval of the Commission en Banc *(Item V.a)*. The financial assistance must be disbursed by the SUC within one calendar year upon receipt thereof extendable by six more months upon submission of a letter request 60 days before the expiration of the MOA and subject to the approval of the Commission *(Item V.e)*.

* 1. The Bulacan Agricultural State College (BASC) submitted to CHED a proposal for a project titled *Learning Management System for Bulacan Agricultural State College* which aims to improve the teaching, learning and assessment processes which will complement the agriculture and allied discipline programs of the BASC. The facility will maintain the integrity of the BASC educational programs and enable the faculty to effectively and efficiently develop courses; deliver instruction; facilitate communication; foster collaboration; and assess students. The equipment can be used to support traditional face-to-face instruction, as well as blended and online educational environments.
	2. BASC was deemed eligible for the financial assistance and the project proposal was approved by the CHED thru CEB Resolution No. 294-2021 dated May 26, 2021. The Memorandum of Agreement (MOA) between CHED and BASC was signed on May 27, 2021. The grant amounting to ₱25,000,000.00 was received by the College via fund transfer on June 30, 2021. As of this writing, the project is on the procurement phase.
	3. A scrutiny of the MOA for the project revealed the following relevant terms and conditions:

***A. ROLES AND RESPONSIBILITIES***

*2. The SUC shall:*

*xxx*

*2.12 Submit accomplishment reports and a Terminal Report to the CHED within 60 days after the completion of the project;*

*2.13 Submit a liquidation report to CHED signed by the Project Leader, approved by the SUC president and certified correct by the SUC’s accountant;*

*xxx*

*2.16 Submit a Fund Utilization Report and Report of Disbursement to CHED, certified correct by the SUC’s accountant, approved by the head of the institution and duly received by their institution’s resident Commission on Audit (COA) office within one calendar year upon receipt of the funds. The submission may be extended by six months upon submission of a letter request 60 days before the expiration of this agreement and subject to the approval of the Commission;*

*2.17 Return to CHED all unused balances of the project funds, including all income and interest earned or generated from the same, upon completion of the project within 45 but not more than 60 calendar days, pursuant to Executive Order (EO) No. 338, series of 1996 also known as the “Directing the Deposit of Cash Balances to the National Treasury”;*

*2.18 Comply with the provisions of COA Circular No. 94-013 or the “Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies” and other government laws, rules and regulations directly and indirectly pertaining to projects funded either fully or partly by government agencies.*

* 1. As the terms and conditions of the MOA required the liquidation of the fund transfers with the CHED upon completion of the project, funds amounting to ₱25,000,000.00 were recognized in the books of accounts under the Special Trust Fund as a credit to Due to NGAs.
	2. On December 6, 2021, CHED issued a Memorandum from the Office of the Executive Director (MO) which clarified the treatment of the funds transferred by the latter to the 89 SUC beneficiaries under the Smart Campus Development Program. According to the MO, the CHED, through CEB Resolution No. 60-2021 dated November 16, 2021, sought for reconsideration from the Department of Budget and Management (DBM) on the accounting treatment of the funds. Based on the response letter of the DBM dated December 1, 2021 and received by the CHED on December 6, 2021, the DBM considered the CHED’s decision to reclassify and treat the funds transferred to the SUCs as, “fund transfer of no condition”,adopting condition (b) of Section 63.d of Chapter 6 of the Government Accounting Manual (GAM), stated below:

*b) If the Memorandum of Agreement (MOA) provides stipulations of no condition, the Implementing Agency (IA) shall recognize the receipt of the fund as asset at its fair value with a corresponding revenue, while the Source Agency shall recognize the expense corresponding to the fund transfer.*

* 1. The DBM added that, *the transferred funds may continue to be used for the purpose specified, as stipulated in the MOA and the Supplemental MOA.*
	2. The MO further expounded that since the funds transferred to the SUCs were recognized in the books of accounts of the CHED as donations, the SUCs are no longer required to submit liquidation reports. As such, the SUC should have recognized the receipt of the funds as a debit to Cash and a corresponding credit to Income from Grants and Donations.

* 1. Based on the foregoing, BASC and CHED executed a Supplemental MOA (SMOA) with the intent of clarifying all issues related to the nature and utilization of the Smart Campus Development Program funds in accordance with the original MOA. The SMOA has no date, but the document appeared to be notarized on December 1, 2021. Included in the provisions of the SMOA is the clarification on the nature of the funds, i.e., *The Parties are in full understanding that the funds awarded, released and/or transferred by the CHED to the SUC in accordance with R.A. No. 11494 are financial grants and are funds transfers of no condition.* Thus, the receipt of funds under the Smart Campus Development Program should have been recognized in the books of accounts as Income from Grants and Donations as prescribed in the MO.
	2. Analysis of the Due to NGAs account of BASC showed a balance of ₱50,647,752.58 as of December 31, 2021, summarized as follows:

|  |  |
| --- | --- |
| Scholarships | ₱ 404,303.77 |
| Various Projects | 45,092,057.37 |
| Unliquidated balances from prior years | 5,151,391.44 |
| TOTAL | **₱ 50,647,752.58** |

* 1. Scrutiny of the details of the account revealed that the balance included the Smart Campus Development Program grant amounting to ₱25,000,000.00 which remained classified as Due to NGAs as of year-end despite the Memorandum from the CHED to treat the receipt thereof as Revenue and recognize the transaction as Income from Grants and Donations.
	2. The omission to correctly recognize the Smart Campus Development Program funds as revenue instead of liability overstated the Due to NGAs account. Inversely, the Income from Grants and Donations/Accumulated Surplus account was understated by ₱25,000,000.00 as of December 31, 2021.
	3. **We recommended and Management agreed to direct the Accountant to draw the corresponding adjusting entries to properly recognize the Smart Development Campus funds amounting to ₱25,000,000.00 as Income from Grants and Donations instead of Due to NGAs/Accumulated Surplus.**

*Management Comments:*

* 1. The College Accountant already prepared Journal Entry Voucher (JEV) No. 22-02 to properly recognize the Smart Campus Development Program grant as Income from Grants and Donations instead of Due to NGAs. A copy of the said JEV will be provided to the Audit Team.

*Unreliable year-end balance of Due to NGAs – ₱50.648 million*

1. ***The reliability of the reported balance of Due to NGAs account as of December 31, 2021 amounting to ₱50,647,752.58 was uncertain due to (a) incorrect recognition of transactions totaling ₱29,024,349.44, overstating the account contrary to the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume III; and (b) inclusion of unexpended fund balances of completed projects totaling ₱427,369.08, which are yet to be liquidated and returned to the source agencies, inconsistent with Section 4.9 of COA Circular No. 94-013 dated December 13, 1994.***
2. *Transactions incorrectly recognized as Due to NGAs - ₱29,024,349.44*
	1. The Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume III, describes the account Due to NGAs as follows:

*Account Title Due to NGAs*

*Account Number 20201050*

*Normal Balance Credit*

*Description This account is used to recognize the receipt of funds for delivery of goods/services as authorized by law, fund transfers from NGAs, other than the BIR, for implementation of specific programs or projects and other inter-agency transactions. Debit this account for delivery of goods /services, liquidation of funds received and settlement of liabilities.*

* 1. The details of the Due to NGAs account with a carrying amount of ₱50,647,752.58 as of December 31, 2021 are summarized below:

|  |  |
| --- | --- |
| Not yet completed | ₱ 20,010,037.42  |
| Revolving fund |  1,185,996.64  |
| Completed - for return to source agency |  427,369.08  |
| Grants/financial assistance |  27,909,807.56  |
| Liquidated at source agency |  1,110,641.78  |
| Other incorrectly recorded transactions |  3,900.10  |
| **TOTAL** | **₱ 50,647,752.58**  |

* 1. As shown in Appendix D, analysis of the details of the account revealed that funds received from various agencies in the aggregate amount of ₱27,909,807.56 required no liquidation but were still recognized as Due to NGAs in the books of accounts. Verification disclosed that these fund transfers were recognized as donations or financial assistance at the source agencies. Included in this amount was a one-time transfer of ₱25,000,000.00 from the Commission on Higher Education (CHED) for the College’s Smart Campus Development Fund. Details of our observations in this regard were discussed separately in Observation No. 3 of this report.
	2. In addition, a total of ₱1,110,641.78 pertained to loans given to farmer beneficiaries which were immediately liquidated at the source agencies upon release of funds. As such, the amounts should have been derecognized from the Due to NGAs account in the books of BASC.
	3. Lastly, the following transactions with a net amount of ₱3,900.10 were booked up in the Due to NGAs account instead of their respective proper accounts, viz:

|  |  |  |
| --- | --- | --- |
| *Particulars* | *Amount* | *Correct Account* |
| Income from seminar fees | ₱ 5,400.10 | Miscellaneous Income |
| Bid documents | ( 1,500.00) | Other Payables |
| **Total** | **₱ 3,900.10** |  |

* 1. Overall, the erroneous recognition of the foregoing transactions overstated the Due to NGAs recorded balance by ₱29,024,349.44 as of December 31, 2021.
1. *Unexpended balances of completed projects - ₱427,369.08*
	1. Further scrutiny of the account revealed that a total of ₱427,369.08 referred to unexpended balances of projects which were already completed as of December 31, 2021 but were not yet liquidated and duly returned to their source agencies or the Bureau of the Treasury (BTr). Of this amount, ₱423,271.21 pertained to projects which were completed prior to CY 2021 and formed part of the account’s beginning balance.
	2. The failure to liquidate/return the unexpended funds to the source agencies or the BTr, as the case may be, is contrary to Section 4.9 of COA Circular No. 94-013 dated December 13, 1994 which requires that, *the Implementing Agency shall return to the source agency any unused balance upon completion of the project.*
	3. It is worth mentioning, though, that the unreturned/unliquidated amount was significantly reduced by ₱273,941.78 from ₱697,212.99 in CY 2020 to ₱423,271.21 in CY 2021.
	4. **We recommended and Management agreed to (a) direct the Accountant to draw a Journal Entry Voucher (JEV) reclassifying the amount of ₱29,024,349.44 to the proper accounts and derecognizing all items pertaining to the erroneous entries in the Due to NGAs account; and (2) cause the immediate return/liquidation of the unexpended fund balances of completed projects to the respective source agencies or the Bureau of the Treasury.**

*Management Comments:*

* 1. In Management’s written reply to AOM No. 2022-06(2021) dated March 29, 2022, the Audit Team was informed that they have directed the College Accountant through a memorandum to make the necessary adjustment to reclassify the amounts that have been erroneously recorded to the Due to NGAs account. Journal Entry Vouchers (JEVs) were drawn to recognize the fund transfers amounting to ₱25,000,000.00 and ₱355,307.56 as Donations in Cash.
	2. Meanwhile, Management also informed the Audit Team that the following unexpended balances were already returned to their source agencies upon completion of the project:

|  |  |  |  |
| --- | --- | --- | --- |
| **Funding Agency/Project** | **Amount** | **OR/Check No.** | **Date** |
| DA-OSec (PAFES Project) | ₱40,376.64 | OR No. 3756016 | 2/11/2022 |
| DA-ATI (Results-based Monitoring | 116.00 | Check No. 60648 | 3/10/2022 |
| DA-ATI (Rice Competitiveness) | 17,587.50 | Check No. 60692 | 3/28/2022 |
| DA BAR (Improving Water and Land Productivity | 4,097.87 | Check No. 60662 | 3/21/2022 |
| CHEDRO3 (Admin. Cost for TES 2nd Sem AY 2020-2021) | 6,348.00 | Check No. 60691 | 3/28/2022 |
| **TOTAL** | **₱68,526.01** |  |  |

* 1. Management further explained that the unexpended balance of some completed projects which the funding agencies did not require the return were remitted to the BTr, such as the funds coming from the National Irrigation Administration (NIA) for the project Farmers Satisfaction Survey for Calendar Years (CYs) 2017, 2018, 2019 and 2020 with a total amount of ₱32,832.10. The return of the amount is evidenced by Check No. 60693 dated March 28, 2022.
	2. The remaining unexpended balances will undergo verification from the funding agencies on whether they will require the return of the same. If not, the College Accountant will initiate the return of the funds to the BTr by the 2nd quarter of 2022.
	3. Moreover, adjusting entries to correct the erroneous recognition of income from seminar fees to Miscellaneous Income amounting to ₱5,400.10 were drawn via JEV No. 22-01-31.
	4. Lastly, Management informed the Audit Team during the exit conference that the amount of ₱2,023,000.00 and ₱531,00.00 for SAFE Loan and STUFAP, respectively, will remain in the Due to NGAs account as it is considered as receivable by CHED Regional Office No. III and will be returned to the said Agency upon collection of loan payments.

*Overstated year-end balance of Other Payables – ₱8.805 million*

1. ***The erroneous recognition of School Fees and other income as Other Payables instead of Revenues resulted in the overstatement of the Liabilities account by ₱8,805,377.10. Inversely, Revenues/Accumulated Surplus (Deficit) was understated by the same amount, inconsistent with the provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and III, affecting the fair presentation of the Liabilities and Equity accounts in the year-end financial statements.***
	1. Pertinent provisions ofSection 6, Chapter 19 ofthe Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, provides the following Qualitative Characteristics of Financial Reporting:

*e. Reliability – reliable information 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;*

*f. Faithful representation – information to represent faithfully transactions and other events, it should be presented in accordance with the substance of the transactions and other events, and not merely their legal form*

* 1. In addition,Section 2, paragraph (j) of the Manual defines Obligation as follows:

*Obligation – is an act of a duly authorized official which binds the government to the immediate or eventual payment of a sum of money. Obligation maybe referred to as a commitment that encompasses possible future liabilities based on current contractual agreement.*

* 1. Meanwhile, according to Section 2, paragraph (l) of the same Manual, Revenues are, *increases in economic benefits or service potential during the accounting period in the form of inflows or increases of assets or decreases of liabilities that result in increases in net assets/equity, other than those relating to contributions from owners.*
	2. The Other Payables account of the Bulacan Agricultural State College (BASC) had a reported balance of ₱8,944,311.85 as of December 31, 2021, broken down as follows:

|  |  |
| --- | --- |
| *Particulars* | *Amount* |
| Special Trust Fund (STF – Fund 164) |  ₱ 4,084,208.16  |
| Other Payables - Miscellaneous (Fund 164) |  3,332,712.10  |
| **Sub-total** | **7,416,920.26** |
| Income Generating Projects (IGP - Fund 161) |  1,527,391.59  |
| **TOTAL** |  **₱ 8,944,311.85**  |

* 1. Analysis of the details of the account revealed various transactions which, by their very nature, were not obligations or payables as they did not bind the College to the immediate or eventual sum of money but were recognized as Other Payables in the books. Further scrutiny disclosed that these transactions were receipts from various sources, such as collections of school fees from students and from the Commission on Higher Education (CHED) in relation to the implementation of Republic Act (R.A.) No. 10931 or the Universal Tertiary Education Act. Section 12 of the Implementing Rules and Regulations of R.A. 10931 pronounces that:

***Appropriation.*** *The amounts necessary to carry out the provisions of the Free Higher Education benefit in SUCs and LUCs shall be included in the annual General Appropriations Act (GAA) and shall be appropriated under SUCs and, in the case of LUCs, under the CHED, subject to the transitory provisions in Section 52 of the IRR.*

***In the case that the appropriations for the free higher education provision is lodged in CHED, payments by CHED to SUCs and LUCs shall be booked up as income of the institutions.*** *(Emphasis supplied)*

* 1. Likewise, revenues from other sources, such as receipts from sales of livestock and other agricultural produce, were also recognized as Other Payables.
	2. The details of the erroneously recognized transactions are tabulated below:

| ***DESCRIPTION*** | ***AMOUNT*** | ***PARTICULARS OF TRANSACTION*** | ***CORRECT ACCOUNT*** |
| --- | --- | --- | --- |
| *Special Trust Fund (Fund 164)* |
| Books - High School | ₱ 1,362.00  | Payment of lost books of HS Students | Proceeds from Insurance/Indemnities |
| Balagtas Campus |  63,214.65  | Collections from Balagtas Campus students | School Fees |
| CCLF | 63,090.85  | Collections of student miscellaneous fee from CHED | School Fees |
| Skills Development Fund | 277,952.04  | Collections of student miscellaneous fee from CHED | School Fees |
| Graduation Fee | 220,067.53  | Collections of student miscellaneous fee from CHED | School Fees |
| Guidance and Counseling | 13,946.90  | Collections of student miscellaneous fee from CHED | School Fees |
| ID | 245,065.02  | Collections of student miscellaneous fee from CHED | School Fees |
| Institute Development Fee | 12,273.82  | Collections from old accounts | School Fees |
| Insurance fee | 7,357.50  | Collections from old accounts | School Fees |
| Science fee/PSC | 741,382.32  | Collections of student miscellaneous fee from CHED | School Fees |
| NSTP/ROTC | 13,229.15  | Collections of student miscellaneous fee from CHED | School Fees |
| PTCA | 8,840.00  | Collections from old accounts | School Fees |
| PT | 4,000.00  | Collections from old accounts | School Fees |
| Research Journal | 721,749.50  | Collections of student miscellaneous fee from CHED | School Fees |
| Samahang Panitik | 30,049.34  | Collections of student miscellaneous fee from CHED | School Fees |
| School Uniform | 53,965.00  | Collections from old accounts | School Fees |
| Soil Tiller |  842,946.74  | Collections of student miscellaneous fee from CHED | School Fees |
| Speech Laboratory | 31,891.11  | Collections from old accounts | School Fees |
| SSC | 698,404.69  | Collections of student miscellaneous fee from CHED | School Fees |
| Student Handbook | 31,620.00  | Collections of student miscellaneous fee from CHED | School Fees |
| Theater Play fee | 1,800.00  | Collections from old accounts | School Fees |
| *Total* | *4,084,208.16*  |   |   |
| *Other Payables - Miscellaneous (Fund 164)* |
| IGS Journal/ Bulletin | 542,028.12  | Collection of miscellaneous fee from Graduate Studies students | School Fees |
| IGS Membership fee | 531,959.21  | Collection of miscellaneous fee from Graduate Studies students | School Fees |
| IGS Graduate Journal | 838,331.05  | Collection of miscellaneous fee from Graduate Studies students | School Fees |
| LET/LEA Review | 225,166.67  | Collection of review fee from graduate students | School Fees |
| Electric/Water bill | 519,929.96  | Collections from facilities rental and others | Rent/Lease Income |
| LYS - Lab HS | 11,736.50  | Collections from old accounts from Laboratory High School | School Fees |
| Food Stand Deposit | 28,774.00  | Collection from stall rental | Rent/Lease Income |
| Liquidated damages - LMAC | 143,304.24  | Collection of liquidated damages from LMAC due to delayed completion | Proceeds from Insurance/ Indemnities |
| Cattle/Carabao/ Caracow | 349,500.00  | Collection from sales of carabao/cattle/caracow | Gain on Sale of Biological Assets |
| Male goat | 2,500.00  | Collection from sales of goat | Gain on Sale of Biological Assets |
| SCUFAR | 549.00  | Collections from old accounts | School Fees |
| *Sub-total* | *3,193,778.75*  |   |   |
| *Income-Generating Projects (Fund 164)* |
| Table Egg | 438,357.05  | Sales from eggs | Gain on Sale of Agricultural Produce |
| Swine Production | 376,300.40  | Sales from swine | Gain on Sale of Biological Assets |
| Plant Nursery | 26,300.00  | Sales from ornamental plant | Gain on Sale of Biological Assets |
| Palayamanan Model Farm | 55,976.65  | Sales from various vegetables and native pigs | Gain on Sale of Agricultural Produce |
| Scion Grove Orchard | 24,037.00  | Sales from mango fruits | Gain on Sale of Agricultural Produce |
| Broiler | 380,804.49  | Sales from broiler | Gain on Sale of Biological Assets |
| Food Processing | 40,873.20  | Sales from process foods | Sales Revenue |
| Photocopier | 50,888.50  | Sales from photocopying services at old canteen | Other Business Income |
| Green House | 31,180.90  | Sales from various vegetables  | Gain on Sale of Agricultural Produce |
| Goat Project | 30,982.00  | Sales from goat | Gain on Sale of Biological Assets |
| Hostel Catering | 47,140.00  | Sales from catering services | Other Business Income |
| Cattle Production | 24,550.00  | Sales from Cattle | Gain on Sale of Biological Assets |
| *Total* | *1,527,390.19*  |   |   |
| **GRAND TOTAL** | **₱ 8,805,377.10**  |  |  |

* 1. The same audit observation has been noted in previous Annual Audit Reports (AARs) and Audit Observation Memoranda (AOMs). However, the errors noted above remained unadjusted as of December 31, 2021.

* 1. The GAM for NGAs, Volume III describes the nature of particular accounts, among others, and prescribes when to use them. The Manual describes the account Other Payables as follows:

 *Account Title Other Payables*

*Account Number 29999990*

*Normal Balance Credit*

*Description This account is used to recognize other liabilities not falling under any of the specific payable accounts. Debit this account for settlement of liabilities.*

* 1. On the other hand, the various Revenue accounts related to the operations of the College are described in the same Manual, viz.:

*Account Title School Fees*

*Account Number 40202010*

*Normal Balance Credit*

*Description This account is used to recognize the fees imposed to students of state universities, colleges and public schools. It includes tuition, registration, athletic, cultural, diploma and graduation, transcript of recognizes, library, training, entrance examination fee, comprehensive examination fee and the like. This account shall be closed to the Revenue and Expense Summary account.*

*Account Title Rent/Lease Income*

*Account Number 40202050*

*Normal Balance Credit*

*Description This account is used to recognize the income from use of government properties/facilities, such as rent/lease of function rooms/buildings, fees on storage, warehousing, use of heavy equipment of other government agencies, rental fees of drilling equipment and accessories, leased lines/channels, and the like. This also includes income from finance lease. This account shall be closed to the Revenue and Expense Summary account.*

*Account Title Sales Revenue*

*Account Number 40202160*

*Normal Balance Credit*

*Description This account is used to recognize the income from sale of merchandise and other inventory items and services in the regular course of business. The balance of this account after cost of sales and sales discount shall be closed to the Revenue and Expense Summary account.*

*Account Title Other Business Income*

*Account Number 40202990*

*Normal Balance Credit*

*Description This account is used to recognize other business income not falling under any of the specific business income accounts. This account shall be closed to the Revenue and Expense Summary account.*

*Account Title Gain on Sale of Biological Assets*

*Account Number 40501060*

*Normal Balance Credit*

*Description This account is used to recognize gains on the sale of biological assets. This account shall be closed to the Revenue and Expense Summary account.*

*Account Title Gain on Sale of Agricultural Produce*

*Account Number 40501090*

*Normal Balance Credit*

*Description This account is used to recognize the fair value of the harvests and offspring of biological assets at the point of harvest. This account shall be closed to the Revenue and Expense Summary account.*

*Account Title Proceeds from Insurance/Indemnities*

*Account Number 40609010*

*Normal Balance Credit*

*Description This account is used to recognize the proceeds from insurance claims and/or indemnities. This account shall be closed to the Revenue and Expense Summary account.*

* 1. The erroneous recognition of various receipts as Liabilities, specifically Other Payables, instead of Revenues resulted in the overstatement of the reported balance of Other Payables by ₱8,805,377.10. Conversely, the following Revenues accounts were understated; viz:

|  |  |
| --- | --- |
| **PARTICULARS** | **AMOUNT** |
| School Fees | ₱ 6,232,616.71  |
| Rent/Lease Income |  548,703.96  |
| Sales Revenue |  40,873.20  |
| Other Business Income |  98,028.50  |
| Gain on Sale of Biological Assets |  1,190,936.89  |
| Gain on Sale of Agricultural Produce |  549,551.60  |
| Proceeds from Insurance/Indemnities |  144,666.24  |
| **Total** |  **₱ 8,805,377.10**  |

* 1. **We recommended and Management agreed to direct the College Accountant to (a) draw a Journal Entry Voucher (JEV) to correct the recording of various Revenue accounts from Other Payables to the respective Revenue accounts or Accumulated Surplus (Deficit), as the case may be; and (b) direct the Accounting personnel to properly recognize transactions by using the accounts prescribed under the GAM for NGAS, Volume III, thus, ensuring the reliability and accuracy of the reported balances in the financial statements.**

*Management Comments:*

* 1. During the exit conference, the College Accountant stated that in her analysis, those fees related to school organization, student government council, bidding documents and research journal should be maintained in the Other Payables account since the amounts are due to specific entities. She added that the amount was initially recognized under an Income account once received from CHED. However, the Department of Budget and Management (DBM) noticed that the utilization rate of the income of BASC was relatively low during the pandemic. Inasmuch as the disbursement of these funds depends on the activities as determined by the Student Government of BASC, Management decided to transfer the amount from Income to the Other Payables account.
	2. The Audit Team requested for the submission of a schedule of transactions to be adjusted and those that will remain in the Other Payables account, with corresponding explanation as to their nature and purpose, for further evaluation.

**Compliance Audit**

1. ***The collection and remittance/deposit of school fees were not accurately recognized and reported in the books of accounts due to weak internal control in the handling of cash transactions resulting in a cash shortage of ₱45,050.00, which is a departure from Section 105 of Presidential Decree (P.D.) No. 1445.***
	1. Section 105 of Presidential Decree (P.D.) No. 1445 states that:
2. *Every officer accountable for government property shall be liable for its money value in case of improper or unauthorized use or misapplication thereof, by himself or any person whose acts may be responsible. He shall likewise be liable for all losses, damages, or deterioration occasioned by negligence in the keeping or use of the property, whether or not it be at the time in his actual custody.*
3. *Every officer accountable for government funds shall be liable for all losses resulting from the unlawful deposit, use, or application thereof and for all losses attributable to negligence in the keeping of the funds.*
	1. On June 16, 2005, the Bulacan Agricultural State College (BASC) entered into a Contract of Service with Prince Technologies Corporation in purchasing an Integrated Online School System with an Enrollment/Registration System Module that allows the software user to accept payment from students, employees, and other miscellaneous payment transactions and generate reports. Since then, either a manual or electronic Official Receipt (OR) was issued by BASC to recognize the collection of fees from the students.

* 1. The Audit Team conducted a cash examination on the accounts of the Cashier and designated Special Disbursing Officer (SDO) and Petty Cash Fund (PCF) Custodian on June 29, 2021. A thorough examination of collections and deposits under her accountability for the period covered September 4, 2020 to June 29, 2021 revealed a cash shortage of ₱100,260.00. A demand letter was issued by the Auditor directing the accountable officer (AO) to immediately produce the amount and submit a written explanation as to why the cash shortage occurred.
	2. In her letter dated September 24, 2021, the AO denied any knowledge and involvement with the deficiencies uncovered in the audit. According to her, the cash shortage transpired during the enrollment period of post-graduate courses which was held on Saturday and Sunday, when her two staff were the ones tasked with the collection of fees and issuance of ORs in her absence. The AO admitted that there were lapses on her part as she signed the Detailed Collection Reports (DCR), which were allegedly prepared by her staff, without reviewing the correctness of its contents. The AO claimed that she signed the collection report out of trust to her staff. Eventually, the AO settled the cash shortage as evidenced by OR No. 9204356 dated September 28, 2021 with an Addendum stating that her two staff contributed their share in the amount refunded. The staff were also relieved of their duties as designated collecting officers.
	3. Obviously, the Cashier failed to exercise the required diligence under the circumstances. As an AO, she is vested with the duty to be vigilant and uncompromising in protecting the interests of BASC. She should have checked all the monies collected by the College, verified that the same was deposited intact and ensured that all the details in the DCR are correct as to amounts before affixing her signature. The AO, who was evidently heedless in doing her job, cannot now deny her responsibility for the resulting lapses by putting the blame on another person.
	4. Review of the Financial Statements (FS) of the College for CY 2021 disclosed a year-end balance of ₱23,770.00 for the Cash - Collecting Officer account. The Notes to Financial Statements (NFS) pertaining to the account provides that:

*The Collecting Officer had undeposited collections as of December 31, 2021 amounting to ₱23,770.00 which originated since June 2021 collections and not reflected in their report of collections.*

* 1. Notwithstanding, the Audit Team noted that the balance per accounting records did not reconcile with that of the Cashier’s. As of December 31, 2021, the DCR of the Cashier showed that the undeposited collections only amounted to ₱170.00.
	2. To verify the amount of shortage in the accounts of the AO, the Audit Team performed vouching, tracing and analysis of relevant documents and arrived at a total shortage of ₱45,050.00. This is in addition to the shortage that was previously discovered during cash examination and subsequently restituted by the AO amounting to ₱100,260.00. The detailed computation is shown in Appendix E.
	3. Scrutiny of the DCR of the Cashier for CY 2021 revealed that the following series of ORs were not reflected in their respective reports:

| **Report** | **Official Receipt No.**  |  **Amount**  |
| --- | --- | --- |
| **Detailed Collection Report for June 26, 2021****(OR No’s 271348 to 271823)** | 271392 |  ₱ 3,705.00  |
| 271393 |  4,805.00  |
| 271394 |  80.00  |
| 271395 |  3,705.00  |
| 271396 |  1,625.00  |
| 271397 |  1,625.00  |
| 271398 |  1,625.00  |
| 271399 |  80.00  |
| 271400 |  3,705.00  |
| 271401 |  3,705.00  |
| 271427 |  40.00  |
| 271428 |  3,705.00  |
| 271429 |  3,705.00  |
| 271430 |  3,705.00  |
| 271431 |  40.00  |
| 271432 |  2,500.00  |
| 271433 |  2,500.00  |
| 271434 |  20.00  |
| 271435 |  3,705.00  |
| 271436 |  3,705.00  |
| **Detailed Collection Report for August 21, 2021****(OR No. 271823 to 272049)** | 271861 |  5,225.00  |
| **TOTAL** | **₱ 53,510.00**  |

* 1. The Audit Team also noted that the total amount in the DCR prepared and certified by the Cashier for certain dates did not reconcile with that of the actual ORs involved. The difference between the total amount reflected in the DCR vis-à-vis the actual ORs totaled ₱21,650.00, arrived at as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **OR Nos.** | **Total** | **Variance**  |
| **From** | **To** |  **Per Detailed Collection Report**  |  **Per Post-Audit (Actual OR's)**  |
| 06/26/2021 | 0271348 | 0271527 | ₱ 461,945.00  | ₱ 478,390.00  | **(₱16,445.00)**  |
| 08/21/2021 | 271823 | 272049 | 879,035.00  |  884,260.00  | **(5,225.00)** |
| 07/15/2021 | 271793 | 271813 | 513,760.00  |  513,740.00  | **20.00**  |
| **TOTAL** | **₱1,854,740.00** | **₱1,876,390.00** | **(₱21,650.00)** |

* 1. Since the Cashier erroneously reported the amount of fees collected by the College in the DCR, the amount forwarded to the Accounting Office was likewise inaccurate. As such, the reliability of the Cash account balance presented in the FS as of December 31, 2021 was deemed doubtful. Referring to the table in Paragraph No. 6.10, there was an over-deposit of ₱20.00 carried in the books for the month of July 2021. Considering the misrepresentations in the DCR prepared by the Cashier in CY 2021, the income was understated by a total amount of ₱21,430.00, as summarized in the following table:

|  |  |  |
| --- | --- | --- |
| **Particulars** |  **Amount**  | **Effect in Accumulated Surplus** |
| Shortage - Understatement of DCR in June 26, 2021 |  ₱ 16,445.00  | Understated |
| Shortage - Understatement of DCR in August 21, 2021 |  5,225.00  | Understated |
| Overstatement of DCR of July 15, 2021 |  (20.00) | Overstated |
| Overstatement of Cash Collecting Officer  |  (23,600.00) | Overstated |
| Shortage - Missing Undeposited Collection |  23,380.00  | Understated |
| **Total Effect** | **₱ 21,430.00**  | **Understated** |

* 1. Pending restitution of the shortage, we propose that a receivable account for the defaulting AO be taken up in the books as follows:

 Dr. Cr.

|  |  |  |  |
| --- | --- | --- | --- |
| Due from Officers and Employees  |  | ₱45,050.00 |  |
|  | Cash Collecting Officer |  |  | ₱23,600.00 |
|  | Accumulated Surplus  |  |  | 21,430.00 |
|  | Cash in Bank - LCCA |  |  |  20.00 |

*To recognize the cash shortage incurred by the AO and the understatement in the income for CY 2021.*

* 1. **In view of the foregoing, we recommended and Management agreed to:**
1. **require the AO to immediately restitute the cash shortage under her custody amounting to ₱45,050.00;**
2. **investigate the reason why the shortage occurred and impose appropriate sanctions against persons found liable thereto;**
3. **implement a more effective system of internal control in monitoring the collection and remittance/deposit of fees of the College to ensure that the reports generated by the Cashier and the Accounting Units embody accurate financial data; and**
4. **instruct the Accountant to draw the necessary adjusting entries in the books to recognize the Receivable account of the defaulting AO.**

*Management Comments:*

* 1. The Vice President for Administration, Finance and Business Affairs (VPAFB) stated during the exit conference that Management conducted an investigation on the cash shortage incurred and will furnish the Audit Team with a copy of the Investigation Report. As for the recognition of a Receivable account, a journal entry is being prepared by the Accounting Unit.
	2. The VPAFB added that the collecting officers previously assigned in the Cash Department of BASC were already relieved of their duties and one of them resigned from the College without obtaining a clearance. An Acting Cashier was also appointed because the previous AO is currently on leave until July 7, 2022 due to health reasons. The College is currently processing the application for fidelity bond of the Acting Cashier.
	3. Regarding the restitution of the cash shortage, the College President informed the Audit Team that a meeting between the AO and her resigned staff will be set before the Barangay in San Ildefonso, Bulacan to resolve the matter. Management will also join the meeting since the person involved has outstanding loans with BASC. The AO requested that the restitution of the cash shortage be made after the meeting. The Audit Team responded in the affirmative and requested that they be informed of the meeting’s outcome and any succeeding actions related to the incident.

*Overdue loan repayments – ₱2.586 million*

1. ***Long overdue loans of student beneficiaries under the Student Financial Assistance Program (StuFAP) and Student Assistance Fund for Education (SAFE) Loan Program of the Commission on Higher Education (CHED) amounting to ₱563,500.00 and ₱2,023,000.00, respectively, remained outstanding as of year-end due to Management’s failure to institute effective measures of collection. Consequently, the government was deprived of further use of the funds for other productive purposes.***
	1. The Commission on Higher Education (CHED), through its Memorandum Order No. 4, series of 2004 dated January 26, 2004, issued the guidelines for the implementation of the Student Financial Assistance Program (StuFAP) which was aimed to address the existing problems of senior student drop-outs due to financial problems. The Program is directed towards providing easily accessible interest-free student loan programs to financially needy 3rd, 4th, and graduating students.
	2. Under the StuFAP, qualified students may be allowed to borrow a maximum of ₱8,000.00 per semester and shall not be charged any interest in their loan fund. Loans below ₱4,000.00 are payable within five years, while those amounting to ₱4,001.00 and above are payable within ten years.
	3. Loan assistance in the total amount of ₱692,000.00 was extended to 266 students of BASC in CYs 2004 to 2005. The maximum amount granted to a student under the StuFAP amounted to ₱3,000.00. As such, all grantees were obliged to pay their loaned amounts within five years from receipt thereof. However, the Audit Team found out that of the 266 beneficiaries, only 26 students were able to fully settle their accounts. Meanwhile, four partially paid and the rest defaulted on their payments.
	4. Review of attendant documents showed that only ₱160,500.00 or 23.19% of the total loaned amount under the StuFAP was collected by BASC since the date of grant, leaving a balance of ₱531,500.00 as of December 31, 2021. This amount has been outstanding in the books for more than ten years.
	5. On the other hand, the Student Assistance Fund for Education for Loan (SAFE Loan) Program was launched by CHED in 2008 through its Memorandum Order No. 25, series of 2008 dated June 3, 2008. It is another program geared towards increasing the number of students who are able to complete their courses and graduate from the various colleges and universities in the country. The qualified loan grantees can also borrow as much as ₱8,000.00, depending on the individual circumstances and requirements.
	6. For CY 2008, a total amount of ₱2,504,000.00 was loaned to 491 students of BASC, detailed as follows:

| **Check Date** | **Check No.** | **No. of Student Beneficiaries** | **Amount** |
| --- | --- | --- | --- |
| 07/15/2008 | 481827 | 50 | ₱ 300,000.00 |
| 08/11/2008 | 481843 | 140 | 700,000.00 |
| 09/12/2008 | 481857 | 223 | 1,115,000.00 |
| 10/25/2008 | 481883 | 78 | 389,000.00 |
| **Total** | **491** | **₱ 2,504,000.00** |

* 1. As evidence of the loan, a Memorandum of Agreement (MOA) was entered into by BASC with each of the grantees. The MOA included the following provisions:
1. Repayment of the loan shall be made within five years starting two years after the student grantee has graduated from college;
2. Without need of notice or demand, any default due to causes stipulated in the implementing rules and regulations, or failure to pay this loan or any installment thereon when due, shall cause the obligation to become immediately due and payable; and
3. In the event that the loan is not paid on the date of maturity or when the same becomes due, BASC is authorized, at its option to apply the repayment of the loan on any and all moneys, securities and things of value belonging to the student borrowers, authorized BASC to negotiate, sell and transfer the same by public or private sale, and apply the proceeds thereof to the payment of their loans.

* 1. Records show that student loan grantees were only able to return ₱481,000.00 or 19.21% of the total loaned amount of ₱2,504,000.00 under the SAFE Loan Program from calendar years 2008 to 2021, as summarized in the table below:

| **Year** | **Total Amount Paid** | **Loan Balance** |
| --- | --- | --- |
| **Loaned Amount** | **₱ 2,504,000.00**  |
| 2008 | ₱5,000.00 | 2,499,000.00 |
| 2012 | 48,850.00 | 2,450,150.00 |
| 2013 | 65,550.00 | 2,384,600.00 |
| 2014 | 34,600.00 | 2,350,000.00 |
| 2015 | 4,800.00 | 2,345,200.00 |
| 2016 | 45,100.00 | 2,300,100.00 |
| 2017 | 143,100.00 | 2,157,000.00 |
| 2018 | 60,500.00 | 2,096,500.00 |
| 2019 | 44,500.00 | 2,052,000.00 |
| 2020 | 9,000.00 | 2,043,000.00 |
| 2021 | ₱ 20,000.00 |  **₱ 2,023,000.00** |

* 1. Out of the 491 student beneficiaries, only 86 students were able to fully settle their accounts. For the remaining 405 grantees, demand letters were already sent by BASC but most of them did not reply. Some were returned due to unknown addresses.
	2. If we refer to the MOA covering the loans, BASC has the legal right to demand payment and institute legal actions against the students who failed to comply with their obligations as the same have been overdue for more than ten years. However, aside from sending demand letters, no other recourse was taken by BASC to recover the loaned amounts.
	3. Due to Management’s failure to compel and impose sanctions against the defaulting borrowers, the overdue loans granted to students under the CHED-sponsored programs remained unpaid. Consequently, the government was deprived of the benefits from the use of funds had the arrears been collected on time.
	4. **We recommended and Management agreed to (i) exert extra effort in developing an effective collection scheme to compel the student beneficiaries to settle their outstanding balances and (ii) institute legal remedies, such as garnishment of personal property, in case of non-compliance with the demand.**

*Management Comments:*

* 1. In their reply to AOM No. 2022-02(2021) dated February 23, 2022 and also reiterated during the exit conference on March 31, 2022, Management informed the Audit Team that they have sent demand letters to the student beneficiaries through the assistance of the Scholarship Unit of the Office of the Student Affairs and Services, which contacted the students through social media. Management likewise sought the assistance of the different Institutes of the College in locating the students, since many of the demand letters sent through courier were returned to BASC due to relocation or change of address of the recipients. Management assured the Audit Team that the College is doing its best to collect/recover the funds loaned out.
	2. In addition, Management informed the Audit Team that three students have paid their SAFE Loan obligations totaling ₱10,500.00, as evidenced by the following:

| *Official Receipt No.* | *Date* | *Amount* |
| --- | --- | --- |
| 5435036 | January 31, 2022 | ₱ 5,000.00 |
| 5435043 | February 11, 2022 | 5,000.00 |
| 5435048 | February 12, 2022 | 500.00 |
| **TOTAL** |  | **₱ 10,500.00** |

* 1. Management has sought the assistance of the Office of the Solicitor General (OSG) on how to institute possible legal remedies against defaulting borrowers. The matter is now being examined by the OSG.

*Audit of Gender and Development (GAD)*

1. ***A sum of ₱16,591,870.00 or 7.35% of the total agency budget of*** ***₱225,730,000.00 for CY 2021 was allocated by the College for projects and activities related to Gender and Development (GAD) in accordance with the provisions of Executive Order (E.O.) No. 273 and Philippine Commission on Women/National Economic and Development Authority/Department of Budget and Management (PCW/NEDA/DBM) Joint Circular No. 2012-01. The fund utilization rate was also beyond satisfactory at 179.02% of the budgeted amounts in the proposed GAD Plan and Budget (GPB). However, only 16 out of 29 GAD Programs/ Activities/ Projects (PAPs) or 55.17% were actually implemented in accordance with the GPB; thus, the overall utilization rate is deemed not representative of the Agency’s GAD performance.***
	1. Executive Order (E.O.) No. 273 mandates agencies to incorporate and reflect Gender and Development (GAD) concerns in their agency performance commitment contracts, annual budget proposals, and work and financial plans. Agency heads are instructed to integrate GAD planning in the regular activities of their respective agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets. The GAD Focal Point System (GFPS) shall take the lead in the gender mainstreaming of the Agency’s programs, activities, and projects (PAPs).
	2. Meanwhile, Philippine Commission on Women/National Economic and Development Authority/Department of Budget and Management (PCW/NEDA/DBM) Joint Circular (JC) No. 2012-01 provides the mechanics for the development of PAPs to respect, protect, and fulfill the rights of women at the socio-cultural, economic and political spheres.
	3. A perusal of the CY 2021 GAD Plan and Budget (GPB) of the Bulacan Agricultural State College (BASC) showed that a sum of ₱16,591,870.00 was appropriated for PAPs aimed at Gender and Development (GAD). This amount is equivalent to 7.35% of BASC’s total budget of ₱225,730,000.00, which is compliant with the minimum 5% of the total appropriations as required by law. The budget was distributed to 28 PAPs and one project with cost attribution, as summarized below:

| **GAD Activity** | **No. of PAPs** | **Agency Approved Budget** |
| --- | --- | --- |
| Client-focused Activities | 11 | ₱ 627,370.00 |
| Organization-focused Activities | 17 | 792,000.00 |
| Infrastructure Project – Attributed Program * Rehabilitation of Registrar's Office and Office of Student Affairs
 |  1 | 15,172,500.00 |
| **TOTAL** | **29** | **₱ 16,591,870.00** |

* 1. Review of the Annual GAD Accomplishment Report (AR) for CY 2021 disclosed that the total actual expenditures attributed to GAD for the year was way above the total budget by 179.02%, summed up as follows:

|  |  |  |
| --- | --- | --- |
| **GAD Activity** | **No. of PAPs** | **Actual Expenditures** |
| Client-focused Activities | 11 | ₱ 415,305.20 |
| Organization-focused Activities | 17 | 6,975,713.36 |
| Infrastructure Project – Attributed Program* Rehabilitation of Registrar's Office and Office of Student Affairs
 |  1 | 22,312,500.00 |
| **TOTAL** | **29** | **₱ 29,703,518.56** |

* 1. If we only base it on the overall utilization rate, it would appear that BASC has not only substantially accomplished the GAD PAPs based on the projections made in the GPB but has even exceeded the target. However, scrutiny of the details of the GAD AR for CY 2021 revealed that out of the 29 planned PAPs for GAD, only 16 PAPs or 55.17% were fully implemented during the year. The remaining 13 were either partially implemented (including implemented programs not part of the original GPB) or not implemented at all, as presented in detail in Appendix F.
	2. It is worth mentioning that Management’s compliance with the GAD Mandate has improved tremendously as compared to the previous year when the GAD Budget was underutilized. Likewise, in CY 2020, there was evident lack of knowledge and awareness in the proper attribution of projects or activities or the use of the Harmonized Gender and Development Guidelines (HGDG) prescribed by the PCW/NEDA/DBM Joint Circular to identify and address gender issues. Several factors, some of which are beyond the Agency’s control such as the recurrence of COVID-19 pandemic, also affected the attainment of the agency plans and goals related to GAD. However, a mere look at the overall outcomes would tell us that these were actually not a full representative of the expected outputs of BASC in relation to GAD. There is a compelling need for the GAD FPS to evaluate the individual performance of each PAP to ascertain whether gender issues identified in the planning phase were truly addressed in terms of relevance to GAD mandates and efficiency in the utilization of GAD fund.
	3. **We recommended and Management agreed that the College President require the Director-GAD Focal Point System (GFPS) to:**
1. **maintain adherence to the pertinent provisions of Executive Order No. 273 and PCW/NEDA/DBM Joint Circular No. 2012-01 on the proper attribution and implementation of GAD-responsive Programs/Activities/Projects (PAPs) as embodied in the approved GAD Plan and Budget; and**
2. **continue to carefully plan and develop PAPs which are doable and attainable even in circumstances that hamper the attainment of plans and goals; make use of the individual performance outcomes of each PAP in determining and evaluating the areas of improvement in terms of sensitivity and responsiveness to identified gender issues and enable the GFPS to obtain a more accurate measurement of performance that would truly represent the College’s compliance with the GAD mandate in a holistic manner.**

*Management Comments:*

* 1. In reply to AOM No. 2022-04(2021) dated March 8, 2022, the GAD Director reiterated that the following measures were taken by Management to continuously adhere to the GAD requirements:
1. Since International Organization for Standardization (ISO) Process on the preparation and submission of GAD Plan and Budget (GPB) is already in place, crafting and proposal for GAD PAP shall be done in the first semester of the Fiscal Year. The crafted proposal will be subjected to evaluation by the GAD Technical Working Group (TWG) and, when approved, shall be included in the GPB of the succeeding year.
2. To be considered as a GAD PAP, the same shall be aligned with the Approved GAD Agenda 2020-2025. If it is not aligned, attribution may be possible if a score of at least 4.0 is obtained or has promising GAD prospects (conditional pass) based on the Harmonized GAD Guidelines tool by the Philippine Commission on Women (PCW). This score (being second to “zero” rating) may cause the return of the proposal to the proponent(s) for further improvement to become gender-responsive.
3. Every employee, whether teaching, non-teaching, member of the Administrative Council or not, must follow the BASC Code-directed GAD training/seminar and include at least two or more GAD targets in their DPCR/IPCR (Article 118, Section 515.5). These GAD targets shall be included in each support function of every employee and carry a weight allocation of 5% of the final rating of the Office and individual performance.
	1. The GAD Director also informed the Audit Team during the exit conference that, in the final Accomplishment Report as reviewed by the PCW, the GAD expenditure rate of BASC has increased from 12.5 % to 13%.

*Auditor’s Rejoinder:*

* 1. The Audit Team clarified with Management that there is no problem as regards the cost attribution and expenditure rate of BASC because they have more than exceeded their targets for the year. We are more concerned on the low implementation rate in terms of the number of fully implemented PAPs vis-à-vis the number of targeted PAPs per GPB. Management explained that there were a number of PAPs which require about two to three years to implement, hence, the reported partial implementation for CY 2021. The Audit Team suggested to present these PAPs in the GPB showing the particular targets per year of implementation so that accomplishments for that particular year are properly identified and rated. The GAD Director stated that one of their actions is to set the duration to six to nine months to avoid partial or non-implementation of PAPs. In cases where the PAP will take more than a year to implement, the activities involved shall be divided into phases.

*Compliance With Tax Laws*

1. ***The College substantially complied with the Bureau of Internal Revenue (BIR) Regulations on the withholding of taxes and the remittance thereof within the prescribed period in conformity with Revenue Regulations (RR) No. 2-98 dated April 17, 1998.***
	1. Revenue Regulations (RR) No. 2-98 dated April 17, 1998 provides that all government agencies as tax withholding agents are required to remit all taxes withheld by them on or before the 10th day of the succeeding month.
	2. The Due to BIR account of BASC showed a year-end balance of ₱1,459,069.64, consisting of taxes withheld on account of goods and services procured, execution of government infrastructure contracts, and employees’ compensation as of December 31, 2021. The matrices per fund showing the amount withheld and remitted in year 2021 are presented below:

| **General Fund (101)**  |  **Beginning Balance**  |  **Taxes Withheld**  |  **Total For Remittance**  |  **Taxes Remitted**  |  **Ending Balance**  |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱1,505,293.14  | ₱ 692,061.92  | ₱2,197,355.06  | ₱1,505,293.14  | ₱ 692,061.92  |
| February  | 692,061.92  | 941,385.68  | 1,633,447.60  | 692,061.92  | 941,385.68  |
| March  | 941,385.68  | 1,061,923.97  | 2,003,309.65  | 941,385.68  | 1,061,923.97  |
| April  | 1,061,923.97  | 1,056,812.71  | 2,118,736.68  | 1,061,923.97  | 1,056,812.71  |
| May  | 1,056,812.71  | 969,485.92  | 2,026,298.63  | 1,056,812.71  | 969,485.92  |
| June  | 969,485.92  | 1,860,459.75  | 2,829,945.67  | 969,485.92  | 1,860,459.75  |
| July  | 1,860,459.75  | 886,090.89  | 2,746,550.64  | 1,859,983.04  | 886,567.60  |
| August  | 886,567.60  | 1,086,445.60  | 1,973,013.20  | 886,567.60  | 1,086,445.60  |
| September  | 1,086,445.60  | 995,575.35  | 2,082,020.95  | 1,086,445.60  | 995,575.35  |
| October  | 995,575.35  | 868,425.56  | 1,864,000.91  | 994,145.22  | 869,855.69  |
| November  | 869,855.69  | 1,325,930.89  | 2,195,786.58  | 906,574.42  | 1,289,212.16  |
| December  | 1,289,212.16  | 1,265,921.32  | 2,555,133.48  | 1,288,735.45  | 1,266,398.03  |

| **Fund 161**  |  **Beginning Balance**  |  **Taxes Withheld**  |  **Total for Remittance**  |  **Taxes Remitted**  |  **Ending Balance**  |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱ 0.00  | ₱ 0.00  | ₱ 0.00  | ₱ 0.00  | ₱ 0.00  |
| February  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| March  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| April  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| May  | 0.00 | 552.96  | 552.96  | 0.00 | 552.96  |
| June  | 552.96  | 2,367.53  | 2,920.49  | 552.96  | 2,367.53  |
| July  | 2,367.53  | 587.00  | 2,954.53  | 2,367.53  | 587.00  |
| August  | 587.00  | 815.00  | 1,402.00  | 587.00  | 815.00  |
| September  | 815.00  | 748.26  | 1,563.26  | 815.00  | 748.26  |
| October  | 748.26  | 953.17  | 1,701.43  | 748.26  | 953.17  |
| November  | 953.17  | 0.00 | 953.17  | 953.17  | 0.00 |
| December  | 0.00 | 1,481.94  | 1,481.94  | 0.00 | 1,481.94  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Trust Fund (164)**  |  **Beginning Balance**  |  **Taxes Withheld**  |  **Total for Remittance**  |  **Taxes Remitted**  |  **Ending Balance**  |
| 2021 |   |   |   |   |   |
| January  | ₱ 410,949.08  | ₱ 58,818.08  |  ₱ 469,767.16  |  ₱ 410,949.08  | ₱ 58,818.08  |
| February  | 58,818.08  | 29,029.59  | 87,847.67  | 58,818.08  | 29,029.59  |
| March  | 29,029.59  | 76,258.15  | 105,287.74  | 29,029.59  | 76,258.15  |
| April  | 76,258.15  | 125,372.82  | 201,630.97  | 76,258.15  | 125,372.82  |
| May  | 125,372.82  | 75,618.01  | 200,990.83  | 125,372.82  | 75,618.01  |
| June  | 75,618.01  | 122,741.08  | 198,359.09  | 75,618.01  | 122,741.08  |
| July  | 122,741.08  | 569,736.83  | 692,477.91  | 122,741.08  | 569,736.83  |
| August  | 569,736.83  | 25,044.31  | 594,781.14  | 569,736.83  | 25,044.31  |
| September  | 25,044.31  | 257,371.92  | 282,416.23  | 25,044.31  | 257,371.92  |
| October  | 257,371.92  | 142,787.09  | 400,159.01  | 257,371.92  | 142,787.09  |
| November  | 142,787.09  | 33,419.30  | 176,206.39  | 142,787.09  | 33,419.30  |
| December  | 33,419.30  | 191,189.67  | 224,608.97  | 33,419.30  | 191,189.67  |

* 1. The balance as of December 31, 2021 totaling ₱1,459,069.64 was fully remitted to the BIR on January 10, 2022, as evidenced by the following reference numbers:

|  |  |
| --- | --- |
| 1. *General Fund*
 |  |
|  BIR 1601-C  | 52582022584234 |
|  BIR 1600  | 52582022584290 |
|  BIR 1601-E  | 52582022584364 |
|  |  |
|  |  |
| 1. *Trust Fund*
 |  |
|  BIR 1600  | 172200045478023 |
|  BIR 1601-E  | 402200045478870 |

* 1. The slight delays in monthly remittance during the year was attributed to the declared community quarantines in the Province of Bulacan in CY 2021.
	2. **We recommended and Management agreed to continue to be compliant with Revenue Regulations No. 2-98 on the withholding of the appropriate taxes from its employees, compensation and contractors’/suppliers’ claims and ensure remittance thereof within the prescribed period.**

*Compliance with Republic Act (R.A.) No. 8291 (GSIS Law)*

1. ***The College judiciously complied with the regulations on the remittances of mandatory contributions due to the Government Service Insurance System (GSIS) in accordance with the regulations of Republic Act (R.A.) No. 8291 or the GSIS Law.***
	1. Paragraph b, Section 6 of Republic Act (R.A.) No. 8291, known as The Government Service Insurance System Act of 1997 states that, *employer shall remit directly to the GSIS the employees' and employers' contributions* ***within the first ten (10) days of the calendar month following the month to which the contributions apply****. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees. (Emphasis supplied)*
	2. Verification on the withholding and remittance of mandatory contributions to GSIS of the Bulacan Agricultural State College (BASC) for Calendar Year (CY) 2021 showed that the College has judiciously complied with the requirements of law, as presented in the table below:

| **General Fund 101** | **Beginning****Balance** | **Amount Withheld** | **Total For Remittance** | **Amount Remitted** | **Ending Balance** |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱ 0.00 | ₱1,523,839.45  | ₱1,523,839.45  | ₱1,515,829.00  | ₱ 8,010.45  |
| February  | 8,010.45  | 1,521,831.20  | 1,529,841.65  | 1,522,997.07  | 6,844.58  |
| March  | 6,844.58  | 1,519,925.57  | 1,526,770.15  | 1,520,512.53  | 6,257.62  |
| April  | 6,257.62  | 1,496,606.52  | 1,502,864.14  | 1,499,650.13  | 3,214.01  |
| May  | 3,214.01  | 1,517,258.29  | 1,520,472.30  | 1,517,343.49  | 3,128.81  |
| June  | 3,128.81  | 1,456,969.95  | 1,460,098.76  | 1,452,117.38  | 7,981.38  |
| July  | 7,981.38  | 1,492,405.49  | 1,500,386.87  | 1,496,788.13  | 3,598.74  |
| August  | 3,598.74  | 1,505,269.34  | 1,508,868.08  | 1,508,868.08  | 0.00 |
| September  | 0.00 | 1,522,401.89  | 1,522,401.89  | 1,515,367.85  | 7,034.04  |
| October  | 7,034.04  | 1,550,252.91  | 1,557,286.95  | 1,552,597.59  | 4,689.36  |
| November  | 4,689.36  | 1,534,909.81  | 1,539,599.17  | 1,537,254.49  | 2,344.68  |
| December  | 2,344.68  | 1,543,027.96  | 1,545,372.64  | 1,545,372.64  | 0.00 |

* 1. The unremitted balances during the year referred to Salary Loan refunds of employees who renewed their loans. However, the amounts were remitted in full by year-end, arriving at a zero balance of the Due to GSIS account as of December 31, 2021.
	2. The College made timely remittances to the GSIS of amounts withheld from mandatory deductions. As such, no penalty for late payment was imposed and the employees can fully enjoy their benefits as GSIS members.
	3. **We recommended and Management agreed to continue to religiously comply with the requirements of R.A. No. 8291 on the withholding and timely remittance of monthly contributions and loan payments to the GSIS.**

*Compliance with remittance of mandatory PhilHealth and Pag-IBIG contributions*

1. ***The College substantially complied with the withholding and prompt remittance of amounts withheld to PhilHealth pursuant to Paragraphs (a), (b), and (e), Section 18 of the Revised Implementing Rules and Regulations of Republic Act (RIRR) No. 7875. On the other hand, remittance to Pag-IBIG Fund of monthly Home Development Mutual Fund (HDMF) contributions was done in a timely fashion, consistent with Section 3(a), Rule VII of RA No. 9679.***
	1. Paragraphs (a), (b) and (e), Section 18 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 7875 as amended by R.A. 9241 and R.A.10606, otherwise known as the National Health Insurance Act of 2013 states that:

*SECTION 18. Payment of Premium Contributions*

1. *The member’s monthly contribution shall be deducted and withheld automatically by the employer from the former’s salary, wage or earnings. The premium contributed shall be divided equally between the employer and the employed. The employer’s counterpart shall not, in any manner be charged to the employee.*
2. *The monthly premium contribution of employed members shall be remitted by the employer on or before the date prescribed by the Corporation.*

*xxx*

1. *For government agencies, it shall be mandatory and compulsory for the employers to include the payment of contributions in their annual appropriations. The use of said funds withheld by government agencies other than for the purpose of remitting Program contributions will hold the erring government employers liable under the pertinent provisions of the Revised Penal Code.*
	1. Meanwhile, Section 3(a) of Rule VII of R.A. No. 9679 or the “Home Development Mutual Fund Law of 2009, otherwise known as Pag-IBIG (Pagtutulungan Sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund” states that:

***Section 3.******Remittance of Collections.***

1. *All employers shall remit to the Fund their contributions and the contributions of their covered employees as well as the latter’s loan amortizations or payments to the Fund, as provided for under Section 2 of this Rule, when applicable,* ***within fifteen (15) days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise.****The Fund may prescribe a different remittance schedule for Filipinos employed by foreign based employers depending on the nature of their contracts or manner of their deployment abroad. (Emphasis supplied)*
	1. Analysis of the Due to PhilHealth and Due to Pag-IBIG accounts as of December 31, 2021 showed that BASC has substantially complied with the withholding of monthly contributions and timely remittance of the same to the corresponding regulatory agencies, as presented in the following tables:

*a. Due to PhilHealth*

|  **General Fund 101**  |  **Beginning Balance**  |  **Amount Withheld**  |  **Total For Remittance**  |  **Amount Remitted**  |  **Ending Balance**  |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱ 0.00 | ₱ 90,807.51  | ₱ 90,807.51  | ₱ 90,807.51  | ₱ 0.00 |
| February  | 0.00 | 90,798.24  | 90,798.24  |  90,798.24  | 0.00 |
| March  | 0.00 | 93,296.82  | 93,296.82  | 90,561.36  | 2,735.46  |
| April  | 2,735.46  | 89,094.24  | 91,829.70  | 91,438.94  | 390.76  |
| May  | 390.76  | 91,111.42  | 91,502.18  | 91,111.40  | 390.78  |
| June  |  390.78  | 89,429.84  |  89,820.62  | 89,429.84  | 390.78  |
| July  |  390.78  | 89,638.85  |  90,029.63  | 90,029.63  | 0.00 |
| August  | 0.00 | 89,383.22  |  89,383.22  | 89,383.22  | 0.00 |
| September  | 0.00 | 88,965.95  |  88,965.95  | 87,793.61  | 1,172.34  |
| October  |  1,172.34  | 99,675.17  |  100,847.51  | 99,765.95  | 1,081.56  |
| November  |  1,081.56  | 101,054.87  |  102,136.43  | 90,045.65  | 12,090.78  |
| December  |  12,090.78  | 101,948.76  |  114,039.54  | 114,039.54  | 0.00 |

| **General Fund 164**  |  **Beginning Balance**  |  **Amount Withheld**  |  **Total For Remittance**  |  **Amount Remitted**  |  **Ending Balance**  |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱ 0.00 | ₱ 9,900.00  | ₱ 9,900.00  | ₱ 9,900.00  | ₱ 0.00 |
| February  | 0.00 | 12,300.00  | 12,300.00  | 12,300.00  | 0.00 |
| March  | 0.00 | 12,000.00  |  12,000.00  | 12,000.00  | 0.00 |
| April  | 0.00 | 23,700.00  |  23,700.00  | 0.00 | 23,700.00  |
| May  |  23,700.00  | 12,300.00  | 36,000.00  | 24,600.00  | 11,400.00  |
| June  |  11,400.00  | 12,000.00  |  23,400.00  | 23,400.00  | 0.00 |
| July  | 0.00 | 11,400.00  | 11,400.00  | 11,400.00  | 0.00 |
| August  | 0.00 | 11,100.00  |  11,100.00  | 11,100.00  | 0.00 |
| September  | 0.00 | 11,100.00  | 11,100.00  | 11,100.00  | 0.00 |
| October  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| November  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| December  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

*b. Due to Pag-IBIG*

|  **General Fund 101**  |  **Beginning Balance**  |  **Amount Withheld**  |  **Total For Remittance**  |  **Amount Remitted**  |  **Ending Balance**  |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱ 0.00 | ₱ 96,062.32  | ₱ 96,062.32  | ₱ 96,062.32  | ₱ 0.00 |
| February  | 0.00 | 101,599.85  | 101,599.85  | 0.00 | 101,599.85  |
| March  | 101,599.85  | 107,807.58  |  209,407.43  | 209,407.43  | 0.00 |
| April  | 0.00 | 103,537.06  |  103,537.06  | 0.00 | 103,537.06  |
| May  | 103,537.06  | 103,537.06  |  207,074.12  | 207,074.12  | 0.00 |
| June  | 0.00 | 93,539.97  |  93,539.97  | 93,439.97  | 100.00  |
| July  | 100.00  | 98,381.30  |  98,481.30  | 98,381.30  | 100.00  |
| August  | 100.00  | 107,593.58  | 107,693.58  | 107,693.58  | 0.00 |
| September  | 0.00 | 114,526.23  |  114,526.23  | 114,226.23  | 300.00  |
| October  | 300.00  | 118,054.05  |  118,354.05  | 118,054.05  | 300.00  |
| November  | 300.00  | 112,882.04  |  113,182.04  | 110,082.04  | 3,100.00  |
| December  | 3,100.00  | 111,841.95  |  114,941.95  | 114,941.95  | 0.00 |

| **General Fund 164** |  **Beginning Balance**  |  **Amount Withheld**  |  **Total For Remittance**  |  **Amount Remitted**  |  **Ending Balance**  |
| --- | --- | --- | --- | --- | --- |
| 2021 |   |   |   |   |   |
| January  | ₱ 0.00 | ₱ 1,200.00  | ₱ 1,200.00  | ₱ 1,200.00  | ₱ 0.00 |
| February  | 0.00 | 2,600.00  | 2,600.00  | 2,600.00  | 0.00 |
| March  | 0.00 | 2,600.00  |  2,600.00  | 2,600.00  | 0.00 |
| April  | 0.00 | 5,200.00  |  5,200.00  | 0.00 | 5,200.00  |
| May  | 5,200.00  | 3,000.00  |  8,200.00  | 5,600.00  | 2,600.00  |
| June  | 2,600.00  | 3,000.00  |  5,600.00  | 5,600.00  | 0.00 |
| July  | 0.00 | 2,600.00  | 2,600.00  | 2,600.00  | 0.00 |
| August  | 0.00 | 2,600.00  |  2,600.00  |  2,600.00  | 0.00 |
| September  | 0.00 | 2,600.00  |  2,600.00  | 2,600.00  | 0.00 |
| October  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  November  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  December  | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

* 1. The delayed remittances noted in some months were caused by quarantine restrictions due to cases of COVID-19. However, the remittances were settled in full by the end of CY 2021. As such, penalties for late payments were avoided and the employees were able to enjoy the benefits of their membership to these government institutions.
	2. **We recommended and Management agreed to direct the College Accountant to continue to be compliant with the remittance of mandatory contributions due to PhilHealth and the Pag-IBIG Fund.**

*Status of Settlement of Suspensions, Disallowances and Charges*

1. ***As of December 31, 2021, the total audit disallowances amounting to ₱1,651,581.38 remained unsettled contrary to Section 7.1 of the Revised Rules on the Settlement of Accounts (RRSA)***
2. Section 7.1 of the Revised Rules on the Settlement of Accounts (RRSA) provides, among others, that the Head of Agency shall ensure that the settlement of disallowances and charges is made within the prescribed period, the requirements of transactions suspended in audit are complied with, and appropriate actions are taken on the deficiencies noted as contained in the Audit Observation Memorandum (AOM).
3. As of year-end, the balance of the unsettled disallowances amounted to ₱1,651,581.38, arrived at as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Notices** | **Beginning Balance****(As of December 31, 2020)** | **This period****(January 1 to December 31, 2021)** | **Settlement this period (January 1 to December 31, 2021)** | **Ending Balance****(As of December 31, 2021)** |
| **NS/ND/NC** | **NSSDC** |
| Notice of Suspension | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 | ₱ 0.00 |
| Notice of Disallowance | 2,117,944.19 | 0.00 | 466,362.81 | 1,651,581.38 |
| Notice of Charge | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total** | **₱ 2,117,944.19** | **₱ 0.00** | **₱ 466,362.81** | **₱ 1,651,581.38** |

1. Monitoring of payments made by the persons found liable in the audit disallowances revealed that only those retiring from BASC were required to settle their accountabilities. The outstanding balance of ₱1,651,581.38 as of year-end pertains to the individual audit disallowances of persons currently employed with the College.
2. **We recommended that Management (1) require the immediate settlement of the disallowed claims that have become final and executory; and (2) instruct the officials/personnel involved in the processing and certification/approval of claims to exercise more prudence in ensuring that all financial transactions comply with the existing laws, rules and regulations to avoid suspensions and disallowances in audit.**

*Management Comments:*

* 1. During the exit conference, the College Accountant inquired whether the settlement of the disallowances can be made through installment payments. The Audit Team informed Management that an authority shall be requested from the Legal Services Sector (LSS) of the Commission on Audit (COA), Central Office before an installment payment scheme can be implemented.