

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. **The accuracy of the balances of the Property, Plant and Equipment (PPE) accounts with a total carrying amount of ₱649.704 million as of December 31, 2023 remained unreliable due to: (a) inclusion of unserviceable items with a total carrying amount of ₱39,435.10; and (b) unreconciled difference between the accounting and property records aggregating to ₱12.424 million, contrary to the provisions of Section 79 of Presidential Decree No. 1445, Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and COA Circular No. 2022-004 dated May 31, 2022.**

- 1.1 Verification of Property, Plant and Equipment (PPE) accounts showed that the reported balances as of December 31, 2023 remained doubtful despite efforts by the BASC to comply with the recommendations in prior years' audit reports.

a) Idle, obsolete and unserviceable PPE not derecognized - ₱39,435.10

- 1.2 Perusal of the Inventory and Inspection Report of Unserviceable Properties (IIRUP) as prepared by the Property Officer disclosed that unserviceable properties with a total carrying value of ₱39,435.10 (Annex A) are not yet disposed and derecognized in the books as of year-end. The same items were already identified as unserviceable in the previous year.

- 1.3 According to the Property Officer, the items are already listed in the IIRUP for disposal. However, the proceedings have not yet started as of year-end.

- 1.4 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

- 1.5 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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1.6 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)

1.7 The continued inclusion of idle, obsolete and unserviceable items in the books rendered the reported PPE balances to be overstated by their carrying amounts since they no longer qualify as assets as at December 31, 2023. Moreover, the delay in the disposal of these properties shall further diminish their residual value due to prolonged exposure to natural elements, and the storage space they occupy could have been used for other purposes.

c) Unreconciled discrepancy between the Accounting and Property records – ₱12.424 million

1.8 As reiterated from previous annual audit reports, comparison of the reported General Ledger balances of PPE accounts with the General Inventory Report (of Property, Plant and Equipment (GIR-PPE) submitted by the Property Officer as of December 31, 2023 revealed a discrepancy aggregating to ₱12.424 million, excluding the Construction in Progress accounts, as presented below (please refer to Annex B for the details):

Account Classification	Balances as of December 31, 2023 (in ₱)		
	Accounting Unit	Property Records	Difference
Land	149,430,284.00	149,430,284.00	0.00
Land Improvements	23,907,940.84	23,907,940.84	0.00
Infrastructure Assets	2,955,718.00	3,072,018.00	(116,300.00)
Buildings and Other Structures	542,235,606.33	529,223,686.17	13,011,920.16
Machinery and Equipment	63,697,305.05	64,093,909.05	(396,604.00)
Transportation Equipment	14,315,515.40	14,342,015.40	(26,500.00)
Furniture and Fixtures	6,509,806.18	6,558,364.10	(48,557.92)
Other PPE	2,032,365.20	2,032,365.20	0.00
TOTAL	805,084,541.00	792,660,582.76	12,423,958.24

1.9 There is an ongoing reconciliation between the accounting and property records to establish the details of the discrepancies. However, we have noted that the unreconciled balances significantly increased in CY 2023 by ₱12.049 million compared to the previous year. Further verification showed discrepancies arising from several transactions and adjustments which were drawn in the accounting books during the year but were not reflected in the Property Records, to wit:

JEV No.	Particulars	Amount (in ₱)	PPE Account(s) Affected
23-06-282	Adjustment in Furniture and Fixtures account	46,357.92	Furniture and Fixtures (decrease)
23-06-283	Adjustment in Technical and Scientific Equipment account	59,550.00	Technical and Scientific Equipment (decrease)
23-12-688	Correcting entry made per JEV No. 23-10-992 for the construction of deep well and water tank for Veterinary Medicine Building	866,730.00	School Buildings (increase) Buildings (decrease)
23-12-678	Installation of Electrical System in the 4-Storey Veterinary Medicine Building	908,000.00	School Buildings (increase)
23-12-679	Equipment in the 6-Unit Automated Greenhouse (5 units Main Campus and 1 unit in DRT Campus including Solar Power)	11,842,852.00	Other Structures (increase)
23-12-619	Ground improvement of the 6 Greenhouses	261,068.16	Other Structures (increase)

- 1.10 We further noted that the adjusting entries referred to above were drawn to correct the deficiencies that were observed in the previous year's Annual Audit Report regarding inclusion of semi-expendable items in the PPE accounts. However, it appears that the adjustments were only reflected on the accounting books but not on the property records, as exemplified in the ₱0.677 million semi-expendable items still treated as PPE items in the property records. This 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

The details are presented in the attached schedule marked as Annex C.

- 1.11 The Property and Supply Officer explained that she was not given a copy of the Journal Entry Vouchers (JEVs) adjusting the said properties from PPE to Semi-Expendable inventory. As such, she was not able to make the proper adjustments in the property records.
- 1.12 The continued misclassification of semi-expendable items caused a difference of ₱0.677 million between the Accounting and Property records as at December 31, 2023.
- 1.13 Similarly, Section 42, Chapter 10 of GAM for NGAs, Volume I provides:

The Chief Accountant shall maintain the PPELC for each category of PPE including work and other animals, livestock etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with the PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like PAR.

- 1.14 In conclusion, the unreconciled balances between accounting and property records cast doubt on the accuracy and reliability of the reported PPE account balances in the financial statements as of December 31, 2023 amounting to ₱649.704 million.
- 1.15 **We recommended that Management undertake the following courses of action:**
- a) **Instruct the Property Officer to facilitate the immediate disposal of idle, obsolete and unserviceable properties. Be guided by the provisions of COA-DBM Joint Circular No. 2024-1 dated January 30, 2024 or the Revised Manual on Disposal of Government Properties;**
 - b) **Direct the Accountant and the Property Officer to expedite the reconciliation of their records for PPE accounts and adjust the books of accounts and property records once the results have been established;**
 - c) **Direct the Property Officer to properly re-classify in the relevant records and reports the PPE items which are valued below the threshold of ₱50,000.00 to their respective Semi-Expendable Inventory accounts to reconcile the ₱0.677 million items as semi-expendable in both accounting and property records; and**
 - d) **Instruct the Accounting and Property Offices to coordinate in the recording of acquisitions, adjustments and disposals of properties in order to reflect the correct account balances in their respective records.**
- 1.16 During the exit conference, the Accountant and the Property and Supply Officer informed the Audit Team that the differences identified between Accounting and Property records have been reconciled.
- 1.17 Regarding the unserviceable items, the Procurement Officer said that these are already scheduled for auction since November 2023 but they were not able to find a bidder that satisfies the terms of the auction. After more than two failed biddings, the College has resorted to negotiated auction. As of the date of the exit conference, the said items have already been disposed. The College has provided the Audit Team with copies of the disposal documents.
- 1.18 Regarding the unreconciled variances, the Property and Supply Officer explained that the huge discrepancy was due to the mismatched classification of buildings between Accounting and Property records. As of date of the exit conference, the respective records have been reconciled.
2. **Buildings and Other Structures being held for rent/lease with a total carrying value of ₱30.431 million were not recognized as Investment Property in the books, contrary to International Public Sector Accounting Standards (IPSAS) 16 and Chapter 9 of the Government Accounting Manual for National Government Agencies (GAM for NGAs), Volume I, thus, understating the Investment Property and Accumulated Depreciation – Investment Property accounts by ₱42.757 million and ₱12.326 million, respectively, and overstating the corresponding**

Property, Plant and Equipment (PPE) and Accumulated Depreciation accounts with the same amount.

- 2.1 International Public Sector Accounting Standards (IPSAS) 16 defines Investment Property (IP) as, *property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for (a) Use in the production or supply of goods or services or for administrative purposes; or (b) Sale in the ordinary course of operations.*
- 2.2 Corollary to this, Chapter 9 of Volume I of the Government Accounting Manual for National Government Agencies (GAM for NGAS) prescribes the standards, policies, procedures and guidelines in accounting for IP under IPSAS 16. Under Section 2(f), Investment Property is defined as, *a property (land or buildings-or part of a building-or both) held to earn rentals, or for capital appreciation or both. It is not held for use in the production or supply of goods or services, for administrative purposes, or sale in the ordinary course of business.*
- 2.3 Section 3, Chapter 9 of the said Manual lists down examples of properties that are considered as IP, viz.:
- a. *Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;*
 - b. *Land held for a currently undetermined future use;*
 - c. *A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases on a commercial basis;*
 - d. *A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;*
 - e. *Property that is being constructed or developed for future use as IP; and*
 - f. *Significant portion of a property that is held to earn rentals or for capital appreciation rather than to provide services, and insignificant portion that is held for use in the production or supply of goods or services or for administrative purposes. (emphasis supplied)*
- 2.4 Lastly, Section 5 of the same Chapter identifies the criteria for recognition of assets as IPs, as quoted below:
- “Sec. 5. Criteria for Recognition. IP shall be recognized as an asset when, and only when:*
- a. *It is probable that the future economic benefits or service potential that are associated with the IP will flow to the entity; and*
 - b. *The cost or fair value of the IP can be measured reliably.*
- 2.5 Perusal of the BASC Income Generating Projects (IGP) Manual disclosed that the following College facilities under the Office of Business Affairs are listed down for rent or lease as of December 31, 2023:
1. Gymnasium;
 2. Covered Court;
 3. Farmers Training Hall;

4. BASC College Hostel (old);
5. BASC College Hostel (new);
6. Cayetano Hall;
7. College Dormitory and Business Center;
8. BASC Food Court;
9. BASC Restaurant;
10. Piggery (operations suspended in CY 2023 due to Asian Swine Flu epidemic);
11. Layer Poultry House (operations suspended in CY 2023 but will resume once a new project commences)

2.6 Verification of the PPE accounts revealed that the properties for which entire facilities are being held for rent/lease to generate income for the College were not recognized in the books as Investment Property. This is not in accordance with the accounting standards set forth by IPSAS 16 and Chapter 9 of Volume I of the GAM for NGAs. The carrying values of the said assets as of December 31, 2023 are as follows:

Fund	Account Name	Particulars of Property	Cost (in ₱)	Accumulated Depreciation/ Impairment as of December 31, 2023 (in ₱)	Carrying Value as of December 31, 2023 (in ₱)
164	Other Structures	Gymnasium	5,000,000.00	2,412,500.00	2,587,500.00
164	Other Structures	Covered Court	2,866,049.54	544,549.68	2,321,499.86
101	School Buildings	Farmers Training Hall	19,999,853.20	4,699,965.00	15,299,888.20
164	Other Structures	Cayetano Hall	3,800,000.00	1,244,500.00	2,555,500.00
164	Buildings	BASC Food Court	478,336.32	100,450.56	377,885.76
164	Other Structures	BASC Restaurant	971,854.00	166,699.65	805,154.35
164	Other Structures	Piggery	2,066,604.13	119,977.88	1,946,626.25
164	Other Structures	Layer Poultry House	241,955.00	217,759.50	24,195.50
	TOTAL		35,424,652.19	9,506,402.27	25,918,249.92

2.7 Since the above properties are intended to earn revenues through rental or lease payments, the cost and corresponding accumulated depreciation should be recognized as Investment Property instead of the respective PPE accounts where they are currently classified.

2.8 In addition, we have verified that certain facilities of the new BASC College Hostel and College Dormitory are being held for rental/lease. However, the full carrying amounts of the said properties were recognized in the books as School Buildings and Other Structures, respectively, even if parts of the said structures are designated as IGP. Presented below are the carrying values of the said properties as of December 31, 2023 and the corresponding percentages allotted as IGP:

Fund	Account Name/ Particulars of Property	Actual Use	Cost (in ₱)	Accumulated Depreciation/ Impairment as of 12/31/2023 (in ₱)	Carrying Value as of 12/31/2023 (in ₱)	% of PPE's value allotted as IGP
164	School Buildings - BASC College Hostel (old)	One room converted as leased space	866,090.24	219,409.92	646,680.32	25%
164	School Buildings - BASC College Hostel	Hostel is for rent, but the Function Hall has been converted to Auxiliary Services Office	4,704,319.20	1,246,644.60	3,457,674.60	75%
101	Other Structures - College Dormitory & Business Center	Dormitory and Business Center stalls are for rent, but some rooms are reserved for the free use of varsity players	7,176,307.00	3,659,917.08	3,516,389.92	50%
	TOTAL		12,746,716.44	5,125,971.60	7,620,744.84	

2.9 Since a portion of the said properties is being leased to earn income, the leased portion should have been recognized as Investment Property instead of the respective PPE accounts. Given the above information, the amounts that should be reclassified to Investment Property and its corresponding Accumulated Depreciation are computed as follows:

Fund	Account Name	Particulars of Property	Cost of Property allotted for IGP (in ₱)	Accumulated Depreciation of portion allotted for IGP as of 12/31/2023 (in ₱)	Carrying Value of Portion Allotted for IGP as of 12/31/2023 (in ₱)
164	School Buildings	BASC College Hostel (old)	216,522.56	54,852.48	161,670.08
164	School Buildings	BASC College Hostel	3,528,239.40	934,983.45	2,593,255.95
161	Other Structures	College Dormitory & Business Center	3,588,153.50	1,829,958.54	1,758,194.96
	TOTAL		7,332,915.46	2,819,794.47	4,513,120.99

2.10 The non-recognition of the said properties as IP which were designated as IGPs rendered the Investment Property and Accumulated Depreciation – Investment Property account balances as of December 31, 2023 to be understated by ₱42.757 million and ₱12.326 million, respectively. Consequently, the corresponding PPE and Accumulated Depreciation accounts are deemed overstated by the same amounts of the assets being leased out to external parties.

- 2.11 Considering the above circumstances, the Audit Team suggests the following adjusting Journal Entries:

For Fund 101:

	<u>Debit</u>	<u>Credit</u>
Investment Property	₱19,999,853.20	
Accumulated Depreciation – Buildings	4,699,965.00	
Buildings		₱19,999,853.20
Accumulated Depreciation – Investment Property		4,699,965.00

To recognize properties designated as IGPs to Investment Property and reclassify the respective PPE and Accumulated Depreciation accounts where they were initially recognized.

For Fund 164:

	<u>Debit</u>	<u>Credit</u>
Investment Property	₱19,169,560.95	
Accumulated Depreciation – Buildings	100,450.56	
Accumulated Depreciation – School Buildings	989,835.93	
Accumulated Depreciation – Other Structures	4,705,986.71	
Buildings		₱ 478,336.32
School Buildings		3,744,761.96
Other Structures		14,946,462.67
Accumulated Depreciation – Investment Property		5,796,273.20

To recognize properties designated as IGPs to Investment Property and reclassify the respective PPE and Accumulated Depreciation accounts where they were initially recognized.

For Fund 161:

	<u>Debit</u>	<u>Credit</u>
Investment Property	₱ 3,588,153.50	
Accumulated Depreciation – Other Structures	1,829,958.54	
Other Structures		3,588,153.50
Accumulated Depreciation – Investment Property		1,829,958.54

To recognize properties designated as IGPs to Investment Property and reclassify the respective PPE and Accumulated Depreciation accounts where they were initially recognized.

- 2.12 **The Audit Team recommended that Management:**
- a) **Require the Accountant to make the necessary adjusting entries for proper recognition of the assets intended for Income Generating Projects to Investment Property and Accumulated Depreciation – Investment Property, and accordingly reclassify the same from the affected Property, Plant and Equipment and Accumulated Depreciation accounts; and**
 - b) **Ensure that all properties intended to earn revenue shall be recognized as Investment Property in adherence with International Public Sector Accounting Standards (IPSAS) 16 and Chapter 9 of the Government Accounting Manual for National Government Agencies (GAM for NGAs).**
- 2.13 The Accountant informed the Audit Team that she has prepared the Journal Entry Voucher (JEV) to reclassify the Buildings and Structures identified as Investment Property. A copy of the JEV has been provided to the Audit Team.
3. **The accuracy of the year-end account balances of Inventories in the financial statements as of December 31, 2022 amounting to ₱44.080 million could not be ascertained due to: (a) inclusion of already-issued semi-expendable properties with a total carrying value of ₱38.915 million, contrary to Section 10, Chapter 8 of Government Accounting Manual for National Government Agencies (GAM for NGAs), Volume I, thereby overstating the Semi-Expendable Inventories accounts by the same amount; and (b) a discrepancy in the balances between the accounting and property records aggregating to ₱51.753 million which remained unreconciled as of year-end.**
- 3.1 The reported balances of Inventories accounts of BASC as of December 31, 2023 is as follows:

Account Title	Balance as of 12/31/2023 (in ₱)
<i>Inventory Held for Consumption -</i>	
Office Supplies Inventory	1,262,447.26
Accountable Forms Inventory	0.00
Textbooks and Instructional Materials Inventory	1,502,486.85
Other Supplies and Materials Inventory	2,400,688.06
Sub-total	5,165,622.17
<i>Semi-Expendable Property -</i>	
Semi-Expendable - Machinery	116,015.00
Semi-Expendable - Office Equipment	6,405,205.46
Semi-Expendable - Information and Communication Technology	13,642,841.17
Semi-Expendable - Agricultural and Forestry Equipment	1,397,533.47
Semi-Expendable - Communication Equipment	4,220,694.49
Semi-Expendable - Disaster Response and Rescue Equipment	34,476.00
Semi-Expendable - Medical Equipment	177,444.50
Semi-Expendable - Sports Equipment	1,118,259.50
Semi-Expendable - Technical and Scientific Equipment	1,360,335.27

Account Title	Balance as of 12/31/2023 (in ₱)
Semi-Expendable - Other Equipment	1,238,935.95
Semi-Expendable - Furniture and Fixtures	4,984,476.69
Semi-Expendable - Books	4,218,542.41
Sub-total	38,914,759.91
TOTAL	44,080,382.08

- 3.2 The Inventory of Semi-Expendable Property as of December 31, 2023 showed that all of the semi-expendable properties owned by BASC have been issued to the respective end-users.
- 3.3 In addition, verification of the Inventory and Inspection Report of Unserviceable Semi-Expendable Property (IIRUSP) submitted by the Property and Supply Officer revealed that Semi-Expendable inventory items which are actually found in the stock room with a total carrying value of ₱0.681 million pertain to unserviceable inventory and semi-expendable items which are due for disposal. The unserviceable items are summarized below:

Account Title	Amount (in ₱)
Semi-Expendable - Office Equipment	114,316.75
Semi-Expendable - Information and Communication Technology	339,931.50
Semi-Expendable - Agricultural and Forestry Equipment	8,000.00
Semi-Expendable - Communication Equipment	87,236.00
Semi-Expendable - Technical and Scientific Equipment	21,660.00
Semi-Expendable - Other Equipment	5,215.00
Semi-Expendable – Furniture and Fixtures	80,897.52
Other Supplies and Materials	23,808.95
TOTAL	681,065.72

- 3.4 According to 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. Given that premise, there should be no balance of Semi-Expendable Inventory accounts at year-end. The issued tangible items, particularly those acquired prior to CY 2022, should have been expensed as prescribed in Section 4.3 of COA Circular No.2022-004, viz.:

For issued tangible items acquired prior to CY 2022 with amounts from ₱15,000.00 to below ₱50,000.00 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 Entity for LGUs.*

- b. *The corresponding accumulated depreciation and accumulated impairment loss shall be closed in the books of accounts.*

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- 3.5 The Accountant explained that the reason why she has not recognized as expense the semi-expendable items in the books despite their issuance to the end-users is that she was not provided with copies of the Inventory Custodian Slips (ICSs). Meanwhile, according to the Property and Supply Officer, the said semi-expendable items refer to equipment, etc. which were already issued from a long time ago but the end-users have not signed the updated Property Acknowledgment Receipts (PARs), claiming that they don't have the items anymore, or those items are already assigned to someone else. However, they were not able to present any proof, such as Transfer Forms, as evidence that the items are not under their accountability anymore. As a remedy, the Property Office will conduct actual physical count of these items to establish their existence and accountability.
- 3.6 In effect, the failure to recognize the issued semi-expendable items as expenses rendered the reported balances of Semi-Expendable Inventory accounts in the year-end financial statements to be overstated by ₱38.915 million.
- 3.7 Meanwhile, comparison of accounting records against the property records showed a net difference of ₱51.753 million, as summarized below:

Account Title	Balance as of December 31, 2023 (in ₱)		Difference (in ₱)
	Property Records	Accounting Records	
Office Supplies Inventory	1,251,365.83	1,262,447.26	(11,081.43)
Accountable Forms Inventory	0.00	0.00	0.00
Textbooks and Instructional Materials Inventory	1,831,900.85	1,502,486.85	329,414.00
Other Supplies and Materials Inventory	5,051,265.96	2,400,688.06	2,650,577.90
Semi-Expendable - Machinery	116,015.00	116,015.00	0.00
Semi-Expendable - Office Equipment	11,248,965.98	6,405,205.46	4,843,760.52
Semi-Expendable - Information and Communication Technology	33,629,307.28	13,642,841.17	19,986,466.11
Semi-Expendable - Agricultural and Forestry Equipment	3,386,486.97	1,397,533.47	1,988,953.50
Semi-Expendable - Communication Equipment	6,679,294.45	4,220,694.49	2,458,599.96
Semi-Expendable - Disaster Response and Rescue Equipment	196,633.50	34,476.00	162,157.50
Semi-Expendable - Medical Equipment	269,622.80	177,444.50	92,178.30
Semi-Expendable - Sports Equipment	1,374,798.50	1,118,259.50	256,539.00

Account Title	Balance as of December 31, 2023 (in ₱)		Difference (in ₱)
	Property Records	Accounting Records	
Semi-Expendable - Technical and Scientific Equipment	3,930,194.27	1,360,335.27	2,569,859.00
Semi-Expendable - Other Equipment	3,682,381.85	1,238,935.95	2,443,445.90
Semi-Expendable - Furniture and Fixtures	17,581,052.12	4,984,476.69	12,596,575.43
Semi-Expendable - Books	5,604,423.41	4,218,542.41	1,385,881.00
TOTAL	95,833,708.77	44,080,382.08	51,753,326.69

3.8 The Property and Accounting Offices have been exerting efforts to reconcile their respective records, in consonance to the previous year's audit recommendations. However, despite the efforts of the two offices, the variance between general ledger and property balances significantly increased from ₱1.360 million in CY 2022 to ₱51.753 million in CY 2023. The continued inability to resolve this matter casts doubt on the accuracy and reliability of the reported amounts in the financial statements as of December 31, 2023.

3.9 **We recommended that Management:**

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

For Fund 101:

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	₱10,641,393.05	
Semi-Expendable - Machinery		₱ 8,790.00
Semi-Expendable - Office Equipment		1,836,179.43
Semi-Expendable - Information and Communication Technology		2,040,217.06
Semi-Expendable - Agricultural and Forestry Equipment		572,097.47
Semi-Expendable - Communication Equipment		2,794,023.39
Semi-Expendable - Disaster Response and Rescue Equipment		20,614.00
Semi-Expendable - Medical Equipment		94,550.00

	<u>Debit</u>	<u>Credit</u>
Semi-Expendable - Sports Equipment		106,500.00
Semi-Expendable - Technical and Scientific Equipment		101,371.77
Semi-Expendable - Other Equipment		491,457.30
Semi-Expendable - Furniture and Fixtures		1,545,615.57
Semi-Expendable - Books		1,029,977.06

To recognize the adjustment on the semi-expendable property accounts to Accumulated Surplus

For Fund 164:

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	P28,053,816.86	
Semi-Expendable - Machinery		P 107,225.00
Semi-Expendable - Office Equipment		4,569,026.03
Semi-Expendable - Information and Communication Technology		11,602,624.11
Semi-Expendable - Agricultural and Forestry Equipment		605,886.00
Semi-Expendable - Communication Equipment		1,426,671.10
Semi-Expendable - Disaster Response and Rescue Equipment		13,862.00
Semi-Expendable - Medical Equipment		82,894.50
Semi-Expendable - Sports Equipment		1,011,759.50
Semi-Expendable - Technical and Scientific Equipment		1,258,963.50
Semi-Expendable - Other Equipment		747,478.65
Semi-Expendable - Furniture and Fixtures		3,438,861.12
Semi-Expendable - Books		3,188,565.35

To recognize the adjustment on the semi-expendable property accounts to Accumulated Surplus

For Fund 161:

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	₱ 219,550.00	
Semi-Expendable - Agricultural and Forestry Equipment		₱ 219,550.00

To recognize the adjustment on the semi-expendable property accounts to Accumulated Surplus

- b) **Direct the Accountant and the Supply Unit to continue exerting efforts to reconcile the accounting and property records and to adjust the books of accounts and property records, as warranted, once the results have been established accordingly.**
- 3.10 Regarding the discrepancy between accounting and property records, the Accountant averred that the discrepancy is due to the lack of supporting documents for her to recognize the transactions. Also, there is difficulty in coordinating between Property and Accounting Offices because the submission of Inventory Custodian Slip (ICS) is being made individually by Property Office personnel to the Accounting Office instead of submitting a consolidated ICS. The Audit Team suggested to prepare a consolidated ICS every month for easier recording of issuances of supplies, materials and semi-expendable equipment. The Property and Supply Officer assured the team that they are exerting efforts to establish the existence of these properties and update their records.
4. **Receivables totaling ₱2.460 million remained dormant or non-moving in the books of accounts for 10 years or more as of December 31, 2023, casting doubt on the accuracy and reliability of the account balances totaling ₱3.295 million and affecting the fair presentation of the financial statements as at year-end.**
- 4.1 Section 5.7 of COA Circular No. 2016-005 dated December 19, 2016 defines Dormant Receivable Accounts 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.* In accordance with Sections 6.1, 7.1 and 7.4 of the said Circular, the Management may request the write-off of the dormant receivables provided all the requisites in the writing-off of accounts are satisfied, to wit:
- 6.1 All government entities shall conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable and that cash advances and fund transfers are liquidated within the prescribed period depending upon their nature and purpose;*
- 7.1 Conduct regular and periodic verification, analysis and validation of the existence of the receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable offices (Regular and Special Disbursing Officers, Collecting Officers, Cashiers) and the source and implementing government entities concerned;*

7.4 Prepare aging of dormant receivables, unliquidated cash advances, and fund transfers on a quarterly basis to support the request for write-off, and indicate in the remarks column the existence of the applicable conditions, as follows:

- a. Absence of records or documents to validate/support the claim and/or unreconciled reciprocal accounts;
- b. Death of the accountable officer/employee/debtor;
- c. Unknown whereabouts of the accountable officer/employee/debtor, and that he/she could not be located despite diligent efforts to find him/her;
- d. Incapacity to pay or insolvency;
- e. Exhaustion of all possible remedies by the Management to collect the receivables and to demand liquidation of cash advances and fund transfers;
- f. No pending case in court involving the subject dormant accounts.

4.2 Relative to these regulations, COA Circular No. 2023-008 dated August 17, 2023 prescribes the guidelines and procedures on the proper disposition of dormant accounts in order to fast track the cleansing of dormant accounts of government agencies for the fair presentation of accounts in the financial statements.

4.3 Verification of the Receivable accounts with a total balance of ₱3.295 million as of December 31, 2023 revealed the inclusion of dormant receivables which have been outstanding for more than 10 years aggregating to ₱2.460 million, or 67.85 per cent of the total amount. The balance is broken down as follows:

Account Name	Amounts in ₱		% of Dormant Accounts vs. the Total
	Carrying Value as of December 31, 2023	Dormant Accounts as of December 31, 2023	
Accounts Receivable	247,231.46	10,750.00	4.35%
Loans Receivable - Others	3,130,259.51	2,449,200.00	78.24%
Due from NGAs	247,937.95	0.00	
TOTAL	3,625,428.92	2,459,950.00	67.85%

4.4 Perusal of the Aging Schedule of Dormant Receivables as of December 31, 2023 showed that the long-outstanding accounts were spread across 578 debtors with receivables aging from 11 to 20 years, as detailed below:

Nature of Receivable	Account Name	No. of Debtors	AGING OF DORMANT RECEIVABLES (in ₱)				TOTAL
			10 years	11-15 years	16-20 years	More than 20 years	
Organic Fertilizer Loans to Farmers	Accounts Receivable	2	0.00	10,750.00	0.00	0.00	10,750.00
STUFAP Loans to Students	Loans Receivable - Others	386	0.00	1,950,000.00	0.00	0.00	1,950,000.00
SAFE Loans to Students	Loans Receivable - Others	190	0.00	0.00	499,200.00	0.00	499,200.00
TOTAL		578	0.00	1,960,750.00	499,200.00	0.00	2,459,950.00

4.5 Scrutiny of the transactions revealed that these receivables pertain to loans granted to qualified students and farmers under the following programs:

- a. *Organic Fertilizer Loans to Farmers* – funded by CHED-HEDF in 2007, it is a project aimed towards production and promotion of Bio-Organic Fertilizer. The program has been discontinued;
- b. *Student Financial Assistance Program (StuFAP)* – a loan program funded by the Commission on Higher Education (CHED) through Memorandum Order (MO) No. 4 dated January 6, 2004, which aimed to provide easily accessible interest-free student loan programs to financially needy 3rd, 4th and graduating students to the CHED Priority Courses. The loans were granted in 2004;
- c. *Student Financial Assistance Fund for Education (SAFE) Program* – also introduced by CHED through 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. The program commenced in 2008.

4.6 Under these programs, the College shall perform banking functions of lending, as well as collecting payments and interests from the borrowers. The loans shall not be deemed settled until fully paid by the individual borrowers.

4.7 For CY 2023, only ₱33,600.00 of STUFAP Loans were settled, while ₱10,000.00 were fully recovered for the SAFE Loans. As of December 31, 2023, the rates of recovery for STUFAP and SAFE Loans are 28.05 per cent and 20.21 per cent, respectively.

- 4.8 Meanwhile, there was no amount recouped from the outstanding Organic Fertilizer Loans during the year.
- 4.9 In response to the audit recommendations on these long outstanding receivables which have been prevailing in previous years' audit reports, Management has been exhausting all possible efforts to recover these loans. Initiatives such as tracing the current whereabouts of borrowers through social media, sending demand and follow-up letters, and even personal visitations were conducted, to minimal results. Most of the demand letters were returned to the sender due to either the addresses being unknown, or the recipient has relocated. In some cases, the borrowers were contacted successfully but the borrower still failed to settle their outstanding obligations. Management is continuously seeking for alternative courses of action and possible legal remedies in order to recover these loans.
- 4.10 The presence of dormant receivable accounts on the reported balances of Receivable accounts totaling ₱3.295 million cast doubt on the reliability of the accounts, thus, affecting the fair presentation of financial statements as of December 31, 2023.
- 4.11 **The Audit Team recommended that Management continue exhausting all possible action/remedies to collect the dormant receivables. Otherwise, facilitate the request for write off, if warranted, in accordance with COA Circular No. 2016-005 dated December 19, 2016 and submit relevant documents to the Audit Team for validation.**
- 4.12 Management commented that the College is still continuously exerting efforts to trace the debtors and collect the amounts due. Unfortunately, some addresses still cannot be traced and the demand letters they sent were returned, causing additional postage costs to the College. As for the possibility of requesting for a write-off, Management responded that the College is currently in the process of analyzing the feasibility of still seeking to collect the amounts due from the debtors versus requesting for the dormant receivable to be written off, as it seems that collectability of the long outstanding loans is close to impossible.
5. **The reliability of the reported balance of the Due to NGAs account as of December 31, 2023 amounting to ₱17.559 million remained uncertain due to: (a) receipts totaling ₱0.836 million which are incorrectly recognized as payables in the books, contrary to the Government Accounting Manual for National Government Agencies (GAM for NGAs), Volume III, thus overstating the Due to Other NGAs and understating the Revenue/Accumulated Surplus accounts by the same amount; and (b) unexpended fund balances of completed projects totaling ₱1.394 million which are yet to be returned to their sources, inconsistent with Section 4.9 of COA Circular No. 94-013 dated December 13, 1994.**
- 5.1 The reported balance of the Due to NGAs account of the BASC as of December 31, 2023 has a carrying amount of ₱17.559 million, broken down as follows:

Scholarships	₱ 536,325.99
Various Projects	<u>17,023,191.14</u>
TOTAL	<u>₱ 17,559,517.13</u>

- 5.2 Analysis of the account revealed that funds aggregating to ₱0.836 million were amounts received from various transactions that were incorrectly recognized as Due to NGAs, as detailed below:

Fund Source/Project	Particulars	Amount (in ₱)
NAPOCOR	Payment of Right of Way	11,747.33
Goat Upgrading Project	Income from project	120,923.00
NAPOCOR	Payment of Right of Way	524,040.00
Carabao Upgrading Project	Income from project	178,897.60
TOTAL		835,607.93

- 5.3 The Government Accounting Manual for National Government Agencies (GAM for 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.

- 5.4 Given the above description of the account, the funds from these projects should not be recognized as Due to NGAs as they do not refer to amounts received for the delivery of goods/services for the implementation of specific programs or projects which require liquidation of the same to the source agencies. Instead, based on the nature of the receipts, these should have been recorded as Other Income in the books.
- 5.5 The erroneous recognition of the revenues as payables in the books resulted to an overstatement of Due to NGAs and an understatement of Revenue/Accumulated Surplus accounts by ₱0.836 million.
- 5.6 Meanwhile, further verification of the details of the account revealed that unexpended balances of completed projects totaling ₱1.394 million remained in the books of accounts as Due to NGAs. Of the total amount, ₱0.633 million are due for remittance to the Bureau of Treasury (BTR) while funds aggregating to ₱0.761 million need further verification, as detailed on the following table:

Project/Fund Source	Balance as of December 31, 2023 (In ₱)	Remarks
AFNR Project	12,449.07	For remittance to Bureau of Treasury
AGRI Cola	539.25	
Bidani	2,235.77	
Clonal Nursery	200.00	
IRRI	1,403.33	
NCT	418.00	
Praxys Fides	1,496.50	

Project/Fund Source	Balance as of December 31, 2023 (In ₱)	Remarks	
PRRI	1,595.89		
RET DA	78,727.05		
Coffee Production	2,300.00		
Metarhizium Anisoplae - Rice Black Bug	8,325.81		
Combined Tillage	3,500.00		
Flood Prone Areas (Philrice)	31,940.40		
Grain Yield	16,030.00		
CLARRDEC Sales	4,280.00		
FITS Techno. Gabay	16,320.00		
Aerobic Rice R&D Project for Region III	6,753.71		
Bamboo 1st year Operation	26,785.83		
DA-Intensified Aerobic Rice Production (2M)	67,786.50		
DFA RFO 3 (2M)	87,425.83		
DFA RFO 3 (1M)	87,271.24		
DFA RFO 3 (2M) NSIC 192	175,335.35		
TOTAL	633,119.53		
METS - Hybred	4,607.00		For further verification
METS - Inbred	11,267.12		
DA BAR Tech. Integration	311,652.13		
Organic Fertilizer	199,027.81		
Mango Project	234,824.54		
TOTAL	761,378.60		
GRAND TOTAL	1,394,498.13		

5.7 It is worth to mention that of the total unexpended balances which are yet to be returned to their source agencies or to the BTR, a total of ₱177,035.19 pertained to funds which have remained in the books of accounts for several years despite reiterations from previous annual audit reports.

5.8 The failure to liquidate/return the unexpended funds to the source agencies or to the BTR, as the case may be, is contrary to the provisions of 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.*

5.9 **We recommended that Management:**

- a) **Instruct the Accountant to draw adjusting entries to correctly classify the receipts from various sources which were recognized as Due to NGAs to Revenue/Accumulated Surplus. The Audit Team suggests the following entries:**

	Debit	Credit
Due to NGAs	₱835,607.93	
Accumulated Surplus		₱835,607.93

- To derecognize receipts from NAPOCOR, Goat Upgrading Project and Carabao Upgrading Project from Due to NGAs to Revenue/Accumulated Surplus.

- b) Cause the immediate return/liquidation of the unexpended fund balances of completed projects to their respective source agencies or the Bureau of Treasury, as the case may be; and
 - c) Continue exerting efforts to trace the nature and status of unexpended fund balances which need further verification for their proper disposition.
- 5.10 Management informed the Audit Team that they have assigned an Accounting staff (Accountant I) specifically to monitor the transactions under Due to NGAs. The Accountant shall also draw adjusting entries to correct the erroneously recognized transactions.

B. OTHERS

6. Additional Cash Advances were granted to the Accountable Officer (AO) although previous grants were not yet liquidated, contrary to 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 (c), Chapter 6 of Government Accounting Manual (GAM) Volume I. In addition, cash advances of one AO was found in the custody of another AO, contrary to the same Circular.

6.1 Section 89 of P.D. No. 1445 provides the limitations on cash advances; viz:

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 given to him is settled or a proper accounting thereof is made. (Emphasis supplied)

6.2 Likewise, Section 4.1.2. of COA Circular No. 97-002 dated February 10, 1997 is hereby cited:

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 hereof is made.

6.3 The above-cited provision is consistently mentioned in various COA issuances, particularly in Sections 1.1. of COA Circular No. 2012-001 dated June 14, 2012 and 14(c), Chapter 6 of GAM Volume I prescribed for use of all national government agencies through COA Circular No 2015-007 dated October 22, 2015.

- 6.4 Analysis of the grants and liquidations of cash advances of the Cashier showed that additional cash advances were released to her despite the non-liquidation of, or a proper accounting was made on the previous grants.
- 6.5 Moreover, the vouchers pertaining to the grant of cash advance were not supported with a Certification from the Accountant that the previous cash advances have been liquidated and/or accounted for in the books. This is an indispensable documentary requirement for cash advances under COA Circular No. 2012-001 dated June 14, 2012. Further verification showed that the said Certification is among the items included in the checklist of documentary requirements attached to the disbursement vouchers for cash advances. However, this prerequisite before the granting another cash advance was not always complied with. Moreover, there was no indication or supporting evidence that showed that a proper accounting was made on the previous balances before a new cash advance was granted to the AO.
- 6.6 It is worth mentioning that similar observations have been noted in prior years' audit reports but the same deficiencies are observed to be still in practice.
- 6.7 In addition, during the cash count conducted by the Audit Team, we noted that the cash and cash equivalents in the hands of the Cashier exceeded her accountability in the amount of ₱50,700.00. Inquiry and further verification revealed that the said amount actually refers to a cash advance granted to a Special Disbursing Officer (SDO), representing payment of wages of laborer for the repair of staff houses of BASC for the period June 1-15, 2023. However, the amount was being handled by the Cashier at the time of the cash count. This is contrary to the General Guidelines on Cash Advances under COA Circular No. 97-002 dated February 10, 1997 which states that:
- Transfer of cash advance from one Accountable Officer (AO) to another shall not be allowed.*
- 6.8 Further verification disclosed that the said cash advance was merely in the name of the SDO since the Cashier has still unliquidated balances in her accountability and thus, cannot be granted a new cash advance. Since the SDO is a bonded Accountable Officer (AO), she took over the accountability for the said cash advance. However, possession of the cash advance and disbursement of the amount to the respective payees was done by the Cashier.
- 6.9 **We recommended that Management:**
- a) **Strictly refrain from authorizing the release of additional cash advance to the AO unless the previous grants are fully liquidated or a proper accounting thereof was made;**
 - b) **Direct the Accountant to attach the required supporting documents, particularly the Accountant's Certification, in its succeeding grant of cash advances;**
 - c) **Stop the practice of transferring the cash advance from one AO to another;**
and

d) Formulate internal guidelines in the proper accounting of unutilized/unliquidated balances in the possession of the AO in order to address the problem of overlapping cash advances.

6.10 Management informed the Audit Team that last year, the College has designated an additional Disbursing Officer (DO) in order to address the problem of overlapping cash advances. Additional personnel at the Cashier's Office were also designated to act as SDOs. Regarding the overage of ₱50,700.00, they apologized for the lapse as it was not intentional that the cash advance of another AO was left in the custody of the Cashier at the time of cash examination. With the designation of new AOs, the College hopes that the problem of overlapping cash advances will be addressed. The implementation of the recommendations is ongoing.

7. Liquidated damages were not imposed on 27 procurement contracts for goods and services with a total price of ₱1.221 million which were not delivered within the contract period, contrary to Section 68 and Section 3.1, Annex D of the Revised Implementing Rules and Regulations of Republic Act No. 9184.

7.1 Post-audit of disbursement transactions of the College for calendar year 2023 disclosed that 27 procurement contracts for the delivery of various goods and services with total price of ₱1.221 million were not completed within the stipulated delivery period. The delays in delivery ranged from three up to 197 days (please refer to Annex D for the details).

7.2 We further noted that procured items for four contracts were partially delivered before the due date, but completion of the delivery was made beyond the contract period. Meanwhile, there were eight instances where letter requests to the Procuring Entity for extension of delivery period were provided, explaining the reasons for the delay. However, the Audit Team noted that four of these requests were dated after the original delivery date has lapsed. Moreover, the requested period of extension on these four contracts was longer than the initial delivery period.

7.3 Further verification disclosed that no liquidated damages were imposed from the suppliers on these delayed deliveries.

7.4 As a general rule, the supplier/manufacturer/distributor must deliver the goods or perform the services procured within the period prescribed by the Procuring Entity, as specified in the Contract. If delays are likely to be incurred, the supplier/manufacturer/distributor must notify the Procuring Entity in writing. It must state therein the cause/s and duration of the expected delay. The Procuring Entity may grant time extensions, at its discretion, based on meritorious grounds, with or without liquidated damages. In all cases, the request for extension should be submitted before the lapse of the original delivery date. The maximum allowable extension shall be no longer than the initial delivery period as stated in the original contract.

7.5 In this case, the College should have computed and imposed liquidated damages when the suppliers failed to satisfactorily deliver the goods and services within the delivery schedule agreed upon in their contracts. Section 68 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 9184 provides that:

All contracts executed in accordance with the Act and this IRR shall contain a provision on liquidated damages which shall be payable by the contractor in case of breach thereof. For the procurement of Goods, Infrastructure Projects and Consulting Services, the amount of the liquidated damages shall be at least equal to one-tenth of one percent (0.001) of the cost of the unperformed portion for every day of delay. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount of the contract, the Procuring Entity may rescind or terminate the contract, without prejudice to other courses of action and remedies available under the circumstances.

7.6 Section 3.1 of Annex “D” of the RIRR further expounds:

When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity concerned. The procuring entity need not prove that it has incurred actual damages to be entitled to liquidated damages. Such amount shall be deducted from any money due or which may become due to the supplier, or collected from any securities or warranties posted by the supplier, whichever is convenient to the procuring entity concerned. In case the total sum of liquidated damages reaches ten percent (10%) of the total contract price, the procuring entity concerned may rescind the contract and impose appropriate sanctions over and above the liquidated damages to be paid.

7.7 The imposition of liquidated damages will not only compensate the College for the damages/losses which may have been incurred due to the delay in completion of deliveries, but will also make suppliers and contractors more prudent in the timely delivery of procured goods and services.

7.8 **We recommended that Management:**

- a) **Direct the officials concerned to regularly monitor and supervise the timely delivery of goods and services; and**
- b) **Strictly impose sanctions and collect liquidated damages for delayed deliveries as specified in the terms and conditions of the contract, in compliance to the pertinent provisions of Republic Act No. 9184.**

7.9 According to the Procurement Officer, the College has already started imposing liquidated damages to suppliers with delayed deliveries. Also, the Procurement Office has implemented an electronic system for monitoring the timing of deliveries. Personnel were assigned to monitor the dates of receipt of Purchase Order and the dates of delivery of the procured items. When the delivery period is about to lapse, the Procurement Office will inform the supplier right away that liquidated damages will be imposed if they fail to deliver the items and no extension was requested. This system is also available to the whole Procurement Office and the respective end-users so that they may also monitor the status of their procurement requests.

8. The Bulacan Agricultural State College (BASC) allocated ₱19.945 million or 7.98 per cent of the total agency budget of ₱249.870 million for Calendar Year (CY) 2023 for projects and activities related to Gender and Development (GAD). Actual GAD expenditures and attributions as per GAD Accomplishment Report amounted to ₱24.735, or 124.02 per cent 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.
- 8.1 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 per cent (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).
- 8.2 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.
- 8.3 The GAD Plan and Budget (GPB) for CY 2023 of the BASC showed that a sum of ₱19.945 million was appropriated for PAPs aimed at Gender and Development (GAD). This amount represents 7.98 per cent of the College's total budget of ₱249.870 million, which is compliant with the minimum 5 per cent of the total appropriations as required by law.
- 8.4 The GAD budget was distributed to 13 PAPs and two projects with cost attribution, as summarized below:

GAD Activity	No. of PAPs	Agency Approved Budget (in ₱)
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

- 8.5 Perusal of the Annual GAD Accomplishment Report (GAD AR) as submitted to the PCW showed that the actual expenditures attributed to GAD for CY 2023 aggregated to ₱24.735 million or 124.02 per cent of the budgeted amounts per the GPB, summed up as follows:

GAD Activity	No. of PAPs	Amount of Expenditures (in ₱)
Client-focused Activities	6	39,700.00
Organization-focused Activities	7	4,033,290.34
Attributed Programs	2	20,662,994.00
TOTAL	15	24,735,984.84

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

8.6 Review of the individual PAPs showed that, out of the 15 planned projects and activities for GAD during the year, nine were fully accomplished while four were marked “Partially Done.” The four partially-completed PAPs, along with the reasons for the partial accomplishment, are the following:

	GAD Activity	Target	Accomplishment	Approved Budget (in ₱)	Actual Expenses (in ₱)	Reasons for Partial Accomplishment
1	BASC@BASC (Boundless Assemblage for Sustainable Connections at the Bulacan Agricultural State College)	At least 50% of invited clients attended the consultation meetings At least 2 PAPs, with prior consultation among clients, approved for funding Number of MOA/MOU signed for sustainable partnership - At least 2 MOA/MOU signed for sustainable partnership	87% of the invited participants attended 2 Research activities with prior consultation with clients approved for funding No MOA renewed or signed	10,000.00	0.00	Consultation with external clients were successfully conducted. However, due to the busy schedules of both parties, BASC and CDA, the MOA signing was not completed.
2	Project GRACE (Gender-Responsive Activities for Cooperatives Enhancement)	At least 4 seminars/training conducted At least 50% of invited clients attended the seminars/training	No seminar conducted; status report was presented in the Agency In-House Review No clients attended	50,000.00	14,793.15	Due to the busy schedules of both parties, BASC and CDA, the MOA signing was not completed. Thus the planned activities was not carried out. The status report of the project was presented in the Agency In-House Review, it was recommended to be terminated and propose a Phase 2 of the said project. Attributed the salary of the staff during the Leveling Session to GAD.
3	Strengthening of BASC GAD Online Presence	At least 5% increase in visitors/followers of the	27.22% increase in followers and	1,000.00	4,060.35	The KaalaGAD Project was proposed but due to time

	GAD Activity	Target	Accomplishment	Approved Budget (in ₱)	Actual Expenses (in ₱)	Reasons for Partial Accomplishment
		BASC GAD website per year	visitors per year			constraints and data privacy issue, it was not carried out.
4	Gender-Responsive Research Extension, Production and Development (REPD) PAPs	At least 1 gender-responsive KP and IEC material produced At least 30% of existing KP & IEC revised and reviewed to be gender-responsive At least 1 gender-responsive research was conducted	4 IECs were created but not yet copyrighted 1 research for publication No KP and IEC revised 4 GAD researches were completed and 4 on-going	7,000.00	138,510.00	1 GAD Research for Publication (Progress of GM in Agricultural Coops)
	TOTAL			68,000.00	157,363.50	

8.7 Further, we identified that the attributed costs from infrastructure projects increased in the GAD AR compared to the GPB. The attributed programs are as follows:

Attributed Program		Amounts (in ₱)	
		Budget	Actual
1	Solar-Powered 4-Storey 20-Classrooms Academic Building	18,737,500.00	19,895,000.00
2	Repair and Maintenance of the 3-Story IED Building	674,550.00	767,994.00
	TOTAL	19,412,050.00	20,662,994.00

8.8 In summary, the Audit Team observed that the BASC displayed continued advancement in its compliance with the GAD Mandate. The use of the HGDC 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.

8.9 **We recommended that Management 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.

9. Only ₱86.730 million or 13.84 per cent of the total insurable Property, Plant and Equipment in the aggregate amount of ₱626.758 million were covered with insurance as required under Sections 2, 4 and 5 of Republic Act No. 656; thereby exposing the College to the risk of not being indemnified or compensated for any damage to, or loss of its property in case of destruction thereof through fire, flood or other force majeure for insurable properties not covered by insurance.

9.1 Records showed that, out of the total insurable Property, Plant and Equipment (PPE) of BASC in the aggregate amount of ₱626.758 million, only ₱86.730 million or 13.84 per cent were insured with the Government Service Insurance System (GSIS), as presented below:

Insurable Properties	Amount in ₱		
	Cost of Insurable Asset	Not Insured	Insured
BUILDINGS AND STRUCTURES			
Buildings	100,631,358.51	75,841,255.46	24,790,103.05
School Buildings	337,411,669.86	288,944,487.35	48,467,182.51
Other Structures	104,192,577.96	104,192,577.96	0.00
MACHINERY AND EQUIPMENT			
Machinery	124,500.00	124,500.00	0.00
Office Equipment	6,881,461.00	6,881,461.00	0.00
Information and Communication Technology Equipment	11,870,625.00	11,870,625.00	0.00
Agricultural and Forestry Equipment	3,586,360.00	3,586,360.00	0.00
Communication Equipment	3,885,091.48	3,885,091.48	0.00
Medical Equipment	158,500.00	158,500.00	0.00
Technical and Scientific Equipment	11,343,555.09	11,343,555.09	0.00
Other Machinery and Equipment	25,847,212.48	25,847,212.48	0.00
TRANSPORTATION EQUIPMENT			
Motor Vehicles	14,315,515.40	842,700.00	13,472,815.40
FURNITURE, FIXTURES AND BOOKS			
Furniture and Fixtures	6,433,731.18	6,433,731.18	0.00
Books	76,075.00	76,075.00	0.00

Insurable Properties	Amount in ₱		
	Cost of Insurable Asset	Not Insured	Insured
TOTAL	626,758,232.96	540,028,132.00	86,730,100.96
% to Total Insurable Assets		86.16%	13.84%

9.2 Perusal of the List of Buildings and Motor Vehicles submitted to the Audit Team showed the status of insurable PPEs already identified by BASC as of December 31, 2023, summarized as follows:

PPE Classification	STATUS AS OF DECEMBER 31, 2023							
	Insured		Renewal in Process		For Assessment		TOTAL	
	Qty.	Amount (in ₱)	Qty.	Amount (in ₱)	Qty.	Amount (in ₱)	Qty.	Amount (in ₱)
Buildings	3	24,790,103.05	2	10,491,402.00	3	53,324,936.17	8	88,606,441.22
School Buildings	3	48,467,182.51	2	19,492,922.39	7	130,066,785.63	12	198,026,890.53
Other Structures	-	0.00	2	15,096,271.62	1	3,800,000.00	3	18,896,271.62
Motor Vehicles	8	88,606,441.22	-	0.00	-	0.00	8	88,606,441.22
TOTAL	14	161,863,726.78	6	45,080,596.01	11	187,191,721.80	31	394,136,044.59

9.3 The coverage of government properties by insurance is mandated by the following stipulations under Republic Act No. 656, otherwise known as the Property Insurance Law:

- *Section 2. In order to indemnify or compensate the Government as defined in this Act for any damage to, or loss of, its properties due to fire, earthquake, storm, or other casualty there is hereby established the "Property Insurance Fund", which shall consist of all moneys resulting from the liquidation of the insurance constituted in section three hundred forty of the Revised Administrative Code and from premiums and other incomes.*
- *Section 4 of RA 656 describes "Property" which includes vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein, or in buildings rented by the Government, or properties in transit.*
- *Section 5 of Republic Act (RA) 656 provides that every government, except a municipal government below first class, is hereby required to insure its properties, with the Fund against any insurable risk herein provided and pay the premiums thereon, which, however, shall not exceed the premiums charged by private insurance companies.*

9.4 Corollary to this, COA Circular No. 2018-002 dated July 26, 2018 requires all government agencies (except municipal governments below first-class category) to prepare and submit the Property Inventory Form (PIF) to be used as basis for the

- assessment of general insurance coverage of all insurable assets, properties and interests of the government with the GSIS.
- 9.5 With the absence of insurance coverage on some assets, the University would be exposed to risk of not being indemnified in case of destruction, damages to, or loss of its property through fire, flood, theft or other fortuitous events.
- 9.6 **We recommended that Management instruct the Property and Supply Office to:**
- a) **Coordinate with the Accounting Unit to facilitate the identification of insurable properties which are not yet covered by insurance; and**
 - b) **Prepare and submit the updated Property Inventory Form along with the required supporting documents to the GSIS so that the necessary insurance coverage can be obtained from the GSIS property insurance fund.**
- 9.7 The Property and Supply Officer commented that she has prepared an inventory of all properties that are not yet insured and she sought for clarification on whether small structures and fully depreciated buildings should also be insured. The Audit Team replied that, Property Insurance Law requires that all properties, including all the contents of buildings and structures should be insured with the GSIS. What they could do is, in accordance with regulations, to prepare the Property Inventory Report and submit the same to the GSIS for assessment on whether these properties should be insured or not.
- 9.8 The Budget Officer also expressed concerns about the insufficiency of funds available to pay for the insurance premiums as these are not included in the College's appropriations until Fiscal Year 2025.
- 10. The Bulacan Agricultural State College (BASC) 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.**
- 10.1 Revenue Regulation (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.
- 10.2 The Due to BIR account of the BASC showed a year-end balance of ₱2.211 million, consisting of taxes withheld on account of goods and services procured, execution of government infrastructure contracts, and employees' compensation as of December 31, 2023. The matrices per fund showing the amount withheld and remitted in year 2023 are presented below:

Fund 101	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
January	2,052,784.39	508,404.78	2,561,189.17	2,052,784.39	508,404.78
February	508,404.78	707,959.57	1,216,364.35	508,404.78	707,959.57
March	707,959.57	598,956.89	1,306,916.46	707,959.57	598,956.89
April	598,956.89	1,191,454.06	1,790,410.95	599,710.47	1,190,700.48
May	1,190,700.48	1,070,567.79	2,261,268.27	1,190,700.48	1,070,567.79
June	1,070,567.79	2,009,612.71	3,080,180.50	1,069,060.63	2,011,119.87
July	2,011,119.87	767,024.53	2,778,144.40	2,008,972.64	769,171.76
August	769,171.76	674,374.97	1,443,546.73	812,473.09	631,073.64
September	631,073.64	1,411,938.20	2,043,011.84	635,381.91	1,407,629.93
October	1,407,629.93	746,061.11	2,153,691.04	1,403,108.45	750,582.59
November	750,582.59	1,894,246.80	2,644,829.39	765,299.70	1,879,529.69
December	1,879,529.69	2,037,593.17	3,917,122.86	1,878,776.11	2,038,346.75

Fund 164	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
January	501,200.42	113,819.90	615,020.32	753,848.51	(138,828.19)
February	(138,828.19)	287,675.11	148,846.92	113,443.30	35,403.62
March	35,403.62	108,695.71	144,099.33	40,778.16	103,321.17
April	103,321.17	79,310.00	182,631.17	108,903.30	73,727.87
May	73,727.87	104,920.15	178,648.02	75,093.41	103,554.61
June	103,554.61	366,517.85	470,072.46	104,968.15	365,104.31
July	365,104.31	56,712.95	421,817.26	366,821.85	54,995.41
August	54,995.41	84,139.50	139,134.91	57,156.95	81,977.96
September	81,977.96	109,364.31	191,342.27	83,343.50	107,998.77
October	107,998.77	67,852.60	175,851.37	109,364.31	66,487.06
November	66,487.06	115,805.47	182,292.53	67,852.60	114,439.93
December	114,439.93	174,073.78	288,513.71	116,074.95	172,438.76

Fund 161	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
January	6,704.60	2,968.00	9,672.60	6,704.60	2,968.00
February	2,968.00	1,041.00	4,009.00	0.00	4,009.00
March	4,009.00	4,098.19	8,107.19	4,009.00	4,098.19

Fund 161	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
April	4,098.19	118.40	4,216.59	4,216.59	0.00
May	0.00	48.00	48.00	0.00	48.00
June	48.00	352.00	400.00	48.00	352.00
July	352.00	796.00	1,148.00	352.00	796.00
August	796.00	0.00	796.00	796.00	0.00
September	0.00	0.00	0.00	0.00	0.00
October	0.00	0.00	0.00	0.00	0.00
November	0.00	269.48	269.48	0.00	269.48
December	269.48	0.00	269.48	0.00	0.00

10.3 The balance as of December 31, 2023 totaling ₱2.211 million was remitted to the BIR on January 9 and 10, 2024, as evidenced by the following reference numbers:

A. Fund 101

BIR 1601-C	525B2024989871
BIR 1600	525B2024987789
BIR 1601-E	525B2024987840

B. Fund 164

BIR 1600	172400057457588
BIR 1601-E	402400057460811

10.4 **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 payment of transactions and ensure remittance thereof within the prescribed period.**

11. **The Bulacan Agricultural State College (BASC) judiciously complied with the regulations on the remittances of mandatory contributions due to the Government Service Insurance System (GSIS), in accordance with the stipulations of Republic Act No. 8291 or the GSIS Law.**

11.1 Paragraph b, Section 6 of 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.*

11.2 Verification on the withholding and remittance of mandatory contributions to GSIS of the BASC for Calendar Year (CY) 2023 showed that the College has judiciously complied with the requirements of law, as presented on the table below:

Fund 101	Amounts in ₱				
	CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted
January	0.00	1,564,683.10	1,564,683.10	1,562,768.03	1,915.07
February	1,915.07	1,567,626.29	1,569,541.36	1,569,541.36	0.00
March	0.00	1,507,489.60	1,507,489.60	1,507,489.60	0.00
April	0.00	1,558,612.71	1,558,612.71	1,562,458.83	(3,846.12)
May	(3,846.12)	1,610,333.56	1,606,487.44	1,594,764.97	11,722.47
June	11,722.47	1,596,270.73	1,607,993.20	1,594,673.80	13,319.40
July	13,319.40	1,585,182.63	1,598,502.03	0.00	1,598,502.03
August	1,598,502.03	1,551,060.65	3,149,562.68	3,142,508.65	7,054.03
September	7,054.03	1,559,918.73	1,566,972.76	1,535,963.75	31,009.01
October	31,009.01	1,550,063.90	1,581,072.91	0.00	1,581,072.91
November	1,581,072.91	1,569,716.76	3,150,789.67	3,148,149.33	2,640.34
December	2,640.34	1,564,100.36	1,566,740.70	1,566,740.70	0.00

11.3 The College made timely remittances of amounts withheld from mandatory deductions to the GSIS. Thus, no penalty for late payment was imposed and the employees can fully enjoy their benefits as GSIS members.

11.4 **We recommended and Management agreed to continue to comply with the requirements of R.A. No. 8291 on the withholding and timely remittance of monthly contributions and loan payments to the GSIS.**

12. The Bulacan Agricultural State College (BASC) substantially complied with the withholding and remittances of amount withheld to PhilHealth pursuant to Paragraphs (a), (b), and (e) of Section 18 of the Revised Implementing Rules and Regulations of Republic Act No. 7875. On the other hand, remittance to Pag-IBIG Fund of monthly Home Development Mutual Fund (HDMF) contributions was done in a timely manner, pursuant to Section 3(a) of Rule VII of Republic Act No. 9679.

12.1 Paragraph (b), Section 18 of the Revised Implementing Rules and Regulations of Republic Act No. 7875 as amended by RA 9241 and RA 10606, otherwise known as the National Health Insurance Act of 2013 states that:

SECTION 18. Payment of Premium Contributions

b. The monthly premium contribution of employed members shall be remitted by the employer on or before the date prescribed by the Corporation. Xxx

12.2 Meanwhile, Section 3(a) of Rule VII of Republic Act 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.

*a. 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)*

12.3 Analysis of the Due to PhilHealth and Due to Pag-IBIG accounts as of December 31, 2023 showed that the BASC has substantially complied with the withholding of monthly contributions and timely remittance of the same to the corresponding agencies, as presented on the following tables:

a. Due to PhilHealth

Fund 101	Amounts in ₱					
	CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
January	0.00	156,612.90	156,612.90	156,612.90	156,612.90	0.00
February	0.00	160,583.54	160,583.54	160,583.54	160,000.24	583.30
March	583.30	139,016.94	139,600.24	139,600.24	139,600.24	0.00
April	0.00	142,813.16	142,813.16	142,813.16	142,813.16	0.00
May	0.00	147,531.62	147,531.62	147,531.62	146,365.02	1,166.60
June	1,166.60	161,488.16	162,654.76	162,654.76	160,451.46	2,203.30
July	2,203.30	159,838.64	162,041.94	162,041.94	159,212.04	2,829.90
August	2,829.90	144,122.14	146,952.04	146,952.04	145,245.44	1,706.60
September	1,706.60	144,205.32	145,911.92	145,911.92	142,412.12	3,499.80
October	3,499.80	145,620.30	149,120.10	149,120.10	147,370.20	1,749.90
November	1,749.90	155,006.16	156,756.06	156,756.06	156,172.76	583.30
December	583.30	144,218.72	144,802.02	144,802.02	144,802.02	0.00

Fund 164	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
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	17,600.00	17,600.00	17,600.00	0.00
April	0.00	16,000.00	16,000.00	16,000.00	0.00
May	0.00	16,400.00	16,400.00	16,400.00	0.00
June	0.00	0.00	0.00	0.00	0.00
July	0.00	0.00	0.00	0.00	0.00
August	0.00	10,800.00	10,800.00	10,800.00	0.00
September	0.00	11,200.00	11,200.00	11,200.00	0.00
October	0.00	10,000.00	10,000.00	10,000.00	0.00
November	0.00	0.00	0.00	0.00	0.00
December	0.00	10,400.00	10,400.00	10,400.00	0.00

b. Due to Pag-IBIG

Fund 101	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
January	0.00	118,003.70	118,003.70	118,003.70	0.00
February	0.00	109,581.53	109,581.53	109,381.53	200.00
March	200.00	105,695.75	105,895.75	105,795.75	100.00
April	100.00	107,795.75	107,895.75	107,095.75	800.00
May	800.00	97,634.71	98,434.71	97,934.71	500.00
June	500.00	103,393.02	103,893.02	103,193.02	700.00
July	700.00	94,954.60	95,654.60	95,154.60	500.00
August	500.00	110,247.97	110,747.97	109,247.97	1,500.00
September	1,500.00	111,009.55	112,509.55	109,509.55	3,000.00
October	3,000.00	95,105.89	98,105.89	97,705.89	400.00
November	400.00	113,341.34	113,741.34	113,641.34	100.00
December	100.00	123,351.83	123,451.83	123,451.83	0.00

Fund 164	Amounts in ₱				
CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
January	0.00	4,800.00	4,800.00	4,800.00	0.00
February	0.00	0.00	0.00	0.00	0.00

Fund 164	Amounts in ₱					
	CY 2023	Balance, Beginning	Amounts Withheld	Total	Amounts Remitted	Balance, Ending
March		0.00	0.00	0.00	0.00	0.00
April		0.00	4,200.00	4,200.00	4,200.00	0.00
May		0.00	4,200.00	4,200.00	4,200.00	0.00
June		0.00	0.00	0.00	0.00	0.00
July		0.00	0.00	0.00	0.00	0.00
August		0.00	2,800.00	2,800.00	2,800.00	0.00
September		0.00	2,600.00	2,600.00	2,600.00	0.00
October		0.00	2,400.00	2,400.00	2,400.00	0.00
November		0.00	0.00	0.00	0.00	0.00
December		0.00	2,800.00	2,800.00	2,800.00	0.00

12.4 All remittances were settled by the BASC in full by the end of CY 2023. As such, penalties for late payments were avoided and the employees were able to enjoy the benefits of their membership to these government institutions.

12.5 **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 Pag-IBIG Fund.**

13. **As of December 31, 2021, the total audit disallowances amounting to ₱1.390 million remained unsettled contrary to Section 7.1. of the Revised Rules on the Settlement of Accounts (RRSA)**

13.1 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).

13.2 As of December 31, 2023, the balance of the unsettled disallowances totaled to ₱1.390 million, as follows:

Notices	Beginning Balance (As of December 31, 2022)	This period (January 1 to December 31, 2023)	Settlement this period (January 1 to December 31, 2023)	Ending Balance (As of December 31, 2023)
		NS/ND/NC	NSSDC	
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	1,389,859.39	0.00	0.00	1,389,859.39

Notices	Beginning Balance (As of December 31, 2022)	This period (January 1 to December 31, 2023)	Settlement this period (January 1 to December 31, 2023)	Ending Balance (As of December 31, 2023)
		NS/ND/NC	NSSDC	
Notice of Charge	0.00	0.00	0.00	0.00
TOTAL	₱ 1,389,859.39	₱ 0.00	₱ 0.00	₱ 1,389,859.39

- 13.3 The outstanding balance of ₱1.390 million as of year-end pertains to the individual audit disallowances of persons currently employed with BASC.
- 13.4 **We recommended that Management (a) require the immediate settlement of the disallowances that have been final and executory; and (b) instruct the officials involved in the processing of claims to be exercise diligence and ensure that succeeding transactions comply with the existing regulations to avoid suspensions and disallowances in audit.**
- 13.5 During the exit conference, the Accountant sought for clarification on the installment settlement of disallowances and reiterated that they will follow-up the request for authority for installment settlement from the COA Central Office. The Vice-President for Administration and Finance also suggested to send demand letters and statements of account to the persons liable to encourage them to settle their liabilities in full.
14. **The Bulacan Agricultural State College (BASC) failed to submit the required financial reports and related financial documents on a timely basis to the Office of the Auditor which is not in accordance with COA Circular No. 2009-006 dated September 15, 2009 and COA Circular No. 95-006 dated May 18, 1995, resulting in the delay in the conduct of auditorial function of the Audit Team.**
- 14.1 Sections 7.1. and 7.2 of COA Circular No. 2009-006 dated September 15, 2009 provides the responsibilities of the head of the agency, which include, among others, that:
- 7.1.1. The head of the agency, who is primarily responsible for all government funds and property pertaining to his agency, shall ensure that: (a) required financial and other reports and statements are submitted by the concerned agency officials in such form and within the period prescribed by this Commission...xxx” (emphasis supplied)*
- Section 7.2., supra, specified that the Chief Accountant shall ensure that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the Auditor within the first ten (10) days of the ensuing month; and financial records are made accessible at reasonable hours to the Auditor or his authorized representatives when needed.*
- 14.2 Further, Items 6.03 and 6.05 of COA Circular No. 95-006 dated May 18, 1995 prescribe the following guidelines on the rendition of reports, as quoted below:

“6.03. Accountable officers shall submit the records of receipts, disbursements, expenditures, operations, and all other transactions, together with the supporting documents, to the Chief Accountants in the manner and within the time frame prescribed in existing rules and regulations.

xxx

6.05. The official concerned with the daily recording of transactions in the books of accounts shall turn over the receipts and the disbursement records with all paid vouchers and documents evidencing the transaction to the Auditor within ten (10) days from date of receipt of said documents.”

- 14.3 It bears stressing that the non-submission of financial reports and documents is a recurring observation of the team from prior years. However, inspite of constant follow-ups, the College failed to submit the required financial reports and documents.
- 14.4 As a result, the non-submission deterred the Audit Team to conduct timely auditorial procedures such as verification and validation of the accounts and transactions and to determine compliance with the related accounting standards and other applicable government rules and regulations; and the conduct of appropriate procedures as necessary to establish the propriety and validity of transactions.
- 14.5 Upon evaluation with the compliance of BASC in the submission of monthly financial reports and documents, we noted that there were delays from 5 to 115 days from the prescribed date of submission from the aforementioned COA Circulars, as shown on the table below:

Financial Documents	Period Covered	Required Date of Submission	Date Submitted to COA	No. of Days Delayed*
Collection & Deposits	January 1 to 31, 2023	February 10, 2023	February 3, 2023	-
Disbursement Vouchers			February 9, 2023	-
Trial Balance			February 10, 2023	-
Collection & Deposits	February 1 to 28, 2023	March 10, 2023	March 3, 2023	-
Disbursement Vouchers			March 9, 2023	59 days
Trial Balance			March 3, 2023	-
Collection & Deposits	March 1 to 31, 2023	April 10, 2023	April 5, 2023	-
Disbursement Vouchers			May 9, 2023	28 days
Trial Balance			April 11, 2023	-
Collection & Deposits	April 1 to 30, 2023	May 10, 2023	May 5, 2023	-
Disbursement Vouchers			May 9, 2023	-

Financial Documents	Period Covered	Required Date of Submission	Date Submitted to COA	No. of Days Delayed*
Trial Balance			May 10, 2023	-
Collection & Deposits	May 1 to 31, 2023	June 10, 2023	July 5, 2023	24 days
Disbursement Vouchers			June 8, 2023	-
Trial Balance			June 8, 2023	-
Collection & Deposits	June 1 to 30, 2023	July 10, 2023	July 5, 2023	-
Disbursement Vouchers			July 7, 2023	-
Trial Balance			July 10, 2023	-
Collection & Deposits	July 1 to 31, 2023	August 10, 2023	August 4, 2023	-
Disbursement Vouchers			December 4, 2023	115 days
Trial Balance			August 9, 2023	-
Collection & Deposits	August 1 to 31, 2023	September 10, 2023	September 5, 2023	-
Disbursement Vouchers			December 11, 2023	91 days
Trial Balance			September 15, 2023	5 days
Collection & Deposits	September 1 to 31, 2023	October 10, 2023	October 5, 2023	
Disbursement Vouchers			Not yet submitted as of January 5, 2024	87 days**
Trial Balance			October 16, 2023	5 days
Collection & Deposits	October 1 to 31, 2023	November 10, 2023	November 10, 2023	-
Disbursement Vouchers			Not yet submitted as of January 5, 2024	56 days**
Trial Balance			Not yet submitted as of January 5, 2024	56 days**
Collection & Deposits	November 1 to 30, 2023	December 10, 2023	Not yet submitted as of January 5, 2024	26 days**
Disbursement Vouchers			Not yet submitted as of January 5, 2024	26 days**
Trial Balance			Not yet submitted as of January 5, 2024	26 days**

*Computed from the 1st day after the set deadline (Column 3) to actual date of submission, or audit cut-off date of January 5, 2024, whichever comes first.

**As of January 5, 2024.

14.6 The noted delays in the submission of financial reports and documents also caused the delay in the Audit Team from performing a timely examination of financial

transactions and communication of audit results thereof, thus, the Management was not promptly notified of any deficiencies and issues that may necessitate policy/decision-making towards agency improvement.

14.7 **We recommended that Management:**

- a) **Instruct the Accountant to immediately submit to the Audit Team all the financial reports and documents which are already due for submission;**
- b) **Ensure compliance with the timely submission of financial reports and documents in accordance with COA Circular No. 2009-006; and**
- c) **Revisit its existing internal control system in monitoring and custody of all records and establish additional compensating controls, if necessary for the timely submission of all reports and related documents.**

14.8 The Accountant informed the Audit Team that all unsubmitted financial documents for CY 2023 have been transmitted to the Auditor's Office as of date.

14.9 Management also said that additional Job Order personnel were assigned to ensure the timely submission of financial documents to the COA. Also, a memorandum was issued directing all departments to immediately submit all source documents to the Accounting Office, as it was noted that the cause of delay sometimes come from the late submission of documents from the respective departments where the transaction originated from. The Accountant added that they required the departments, such as Cashier and Supply Office, to submit the documents five days after the end of each month to allow the Accounting Office another five days to organize the documents, record the transactions and prepare the reports for submission to the Audit Team on or before the 10th of the following month.

14.10 The College President further informed the Audit Team that the timely submission of documents and reports shall be reflected in the personnel's Individual Performance Commitment and Review (IPCR) for proper enforcement, implementation and monitoring.