

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. **The accuracy and reliability of the balances of Accounts Receivable and Loans Receivable - Others accounts amounting to ₱262,141.37 and ₱2.980 million, respectively, as of December 31, 2024 remains doubtful due to (1) inclusion in the books of various dormant or non-moving accounts for 10 years or more; and (2) discrepancies noted between Accounting records and the computerized system being used by the College, thus, affecting the fair presentation of the financial statements as at year-end.**
 - 1.1 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.*

- 1.2 The reported balances of Receivable accounts totaling ₱4.398 million as of December 31, 2024 is broken down as follows:

Accounts	Amount (in ₱)
Current	
Accounts Receivable	0.00
Loans Receivable-Others	240,000.00
Receivables-Disallowance/Charges	0.00
Due from NGA's	0.00
Total Current Receivables, Net	240,000.00
Non-current	
Accounts Receivable	262,141.37
Allowance for Impairment	(13,107.07)
Net Value- Accounts Receivable	249,034.30
Loans Receivable-Others	2,739,700.00
Allowance for Impairment	(139,385.00)
Net Value-Loans Receivable-Others	2,600,315.00
Due from NGAs	247,937.95
Receivables-Disallowance/Charges	1,060,979.39
Total Non-Current Receivables, Net	4,158,266.64
TOTAL RECEIVABLES	4,398,266.64

- 1.3 Examination of the details of each account as to its accuracy, validity and completeness yielded the following observations:

a) Accounts Receivable – ₱262,141.37

- 1.4 Summarized below is the Aging Schedule of Accounts Receivable as of December 31, 2024:

Table 1
Aging Schedule of Accounts Receivable
As of December 31, 2024

Fund	Amount Due (in ₱)					
	Total	Current	Past Due			
		Less than 90 days	Over 1 Year	Over 2 Years	Over 3 Years	4 years and Above
General Fund (101)	0.00	0.00	0.00	0.00	0.00	0.00
Trust Fund (164)	262,141.37	0.00	0.00	0.00	0.00	262,141.37
TOTAL	262,141.37	0.00	0.00	0.00	0.00	262,141.37

- 1.5 The receivables which have been outstanding for four years and above is further broken down as follows:

Receivables from students	₱242,191.37
Receivables from farmers	<u>19,950.00</u>
TOTAL	<u>₱262,141.37</u>

- 1.6 The receivables from farmers totaling ₱19,950.00 pertain to recipients of Organic Fertilizer Loans to Farmers. Funded by CHED-HEDF in 2007, it is a project aimed towards production and promotion of Bio-Organic Fertilizer. Under this program, 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. The program has been discontinued. As similarly noted in previous annual audit reports, no amount has been recovered from the borrowers of this loan. The loans have remained outstanding for 17 years as of CY 2024.

- 1.7 On the other hand, the receivables from students refer to unpaid tuition and other school fees due from various students who enrolled at BASC prior to the implementation of Republic Act No. 10931 or the Universal Tertiary Education Act of 2017. Scrutiny of the account revealed that the balance includes receivables totaling ₱189,148.60 which have remained outstanding for 10 years and more, as shown on the table below:

Table 2
Breakdown of Accounts Receivable Aged Four Years and Above
As of December 31, 2024

School Year	Age in Years as of December 31, 2024	Amount (in ₱)
2012-2013	12	25,050.00
2013-2014	11	108,011.10
2014-2015	10	56,087.50
<i>Sub-total</i>		<i>189,148.60</i>
2015-2016	9	53,042.77
TOTAL		242,191.37

- 1.8 The dormant receivable accounts aggregating to ₱189,148.60 represent 78.10 per cent of the total reported balance of Accounts Receivable as of December 31, 2024 amounting to ₱242,191.37.
- 1.9 Further verification revealed that the balance per books as reported in the Financial Statements as of December 31, 2024 did not tally with the balances reflected in the College's computerized system which was developed by a third-party provider. Results generated from the system based on the database of enrolled students per school year yielded balances which are greater than the reported amounts. The variance is summarized in the following table:

Table 3
Comparison of Balances Between General Ledger and Computerized System
ACCOUNTS RECEIVABLE – STUDENTS
As of December 31, 2024

School Year	Balance as of December 31, 2024 (in ₱)		
	Per Financial Statements	Per Computerized System	Difference
2012-2013	25,050.00	49,681.00	24,631.00
2013-2014	108,011.10	175,906.85	67,895.75

School Year	Balance as of December 31, 2024 (in ₱)		
	Per Financial Statements	Per Computerized System	Difference
2014-2015	56,087.50	105,686.50	49,599.00
2015-2016	53,042.77	149,244.00	96,201.23
TOTAL	242,191.37	480,518.35	238,326.98

- 1.10 According to the Accountant, the balance per books was simply carried over from previous years before the implementation of the current computerized system. As there are noted discrepancies between Accounting records and the system's database, there is a need to reconcile them in order to establish the correct amount of Accounts Receivable to be recovered from the individual debtors, and/or if warranted, to be requested for write-off.

b) Loans Receivable - Others – ₱2.980 million

- 1.11 The Aging Schedule of Loans Receivable - Others as of December 31, 2024 is presented as follows:

Table 4
Aging Schedule of Loans Receivable – Others
As of December 31, 2024

Particulars (Fund 164)	Amount Due (in ₱)					
	Total	Current	Past Due			
		Less than 90 days	Over 1 Year	Over 2 Years	Over 3 Years	4 years and Above
StuFAP Loans (2004-2005)	492,200.00					492,200.00
SAFE 4SR Loans (2008-2009)	1,990,000.00					1,990,000.00
Palayamanan Community	202,500.00			120,000.00		82,500.00
Integrated Rice-Based Farming System in the Rainfed Lowland Toward Food Security, Profitability and Sustainability - Phase 2	10,000.00		10,000.00			
Sustainability of Diversified and Integrated Rice-Based Farming System in the Rainfed Lowland and Upland Areas of Central Luzon	240,000.00	240,000.00				
Upscaling of Integrated Rice-Based Farming System in Bulacan	45,000.00		45,000.00			
TOTAL	2,979,700.00	240,000.00	55,000.00	120,000.00	0.00	2,564,700.00

- 1.12 Breakdown of the balance of Loans Receivable aged four years and above totaling ₱2.565 million disclosed that a total of ₱2.482 million pertain to student loans under the Student Financial Assistance Program (StuFAP) and the Student Financial

Assistance Fund for Education (SAFE) Program that have been outstanding for more than 10 years. These are summarized on the table below:

Table 5
Dormant Loans Receivable – Others
As of December 31, 2024

Particulars	Year Granted	No. of Debtors				Amount in ₱		% of Recovery
		Total	Fully Paid	Partially Paid	Unpaid	Total Granted	Balance as of December 31, 2024	
Student Financial Assistant Program (StuFAP) - CHED	SY 2004-2005	266	76	2	188	692,000.00	492,200.00	28.87%
SAFE 4SR Loan Program (CHED)	SY 2008-2009	491	92	10	389	2,504,000.00	1,990,000.00	20.53%
TOTAL		757	168	12	577	3,196,000.00	2,482,200.00	

- 1.13 The presence of dormant Loans Receivable has been a recurring observation from previous years' Annual Audit Reports. It is worth mentioning that the College is continuously exerting efforts to recover the amounts from the student-borrowers, albeit to minimal results. A slight improvement in recovery rate was achieved, from 28.05 per cent in CY 2023 to 28.87 per cent this year for StuFAP Loans, and 20.53 per cent from last year's 20.21 per cent for SAFE Loans.
- 1.14 The inclusion of dormant receivables and the noted variances between reported balances and the individual student records cast doubt on the reliability of the Accounts Receivable and Loans Receivable – Others accounts amounting to ₱262,141.37 and ₱2.980 million, respectively, thus, affecting the fair presentation of financial statements of the College as of December 31, 2024.
- 1.15 **We recommended and Management agreed that:**
- a. **The Accounting Office, in coordination with the Management Information Systems (MIS) Office, identify the records of students with incorrect balances in the College's database and reconcile the same with Accounting records in order to establish the correct amount of receivables to be recovered and draw adjusting entries in the books, if necessary; and**
 - b. **Management continue to exhaust all possible action or 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.**
- 1.16 During the exit conference, the Vice President for Administration and Finance (VPAF) acknowledged the audit recommendations and confirmed that the College is actively working to segregate dormant accounts from the moving receivable accounts. The College continues to issue demand letters to the debtors in an effort to reduce the

outstanding balances. Additionally, the College is considering submitting requests for write-offs for accounts that have remained outstanding for more than 10 years.

- 1.17 The College President added that they have decided to not renew the subscription of the current system with the third-party provider due to the implementation of the Smart Campus project in CY 2025 which would develop the computerized system of BASC in-house. With this new system, the College envisions that the problems and deficiencies noted in the audit will be properly addressed and corrected.

2. Discrepancies between accounting and property records aggregating to ₱74.028 million remained unreconciled as of year-end due to unrecognized issuances of supplies, materials and semi-expendable equipment, contrary to the guidelines set forth by Chapter 8 of the Government Accounting Manual for National Government Agencies (GAM for NGAs), Volume I and COA Circular No. 2022-004 dated May 31, 2022; thus, affecting the accuracy, reliability and completeness of the reported balances of Inventories as of December 31, 2024 amounting to ₱25.410 million.

- 2.1 Chapter 8 of the Government Accounting Manual for National Government Agencies (GAM for NGAs) provides specific guidelines and procedures on acquisition, issue, disposal and impairment of inventory and defines the benchmark for those tangible items not enough to be considered as Property, Plant and Equipment (PPE). Relevant provisions include the following:

***Sec. 7. Recognition as an Expense.** When inventories are sold, exchanged, or distributed, their carrying amount shall be recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expense is recognized when the goods are distributed or the related service is rendered.*

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Sec. 10. Semi-expendable Property.

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

- 2.2 Section 16, thereof, enumerates the procedures in the requisition and issue of inventory items. Under this provision, the Property and/or Supply Unit files permanently in numerical order Copy 3 of the duly accomplished Requisition and Issue Slip (RIS) for supplies and materials, and retrieves the same as basis in the preparation of the Report of Supplies and Materials Issued (RSMI). The RSMI and copies of the RIS shall be the basis of the Accounting Office to recognize the issuance of stock as expense.
- 2.3 For semi-expendable property items, COA Circular No. 2022-004 dated May 31, 2022 prescribes the use of the Inventory Custodian Slip (ICS) for issuance of tangible items amounting to less than ₱50,000.00 to end-user to establish accountability over them. Accordingly, the Property and/or Supply Unit shall prepare the Report of Semi-Expendable Property Issued (RSPI) to report/summarize all issued semi-expendable

property at least weekly based on the ICS. It shall be used by the Accounting Unit as basis in preparing the journal entry voucher to recognize the semi-expendable property issued.

- 2.4 The Inventory accounts of Bulacan Agricultural State College (BASC) as of December 31, 2024 has a reported balance totaling ₱25.410 million, broken down as follows:

	<u>Amount (in ₱)</u>
Office Supplies Inventory	994,580.13
Textbooks and Instructional Materials Inventory	1,263,420.85
Other Supplies and Materials Inventory	1,330,524.34
Semi-Expendable - Furniture and Fixtures	3,006,391.83
Semi-Expendable - Office Equipment	3,211,187.62
Semi-Expendable - Information and Communication Technology Equipment	7,017,222.02
Semi-Expendable - Agricultural and Forestry Equipment	382,242.50
Semi-Expendable - Communication Equipment	2,175,558.17
Semi-Expendable - Disaster Response and Rescue Equipment	58,894.00
Semi-Expendable - Military, Police and Security Equipment	0.00
Semi-Expendable - Medical Equipment	154,844.50
Semi-Expendable - Sports Equipment	601,933.50
Semi-Expendable - Technical and Scientific Equipment	455,912.27
Semi-Expendable - Other Equipment	886,371.55
Semi-Expendable - Machinery	57,915.00
Semi-Expendable - Books	3,812,871.46
TOTAL	<u>25,409,869.74</u>

- 2.5 Analysis of the account revealed discrepancies in the aggregate amount of ₱74.028 million between the Inventory Report of Semi-Expendable Property as provided by the Property Office and the reported balances in the detailed Statement of Financial Position as of December 31, 2024. The analysis is presented in the following table:

Table 6
Comparison of Balances of Semi-Expendable Property
As of December 31, 2024

Account Title	Balance as of December 31, 2024 (in ₱)		Difference (in ₱)
	Property Records	Accounting Records	
Office Supplies Inventory	989,362.60	994,580.13	(5,217.53)
Textbooks and Instructional Materials Inventory	1,858,090.85	1,263,420.85	594,670.00
Other Supplies and Materials Inventory	4,901,116.92	1,330,524.34	3,570,592.58

Account Title	Balance as of December 31, 2024 (in ₱)		Difference (in ₱)
	Property Records	Accounting Records	
Semi-Expendable - Furniture and Fixtures	18,462,861.53	3,006,391.83	15,456,469.70
Semi-Expendable - Office Equipment	11,744,083.64	3,211,187.62	8,532,896.02
Semi-Expendable - Information and Communication Technology Equipment	33,987,841.82	7,017,222.02	26,970,619.80
Semi-Expendable - Agricultural and Forestry Equipment	3,153,669.47	382,242.50	2,771,426.97
Semi-Expendable - Communication Equipment	6,739,999.45	2,175,558.17	4,564,441.28
Semi-Expendable - Disaster Response and Rescue Equipment	339,633.50	58,894.00	280,739.50
Semi-Expendable - Military, Police and Security Equipment	22,000.00	0.00	22,000.00
Semi-Expendable - Medical Equipment	271,100.80	154,844.50	116,256.30
Semi-Expendable - Sports Equipment	1,524,918.50	601,933.50	922,985.00
Semi-Expendable - Technical and Scientific Equipment	4,155,933.27	455,912.27	3,700,021.00
Semi-Expendable - Other Equipment	5,074,871.50	886,371.55	4,188,499.95
Semi-Expendable - Machinery	224,415.00	57,915.00	166,500.00
Semi-Expendable - Books	5,987,969.41	3,812,871.46	2,175,097.95
TOTAL	99,437,868.26	25,409,869.74	74,027,998.52

- 2.6 Inquiry with the Property/Supply Officer and the Accountant disclosed that the variances arose from inventory items which were issued from a long time ago which remained unaccounted for in property records and unreconciled with accounting records. The Property/Supply Officer explained that they have not dropped these items from their records as the documents evidencing their issuance to end-users have not been located at this time. Consequently, the Accounting Office cannot make adjustments in the books without proper documentation to serve as basis for the drawing of journal voucher entries.
- 2.7 It is worth mentioning that this deficiency is a reiteration of audit observations in previous annual audit reports of the College.
- 2.8 Due to the failure by the Accounting and Property Offices to reconcile and establish their respective records, the accuracy, reliability and completeness of balances of Inventory accounts totaling ₱25.410 million as of December 31, 2024 cannot be fully relied upon.
- 2.9 **We recommended and Management agreed that:**
- The Property/Supply Office to continue exerting efforts to locate the Requisition Issue Slips (RIS) or Inventory Custodian Slips (ICS), as the case**

may be, in order to determine the whereabouts of the noted variances, and prepare the reports therefrom for submission to the Accounting Office;

- b. **The Property/Supply and Accounting Offices to properly reconcile the property records with the accounting records in order to establish the correct balances of Inventory accounts; and**
- c. **The Accounting Office to subsequently draw adjusting journal entries, if warranted, based on the result of the reconciliation.**

2.10 The VPAF and the Supply Officer acknowledged the audit recommendations. The College is currently in the process of resolving all discrepancies between the balances as recorded by the Accounting Office and those recorded by the Property/Supply Office, with a target completion date of six months from the date of the exit conference. Subsequently, the Accounting Office will draw the corresponding adjusting journal entries from the Property/Supply Office.

3. **Depreciation Expense as of December 31, 2024 totaling ₱31.664 million and its related Accumulated Depreciation are deemed unreliable due to (a) the failure of the Accounting Office to apply depreciation to the set of Property, Plant and Equipment (PPEs) valued at ₱8.751 million acquired during the year, contrary to the relevant provisions under Chapter 10 of the Government Accounting Manual for National Government Agencies (GAM for NGAs), Volume 1; and (2) the computation of depreciation for all PPEs is calculated based on the date of payment instead of the acquisition date, contrary to the accrual basis of accounting as promulgated by Chapter 2, Sections 2, 6(b) and 27(c) of the GAM for NGAs, Volume 1.**

3.1 The Audit Team conducted an evaluation of College's policies and procedures in the recognition and treatment of Property, Plant and Equipment (PPE) and its related depreciation for Calendar Year (CY) 2024, and noted the following deficiencies:

a) **The Accounting Office failed to depreciate a set of Property Plant and Equipment (PPE) acquired in CY 2024, valued at ₱8.751 million.**

3.2 Relevant stipulations of Chapter 10, of Volume I the Government Accounting Manual for National Government Agencies (GAM for NGAs) on the applicable rules and regulations governing Property, Plant, and Equipment (PPE) are enumerated as follows:

Section 2. Definition of Terms. *When used in this Manual, the following terms shall mean:*

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(c) Depreciation – is the systematic allocation of the depreciable amount of an asset over its useful life.

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(n) *Useful Life* – is the period over which an asset is expected to be available for use by an entity; or the number of production or similar units expected to be obtained from the asset by an entity.

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Section 3. Criteria for Recognition. *The cost of an item of PPE shall be recognized as assets if, and only if:*

- a. it is probable that the future economic benefits or service potential associated with the item will flow to the entity;*
- b. the cost or fair value of the item can be measured reliably;*
- c. beneficial ownership and control clearly rest with the government;*
- d. the asset is used to achieve government objectives; and*
- e. it meets the capitalization threshold of P50,000.00.*

Under this recognition principle, an entity shall evaluate all its PPE costs at the time they are incurred. These costs include cost incurred initially to acquire or construct an item of PPE and costs incurred subsequently to add to, replace part of, or service the PPE.

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Section 27. Depreciation. *PPE gradually loses its ability to provide service over the course of time. Because of this, its cost needs to be distributed on a systematic basis over its useful life. The allocated cost is referred to as depreciation. The depreciation charge for each period shall be recognized as expense unless it is included in the carrying amount of another asset. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories. Similarly, depreciation of PPE used for development activities may be included in the cost of an intangible asset recognized. xxx*

- 3.3 Audit of disbursements disclosed that the College purchased a set of laboratory equipment under Contract Agreement No. 2023-06G with a total acquisition cost of ₱8.751 million. Perusal of the Inspection and Acceptance Report showed that the PPEs were delivered, inspected and accepted on May 10, 2024.

Table 7
List of Acquired Laboratory Equipment
May 10, 2024

Item No.	Description	Quantity	Total Price
			Delivered DDP
			(in ₱)
	1. LOT - 2023-06G: Acquisition of Laboratory Equipment for the Bulacan Agricultural State College for CY 2024		
1	Full Automatic Triaxial Test Set	1	1,460,000.00
2	Analytical Balance	2	240,000.00
3	Fume Hood	1	464,000.00
4	Visible Spectrophotometer	1	250,000.00
5	Flame Photometer	1	333,000.00

Item No.	Description	Quantity	Total Price
			Delivered DDP
			(in ₱)
6	Muffle Furnace Box Type	1	250,000.00
7	Electronic Titrator	1	329,000.00
8	Drying Oven	1	80,000.00
9	Autoclave	3	900,000.00
10	Automatic Kjeldahl Distillation Apparatus	1	665,000.00
11	Portable Animal Digital Ultrasound (B/W)	1	250,000.00
12	Sperm Analyzer	1	267,000.00
13	Herbarium Cabinet	1	580,000.00
14	Soil Test kit fertility nutrient analyzer	1	156,000.00
15	Laboratory Flow Meter	1	385,000.00
16	Binocular Microscope w/LCD	4	200,000.00
17	Trinocular Microscope	4	952,000.00
18	Thermostatic water bath	2	60,000.00
19	Mycotoxin Analyzer	1	450,000.00
20	Soil Analysis	1	150,000.00
21	Centrifuge (Hematocrit)	1	80,000.00
22	Centrifuge (Eppendorf)	1	250,000.00
TOTAL			8,751,000.00

Note: above items are to be used and recognized as a set

- 3.4 Review of the pertinent records and other available documents for PPEs and its corresponding depreciation as maintained by the Accounting Office showed that no depreciation expense nor accumulated depreciation was recognized for the aforementioned set of laboratory equipment. Based on the guidelines set forth by Section 27 of the GAM for NGAs, Volume 1, the depreciable assets acquired should have commenced depreciation beginning in May 2024. The table below outlines the monthly and total depreciation amount that should have been recognized in CY 2024:

Table 8
SCHEDULE OF DEPRECIATION OF PURCHASED EQUIPMENT
For the period May 10 - December 31, 2024

Item No.	Account Name	Description	Quantity	Total Acquisition Cost (in ₱)	USEFUL LIFE (in years)	MONTHLY DEPRECIATION* (in ₱)	UNRECORDED DEPRECIATION, MAY TO DECEMBER 2024 (in ₱)
1	Technical and Scientific Equipment	Full Automatic Triaxial Test Set	1	1,460,000.00	10	11,558.33	92,466.67
2	Technical and Scientific Equipment	Analytical Balance	2	240,000.00	10	1,900.00	15,200.00
3	Technical and Scientific Equipment	Fume Hood	1	464,000.00	10	3,673.33	29,386.67
4	Technical and Scientific Equipment	Visible Spectrophotometer	1	250,000.00	10	1,979.17	15,833.33
5	Technical and Scientific Equipment	Flame Photometer	1	333,000.00	10	2,636.25	21,090.00
6	Other Machinery and Equipment	Muffle Furnace Box Type	1	250,000.00	10	1,979.17	15,833.33
7	Technical and Scientific Equipment	Electronic Titrator	1	329,000.00	10	2,604.58	20,836.67

Item No.	Account Name	Description	Quantity	Total Acquisition Cost (in ₱)	USEFUL LIFE (in years)	MONTHLY DEPRECIATION* (in ₱)	UNRECORDED DEPRECIATION, MAY TO DECEMBER 2024 (in ₱)
8	Other Machinery and Equipment	Drying Oven	1	80,000.00	10	633.33	5,066.67
9	Other Machinery and Equipment	Autoclave	3	900,000.00	10	7,125.00	57,000.00
10	Technical and Scientific Equipment	Automatic Kjeldahl Distillation Apparatus	1	665,000.00	10	5,264.58	42,116.67
11	Technical and Scientific Equipment	Portable Animal Digital Ultrasound (B/W)	1	250,000.00	10	1,979.17	15,833.33
12	Agricultural and Forestry Equipment	Sperm Analyzer	1	267,000.00	10	2,113.75	16,910.00
13	Furniture and Fixtures	Herbarium Cabinet	1	580,000.00	10	4,591.67	36,733.33
14	Agricultural and Forestry Equipment	Soil Test kit fertility nutrient analyzer	1	156,000.00	10	1,235.00	9,880.00
15	Technical and Scientific Equipment	Laboratory Flow Meter	1	385,000.00	10	3,047.92	24,383.33
16	Technical and Scientific Equipment	Binocular Microscope w/LCD	4	200,000.00	10	1,583.33	12,666.67
17	Technical and Scientific Equipment	Trinocular Microscope	4	952,000.00	10	7,536.67	60,293.33
18	Technical and Scientific Equipment	Thermostatic water bath	2	60,000.00	10	475.00	3,800.00
19	Technical and Scientific Equipment	Mycotoxin Analyzer	1	450,000.00	10	3,562.50	28,500.00
20	Technical and Scientific Equipment	Centrifuge (Hematocrit)	1	80,000.00	10	633.33	5,066.67
21	Technical and Scientific Equipment	Centrifuge (Eppendorf)	1	250,000.00	10	1,979.17	15,833.33
TOTAL				8,601,000.00			544,730.00

** computed after deducting the 5 per cent salvage value from acquisition cost*

- 3.5 The above computation indicates that the College failed to recognize depreciation on the PPE items aggregating to ₱0.545 million for the period May to December 2024. As a result, the Depreciation Expense and corresponding Accumulated Depreciation accounts reflected in the financial statements as at yearend are understated, as follows:

Account Title	Amount (in ₱)	
	Debit	Credit
Depreciation Expense - Technical and Scientific Equipment	403,306.67	
Depreciation Expense - Other Machinery and Equipment	77,900.00	
Depreciation Expense - Agricultural and Forestry Equipment	26,790.00	
Depreciation Expense - Furniture and Fixtures	36,733.33	
Accumulated Depreciation - Technical and Scientific Equipment		403,306.67
Accumulated Depreciation – Other Machinery and Equipment		77,900.00

Account Title	Amount (in ₱)	
	Debit	Credit
Accumulated Depreciation – Agricultural and Forestry Equipment		26,790.00
Accumulated Depreciation – Furniture and Fixtures		36,733.33
TOTAL	544,730.00	544,730.00

3.6 The discrepancy arose from the failure to accurately recognize the depreciation of acquired PPEs during the specified period.

3.7 In the absence of depreciation, the College would present an overstated value of its assets, as the diminution in value due to usage or obsolescence would not be properly accounted for. The omission would result to an inflated net income, as depreciation, a non-cash charge, typically serves to reduce income. Further, the College's financial position could not be fairly relied upon, with the assets appearing to be valued more than its actual carrying amount.

b) The Accounting Office uses the payment date as the reference point for the commencement of the depreciation period of its Property, Plant, and Equipment (PPE).

3.8 Chapter 2, Section 2 of GAM for NGAs, Volume I on the general provisions, basic standards and policies in government accounting states that:

Accrual basis – means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.

3.9 Section 6, item (b) thereat, requires that each entity shall recognize and present its financial transactions and operations conformably using accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS).

3.10 Corollary to the above provisions, item (c) of Section 27 of the same Manual prescribes the guidelines for the recognition of depreciation on PPEs, as follows:

(c) Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, depreciation shall be for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation shall be for the succeeding month.

3.11 Further review of the accounting records and related transactions revealed that the Accounting Office sets the payment date as the basis for the commencement of its recognition of depreciation expense. The practice suggests that depreciation begins to be recognized from the moment a payment is made, rather than when the asset is placed into service as mandated by Section 27 of the GAM for NGAs, Vol. 1. Presented

in Table 9 is the actual depreciation schedule for various equipment purchased in CY 2024:

Table 9
DEPRECIATION SCHEDULE
Calendar Year 2024

Acct. code	DESCRIPTION	ACQUISITION COST (in ₱)	Estimated Useful Life (Years)	Date Delivered	Payment Date (based on O.R.)	Depreciation start date
1 06 05 030	All-in-One Ink Tank Printer Epson Ecotank L15150	67,777.00	5	January 10, 2025	January 26, 2025	February 2024
1 06 05 030	Video and Audio Conference Room Camera	67,000.00	5	February 15, 2025	March 6, 2025	April 2024
1 06 05 030	Desktop Computer - Aspire C24 1851	54,500.00	5	April 24, 2024	May 13, 2024	June 2024
1 06 05 030	All-in-One PC - Aspire C27 1751	72,000.00	5	April 24, 2024	May 13, 2024	June 2024
	Photocopier HP Color Laser Jet Enterprise MFP-M480f	103,530.00	5	May 29, 2024	June 21, 2024	August 2024
1 06 05 030	All-in-One Desktop Computer -Acer Aspire C27	72,971.00	5	August 08, 2024	October 04, 2024	October 2024
	2.5 Hp Split Inverter Aircon - Carrier Nexus	73,500.00	5	September 26, 2024	October 15, 2024	October 2024
1 06 05 030	Laptop Computer - Asus	54,995.00	5	October 03, 2024	November 8, 2024	November 2024

3.12 The practice currently implemented by the College resulted to discrepancies in the accuracy of calculations for depreciation, as it deviates from established accounting standards that require the depreciation to begin once an asset is placed in service. By basing depreciation on the payment date instead of the asset's actual usage or in-service date, the reported depreciation expense and its corresponding accumulated depreciation of PPE items may be understated. Thus, the financial statement balances of affected accounts may not accurately reflect the true value or utilization of the asset over time.

3.13 **We recommended and Management agreed that:**

- a. **The Accounting Office to recognize the depreciation expense and corresponding accumulated depreciation on the set of laboratory equipment purchased in CY 2024. The Audit Team proposes the following adjusting journal entries:**

	<u>Debit</u>	<u>Credit</u>
Accumulated Surplus	544,730.00	
Accumulated Depreciation - Technical and Scientific Equipment		403,306.67
Accumulated Depreciation – Other Machinery and Equipment		77,900.00
Accumulated Depreciation – Agricultural and Forestry Equipment		26,790.00
Accumulated Depreciation – Furniture and Fixtures		36,733.33

***- to recognize Depreciation Expense and Accumulated Depreciation
of laboratory equipment purchased in May 2024***

- b. Adopt the correct computation of depreciation based on the date when the PPE is available for use instead of the date of payment, as prescribed by Section 27(c) of the GAM for NGAs, Volume I;**
 - c. Establish control procedures and mechanisms for the timely recognition of depreciation of PPEs; and**
 - d. Exercise more diligence in adhering to the rules and regulations governing the proper recognition of Property, Plant, and Equipment.**
- 3.14 The College Accountant acknowledged the errors in the recognition of assets and their corresponding depreciation expense, and informed the Audit Team that the necessary adjusting entries related to these errors have been corrected and posted as of March 2025. She also said that the College will follow the prescribed guidelines in the recognition of depreciation, ie., it shall commence on the date of delivery instead of the date of payment by requiring the advanced submission of a copy of the Delivery Receipt to the Accounting Office to facilitate the recognition of depreciation expense.
- 3.15 Meanwhile, a clarification was raised by the Vice President for Administration and Finance (VPAF) and the College Accountant regarding the policy on recognizing assets and depreciation expense. In response, the Audit Team explained that assets should be recorded using the accrual basis of accounting, and that depreciation expense should be recognized once the asset, subject to depreciation, is available for use, rather than on the date of payment.

B. OTHER FINANCIAL-RELATED ISSUES

- 4. Significant delays were noted in the distribution and liquidation of funds for grant-in-aid under the UniFAST Tertiary Education Subsidy - Tulong Dunong Program (TES-TDP), inconsistent with the provisions of UniFAST Memorandum Circular No. 02, series of 2021 as amended by Memorandum Circular No. 02, series of 2022, and Memorandum Circular No. 03, series of 2023. Hence, the release of subsequent funding and its corresponding Administrative Support Costs may be withheld and the intended benefits of the program may not be sustained.**
- 4.1 Republic Act No. 10931, or the Universal Access to Quality Tertiary Education Act, is a law that promotes universal access to quality tertiary education by providing free tuition and other school fees in State Universities and Colleges (SUCs), Local Universities and Colleges (LUCs), and state-run Technical-Vocational Institutions (TVIs). The said law established the Tertiary Education Subsidy Program (TES), a grant-in-aid program that supports the full or partial cost of tertiary education of priority students in SUCs, CHED recognized LUCs and private higher education institutions (HEIs), which includes the Tulong Dunong Program (TDP) that aims to support at least the partial cost of tertiary education, inclusive of education-related expenses of the grantee. The Bulacan Agricultural State College (BASC) is among the SUCs with qualified beneficiaries of the TES-TDP.

- 4.2 The Unified Student Financial Assistance System for Tertiary Education (UniFAST) issued the guidelines for the implementation of the TDP-TES through UniFAST Memorandum Circular No. 02, series 2021. Subsection 9.3 of the said Circular, as amended by Section 6 of Memorandum Circular No. 02, series of 2022 dated January 29, 2022, states that:

9.3 Liquidation of Funds Transferred to SUCs, CHED-Recognized LUCs and Private HEIs. For proper reporting on the release of funds, SUCs, CHED-Recognized LUCs, and Private HEIs should prepare and submit to the CHED Regional Offices within 90 days after the end of the 2nd Semester of the academic calendar the following documents: (emphasis supplied)

xxx

Any subsequent fund releases for SUCs, CHED Recognized LUCs and Private HEIs shall be withheld pending the submission of the herein required liquidation report.

Any unused funds should be returned to CHEDROs together with the liquidation report.

The liquidation of funds transferred to SUCs and CHED-Recognized LUCs shall be subject to the usual government accounting and auditing rules and regulations.

- 4.3 On the other hand, UniFAST Memorandum Circular No. 03, series of 2023 dated July 5, 2023 prescribes the guidelines on the use of Administrative Support Cost (ASC) under the TES-TDP. The General Principles under Section 2 of the said Circular states that:

1. 30-Day Release Rule. All HEIs must release all funds to grantees for the payment of TES-1, TES-2, TES3a, and TES-3b or TDP grants within 30 days from receipt thereof as evidenced by a certification of release of funds, certified by the HEI's disbursement officer or cashier or accountant and attested by the school president or head of HEI. Failure to release will result to the holding of the release of ASC due the HEI in the following semester until such time that the liquidation documents have been submitted. Notice of such holding will be given to the HEI prior to said act. (Emphasis supplied)

All HEIs are required to issue schedule of release of TES and TDP grants copy furnished the CHED Regional Offices. HEIs shall update in the TES and TDP Billing System the date of release of said grants to the grantees.

- 4.4 Presented on the following table are the dates of receipt of the scholarship grants from CHED Regional Office (CHED-RO), the granting of cash advances for the distribution of benefits to the student grantees, and their corresponding dates of liquidation:

Table 10
Schedule of Fund Releases, Cash Advances and Liquidation - UNIFAST TES-TDP
For the period January 1 to December 31, 2024

PARTICULARS	DATE RECEIVED FROM CHED-RO	CASH ADVANCE			LIQUIDATION		BALANCE AS OF DECEMBER 31, 2024 (IN ₱)	REMARKS
		DATE GRANTED	CHECK NO.	AMOUNT IN ₱	DATE LIQUIDATED	AMOUNT IN ₱		
UNIFAST TES-TDP Program for the 2nd Sem AY 2022-2023 TDP New 3.1	12/19/2023	10/9/2024	0000118381	112,500.00	10/14/2024	112,500.00	0.00	For Submission to CHED-RO
UNIFAST TES-TDP Program for the 1st Sem AY 2023-2024	08/21/2024	10/12/2024	0000141519	112,500.00	10/14/2024	112,500.00	0.00	For Submission to CHED-RO
UNIFAST TES-TDP Program for the 2nd Sem AY 2022-2023 TDP Ongoing batch 3	08/21/2024	8/22/2024	0000118354	3,780,000.00	9/10/2024	3,622,500.00	157,500.00	Processing (Balance to be returned)
UNIFAST TES-TDP Program for the 1st Sem AY 2023-2024 TES continuing	08/27/2024	9/23/2024	0000118366	120,000.00	9/26/2024	120,000.00	0.00	For Submission to CHED-RO
UNIFAST TES-TDP Program for the 2nd Sem AY 2023-2024 Batch 1 continuing	08/27/2024	9/24/2024	0000118373	80,000.00	9/26/2024	80,000.00	0.00	For Submission to CHED-RO
UNIFAST TES-TDP Program for the 1st Sem AY 2023-2024 batch 3.1	08/27/2024	11/4/2024	0000141511	832,500.00	11/13/2024	832,500.00	0.00	For Submission to CHED-RO
TOTAL				5,037,500.00		4,880,000.00	157,500.00	

- 4.5 Review of the pertinent documents relative to the TES-TDP showed that the BASC has an unliquidated balance of ₱157,500.00 as of December 31, 2024. This amount represents undistributed benefits of TES-TDP grantees. Moreover, the liquidation documents for the TES-TDP grants are yet to be submitted to the CHED-RO as of year-end.
- 4.6 Aging analysis of the number of days from the receipt of funds from CHED-RO, release of benefits to the student-grantees through cash advances, liquidation of the said cash advances, and subsequent submission of liquidation documents to the CHED-RO showed delays exceeding the 90-day period prescribed by the guidelines. The delays ranged from 126 to 378 days. In addition, three fund releases were distributed to the

beneficiaries way beyond the 30-day release rule as required by UniFAST guidelines. The aging analysis is presented in Table 11:

Table 11
Aging Analysis of Fund Releases, Cash Advances and Liquidation - UniFAST TES-TDP
As of December 31, 2024

PARTICULARS	AGING RECEIPT FROM CHED-RO TO RELEASING THROUGH CASH ADVANCES				AGING CASH ADVANCES TO LIQUIDATION				AGING OF LIQUIDATION BASIC TO CHED-RO				TOTAL DAYS
	0-30 days	31-60 days	61-90 days	Above 90 days	0-30 days	31-60 days	61-90 days	Above 90 days	0-30 days	31-60 days	61-90 days	Above 90 days	AS OF DEC. 31, 2024
UNIFAST TES-TDP Program for the 2nd Sem AY 2022-2023 TDP New 3.1	-	-	-	295	5	-	-	-	-	-	78	-	378
UNIFAST TES-TDP Program for the 1st Sem AY 2023-2024	-	52	-	-	2	-	-	-	-	-	78	-	132
UNIFAST TES-TDP Program for the 2nd Sem AY 2022-2023 TDP Ongoing batch 3	1	-	-	-	19	-	-	-	-	-	-	112	132
UNIFAST TES-TDP Program for the 1st Sem AY 2023-2024 TES continuing	27	-	-	-	3	-	-	-	-	-	-	96	126
UNIFAST TES-TDP Program for the 2nd Sem AY 2023-2024 Batch 1 continuing	28	-	-	-	2	-	-	-	-	-	-	96	126
UNIFAST TES-TDP Program for the 1st Sem AY 2023-2024 batch 3.1	-	-	69	-	9	-	-	-	-	48	-	-	126

4.7 Inquiry with the concerned officials disclosed that the delays were caused by several factors, such as:

- a. Delays in the release of funds by the CHED-RO – the disbursement of TES-TDP funds from CHED-RO was in itself delayed, which directly impacted the timely release of the grants to the students;
 - b. Availability of the student grantees to claim their benefits – some of the student grantees were unable to claim their benefits on or within the scheduled payout period due to various reasons, such as unavailability on the specified dates, weekends and holidays, or other personal matters;
 - c. Processing of Administrative Support Costs (ASC) – the liquidation process for ASC took a longer time because the supplies and materials charged to the fund had to go through the procurement process which involves steps that take time to complete.
- 4.8 The delays in the distribution of benefits to the student grantees and the subsequent liquidation of TES-TDP funds to the CHED-RO will result to the delay in the release of subsequent funding for the program as well as the release of the ASC, as these are withheld by the CHED-RO until the College submits the liquidation documents. This may also raise concerns about how effectively the College is managing its funds that may result to difficulty in securing future funding requests from the CHED-RO.
- 4.9 Ultimately, the student grantees will be deprived of continuously reaping the intended benefits of the program to ensure its attainment of quality tertiary education.
- 4.10 **We recommended and Management agreed to:**
- a. **Submit the pending liquidation documents and return the undistributed amount of TES-TDP grants to the CHED-RO as soon as possible;**
 - b. **Establish control procedures for the timely distribution of grants to the student beneficiaries and the subsequent submission of liquidation documents to the CHED-RO to ensure the continuous release of benefits to the scholars;**
 - c. **Ensure that the 30-day release rule for the distribution of benefits and the 90-day period required for the liquidation of TES-TDP grants set by CHEDRO are strictly followed in order to avoid the withholding of subsequent scholarship fund releases and its corresponding Administrative Support Costs.**
- 4.11 The Vice President for Administration and Finance (VPAF) and the Director of the Office of Student Affairs and Services (OSAS) affirmed that all pending liquidations, along with their corresponding unreleased checks, have been fully settled and complied with as of the date of the exit conference. The delays cited in the aforementioned observation were attributed to the delayed liquidation of administrative costs. Moreover, the VPAF informed the Audit Team that the College was recognized by the Commission on Higher Education (CHED) as one of the schools with no outstanding liquidations related to the UniFAST TES-TDP.

5. 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.

5.1 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.

5.2 The Due to BIR account of the College showed a year-end balance of ₱2.203 million, consisting of taxes withheld on account of goods and services procured, execution of government infrastructure contracts, and employees' compensation as of December 31, 2024. The matrices per fund showing the amount withheld and remitted in year 2024 are presented below:

Table 12
SCHEDULE OF TAXES WITHHELD AND REMITTED TO THE BIR
Calendar Year 2024

Fund 101

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	2,038,346.75	543,604.13	2,581,950.88	2,038,346.75	543,604.13
February	543,604.13	653,035.43	1,196,639.56	543,604.13	653,035.43
March	653,035.43	582,905.27	1,235,940.70	655,215.53	580,725.17
April	580,725.17	623,441.64	1,204,166.81	582,725.17	621,441.64
May	621,441.64	786,164.49	1,407,606.13	619,074.84	788,531.29
June	788,531.29	1,346,001.89	2,134,533.18	792,209.24	1,342,323.94
July	1,342,323.94	637,598.38	1,979,922.32	1,349,368.67	630,553.65
August	630,553.65	1,129,854.43	1,760,408.08	621,444.46	1,138,963.62
September	1,138,963.62	925,209.22	2,064,172.84	1,139,463.61	924,709.23
October	924,709.23	706,335.31	1,631,044.54	927,209.22	703,835.32
November	703,835.32	1,491,246.09	2,195,081.41	706,761.15	1,488,320.26
December	1,488,320.26	1,694,303.31	3,182,623.57	1,542,694.18	1,639,929.39
TOTAL		11,119,699.59		11,518,116.95	

Fund 164

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	172,438.76	340,249.84	512,688.60	172,438.76	340,249.84
February	340,249.84	134,622.56	474,872.40	340,503.84	134,368.56
March	134,368.56	127,674.94	262,043.50	134,596.56	127,446.94
April	127,446.94	44,168.61	171,615.55	127,446.94	44,168.61

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
May	44,168.61	387,472.58	431,641.19	44,168.61	387,472.58
June	387,472.58	129,333.75	516,806.33	388,822.58	127,983.75
July	127,983.75	299,471.38	427,455.13	162,884.97	264,570.16
August	264,570.16	403,375.67	667,945.83	267,666.97	400,278.86
September	400,278.86	222,118.91	622,397.77	404,686.45	217,711.32
October	217,711.32	183,788.42	401,499.74	256,741.47	144,758.27
November	144,758.27	150,306.75	295,065.02	165,984.95	129,080.07
December	129,080.07	536,621.87	665,701.94	158,578.67	507,123.27
TOTAL		2,959,205.28		2,624,520.77	

Fund 161

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	0.00	254.00	254.00	0.00	254.00
February	254.00	228.00	482.00	254.00	228.00
March	228.00	0.00	228.00	228.00	0.00
April	0.00	0.00	0.00	0.00	0.00
May	0.00	0.00	0.00	0.00	0.00
June	0.00	31,957.22	31,957.22	0.00	31,957.22
July	31,957.22	551.31	32,508.53	31,957.22	551.31
August	551.31	3,057.59	3,608.90	551.31	3,057.59
September	3,057.59	878.89	3,936.48	3,057.59	878.89
October	878.89	4,748.72	5,627.61	878.89	4,748.72
November	4,748.72	13,020.64	17,769.36	4,748.72	13,020.64
December	13,020.64	55,644.75	68,665.39	13,020.64	55,644.75
TOTAL		110,341.12		54,696.37	

Recapitulation:

Fund 101	₱1,639,929.39
Fund 164	507,123.27
Fund 161	55,644.75
TOTAL	₱2,202,697.41

- 5.3 The balance as of December 31, 2024 totaling ₱2.203 million was subsequently remitted to the BIR in January 2025.

- 5.4 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.
6. 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. 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.
- 6.1 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.”*
- 6.2 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)

- 6.3 Analysis of the withholding and remittance of mandatory contributions to GSIS of the BASC for Calendar Year (CY) 2024 showed that the College has judiciously complied with the requirements of law, as presented on the table below:

Table 13
SCHEDULE OF AMOUNTS WITHHELD AND REMITTED TO THE GSIS
Calendar Year 2024

Fund 101

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	0.00	1,580,466.02	1,580,466.02	1,578,095.19	2,370.83
February	2,370.83	1,594,833.93	1,597,204.76	1,594,325.89	2,878.87

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
March	2,878.87	1,626,524.36	1,629,403.23	1,610,194.56	19,208.67
April	19,208.67	1,620,039.77	1,639,248.44	1,623,111.77	16,136.67
May	16,136.67	1,744,400.30	1,760,536.97	1,703,151.87	57,385.10
June	57,385.10	1,613,044.91	1,670,430.01	1,637,946.59	32,483.42
July	32,483.42	1,561,508.05	1,593,991.47	1,584,377.59	9,613.88
August	9,613.88	1,817,118.96	1,826,732.84	1,563,276.10	263,456.74
September	263,456.74	1,686,708.93	1,950,165.67	1,639,930.20	310,235.47
October	310,235.47	1,720,841.72	2,031,077.19	1,988,692.49	42,384.70
November	42,384.70	1,742,551.10	1,784,935.80	1,784,935.80	0.00
December	0.00	1,765,064.75	1,765,064.75	1,765,064.75	0.00
TOTAL		20,073,102.80		20,073,102.80	

6.4 On the other hand, presented below are the amounts withheld and remitted by the College to the HDMF or Pag-IBIG Fund for CY 2024:

Table 14
SCHEDULE OF AMOUNTS WITHHELD AND REMITTED TO HDMF
Calendar Year 2024

Fund 101

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	0.00	123,551.83	123,551.83	123,451.83	100.00
February	100.00	145,051.83	145,151.83	145,151.83	0.00
March	0.00	158,351.83	158,351.83	157,351.83	1,000.00
April	1,000.00	161,595.62	162,595.62	159,416.00	3,179.62
May	3,179.62	153,047.52	156,227.14	0.00	156,227.14
June	156,227.14	138,662.34	294,889.48	196,727.14	98,162.34
July	98,162.34	135,158.96	233,321.30	97,662.34	135,658.96
August	135,658.96	154,724.54	290,383.50	290,383.50	0.00
September	0.00	158,903.93	158,903.93	158,903.93	0.00
October	0.00	157,121.18	157,121.18	157,121.18	0.00
November	0.00	159,500.23	159,500.23	159,500.23	0.00
December	0.00	171,682.95	171,682.95	171,682.95	0.00
TOTAL		1,817,352.76		1,817,352.76	

Fund 164

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	0.00	2,800.00	2,800.00	2,800.00	0.00
February	0.00	3,200.00	3,200.00	3,200.00	0.00
March	0.00	0.00	0.00	0.00	0.00
April	0.00	0.00	0.00	0.00	0.00
May	0.00	3,000.00	3,000.00	3,000.00	0.00
June	0.00	0.00	0.00	0.00	0.00
July	0.00	2,400.00	2,400.00	2,400.00	0.00
August	0.00	2,600.00	2,600.00	2,600.00	0.00
September	0.00	2,600.00	2,600.00	2,600.00	0.00
October	0.00	203,921.18	203,921.18	2,600.00	201,321.18
November	201,321.18	0.00	201,321.18	201,321.18	0.00
December	0.00	2,400.00	2,400.00	2,400.00	0.00
TOTAL		222,921.18		222,921.18	

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

6.6 **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, and Section 3(a) of Rule VII of Republic Act No. 9679 on the prompt remittance to Pag-IBIG Fund of monthly Home Development Mutual Fund (HDMF) contributions.**

7. 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.

7.1 Paragraph (b), Section 18 of the Revised Implementing Rules and Regulations of Republic Act No. 7875 as amended by R.A. No. 9241 and R.A. No. 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.

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- 7.2 Analysis of the Due to PhilHealth account as of December 31, 2024 showed that the BASC has substantially complied with the withholding of monthly contributions and timely remittance of the same to PhilHealth, as presented in Table 15:

Table 15
SCHEDULE OF AMOUNTS WITHHELD AND REMITTED TO PHILHEALTH
Calendar Year 2024

Fund 101

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	0.00	184,351.68	184,351.68	184,351.68	0.00
February	0.00	189,165.40	189,165.40	189,165.40	0.00
March	0.00	204,049.80	204,049.80	203,165.40	884.40
April	884.40	205,868.80	206,753.20	204,123.64	2,629.56
May	2,629.56	206,177.79	208,807.35	199,798.44	9,008.91
June	9,008.91	209,399.06	218,407.97	212,645.07	5,762.90
July	5,762.90	196,868.44	202,631.34	0.00	202,631.34
August	202,631.34	274,335.87	476,967.21	400,228.16	76,739.05
September	76,739.05	213,024.29	289,763.34	218,730.43	71,032.91
October	71,032.91	217,101.38	288,134.29	217,101.38	71,032.91
November	71,032.91	217,101.38	288,134.29	217,101.38	71,032.91
December	71,032.91	217,103.86	288,136.77	288,136.77	0.00
TOTAL		2,534,547.75		2,534,547.75	

Fund 164

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
January	0.00	13,500.00	13,500.00	13,500.00	0.00
February	0.00	14,500.00	14,500.00	14,500.00	0.00
March	0.00	0.00	0.00	0.00	0.00
April	0.00	0.00	0.00	0.00	0.00
May	0.00	13,000.00	13,000.00	13,000.00	0.00
June	0.00	0.00	0.00	0.00	0.00
July	0.00	11,500.00	11,500.00	11,500.00	0.00
August	0.00	12,500.00	12,500.00	12,500.00	0.00
September	0.00	12,500.00	12,500.00	12,500.00	0.00
October	0.00	446,704.15	446,704.15	12,500.00	434,204.15
November	434,204.15	0.00	434,204.15	434,204.15	0.00

CY 2024	AMOUNT (in ₱)				
	Beginning Balance	Amounts Withheld	Total	Amount Remitted	Ending Balance
December	0.00	446,209.10	446,209.10	12,000.00	434,209.10
TOTAL		970,413.25		536,204.15	

- 7.3 All unremitted balances were settled by BASC in full within the deadlines prescribed by law. As such, penalties for late payments were avoided and the employees were able to enjoy the benefits of their membership to PhilHealth.
- 7.4 **We recommended and Management agreed to continue to be compliant with the remittance of mandatory contributions due to PhilHealth in accordance with Paragraphs (a), (b), and (e) of Section 18 of the Revised Implementing Rules and Regulations of Republic Act No. 7875.**
8. **Of the total agency budget of ₱263.407 million for Calendar Year (CY) 2024, the Bulacan Agricultural State College (BASC) allocated ₱15.638 million or 5.94 per cent for projects and activities related to Gender and Development (GAD). Actual GAD expenditures and attributions as per GAD Accomplishment Report amounted to ₱19.867 million or 127.04 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 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).
- 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 Perusal of the GAD Plan and Budget (GPB) for CY 2024 of the Bulacan Agricultural State College (BASC) disclosed that a sum of ₱15.638 million was appropriated for PAPs aimed at Gender and Development (GAD). This amount represents 5.94 per cent of the BASC's total budget of ₱263.407 million, which is compliant with the minimum 5% of the total appropriations as required by law.
- 8.4 The GAD budget was distributed to 13 PAPs and one project with cost attribution, as summarized in Table 16 on the following page:

Table 16
Summary of Appropriations
Annual GAD Plan and Budget
Calendar Year 2024

GAD Activity	No. of PAPs	Agency Approved Budget (in ₱)
Client-focused Activities	6	118,000.00
Organization-focused Activities	7	5,275,173.77
Attributed Programs	1	10,245,000.00
TOTAL	14	15,638,173.77

- 8.5 Meanwhile, the Annual GAD Accomplishment Report (GAD AR) as submitted to the PCW showed that the actual expenditures attributed to GAD for CY 2024 aggregated to ₱19.877 million or 127.04 per cent of the budgeted amounts per the GPB, summed up as follows:

Table 17
Summary of GAD Accomplishment
Calendar Year 2024

GAD Activity	No. of PAPs	Amount of Expenditures (in ₱)
Client-focused Activities	6	302,880.51
Organization-focused Activities	7	19,557,992.11
Attributed Programs	1	5,955.00
TOTAL	14	19,866,827.62

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

- 8.6 As shown on the above table, only ₱5,955.00 was credited as a GAD expenditure from attributed programs. The project pertains to Phase 2 of the Construction of Solar-Powered 4-Storey 20-Classroom Academic Building with a total budget amounting to ₱10.245 million which received a score of 'zero' per the HGDG-PIMME assessment due to the transfer of its implementation to the Department of Public Works and Highways (DPWH). This was in consonance with Fiscal Year 2024 General Appropriations Act Special Provision No. 5 on State Universities and Colleges (SUCs) which requires that the implementation of infrastructure projects amounting to ₱5.000 million and above be transferred to the DPWH. Only the amount of ₱5,955.00 which was incurred during initial meetings in relation to the said project before it was transferred to the DPWH was attributable to GAD.
- 8.7 It is noteworthy to mention that, despite the fact that a significant portion of the amount from attributed programs was excluded from the actual GAD expenditures, the College was still able to incur a utilization rate of 127.04 per cent of the approved budget for GAD. This indicates that the attainment of a positive overall implementation of the GPB is not dependent on attributed programs which are usually material in amounts. The GAD focal point system of the College was able to respond accordingly when a major project cannot be implemented through the formulation and proper attribution of more GAD-related PAPs.

- 8.8 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 PAPs to be attributed to GAD, particularly on the preparation of GAD AR, resulted to continued improvements in the College's formulation and attribution of programs and activities geared towards gender-responsiveness.
- 8.9 **We recommended and Management agreed to:**
- a. **Require the GAD Focal Person to 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 programs, activities and projects which are doable and attainable even in circumstances that hamper the attainment of plans and goals.**
- 8.10 Management acknowledged and appreciated the commendation of the Audit Team on the College's efforts to continuously comply with the GAD Mandates.
9. **Disbursement for salary differentials to designated Vice Presidents (VPs) has become a complex and contentious issue due to conflicting rulings from the Commission on Higher Education (CHED), the Department of Budget and Management (DBM) and the Civil Service Commission (CSC), thereby resulting to significant financial and operational consequences for the College.**
- 9.1 The Commission on Higher Education (CHED) on its Memorandum Order (MO) No. 12, series of 2018 dated June 22, 2018 outlines the 2016 State Universities and Colleges (SUC) leveling results, leveling benefits and leveling appeal procedures. This memorandum classified Bulacan Agricultural State College (BASC) as a Level III SUC.
- 9.2 On the other hand, the Department of Budget and Management (DBM) issued National Budget Circular No. 589 regarding the Revised Organization and Staffing Standards of SUCs – Phase I, which indicates that the number of Vice President positions shall be dependent on the level of the SUC, as provided under CHED MO No. 12, s. 2018 and DBM-CHED JC No. 2. S. 2003. Thus, the College, as a Level III SUC, is permitted to have two Vice Presidents (VPs) with a rank of 'SUC Vice President III' at Salary Grade (SG) 27. Additional VPs may be designated beyond this limit, provided that the total number of permanent and designated VPs do not exceed five; provided, further, that the funds shall be sourced from internally generated income or from available allotment for Personal Services (PS) of the SUC.

9.3 At present, there are three designated VP positions at BASC:

No.	Designation	Date of Designation	Position as per CSC Appointment	Salary Grade as of CY 2024
1	Vice President for Academic Affairs	February 1, 2019	Associate Professor V	23-1
2	Vice President for Administration and Finance	February 1, 2020	Associate Professor V	23-1
3	Vice President for Research, Extension, Production and Development	January 7, 2022	Professor VI	27-1

9.4 Audit of expenditures for salaries of personnel disclosed that the two VPs whose salary grades are below SG-27 are receiving compensation equivalent to a permanent VP position. This is in line with the DBM-CHED Joint Circulars (JC) series 2003 and 2004, which state that:

JC No. 2, series of 2003, Section 6 – Faculty members who are designated VPs shall be entitled to the difference between their present salary and the 1st step of the salary grade of a permanent VP position.

JC No. 1, series of 2004, Section 5.1 – The difference between the present salaries of the designated faculty and non-faculty members and the 1st step of the salary grade of the VP position will be considered as salary differential and will form part of the actual salary of the designated VP. The Year End Benefits (YEB) and Retirement and Life Insurance Premiums (RLIP) will be adjusted accordingly during the period of designations.

9.5 The same was stated in Item No. 7.13.3.1 of the DBM Manual on Position Classification and Compensation MPCC which was circularized in February 2007.

9.6 However, the said grant of salary differential to the designated VPs is contradictory to Section 13(c) of Civil Service Commission (CSC) Memorandum Circular No. 24, series of 2017, or the 2017 Omnibus Rules on Appointments and Other Human Resource Actions (ORAOHRA), which provides that, “designees cannot be granted the salaries of the positions they are being designated to.” Allowances that go with the performance of the functions, such as Representation and Transportation Allowance (RATA) or Extraordinary and Miscellaneous Expenses (EME) may be granted as provided by the General Appropriations Act (GAA), the grant of the same is specifically stated in the designation order.

9.7 As of December 31, 2024, the two designated VPs have received salary differentials from the date of their designation totaling ₱7.235 million, as summarized in the following table:

Designation	Salary Differential Received	Gross Amount in ₱
Vice President, Academic Affairs	February -December 2019	705,019.00
	January - December 2020	688,308.00

	January - December 2021	694,224.00
	January - December 2022	698,585.00
	January - December 2023	613,452.00
	January - December 2024	668,056.00
	<i>Sub-total</i>	<i>4,067,644.00</i>
Vice President, Administration and Finance	January - December 2020	445,827.00
	January - December 2021	542,358.00
	January - December 2022	641,180.00
	January - December 2023	805,524.00
	January - December 2024	732,080.00
	<i>Sub-total</i>	<i>3,166,969.00</i>
	GRAND TOTAL	7,234,613.00

- 9.8 Discussions with the concerned officials of the College disclosed that the granting of salary differential to designated VPs whose present salaries are below SG-27 was adopted in accordance with the DBM MPCC and CHED issuances, and as generally practiced by SUCs. However, from our perspective, it would be for the best interest of the College if Management was more prudent in consulting with the relevant policy-making bodies, particularly with the DBM and the CSC, in clarifying the contradictory guidelines since these rulings carry material financial implications as shown on the above analysis. Based on our assessment, any misinterpretation of the rules will result to overpayments which might need to be rectified by the affected individuals.
- 9.9 The conflicting rules may lead to inconsistencies in enforcement, where some government agencies or individuals may receive preferential treatment while others face strict compliance measures due to differences in interpretation and implementation. This will create a perception of unfairness. It is best for the College to apply due diligence and engage in extensive consultation to arrive at well-informed decisions that clearly align with the prevailing rules and regulations in order to maintain stability, fairness and clarity.
- 9.10 **We recommended and Management agreed to:**
- Immediately suspend payment of salary and bonus differentials to the designated Vice Presidents until the matter of contradictory rules and regulations is duly addressed and resolved;**
 - Make representation and directly communicate with the CSC, DBM and CHED for clarification and guidance on the conflicting mandates; and**
 - Document all actions taken to address this compliance issue, including any correspondence with all the governing bodies concerned and the steps taken to conform the salary structure with the applicable rulings.**
- 9.11 The Vice President for Administration and Finance (VPAF) informed the Audit Team that the payment of salary differentials to the designated VPs was promptly suspended in March 2025.

- 9.12 In response to the audit recommendations, a formal letter of inquiry has been submitted to the CSC field office; however, the field office has instructed the College to direct the letter to the CSC Main Office. The College is currently awaiting a response from the CSC. Additionally, the College is in the process of drafting letters of inquiry to the Department of Budget and Management (DBM) and the Commission on Higher Education (CHED).

10. Payments to government suppliers were made before the goods have been delivered or the services have been rendered, in violation of COA Circular No. 82-177 dated March 4, 1982 and Section 4 of Annex D of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184, or the Government Procurement Reform Act.

- 10.1 COA Circular No. 82-177 dated March 4, 1982 explicitly prohibits against advance payment on government contracts, to wit:

“All concerned should see to it that payment shall be made only after services or supplies and materials had been rendered or delivered, duly inspected and accepted as certified by the head of the agency concerned, except in cases where advance payment was previously authorized by the President.”

- 10.2 Further, Section 4 of Annex D of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184 or the Government Procurement Reform Act prescribes the following guidelines regarding advance payments:

4.1 In accordance with Presidential Decree 1445, advance payment shall be made only after prior approval of the President, and shall not exceed fifteen percent (15%) of the contract amount, unless otherwise directed by the President; Provided, however, that for cases mentioned under 4.3, 4.4, and 4.5 of these guidelines, no prior approval by the President shall be necessary.

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4.3 A single advance payment not to exceed fifty percent (50%) of the contract amount shall be allowed for contracts entered into by a procuring entity for the following services where requirement of down payment is a standard industry practice:

- a) Hotel and restaurant services;*
- b) Use of conference/seminar and exhibit areas; and*
- c) Lease of office space.*

4.4 Advance payment not to exceed fifteen percent (15%) of the contract amount, unless otherwise directed by the President, shall also be allowed for procurement of goods required to address contingencies arising from natural or man-made calamities in areas where a “State of Calamity” has been declared by appropriate authorities.

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- 10.3 Audit of disbursements for various ongoing projects of the College during the year revealed instances wherein payments were made to the suppliers/service providers before the goods were delivered or the service has been rendered/completed. These are presented on the table below:

Table 18
Advance Payments on Procurement Contracts
Calendar Year 2024

PURCHASE ORDER			PARTICULARS	AMOUNT in ₱	Testing Period		Actual Date of Delivery	Date of Payment
No.	Date	Date of Acceptance by Supplier			From	To		
2024-09-442	9/3/2024	9/6/2024	Payment for soil testing kit for BASC-FRT demo farm production and planting materials.	3,000.00	Terms of delivery were not indicated on the contract		10/04/24	10/03/24
2024-11-624	11/11/2024	11/25/2024	Supplies for project: Preparation of rabbit Frankfurter made with different lipid source.	5,079.20	01/02/25	01/21/25	01/22/25	12/19/24
2024-11-625	11/11/2024	11/22/2024	Laboratory Analysis to be used for the LAPANUGGETS nutritional analysis.	21,840.00	12/20/24	01/14/25	01/15/25	12/18/24
2024-11-626	11/11/2024	11/28/2024	Supplies for project: Physical and sensory evaluation of fruit crisps with bitter ground.	14,448.00	No results yet		No results yet	12/19/24
			TOTAL	44,367.20				

- 10.4 Perusal of the transactions showed that the nature of the expenditures was not among the exceptions to the general rule on advance payments as specified in Section 4, Items 4.3 and 4.4 of Annex D of the IRR. Moreover, there was no prior approval from the President of the Philippines that expenditures of such nature are allowed to be paid in advance.

- 10.5 Further verification disclosed that these transactions which were paid in advance incurred delays in its delivery or completion, as shown on the following table:

Table 19
Delayed Delivery/Completion of Contracts Paid in Advance
Calendar Year 2024

PURCHASE ORDER			PARTICULARS	AMOUNT in ₱	Testing Period		Actual Date of Delivery	No. of Days Delayed
No.	Date	Date of Acceptance by Supplier			From	To		
2024-09-442	9/3/2024	9/6/2024	Payment for soil testing kit for BASC-FRT demo	3,000.00	Terms of delivery were not indicated on the contract		10/04/24	cannot be determined

PURCHASE ORDER			PARTICULARS	AMOUNT in ₱	Testing Period		Actual Date of Delivery	No. of Days Delayed
No.	Date	Date of Acceptance by Supplier			From	To		
			farm production and planting materials.					
2024-11-624	11/11/2024	11/25/2024	Supplies for project: Preparation of rabbit Frankfurter made with different lipid source.	5,079.20	01/02/25	01/21/25	01/22/25	28
2024-11-625	11/11/2024	11/22/2024	Laboratory Analysis to be used for the LAPANUGGETS nutritional analysis.	21,840.00	12/20/24	01/14/25	01/15/25	24
2024-11-626	11/11/2024	11/28/2024	Supplies for project: Physical and sensory evaluation of fruit crisps with bitter ground.	14,448.00	No result yet		No result yet	45
			TOTAL	44,367.20				

10.6 According to the officials concerned, the delay is caused by the late release of results of testing from the laboratory. The Audit Team further observed that no extensions were requested on the contract duration. Liquidated damages were also not imposed on the delays, as the transactions were already paid before the delivery was made or even before the laboratory testing commenced.

10.7 Payments made in advance not only violates the basic rule that all government contracts must be delivered or rendered before payment is made. There is also the risk that the contractor/supplier might abscond from fulfilling the terms of the contract. It would be difficult for the College to impose penalties and sanctions on defaulting contractors and suppliers as they are already paid before the goods have been delivered, or the service has been rendered.

10.8 **We recommended and Management agreed to:**

- a. **Refrain from making payments to government contractors and suppliers before the goods have been delivered or the services have been rendered; and**
- b. **Ensure strict compliance with the prohibition on advance payment of government contracts. Be guided with the provisions of COA Circular No. 82-177 dated March 4, 1982, and Section 4 of Annex D of the 2016 Revised Implementing Rules and Regulations of R.A. No. 9184.**

10.9 The VPAF acknowledged the recommendations provided by the audit team. In response, the College issued a memorandum mandating strict compliance with COA Circular No. 82-177, dated March 4, 1982, and Section 4 of Annex D of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9184,

also known as the Government Procurement Reform Act. The memorandum was distributed to all College offices, including the end-users.

- 10.10 The VPAF also assured the Audit Team that they will actively look for suppliers and service providers that will not require advance payments before delivery of goods and/or services.

11. The computation of proportional monthly salary and Personnel Economic Relief Allowance (PERA) of regular employees are not consistent with the prescribed formula under CSC Memorandum Circular No. 8, series of 2014 dated May 5, 2014, and DBM Budget Circular No. 3, series of 2009 dated August 18, 2009, thus, resulting to overpayments of salaries, wages and allowances to employees.

- 11.1 Civil Service Commission (CSC) Memorandum Circular No. 8, series of 2014 dated May 5, 2014 states that:

Pursuant to CSC Resolution No. 1400454 dated March 21, 2014, the Civil Service Commission (CSC) adopts the following formula in the computation of salaries of employees who incur leave of absence without pay:

$$\text{Salary} = \frac{\text{No. of days paid status*}}{22 \text{ days}} \times \text{Monthly Salary}$$

**Where number of days paid status refers to 22 days less number of days without pay*

- 11.2 Chapter 3.7 of the Manual on Position Classification and Compensation (MPCC) as per Department of Budget and Management (DBM) Circular Letter No. 2007-6 dated February 19, 2007, provides guidelines and clarifications regarding the Salary Schedule which can be read as:

- *All rates in the Salary Schedule represent full compensation for full-time employment in a 40-hour work week regardless of where the work is performed.*
- *The daily wage represents full compensation for full-time employment in an 8-hour work day regardless of where the work is performed. The daily rate shall be computed based on the authorized/actual monthly rate for the position divided by 22 days.*

- 11.3 On the other hand, Section 5.4 of DBM Budget Circular No. 3, series of 2009 dated August 18, 2009, outlines the guidelines regarding the payment of Personnel Economic Relief Allowance (PERA), which provides as follows:

- *The PERA of personnel who incurred absences without approved leaves of absence or on leave of absence without pay during the month shall be computed on the basis of the number of days worked with basic pay. For each working day, the PERA shall be P90.91 (computed by dividing P2,000 per month by 22 working days per month).*

- 11.4 In the audit of expenditures for salaries and wages, the Audit Team observed that the calculation of employees' first salary, when assuming on a mid-month date, and the salaries and PERA of regular employees on Leave Without Pay (LWOP) were based on the actual number of calendar days in the month, including Saturdays, Sundays, and Holidays, less days on Leave Without Pay (LWOP). The computation of the daily salary rate, for the purpose of determining the employees' salaries, was based on the total number of calendar days in each month (e.g., 31 days for January and 28 days for February). The calculation was derived by dividing the Monthly Basic Salary (based on salary schedule) of an employee by the total number of days of each month, i.e., all working days and Saturdays, Sundays, and holidays, less those days that are filed with LWOP. This method deviated from the practice of deducting LWOP days from the standard 22 days prescribed under CSC MC No. 8-2014. Below is the actual formula used in determining the salaries of employees on leave without pay:

$$\text{Salary} = \frac{\text{Monthly Salary}}{31 \text{ days (January)}} \times (31 \text{ days} - \text{LWOP days})$$

- 11.5 The Audit Team also noted that the standard 22 days per month, as prescribed in the abovementioned guidelines, was not applied in the formula of calculating the proportional monthly salary.
- 11.6 The table below shows the comparison of results between the formula currently in use and the formula prescribed by the above-cited provisions. The sample calculations assumed that the employee's compensation level is Salary Grade 5 Step 1, with 2 LWOP days.

<u>Actually used:</u>			<u>Should be:</u>		
Salary	$\frac{\text{Monthly Salary}}{31 \text{ days (January)}}$	$\times (31 \text{ days} - \text{LWOP days})$	Salary =	$\frac{\text{No. of days paid status}}{22 \text{ days}}$	$\times \text{Monthly Salary}$
			<i>Where number of days paid status refers to 22 days less number of days without pay</i>		
Salary	$\frac{17,866.00}{31 \text{ days (January)}}$	$\times (31 \text{ days} - 2 \text{ LWOP days})$	Salary =	$\frac{22-2}{22 \text{ days}}$	$\times 17,866.00$
=	576.32	$\times 29 \text{ days}$	=	0.9091	$\times 17,866.00$
Salary	16,713.28		Salary	16,241.82	

- 11.7 Based on the sample computation outlined above, the prescribed salary formula, after considering the LWOP days, has resulted in a lower salary amount to be received by the employee when compared to the current formula in use. This discrepancy is due to the differing methodologies used in calculating the salary deduction for LWOP.
- 11.8 We further observed that the computation of the corresponding PERA of employees with LWOP days, or those who assumed office in the middle of the month, also uses the actual number of calendar days as divisor instead of the prescribed 22 working days.

11.9 The consequence of using the current formula for computation of salaries and PERA in comparison to the prescribed formula resulted to a lesser reduction of salary from LWOP days, thereby maintaining a higher overall compensation payout to the employee. Ultimately, the payment of salaries, wages and allowances may be deemed excessive, which may compel the affected employees to refund the excess payments.

11.10 **We recommended and Management agreed to:**

- a. **The Human Resource Management Office to adopt the prescribed 22 working days in a month in determining the daily salary rate for the computation of proportional salary and PERA of regular employees; and**
- b. **The Human Resource Management Office and the Accounting Office to review and standardize the formula to be used in the computation of daily salary rate, as needed.**

11.11 The VPAF acknowledged the observations and recommendations. He informed the Audit Team that the College has conducted benchmarking with other State Universities and Colleges (SUCs) and has received confirmation from the Civil Service Commission (CSC) regarding the utilization of 22 days as divisor in the computation of the proportional salary for government employees. The VPAF further clarified that the College has standardized the computation of proportional salary and is in the process of developing templates for the calculation of first salaries, as well as those for employees on Leave Without Pay.

12. As of December 31, 2024, 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)

12.1 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).

12.2 As of December 31, 2024, the balance of the unsettled disallowances remained at ₱1.390 million, as detailed below:

Notices	Beginning Balance (As of December 31, 2023)	This period (January 1 to December 31, 2024)	Settlement this period (January 1 to December 31, 2024)	Ending Balance (As of December 31, 2024)
		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, 2023)	This period (January 1 to December 31, 2024)	Settlement this period (January 1 to December 31, 2024)	Ending Balance (As of December 31, 2024)
		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

12.3 The outstanding balance of ₱1.390 million as of year-end pertains to the individual audit disallowances of various payees. Partial settlements were received during the year from currently employed with BASC as well as those separated from the service. However, a Notice of Settlement of Suspensions, Disallowances and Charges (NSSDC) is yet to be issued until the total amount as per Notice of Disallowance has been settled in full.

12.4 **We recommended and Management agreed to:**

- 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.**

12.5 The College Accountant affirmed that the College is making efforts to enforce the settlement of disallowances by proactively issuing demand letters to the persons liable. Moreover, the College has finalized the request for settlement via installment basis to be transmitted to the COA Central Office to facilitate the settlement of these obligations.