

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

The audit of financial transactions and operations of the Bulacan Agricultural State College (BASC) for calendar year (CY) 2022 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

Non-recording of issued Semi-Expendable Properties – ₱66,582,224.11

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

1.1 Section 23 of the General Provisions of RA 11639, otherwise known as the General Appropriations Act for Fiscal Year 2022, provides that tangible items below ₱50,000.00 shall be accounted as semi-expendable property.

1.2 Subsequently, COA Circular No. 2022-004 dated May 31, 2022 was issued to provide the guidelines on the implementation of the increase in the capitalization threshold of Property. Plant and Equipment from ₱15,000.00 to ₱50,000.00. The following important provisions under Section 4 of the COA Circular are hereby quoted:

4.1 Tangible items which meet the definition and recognition criteria of PPE but cost is below P50,000.00 shall be accounted in the books of accounts as semi-expendable property. This shall be supported by the issuance of the Inventory Custodian Slip (ICS) to establish the accountability of the end-user. ICS shall be issued to the end-user and shall be renewed every three years or every time there is a change in custodianship/user of the property. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk acquisition such as library books, small equipment, computer peripherals, work animals and the like, will need to meet the amount of below P50,000.00 to be recognized as semi-expendable property.

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4.3 For issued tangible items acquired prior to CY 2022 with amounts from P15,000.00 to below P50,000.00 previously classified as PPE:

- a. *The carrying amount shall be expensed/charged to the following accounts, as applicable:*
 - i. *Accumulated Surplus/(Deficit) for NGAs and GCs classified as Non-Commercial Public Sector Entities;*
 - ii. *Retained Earnings/(Deficit) for GCs classified as Commercial Public Sector Entities; or*
 - iii. *Prior Period Adjustment and Government Equity for LGUs.*
- b. *The corresponding accumulated depreciation and accumulated impairment loss shall be closed in the books of accounts.*
- c. *The existing Property Acknowledgement Receipts (PARs) for these items may be retained by the end-users and shall serve as the ICS until their accountabilities for such items are extinguished. Thus, the existing PARs need not be replaced with the new ICSs.*
- d. *For additional control and safeguard, please refer to paragraphs 4.8.b. and 4.9.b of this Circular.*

4.4 *For tangible items acquired prior to CY 2022 with amounts from P15,000.00 to below P50,000.00 previously classified as PPE which are still in the custody of the Supply and/or Property Division/Unit:*

- a. *These items shall be reclassified to the appropriate semi-expendable property account.*
- b. *The Property Cards being maintained by the Supply and/or Property Division/Unit for these items shall serve as Semi-Expendable Property Card (SPCs) until these items are issued.*
- c. *The Property, Plant and Equipment Ledger Cards being maintained by the Accounting Division/Unit for these items shall serve as Semi-Expendable Property Ledger Cards (SPLCs)*

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4.8 *For additional control and safeguard the semi-expendable property considering that more valuable items shall be covered by the new capitalization threshold, the semi-expendable property shall be classified into two categories:*

- a. *Low-valued items – cost of each item is P5,000.00 or less; and*

b. *High-valued items – cost of each item is more than P5,000.00 but less than P50,000.00*

4.9 *The accountability for semi-expendable property shall also be segregated based on categorization, as follows:*

a. *Low-valued items – accountability shall be extinguished upon expiration of the estimated useful life, or upon return of the property before the end of its useful life, whether serviceable or unserviceable, to the Property and/or Supply Division/Unit; and*

b. *High-valued items – accountability shall only be extinguished upon return of the item to the Property and/or Supply Division or in case of loss, upon approval of the request for relief from the property accountability, regardless of the expiration of the estimated useful life.*

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4.12 *The agency shall determine/provide the estimated useful life of each semi-expendable property, subject to post-audit of the COA auditors concerned. The agency is the best position to estimate the useful life of their semi-expendable property. The agency shall issue an updated policy/memorandum determining/providing the estimated useful life, as necessary.*

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1.3 Further, Section 10, Chapter 8 of Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, semi-expendable items shall be recognized as expenses upon issuance to the end user.

1.4 The Financial Statements (FS) of BASC as of December 31, 2022 showed that the following accounts have remaining balances:

- Semi-Expendable – Machinery;
- Semi-Expendable – Office Equipment;
- Semi-Expendable – Information and Communication Technology;
- Semi-Expendable – Agricultural and Forestry Equipment;
- Semi-Expendable – Communication Equipment;
- Semi-Expendable – Disaster and Rescue Equipment;
- Semi-Expendable – Medical Equipment;
- Semi-Expendable – Sports Equipment;
- Semi-Expendable – Technical and Scientific Equipment;
- Semi-Expendable – Other Equipment;

- Semi-Expendable – Furniture and Fixtures; and
- Semi-Expendable – Books.

1.5 Based on the Inventory of Semi-Expendable Property as of December 31, 2022 as submitted by the Property Officer, all of the semi-expendable properties owned by the College are already issued to the end-users. Consequently, there should be no balance for semi-expendable accounts reflected in the year-end financial statements of BASC.

1.6 According to the Accountant, the tangible items falling within the new capitalization threshold were reclassified from PPE accounts to semi-expendable accounts. However, she admitted that she failed to make the necessary journal entries to reflect that these semi-expendable items were issued to its end-users.

1.7 In effect, the above-cited semi-expendable property accounts presented in the FS were overstated by ₱79,220,909.67. Similarly, the corresponding Allowance for Impairment Loss on these accounts and Accumulated Surplus was overstated by ₱12,638,685.56 and ₱66,582,224.11, respectively. The details are presented in Appendix A.

1.8 The Accountant and the Property Officer admitted that they were not aware of the new guidelines under COA Circular No. 2022-004 dated May 31, 2022 which explains the failure of the Property Officer to implement the categorization of semi-expendable properties in her records. Likewise, the Audit Team (AT) learned that the College has no existing policy on the estimated useful life of semi-expendable properties. The categorization and estimated useful life of a semi-expendable item is essential for the determination of the accountability of its holder.

1.9 In addition, the Property Officer failed to prepare and maintain the Registry of Semi-Expendable Property Issued (RegSPI) and Report of Semi-Expendable Property Issued (RSPI) under Sections 4.7.4 and 4.7.7 of COA Circular No. 2022-04, respectively:

Annex A.4 Registry of Semi-Expendable Property Issued (RegSPI)

The RegSPI shall be maintained in the Property and/or Supply Division/Unit for each class of issued semi-expendable property. The Property and/or Supply Custodian shall record promptly the issue, return, reissue, disposal and other information about the asset. It shall be maintained by fund. ICS shall be maintained continuously and recorded in a sequential manner to keep track of any missing ICS. (Note: This functions similarly to SPC, however only a registry is recommended to be maintained since issued semi-expendable property are already derecognized in the books of accounts)

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Annex 4.7 Report of Semi-Expendable Property Issued (RSPI)

This report shall be prepared by the Property and/or Supply Division/Unit to report/summarize all issued semi-expendable property (by semi-expendable property number) at least weekly...xxx

The Property/Supply Officer shall conduct periodic monitoring of all ICS issued to ensure that the accountability of concerned employees is checked.

1.10 Due to the inability to implement the categorization of semi-expendable properties, the non-maintenance of the required reports, and the absence of a policy on the estimated useful life for each semi-expendable property, the accountabilities of its holders were not properly monitored.

1.11 Further, the Audit Team noted a difference of ₱1,360,809.82 between the accounting and property records on Inventories, as summarized in Appendix B. According to the Property Officer, there is an ongoing reconciliation between the accounting and property records to establish the details of the discrepancies.

1.12 Despite the efforts of the two offices, a larger amount of discrepancy was identified in CY 2022 vis-à-vis the previous years. Their continued inability to resolve this matter casts doubt on the accuracy and reliability of their records and amounts presented in the financial statements of BASC as of December 31, 2022.

1.13 Considering the above observations, we recommended that Management:

- a) **Require the Accountant to draw the appropriate adjusting entries to properly charge the carrying amounts of semi-expendable properties that were issued to end-users to the Accumulated Surplus accounts. The Audit Team proposes the following adjusting journal entries:**

For Fund 101:

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	₱23,544,691.06	
Allowance for Impairment Loss – Semi - Expendable Office Equipment	1,293,250.84	
Allowance for Impairment Loss – Semi - Expendable Information and Communication Technology Equipment	5,916,184.18	
Allowance for Impairment Loss – Semi - Expendable Agricultural and Forestry Equipment	228,236.33	
Allowance for Impairment Loss – Semi - Expendable Communication Equipment	537,560.88	

	<u>Debit</u>	<u>Credit</u>
Allowance for Impairment Loss – Semi - Expendable Medical Equipment	9,420.89	
Allowance for Impairment Loss – Semi - Expendable Technical and Scientific Equipment	115,330.74	
Allowance for Impairment Loss – Semi - Expendable Other Equipment	435,967.95	
Allowance for Impairment Loss – Semi - Expendable Furniture and Fixtures	429,605.50	
Semi – Expendable – Machinery		₱ 8,790.00
Semi – Expendable – Office Equipment		4,127,350.85
Semi – Expendable – Information and Communication Equipment		13,539,593.00
Semi – Expendable – Agricultural and Forestry Equipment		854,647.47
Semi – Expendable – Communication Equipment		3,343,393.28
Semi – Expendable – Disaster Response and Rescue Equipment		48,866.50
Semi – Expendable – Medical Equipment		126,650.00
Semi – Expendable – Sports Equipment		132,500.00
Semi-Expendable – Technical and Scientific Equipment		331,322.77
Semi-Expendable – Disaster Response and Rescue Equipment		1,672,471.65
Semi – Expendable – Medical Equipment		6,972,049.79
Semi – Expendable – Books		1,352,613.06

To record the adjustment on the semi-expendable property accounts and the corresponding allowance for impairment loss

For Fund 164:

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	₱43,037,533.05	
Allowance for Impairment Loss – Semi - Expendable Machinery	81,549.81	
Allowance for Impairment Loss – Semi - Expendable Office Equipment	2,220,140.45	
Allowance for Impairment Loss – Semi - Expendable Communication Equipment	758,846.48	
Allowance for Impairment Loss – Semi - Expendable Medical Equipment	31,185.00	
Allowance for Impairment Loss – Semi - Expendable Furniture and Fixtures	530,212.41	
Allowance for Impairment Loss – Semi - Expendable Books	51,194.10	
Semi – Expendable – Machinery		₱ 107,225.00
Semi – Expendable – Office Equipment		6,710,563.79
Semi – Expendable – Information and Communication Equipment		16,379,333.28
Semi – Expendable – Agricultural and Forestry Equipment		2,146,820.50
Semi – Expendable – Communication Equipment		2,575,577.47
emi – Expendable – Disaster Response and Rescue Equipment		145,832.00
Semi – Expendable – Medical Equipment		142,972.80
Semi – Expendable – Sports Equipment		822,443.50
Semi-Expendable – Technical and Scientific Equipment		3,422,223.50
Semi-Expendable – Disaster Response and Rescue Equipment		1,212,583.99

	<u>Debit</u>	<u>Credit</u>
Semi – Expendable – Medical Equipment		9,014,755.12
Semi – Expendable – Books		4,030,330.35

To record the adjustment on the semi-expendable property accounts and the corresponding allowance for impairment loss

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

Management Comments:

1.14 During the Exit Conference, the Accountant informed the Audit Team that she will wait for the submission of the inventory custodian slips (ICS) by the Property Officer for all issued semi-expendable items before she adjusts the accounts in her books. Meanwhile, the Property Officer assured the AT that she will immediately update her records and furnish the Accountant of all the ICS issued to the end-users.

1.15 The VP-AFB reassured the AT that they will create their own policy on the estimated useful life and follow the guidelines in COA Circular No. 2022-04 dated May 31, 2022 GAM for NGAs, Volume I and other relevant issuances.

Unreliable Property, Plant and Equipment balances – ₱624,956,966.76

2. The accuracy of the balances of the Property, Plant and Equipment (PPE) accounts with a total carrying amount of ₱624,956,966.76 as of December 31, 2022 was not established due to: (a) unreconciled difference between the accounting and property records amounting to ₱374,500.90; (b) inclusion of semi-expendable properties totaling ₱1,098,373.92; and (c) inclusion of unserviceable items with a total carrying amount of

₱39,435.10, contrary to the provisions of Section 79 of Presidential Decree No. 1445, GAM for NGAs, Volume I, and COA Circular No. 2022-004 dated May 31, 2022.

(a) *Unreconciled amount between the accounting and property records – ₱374,500.90*

2.1 In the post-audit of the PPE accounts of Bulacan Agricultural State College (BASC), the Audit Team noted that the General Inventory Report (of Property, Plant and Equipment (GIR-PPE) as of December 31, 2022 as prepared by the Property Unit of the College did not reconcile with the balances of the PPE accounts reflected in the financial statements. Excluding the Construction in Progress accounts, a difference amounting to ₱374,500.90 was identified, as summarized below:

PPE Accounts (Consolidated)	Per accounting records	Per property records	Variance
Land	₱149,430,284.00	₱149,430,284.00	₱ 0.00
Land Improvements	22,716,896.34	22,146,581.34	570,315.00
Infrastructure Assets	3,072,018.00	3,072,018.00	0.00
Buildings and Other Structures	465,477,791.58	458,059,529.58	7,418,262.00
Machinery and Equipment	48,518,965.15	48,891,266.05	(372,300.90)
Transportation Equipment	13,914,890.40	13,914,890.40	0.00
Furniture, Fixtures and Books	5,964,984.10	5,967,184.10	(2,200.00)
Other PPE	2,403,365.20	2,403,365.20	0.00
Total	₱711,499,194.77	₱703,885,118.67	(₱374,500.90)
Construction-in- Progress*	42,196,577.56		
GRAND TOTAL	₱753,695,772.33	₱703,885,118.67	
Less: Accumulated Depreciation	(128,738,805.57)		
Net Carrying Amount	₱624,956,966.76		

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

2.2 Inquiry with the Accountant disclosed that, of the total difference of ₱374,500.90, the amount of ₱157,500.90 was due to the erroneous adjustments made by their staff. An on-going review of records is being conducted to identify the details of the amount. The remaining variance pertains to a donation to the College on December 29, 2022 of technical and scientific equipment costing ₱217,000.00. However, the donation was not recognized in the books because the Property Officer did not inform the Accounting Unit of the transaction. As such, it resulted to the understatement of the Machinery and Equipment and Income from Grants and Donations in Kind accounts by ₱217,000.00.

(b) Inclusion of semi-expendable items in the PPE accounts– ₱317,092.16

2.3 Verification of property records revealed that semi-expendable properties with a total cost of ₱1,098,373.92 were valued below the capitalization threshold of ₱50,000.00 but were still carried under the PPE accounts at year-end, which is not in accordance with Section 4.1 of COA Circular No. 2022-004 dated May 31, 2022 which provides that:

Tangible items which meet the definition and recognition criteria of PPE but cost is below Fifty Thousand Pesos (₱50,000.00) shall be accounted in the books of accounts of agencies as semi-expendable property... xxx

2.4 The Audit Team noted that the semi-expendable properties included in the PPE accounts are issued to the end-users. According to Section 10(a), Chapter 8 of GAM for NGAs, Volume I, the semi-expendable properties shall be recognized as expenses upon issue to the end-user. Further, Section 4.3(a) of the above-cited COA Circular instructs that the carrying amounts of semi-expendable items below the new capitalization threshold shall be expensed/charged to the Accumulated Surplus/(Deficit) for NGAs and GCs classified as non-commercial public sector entities.

2.5 In effect, the PPE accounts as at December 31, 2022 were overstated by ₱1,098,373.92. Similarly, the Accumulated Depreciation and Accumulated Surplus accounts are overstated by ₱317,472.16 and ₱780,901.76, respectively. The details are presented in Appendix C.

(c) Idle, obsolete and unserviceable PPEs – ₱39,435.10

2.6 Section 79 of Presidential Decree 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

2.7 The Manual on Disposal of Government Property was issued to guide government 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.

2.8 Further, Section 40, Chapter 10 of GAM for NGAs states that:

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c. A PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.

d. *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).*

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Moreover, Section 40(d), Chapter 10 of GAM for NGAs, Volume I requires:

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 PPE less Accumulated Depreciation)

2.9 Perusal of the Inventory and Inspection Report of Unserviceable Properties (IIRUP) prepared by the Property Officer showed that unserviceable properties with a carrying value of ₱39,435.10 (details shown in Appendix D) remained in the books as of year-end. The delay in the disposal of these properties has diminished their value due to prolonged exposure to natural elements.

2.10 Inquiry with the Accountant disclosed that the unserviceable items were still carried on the books because she was not furnished with the IIRUP. As such, the reported balances are overstated by their carrying amounts since they no longer qualify as assets as at December 31, 2022.

2.11 Considering the above circumstances, the Audit Team suggests the following adjusting journal entries:

For Fund 101:

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	₱10,701.17	
Accumulated Depreciation	35,656.75	
Furniture and Fixtures		₱46,357.92
<i>To record the adjustment on the Furniture and Fixtures account and its corresponding depreciation</i>		

Accumulated Surplus	₱59,550.00	
Technical and Scientific Equipment		₱59,550.00
<i>To record the adjustment on the Technical and Scientific Equipment account and its corresponding depreciation</i>		

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	₱125,387.66	
Accumulated Depreciation	242,218.34	
Other Property, Plant and Equipment		₱367,606.00
<i>To record the adjustment on the Other Property, Plant and Equipment account and its corresponding depreciation</i>		

Accumulated Surplus	₱ 24,500.00	
Accumulated Depreciation	220,500.00	
Agricultural and Forestry Equipment		₱245,000.00
<i>To derecognize the unserviceable items in the Agricultural and Forestry Equipment account and its corresponding depreciation</i>		

Accumulated Surplus	₱ 2,156.10	
Accumulated Depreciation	19,404.90	
Other Property, Plant and Equipment		₱21,561.00
<i>To derecognize the unserviceable items in the Other Property, Plant and Equipment account and its corresponding depreciation</i>		

For Fund 164:

	<u>Debit</u>	<u>Credit</u>
Technological and Scientific Equipment	₱217,000.00	
Accumulated Surplus		₱217,000.00
<i>To recognize the equipment donated to BASC on December 29, 2022</i>		

Accumulated Surplus	₱32,009.30	
Accumulated Depreciation	6,750.70	
Information and Communications		
Technology Equipment		₱38,760.00
<i>To record the adjustment on the Information and Communications Technology Equipment account and its corresponding depreciation</i>		

Accumulated Surplus	₱5,030.00	
Accumulated Depreciation	45,270.00	
Agricultural and Forestry Equipment		₱50,300.00
<i>To record the adjustment on the Agricultural and Forestry Equipment account and its corresponding depreciation</i>		

Accumulated Surplus	₱2,200.00	
Accumulated Depreciation	19,800.00	
Military, Police and Security		
Equipment		₱22,000.00

	<u>Debit</u>	<u>Credit</u>
<i>To record the adjustment on the Agricultural and Forestry Equipment account and its corresponding depreciation</i>		
Accumulated Surplus	₱10,003.75	
Accumulated Depreciation	16,496.25	
Other Transportation Equipment		₱26,500.00

To record the adjustment on the Agricultural and Forestry Equipment account and its corresponding depreciation

Accumulated Surplus	₱ 37,100.00	
Accumulated Depreciation	333,900.00	
Other Property, Plant and Equipment		₱371,000.00

To record the adjustment on the Other Property, Plant and Equipment account and its corresponding depreciation

Accumulated Surplus	₱35,490.28	
Accumulated Depreciation	80,809.72	
Water Supply Systems		₱116,300.00

To record the adjustment on the Water Supply Systems account and its corresponding depreciation

Accumulated Surplus	₱2,999.50	
Accumulated Depreciation	34,495.50	
Other Property, Plant and Equipment		₱37,495.00

To derecognize the unserviceable items in the Office Equipment account and its corresponding depreciation

Accumulated Surplus	₱9,779.50	
Accumulated Depreciation	90,015.50	
Information and Communications Technology Equipment		₱99,795.00

To derecognize the unserviceable items in the Information and Communications Technology Equipment account and its corresponding depreciation

2.12 In view of the foregoing observations, we recommended that Management:

- a) **Direct the Accountant to adjust the books of accounts, as warranted, once the results have been established;**

- b) **Require the Accountant to draw the appropriate adjusting entries to properly recognize the equipment donated to the College, charge the carrying amounts of the semi-expendable properties that were issued to end-users from PPE accounts to the Accumulated Surplus accounts, as well as to drop the unserviceable items lodged in the PPE accounts, to ensure that financial reports represent reliable information; and**
- c) **Ensure proper coordination between the Property Officer and the Accountant to facilitate timely monitoring in the movements of accounts.**

Management Comments:

2.13 At the Exit Conference, the Accountant stated that she received the Report of Unserviceable Properties as of December 31, 2022 on February 27, 2023, after the financial statements have been finalized. Thus, she was not able to drop the amount of unserviceable properties from the books of accounts. The VP-AFB suggested that they will set an earlier date of cut-off so that the Property Officer can submit the reports to the Accountant and adjustments can be made before the closing of the books.

2.14 The VPAFB, Supply Officer and Accountant informed the Audit Team that the reconciliation for the Property, Plant and Equipment (PPE) between the accounting and property records was already finished. Management requested for an additional period of sixty days for the completion of the reconciliation of the semi-expendable items to comply with the audit recommendation.

2.15 The College President informed the Audit Team that they will hire or designate an additional person to reduce the workload of the Property Officer. The ATL emphasized the importance of coordination between the two offices.

Improper recognition to Due to NGAs – ₱1,002,892.07

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

3.1 The Due to NGAs account of the BASC with a carrying amount of ₱17,309,333.59 as of December 31, 2022 is broken down below:

Scholarships	₱ 2,958,174.27
Various Projects	14,351,159.32
TOTAL	<u>₱ 17,309,333.59</u>

3.2 In our analysis of the details of the account, the Audit Team noted that funds in the aggregate amount of ₱1,209,447.54 which were already identified to be improperly recognized as Due to NGAs were still included in the year-end balance. These are summarized as follows:

Funds already recognized as liquidated by the funding agencies	₱ 1,002,892.07
Prior year balances of completed projects	206,555.47
TOTAL	<u>₱ 1,209,447.54</u>

a. Funds already recognized as liquidated by the funding agencies - ₱1,002,892.07

3.3 The amount of ₱1,002,892.07 pertains to loans granted to various farmers in the locality, as follows:

PROJECT/FUND SOURCE	BALANCE AS OF 12/31/2022
DA RFO 3 - Invasion	₱ 252,803.02
DA RFO 3 - Invasion Upscaling Rice-based Farming System	179,034.13
CHED - Technology Commercialization	571,054.92
TOTAL	₱ 1,002,892.07

3.4 These funds were identified to be treated as liquidated at their respective funding agencies upon release of the funds to BASC. Per inquiry with the Accounting Unit, these were granted to BASC as a loan assistance program to various farmers in Region III. The proceeds of the loans plus interest earned therefrom shall become income of the College. However, examination of the account disclosed that they were recognized as Due to NGAs in the books of accounts even if there is no requirement to return or liquidate the funds to their respective source agencies.

3.5 The transactions were recognized in the books of BASC in the following manner:

	<u>Debit</u>	<u>Credit</u>
<i>Upon receipt of funds from the source agencies:</i>		
Cash in Bank	₱ xxx.xx	
Due to NGAs		₱ xxx.xx
<i>Upon release of loan proceeds to farmers:</i>		
Advances for Payroll	₱ xxx.xx	
Cash in Bank		₱ xxx.xx

	<u>Debit</u>	<u>Credit</u>
Loans Receivable – Others	₱ xxx.xx	
Advances for Payroll		₱ xxx.xx

Upon receipt of loan payments from farmers:

Cash – Collecting Officers	₱ xxx.xx	
Loan Receivable – Others		₱ xxx.xx
Due to NGAs*		xxx.xx

* - to recognize interest earned from the loan

3.6 Verification of the journal entries disclosed that the interest earned on loan payments from the farmers were recognized as an addition to Due To NGAs instead of Interest Income. When inquired about the reasons for such treatment, the Accounting Unit explained that the interest earned from the loan payments are being rolled over to be used as additional funds which they can lend to the farmer beneficiaries. We further learned that the Accounting Unit does not maintain individual subsidiary ledgers to monitor the activities per loan program. The GAM for NGAs, Volume III, describes the account Due to NGAs as follows:

<i>Account Title</i>	<i>Due to NGAs</i>
<i>Account Number</i>	<i>20201050</i>
<i>Normal Balance</i>	<i>Credit</i>
<i>Description</i>	<i>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.</i>

3.7 Given the above definition, the funds for these projects, as well as the interest earned therein, should not be treated as Due to NGAs in the BASIC books as there is nothing to settle at the funding agencies anymore. Instead, the funds should have been recognized as Subsidy from Other National Government Agencies (40301020) upon receipt from the funding agencies. On the other hand, the interest from loan payments should be treated as Interest Income instead of a credit to Due to NGAs because it is an outright revenue of BASIC and will not be returned to the source agencies.

3.8 Due to the incorrect recognition of the subsidy received from other agencies and the corresponding interest income earned from these programs, the reported financial statement balance of Due to NGAs as of December 31, 2022 is deemed overstated by ₱1,002,892.07. Consequently, the Accumulated Surplus account is understated by the same amount.

b. *Unliquidated balances of completed projects - ₱206,555.47*

3.9 Further scrutiny of the account revealed that a total of ₱206,555.47 referred to unexpended balances of projects which were already completed in previous years but remained unliquidated and not yet returned to their source agencies or the Bureau of Treasury (BTr). These are the following:

PROJECT/FUND SOURCE	BALANCE AS OF 12/31/2022
Clonal	₱ 2,150.00
AFNR Project	12,449.07
AGRI Cola	539.25
Bidani	2,235.77
CHED – PDAF – Agri. Lab, Phase 1	0.10
Clonal Nursery	205.21
DA-BAR TIUP	0.87
Gawad Kalinga	6.00
GIA CHED Aerobic ZRC 2010	200.00
IRRI	1,403.33
NCT	418.00
Praxys Fides	1,496.50
PRRI	1,595.89
RET DA	78,727.05
OA Validation	41.00
Coffee Production	14,100.00
Metarhizium Anisoplae – Rice Black Bug	8,325.81
DA BAR- Pratistha – Bio Organic Fertilizer	6,993.50
Combined Tillage	3,500.00
Flood Prone Areas (Philrice)	37,696.00
Grain Yield	16,030.00
METS – Hybred	7,175.00
METS – Inbred	11,267.12
Total	₱ 206,555.47

3.10 The failure to liquidate/return the unexpended funds to the source agencies or the BTr, as the case may be, is not in accordance with 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.”*

3.11 We further noted that the same observations were already noted in the previous year’s Annual Audit Report. It is worth mentioning that corrections, adjusting entries and return of funds were already made by Management during the year, which reduced the deficient amounts from ₱29,451,718.52 in CY 2021 to ₱1,209,447.54 in CY 2022.

3.12 We recommended that Management:

a) Direct the Accountant to draw the following Adjusting Journal Entries:

	<u>Debit</u>	<u>Credit</u>
Due to NGAs	₱1,002,892.07	
Accumulated Surplus		₱1,002,892.07
<i>- To derecognize subsidy received from DA RFO III and CHED for loan assistance to farmers and the Interest Income from loan payments of farmers from Due to NGAs to Revenue/Accumulated Surplus.</i>		

We further suggest the following entries to recognize similar transactions in the future:

	<u>Debit</u>	<u>Credit</u>
<i>1. To recognize subsidy received from National Government Agency for loan assistance to farmers:</i>		
Cash in Bank	₱ xxx.xx	
Subsidy from Other National Government Agencies		₱ xxx.xx
<i>2. To recognize loan payments and interest earned from loans to farmers:</i>		
Cash – Collecting Officers		
Loans Receivable – Others	₱ xxx.xx	
Interest Income		₱ xxx.xx

- b) Maintain individual subsidiary ledgers to monitor the transactions of each loan assistance program; and**
- c) Continue exerting efforts to coordinate with the respective agencies and/or the Bureau of Treasury to cause the immediate return/liquidation of the unexpended fund balances of completed projects.**

Management Comments:

3.13 According to the Accountant, the Bureau of Treasury is requiring for the account number of the funding agencies before accepting the return of the unexpended fund balances. The VP-AFB suggested to confirm the necessary steps that should be undertaken with the Bureau of Treasury. Likewise, the Accountant averred that she will adopt the suggested adjusting journal entries and submit a copy of the journal entry voucher to the Audit Team.

Other Audit Areas

Overtime pay of Job Order Employees – ₱340,043.75

4. Overtime pay totaling ₱340,043.75 to some Job Order workers of the BASC from January 1 to December 31, 2022 showed non-compliance with the payment terms as stipulated in the contracts, resulting to irregular disbursement of government funds.

4.1 COA-DBM Joint Circular (COA-DBM) JC No. 2, dated October 20, 2020 prescribes the updated rules and regulations governing Contract of Service (COS) and Job Order (JO) workers in the government.

4.2 Sections 5, 6.3.1. and 7.5., supra, provides:

5.4. Job Order refers to piece of work (pakyaw) or intermittent or emergency jobs such as clearing of debris on the roads, canals, waterways, etc. after natural/man-made disasters/occurrences, and other manual/trades and craft services such as carpentry, plumbing, electrical and the like. Their jobs are of short duration and for specific piece of work.

xxx

6.3.1 The services of a JO worker is either paid according to an agreed contract amount for the piece of work or on a daily wage basis.

xxx

7.5. The services of the COS and JO workers are not covered by Civil Service laws, rules, and regulations, thus, not creditable as government service. They do not enjoy the benefits being received by government employees, such as leave, Personnel Economic Relief Allowance, Representation and Transportation, and other bonuses and incentives. (Emphasis supplied)

4.3 In the post-audit of disbursements from January 1 to December 31, 2022, the Audit Team noted that four JO personnel assigned to the Registrar's Office were granted overtime pay. The handwritten Daily Time Records (DTRs) of these JO workers showed that they have rendered work beyond office hours on weekdays, usually from 5:00pm to 11:00pm, and from 8:00am until 5:00pm on Saturdays and Sundays. In some instances, their work on weekends ended between 9:00pm up to 11:00pm.

4.4 Based on the documents, the four JO workers of the Registrar's Office claimed an aggregate of 522.63 days of overtime services for a period of twelve months in the equivalent amount of ₱340,043.75, as shown in the table below:

JO Worker	Daily Rate	For the period of January 1 to December 31, 2022			
		No. of Working Days	No. of Days Claimed	Actual Overtime Services Claimed (in Days)	Overtime Pay
Ann Mendoza	700	245	379.75	135.75	₱ 95,025.00
Beverly Mendoza	600	245	370.50	129	77,400.00
Achiellyn Vigilia	650	245	362.13	137.25	89,212.50
Elaine Jhoy Villasper	650	245	381.25	120.63	78,406.25
Total				522.63	₱340,043.75

4.5 Review of contracts covering JO workers disclosed that their fixed daily rates and specific duties are stated therein. However, their contracts are silent on overtime work and overtime pay.

4.6 To support their claims for overtime services, the JO workers attached approved letter-requests for overtime, accomplishment reports, and handwritten DTRs. Scrutiny of their accomplishment reports revealed that the actual tasks performed did not justify the overtime work since these are their duties which can be done within office hours of a regular working day, such as the evaluation of students and printing of transcript of records.

4.7 We also noted that, in their approved letters of request for overtime, the JO workers were identified as “Casual” employees of BASC. The Audit Team finds the need to correct this representation as their status will determine the applicable rule in the payment of their services.

4.8 CSC-DBM Joint Circular (CSC-DBM JC) No. 1 dated November 25, 2015 laid down the policies and guidelines for overtime services and overtime pay of government employees. Section 6 of the JC provides:

Only appointive and salaried civilian government employees holding regular, contractual and casual positions of division chief or equivalent level and below, may be authorized to render overtime services with pay or compensation.

4.9 Based on this provision, government employees hired under casual positions are authorized to render overtime services while the JO workers do not fall within the ambit of the JC. Therefore, the services of the JO workers are confined on the terms and conditions stated in their contracts.

4.10 Based on the documents presented and through audit inquiry with the concerned employees, the claims were processed and approved only on the basis of the DTRs submitted by the JOs. As such, it could be gleaned that the payment terms stipulated in the contract was not given consideration in the processing of claims.

4.11 Clearly, from the discussions above, the Management of BASC departed from the contracts entered into with the JO workers of the Registrar's Office in granting overtime pay to them. As such, it is considered irregular as defined under COA Circular No. 2012-003 dated October 29, 2012:

The term "irregular expenditures" signifies an expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws. Irregular expenditures are incurred if funds are disbursed without conforming with the prescribed usages and rules of discipline. There is no observance of an established pattern, course or mode of action, behavior or conduct in the incurrence of an irregular expenditure. A transaction conducted in a manner that deviates or departs from, or which does not comply with standards set is deemed irregular. A transaction which fails to follow or violates rules of procedure is likewise, irregular.

4.12 In their written reply to AOM No. 2023-01(2022) dated January 31, 2023 and subsequent discussions with the concerned officials and employees of BASC, the College Registrar justified the need to employ the services of the JO workers beyond the usual working hours due to various reasons, such as:

- (a) The Office of the Registrar (OCR) has become terribly undermanned and understaffed to handle the ballooning enrollment figures and increased visitor inquiry and document requests after the gradual lifting of COVID-10 restrictions;
- (b) Since 2018 up to the present, the OCR is composed of only five personnel: one College Registrar, one Administrative Aide and three JO workers. For the same period, the number of students has considerably increased by 128.83% from 3,486 students in AY 2018-2019 to 7,977 students enrolled in the 1st semester of AY 2022-2023. The OCR tried to offset this dilemma by requesting for additional staff on a JO contract basis in December 2020 and May 2022, but such request was not granted due to budgetary constraints. As such, the OCR requested for assistance from other departments to lend their staff to assist with the looming work backlogs, and rendered a great amount of overtime hours during the peak months of January to September 2022 in order to continue to carry out their duties and satisfactorily perform their functions in a timely manner;

- (c) The prescribed office hours were not enough to handle the volume of transactions that the OCR processed during that period. In addition, enrollment for Graduate School students was done during weekends as the enrollees are regularly employed individuals and could only register after working hours;
- (d) The overtime services were properly supported with written requests and authorization from Management, with proper explanation and justification for the need to render additional work beyond office hours;
- (e) The payment of overtime services was made on the assumption and premise that these are valid and official as it has been the practice even prior to the pandemic. Moreover, the OCR believes that the hard work of its staff deserves to be duly compensated.

4.13 Moreover, the JO workers admitted that they were amiss in submitting the required documents, such as authority to render overtime and accomplishment reports, to support their DTRs and claims for overtime pay. In this regard, they asserted that they, indeed, rendered overtime work during the period as authorized by Management.

4.14 All things considered, the Audit Team maintains that there was no basis for the granting and payment of overtime services of JO workers as these were not stipulated in their existing employment contracts.

4.15 In view of the foregoing observations, we recommended that Management:

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

Management Comments:

4.16 The College President assured the Audit Team (AT) during the Exit Conference that they will implement the recommendations on this matter. Currently, they are reviewing the contracts of the JO and COS workers hired by BASC to determine the additional provisions that may be incorporated in the renewal of their contracts. The Vice President for Administration, Finance and Business Affairs (VP-AFB) informed the AT that they are starting to craft their own policy regarding the employment of JO workers.

4.17 The BASCFEA President added that, being a member of the hiring committee, he started informing the applicants of BASC in the early stage of the hiring process that rendition of overtime services may be required of them, depending on the urgency of the work.

4.18 The College President stated that they are now stricter in scrutinizing the request for overtime work before issuing a permit to render overtime services. Lastly, the College President and VP-AFB assured the AT that they will follow the existing rules and guidelines on overtime pay.

Long-outstanding Student Loans – ₱2,539,500.00

5. Due to Management's gaps in instituting effective collection measures, the accounts 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 ₱531,500.00 and ₱2,008,000.00, respectively, remained outstanding for more than 18 years.

5.1 The Commission on Higher Education (CHED) of the Philippines was created under Republic Act No. 7722, otherwise known as the "Higher Education Act of 1994" to protect, foster and promote the right of all citizens to affordable education at all levels and to ensure that education shall be accessible to all. In order to achieve these ends, various CHED-funded loan programs were implemented and extended to qualified Filipino students.

5.2 On January 26, 2004, CHED, through its Memorandum Order No. 4 dated January 6, 2004, issued the guidelines for the implementation of the Student Financial Assistance Program (StuFAP). The program aimed to provide easily accessible interest-free student loan programs to financially needy 3rd, 4th and graduating students to the CHED Priority Courses.

5.3 Under Section VII of the Memorandum Order, qualified students may be allowed to borrow a maximum of ₱8,000.00 per semester with the following payment terms:

- Loans below ₱4,000.00 are payable within five years; and
- Loans above ₱4,001.00 are payable within ten years.

5.4 Subsequently, the Student Financial Assistance Fund for Education (SAFE) Program was introduced by the Commission through CHED Memorandum Order No. 25 dated June 3, 2008. It is another program which aimed to raise the number of loan grantees enrolled in CHED Priority Courses. The qualified loan grantees can borrow as much as ₱8,000.00 and payable within two to five years after graduation of the student borrower, depending on the individual circumstances.

5.5 Under the two loan facilities funded by CHED, the HEIs shall perform banking functions of lending student loans to qualified and deserving applicants. Likewise, the HEIs are tasked to collect payments and interests from the borrowers.

5.6 For CYs 2004 to 2005, a total amount of ₱692,000.00 was extended to 266 qualified students of BASC under StuFAP, while an aggregate amount of ₱2,504,000.00 in loans

were availed by 491 qualified students of BASC in CY 2008 under the SAFE Program. In sum, a total of ₱3,196,000.00 was granted to the qualified students under the loan programs of CHED.

5.7 As of December 31, 2022, of the total amount of ₱3,196,000.00, only ₱656,500.00 was collected by BASC from the student beneficiaries of the loans funded by CHED. Out of 757 grantees, only 114 students were able to fully settle their accounts, as shown in the table below:

Grant	Particulars	As of December 31, 2022				
		Student Grantees	Fully Paid Students	Granted	Paid	Balance
2004	StuFAP Loan	266	26	₱ 692,000.00	₱160,500.00	₱ 531,500.00
2008	SAFE Loan	491	88	2,504,000.00	496,000.00	2,008,000.00
	Total	757	114	₱3,196,000.00	₱656,500.00	₱2,539,500.00

5.8 According to the Director of Administration and Finance, the College sent demand letters to the addresses that the student beneficiaries and guarantors had provided in their application forms for the loans. However, most of the demand letters were returned due to unknown addresses, or relocation of the intended recipients. For the others who received the letters, no reply or action was made to comply with their outstanding obligations.

5.9 The Loan Agreements executed by the students and their guarantors, with their parents and school official as witnesses, included the following provisions:

Effective upon employment, the Student-borrower and the guarantor shall inform his/her school of the same including the name and place of business of his/her employer.

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 demandable. In case a suit of any kind is filed against me/us by said school, without prior notice or demand, the obligation shall likewise immediately become due and payable and venue of legal action thereon shall be the proper court of Bulacan.

In the event that this loan is not paid on the date of maturity or when the same becomes due under any of the provisions hereof. I/We hereby authorize BASC, at their option and without notice, to apply to the repayment of this loan, any and all moneys, securities and things of value belonging to us, appoint the said school to be my/our true Attorney-in-Fact with full power and authority to negotiate, sell and transfer any moneys, securities and things

of value belonging to me/us which it may hold, by public or private sale and apply the proceeds thereof to the payment of this loan

5.10 The Director maintained that the students were able to obtain a clearance from BASC because the payment of the loans will start two years after their graduation. At the moment, the only information that BASC has are the addresses written in the application forms of the loan grantees. Admittedly, the College failed to monitor the compliance of the student-borrowers with the terms of the Loan Agreements after their graduation, specifically in informing them of their employers and updating their addresses. As such, the number of demand letters returned to BASC, as the sender, may be attributed to their outdated records of the student-borrowers.

5.11 Aging of Receivables showed that the unpaid balances of loans under the StuFAP and SAFE programs were outstanding in the books of BASC for 18 years and 14 years, respectively. As can be seen in Appendix E, the amount collected over the years under the loan facilities is consistently low. As of this writing, the total collection is only 20.54% of the amount of loan granted.

5.12 Under COA Circular No. 2016-005 dated December 19, 2016, the term “Dormant Receivable Accounts” is defined as:

Accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.

5.13 In our interpretation, the accounts of the student borrowers with outstanding loans falls within the scope of the above-mentioned COA Circular for being inactive for more than ten years.

5.14 At present, BASC is in the process of sending out demand letters to the student-borrowers. To our mind, there is a possibility that the demand letters will still be returned to the sender just like the previous attempts since the College has no updated addresses of the intended recipients. As an after-effect, the amounts that have been, and will be incurred as courier fees for the demand letters may result to possible waste of government funds. Consequently, we deem that there is a need for Management to formulate alternative strategies to connect with the student grantees and collect the amounts due.

5.15 The Rules on Expedited Procedures in the First Level Courts governs the procedures on small claims cases before the Metropolitan Trial Courts, Municipal Trial Courts and Municipal Circuit Trial Courts for payment of money where the value of the claim does not exceed ₱1,000,000.00, exclusive of interest and cost. The Rule has been found to be an effective tool in providing a simplified and inexpensive recourse for litigants to assert their claims. Where all possible recourse are exhausted by Management, discussions with CHED for a possibility of requesting for a write-off, may be made.

5.16 In view of the foregoing, we recommended that Management:

- a) Exert extra effort and formulate new strategies in identifying the whereabouts of the student-borrowers with outstanding loans;**
- b) Develop an effective collection scheme to increase the rate of recovery of the unpaid loans by exhausting the remedies as provided in the Rules on Expedited Procedures in the First Level Courts; and**
- c) Evaluate the collectability of the loan receivables and determine whether the accounts may be requested for write-off under the terms and guidelines set forth in COA Circular No. 2016-005 dated December 19, 2016.**

Management Comments:

5.17 The VPAFB reiterated that BASC has been consistent in sending demand letters to the defaulting students, but no reply was received. Likewise, it was difficult for the College to trace the grantees who have changed their addresses.

5.18 On the other hand, the BASCFEA President informed the Audit Team that he visited the liable persons in their new addresses. However, their demand was ignored and no payment was made.

5.19 The ATL stated that this is a recurring issue of BASC over the years which remains unsolved every year-end. It may be inferred from there that the current collection scheme of the College is not effective.

5.20 The College President appreciated the recommendation of the Audit Team and stated that they will seek the assistance of the Office of the Solicitor General (OSG) for assistance in enforcing their claims.

5.21 The VPAFB sought the assistance of the Office of Student Affairs and Services (OSAS) and the Deans in locating some of the students through their social media accounts. Management has decided to refer the matter to the Office of the Solicitor General (OSG) and is waiting for the recommendation of the latter on the appropriate legal actions to be taken against the erring students.

Overlapping Cash Advances

6. Additional cash advances were released to one Accountable Officer (AO) despite the non-liquidation of the previous grants, contrary to the provisions of Presidential Decree (P.D.) No. 1445, COA Circular No. 97-002 dated February 10, 1997, COA Circular No. 2012-001 dated June 14, 2012 and Section 14, Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

6.1 Section 89 of Presidential Decree (P.D.) No. 1445 provides the limitations on cash advances, as follows:

No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made. (Emphasis supplied)

6.2 Likewise, Section 4 of COA Circular No. 97-002 dated February 10, 1997 provides the following guidelines on the granting and utilization of cash advances:

4.1.2. No additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him first is settled or a proper accounting thereof is made.

6.3 Section 9, supra, is explicit that the responsibility to ensure the proper granting and utilization of all cash advances in accordance with the rules and regulations rests with the Management. The rules on cash advances are reiterated under Section 14, Chapter 6 of GAM for NGAs, Volume I.

6.4 In CY 2022, the Audit Team noted that the total cash advances granted to the Acting Cashier of BASC amounted to ₱49,060,761.75, all of which was liquidated as of year-end. However, analysis of cash advances and liquidations as presented in Appendix F showed that new cash advances were released although her previous ones were not yet settled.

6.5 Review of the attendant documents revealed that the cash advances granted to the AO were for the following purposes:

- Payment of salaries of contractual and job order employees;
- Cash prizes and incentives for different events of the College;
- Per diem of board members;
- Honoraria of project leaders and members; and
- Financial assistance to qualified students of BASC.

6.6 According to the Acting Cashier, she was the only person authorized by BASC to draw cash advances for the above-cited purposes. She further explained that the liquidation of cash advances was not made in a timely manner because some of the recipients, specifically the scholars of BASC under different financial aid programs, were delayed in getting their claims. She added that she has coordinated with the Office of the Student Affairs to remind the student-grantees to claim the financial assistance extended to them by sponsors from the government and private sectors.

6.7 In relation to this, the Audit Team learned that the College has no existing policy on the allowable number of days that the recipients may claim the amounts due to them.

As such, the Acting Cashier is left with no choice but to wait for the employees and students to get their claims before liquidating a cash advance that was released to her.

6.8 On the other hand, COA Circular No. 2012-001 dated June 14, 2012 provides the documentary requirements for all cash advances which includes a Certification from the Accountant that the previous cash advances have been liquidated or properly accounted for in the books. However, the Audit Team confirmed that the Accountant failed to prepare the required certification for every grant of cash advance.

6.9 The lack of internal policy, coupled with the non-preparation of the required Certification from the Accountant, indicates a weak internal control which explains the accumulation of various cash advances to a single person.

6.10 Consequently, Management should consider selecting and designating another employee as disbursing officer to reduce the bulk of transactions that is lodged to the Acting Cashier. If this is not possible due to lack of available personnel, Management may also consider reducing the bulk of cash advances to be handled by the Acting Cashier. Payments to those who are part of the regular monthly payroll may be coursed through their respective payroll ATM accounts. The College may also consider paying the wages of contractual and job order employees through ATM.

6.11 Lastly, we would like to remind the Management that under P.D. No. 1445, an AO who fails to observe the rules on cash advances shall be subjected to the penalties provided under Section 128 of the same law, to wit:

Any violation of the provisions of Sections 67, 68, 89, 106, and 108 of this Code or any regulation issued by the Commission implementing these sections, shall be punished by a fine not exceeding one thousand pesos or by imprisonment not exceeding six (6) months, or both such fine and imprisonment in the discretion of the court. (Emphasis ours)

6.12 In view of the foregoing observations, we recommended that Management:

- a) Designate another AO and properly bond the same to ease the bulk of the transactions under the accountability of the current AO; or**
- b) Consider reducing the volume of cash advances being handled by the Acting Cashier by coursing the payments to regular employees and wages of contractual and job order workers through ATM;**
- c) Ensure that there is a Certification from the Accountant that previous cash advances have been liquidated or accounted for in the books before authorizing the release of grants to AOs; and**

- d) **Formulate its own policies that will monitor and ensure that the grant, utilization, and liquidation of the cash advances are done in a timely manner in accordance with existing rules and regulations.**

Management Comments:

6.13 The VP-AFB raised a concern that the recommendation on the provision of ATM to JO workers may be difficult for those who are not familiar with using ATMs. On the other hand, he informed the Audit Team they will designate another person as special disbursing officer to remove the bulk of transactions accumulated under the accountability of the Acting Cashier.

6.14 The ATL recommended that the College create its own policies and safeguards in ensuring that cash advances are properly accounted for in the books. The VP-AFB informed the Audit Team that there is an on-going review of the draft of the policy on unclaimed salaries beyond the allowable period for claiming.

Audit of Gender and Development (GAD)

7. The Bulacan Agricultural State College (BASC) allocated ₱19,945,050.00 or 7.98% of the total agency budget of ₱249,870,000.00 for CY 2022 for projects and activities related to Gender and Development (GAD) while Actual GAD attributions as per GAD Accomplishment Report amounted to ₱73,975,122.26 or 157.14% of the budgeted amounts in the proposed GAD Plan and Budget (GPB), in accordance with the provisions of Executive Order No. 273 and PCW/NEDA/DBM Joint Circular No. 2012-01.

7.1 Executive Order 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 shall take the lead in the gender mainstreaming in the agency's programs, activities, and projects (PAPs).

7.2 Meanwhile, PCW/NEDA/DBM Joint Circular 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.

7.3 The GAD Plan and Budget (GPB) for CY 2022 of the Bulacan Agricultural State College (BASC) showed that a sum of ₱19,945,050.00 was appropriated for PAPs aimed at Gender and Development (GAD). This amount represents 7.98% of the BASC's total budget of ₱249,870,000, which is compliant with the minimum 5% of the total appropriations as required by law. The budget was distributed to 12 PPAs and two projects with cost attribution, as summarized below:

GAD Activity	No. of PPAs	Agency Approved Budget
Client-focused Activities	6	₱ 117,000.00
Organization-focused Activities	7	416,000.00
Attributed Programs	2	19,412,050.00
TOTAL	15	₱ 19,945,050.00

7.4 Perusal of the draft Annual GAD Accomplishment Report (GAD AR) as submitted to the PCW disclosed that the budgeted GAD amount increased from ₱19,945,050.00 to ₱47,075,425.31 or 18.84% of the total agency appropriations for the year. The number of PPAs also increased from 14 PPAs and two project attributions, to 20 PPAs and four project attributions. This was due to revisions made to the GPB as a result of gender assessments made using the Harmonized Gender and Development Guidelines (HGDG) tool. Comparison of PPAs between the GPB and the GAD AR revealed that some of the planned PPAs were broken down into several programs which are more detailed and addressed towards gender-specific areas.

7.5 On the other hand, actual expenditures attributed to GAD for CY 2022 exceeded the total budget by 157.14%, or ₱73,975,122.26, summed up as follows:

GAD Activity	No. of PPAs	Agency Approved Budget
Client-focused Activities	8	₱ 117,000.00
Organization-focused Activities	12	416,000.00
Attributed Programs	4	19,412,050.00
TOTAL	24	₱ 19,945,050.00

Note: The GADAR presented to the Audit Team is still subject to review and approval of the PCW as of this writing.

7.6 Review of the individual PPAs showed that, out of the 20 planned projects and activities for GAD during the year, 15 were fully accomplished while five were marked “Partially Done.” The five non-completed PPAs, along with the reasons for the partial accomplishment, are the following:

	GAD Activity	Target	Accomplishment	Approved Budget	Actual Expenditures	Reasons for Partial Accomplishment
1	Project GRACE (Gender-Responsive Activities for Cooperatives' Enhancement)	At least 4 seminars/training conducted At least 50% of invited clients attended	4 seminars were conducted 21/25 Maunlad Farmers MPC 32/25	₱140,000.00	₱ 22,737.50	Not all cooperative members attended the Orientation Seminar. Other members have issues

	GAD Activity	Target	Accomplishment	Approved Budget	Actual Expenditures	Reasons for Partial Accomplishment
			Bubulong Malaki Vegetable Growers MPC and 11/25 Sunday Farmers Cooperative			regarding their role as the primary care giver. Absence of venue in Bubulong Malaki. Members' notion on GAD as additional burden to Cooperatives. Reassignment of CDA Officials.
2	KaaGADpay: Gender Sensitivity Trainings and other GAD-related Activities for BASC External Clients	<p>At least 50% of invited clients attended</p> <p>At least 3 GAD Related Seminars and Training with GFPS members serving as Resource Persons.</p> <p>At least 10% of GFPS served as RP for GAD Related Seminars and Training</p> <p>At least 1 GFPS member undergone PCW Accreditation as GAD Resource Person</p>	<p>85 teachers, 25 construction workers, 25 MOMS, 9 volunteers & 92 youth attended</p> <p>7 GAD Related Seminars were conducted with GFPS members served as RP</p> <p>16% of GFPS members served as RP</p> <p>1 GFPS Member prepared documents for NGRP Accreditation but failed to submit due to</p>	53,650.00	20,865.00	No external client availed of KaaGADpay, so the GAD Office requested GFPS member who have contacts e.g. DepEd or other organized group and brought the project closer to the community.

	GAD Activity	Target	Accomplishment	Approved Budget	Actual Expenditures	Reasons for Partial Accomplishment
			insufficient credentials			
3	Observance of International Men's Day (November 19)	At least 55% of male employees and students participated in the activities.	No major activity was carried out.	10,000.00	4,174.85	No major activity was carried out. However, GAD Bulletin board and BASC-GAD Page were updated showing positive male figure to celebrate International Men's Day.
4	Establishment and capacitation of committee to review policies & issuances for gender responsiveness	At least 75% of committee members attended training for gender responsiveness At least 50% of existing policies & issuances are reviewed	100% committee members attended mandated GAD training No policies were reviewed	10,000.00	0.00	A Policy Review Committee was created but no activity was done.
5	Creation of BASC GAD Guidelines for gender mainstreaming	100% Completed BASC GAD Manual At least 5 copies reproduced.	100% Completed BASC GAD Manual but not yet approved by BOT 5 copies were reproduced for experts review	10,000.00	18,105.00	Completed but still under review. Salary of the GAD Director multiplied by 5 days for sending Draft Manual to Reviewer was attributed.
TOTAL				₱223,650.00	₱ 65,882.35	

7.7 Further, the Audit Team identified that Attributed Programs in the GPB were also amended in the GAD AR. According to the GAD Focal Person, the changes were based on the results of gender assessments made using the HG DG tool. The attributed programs are as follows:

GAD Plan and Budget				GAD Accomplishment Report		
	<i>Attributed Program</i>	<i>Budget</i>	<i>Actual</i>	<i>Attributed Program</i>	<i>Budget</i>	<i>Actual</i>
1	Solar-Powered 4-storey 20 classrooms Academic Building	₱18,737,500.00	-	Upgrading of Five Units of Greenhouses at BASC College of Agriculture Campus and One Unit at BASC DRT Campus to Automated Greenhouse	₱13,485,000.00	₱25,875,000.00
2	Repair and Maintenance of 3-storey IED Building	674,550.00	-	3R CoViD-Program: Response, Resilience, Relief in Times of CoViD Pandemic	2,740,823.86	6,278,461.70
3				BASC Faculty and Employees Association Learning and Wellness Program	410,951.45	559,503.75
4				Construction of Four-Storey Veterinary Medicine Building with Training Laboratory including Acquisition of Equipment	29,250,000.00	38,812,500.00
	TOTAL	₱19,412,050.00			₱45,886,775.31	₱71,525,465.45

7.8 Overall, the Audit Team observed that the BASC displayed continued advancement in its compliance with the GAD Mandate. The use of the HGDG tool in identifying and assessing the PPAs to be attributed to GAD, particularly on the preparation of GAD AR, resulted to marked improvements in the College's formulation and attribution of programs and activities geared towards gender-responsiveness.

7.9 We recommended that the College President require the GAD Focal Person to:

- a) **Maintain substantial compliance with the GAD mechanisms and processes in accordance with 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**

- b) Continue to carefully plan and develop PPAs which are doable and attainable even in circumstances that hamper the attainment of plans and goals.

Management Comments:

7.10 The College President expressed its appreciation to the Audit Team for raising the positive performance of BASC on the implementation of projects for GAD and assured that the existing rules and regulations for GAD will be consistently followed.

Status of Suspensions, Disallowances and Charges (SASDC)

8. As of December 31, 2022, the College had unsettled audit disallowances totaling ₱1,389,859.39.

8.1 As of year-end, the balance of the unsettled disallowances amounted to ₱1,389,859.39, arrived at as follows:

Notices	Beginning Balance (As of December 31, 2021)	This period (January 1 to December 31, 2022)	Settlement this period (January 1 to December 31, 2022)	Ending Balance (As of December 31, 2022)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	1,651,581.38	0.00	261,721.99	1,389,859.39
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱1,651,581.38	₱ 0.00	₱ 261,721.99	₱1,389,859.39

8.2 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 ₱1,389,859.39 as of year-end pertains to the individual audit disallowances of persons currently employed with the College.

8.3 We recommended that Management (a) require the immediate settlement of the disallowed claims that have become final and executory; and (b) 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:

8.4 The Accountant informed the Audit Team that the relevant documents related to the disallowed transactions for the request for installment payment scheme have been finalized and will be transmitted to the Legal Department of COA Central Office.