

Part II – Observations and Recommendations

Financial and Compliance

1. **The reliability of the Biological Assets account amounting to ₱1,083,074 was doubtful because Property Cards and Quarterly Reports of Biological Assets were not prepared.**
 - 1.1 Chapter 11 of the GAM, Vol. I, requires the use of Biological Assets Property Cards to be kept by the Biological Asset/s Caretaker or Officer-in-charge/Accountable Officer for each class or type of biological asset to record promptly the acquisition, description, custody, transfer, disposal and other information about the property. The BAPC shall be reconciled with the physical inventory of the biological asset/s and control accounts annually. Any discrepancies shall be immediately verified and adjusted.
 - 1.2 Likewise, Quarterly Reports of Biological Assets contains, among others, the balances at the beginning of the quarter and changes in fair value of the biological assets due to physical changes such as: a) growth, b) degeneration, c) production, and d) procreation and due to price changes. The report shall be the basis of the Accounting Division to recognize in the books through the preparation of JEV the gain or loss on fair value of the biological asset due to physical changes and due to price changes.
 - 1.3 The Statement of Financial Position during the four-year period showed that the Biological Assets account particularly the Livestock Held for Consumption/Sale/Distribution account showing a balance of ₱1,083,074 was non-moving.
 - 1.4 An interview with the accountant revealed that the Biological Asset/s Caretaker or Officer-in-charge did not submit the BAPC and QRBA to the Accounting Office; hence, the balance of the account remained the same for four years. Further, additional records and details were not available from both the Accounting and Supply Office.
 - 1.5 The non-preparation of BAPC and QRBA by the Biological Asset/s Caretaker or Officer-in-charge and absence of additional records had cast doubt on the accuracy, existence and valuation of the booked biological assets as of year-end.
 - 1.6 **We recommended that the Biological Asset/s Caretaker or Officer-in-charge maintain Biological Assets Property Card and prepare and submit the Quarterly Reports of Biological Assets to Accounting Unit and Office of the Auditor.**

Management's Comment

1.7 Management agreed with the Audit Team's recommendation and has already instructed the Biological Asset/s Caretaker to maintain Biological Assets Property Card and prepare and submit to Accounting Unit and Office of the Auditor the Quarterly Reports of Biological Assets.

2. Impairment loss on Accounts Receivable was not recognized in the Financial Statements, thereby, overstating the realizable value of the receivable account and understating the non-cash expenses.

2.1 Recognition of impairment loss for Accounts Receivable was specifically provided in Section 10, Chapter 7 of the Government Accounting Manual (GAM) for NGAs Volume I, as follows:

“In case of Accounts Receivables, the Allowance for Impairment shall be provided in an amount based on collectibility of receivable balances and evaluation of such factors as aging of accounts, collection experiences of the agency, expected loss experiences and identified doubtful accounts.”

2.2 Further, Section 9, Chapter 5 of the same Manual states that:

“When an uncertainty arises about the collectibility of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense (impairment losses), rather than as an adjustment of the amount of revenue originally recognized.

“Entities shall evaluate the collectibility of accounts receivable on an ongoing basis based on historical bad debts, customer/recipient credit-worthiness, current economic trends and changes in payment activity. An allowance is provided for known and estimated bad debts.”

2.3 The balance of the Accounts Receivable includes past due accounts for over three years amounting to ₱24,332,510.35 or 82% of the total Accounts Receivable. Verification made in the Trial Balance showed that the Accountant did not provide Allowance for Impairment on the Accounts Receivable. Upon inquiry, the Accountant informed that they found it difficult to assess the collectibility of the Accounts Receivables.

2.4 The non-recognition of impairment loss overstated the realizable value of the Accounts Receivable and understated the non-cash expenses and consequently, overstated the income reported in the Statement of Financial Performance.

- 2.5 We recommended that the Accountant recognize impairment losses on the receivable account in compliance with the above-mentioned principles and exert extra effort to collect the balance of the Accounts Receivable from other stakeholders.**

Management's Comment

- 2.6 The Management agreed with the recommendation and has already instructed the Accountant to recognize impairment losses on the receivable account and incorporate it in the Quarterly Reports being submitted to COA.
- 3. The dates of receipt by the Supplier for purchases amounting to ₱4.9 million were not properly indicated in the Purchase Orders (POs) making the validation of prompt delivery and the computation of liquidated damages for late deliveries difficult.**
- 3.1 Section 3 of Annex D of the Revised IRR of RA 9184 provides for the guidelines in the computation of liquidated damages in case of delay in the delivery of goods, supplies and materials, as follows:

“3. Liquidated Damages

“3.1 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.

“3.2 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 no case shall the total sum of liquidated damages exceed ten percent (10%) of the total contract price, in which event the procuring entity concerned may rescind the contract and impose appropriate sanctions over and above the liquidated damages to be paid.”

- 3.2 Review of the purchases made by the University in CY 2018 amounting to ₱4,936,897.04 (Annex A) showed that the delivery dates were not indicated in the POs. The absence of the delivery dates on the POs rendered verification of possible liquidated damages difficult.

- 3.3 Interview with the concerned employees revealed that the absence of dates was due to inability of the personnel in-charge in the preparation and furnishing copies of POs, to let suppliers indicate the date when they received the same.
- 3.4 We recommended and the personnel in-charge in the preparation and furnishing copies of POs to the suppliers agreed to see to it that the date of receipt is properly indicated upon receipt of the same. It was also recommended that if the PO is sent thru fax or e-mail, the date it was e-mailed or faxed will be indicated in the PO and will be deemed as the date of receipt.**
- 4. The University could have saved man-hours and other resources had the 868 purchases made through shopping/canvass at a total cost of P19.6 million been made in bulk quantities through public bidding or through the Procurement Service – Department of Budget Management (PS-DBM) as prescribed under pertinent provisions of RA No. 9184 and its Revised Implementing Rules and Regulations and AO No. 17 s. 2011.**
- 4.1 The governing principles in procurement activities of government agencies are prescribed under R.A. No. 9184, otherwise known as the Government Procurement Reform Act, the law enacted to modernize, standardize and regulate the procurement activities of the government.
- 4.2 Following are some of the basic principles provided in the 2016 Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184:

Subject	Specific Section	Provision
Basic Element – Procurement Planning	7.1	All procurements shall be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity.
General Mode of Procurement	10	All procurements shall be done through competitive bidding, except as provided in Rule XVI of this IRR.
Alternative Mode of Procurement	48.1	Subject to the prior approval of the HoPE, and whenever justified by the conditions provided in this Act, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in this Rule. In all instances, the Procuring Entity shall ensure that the most advantageous price for the Government is obtained.
Shopping and Small Value Procurement	52.1	Shopping is a method of procurement of Goods whereby the Procuring Entity simply requests for the submission of price quotations for readily

Subject	Specific Section	Provision
		<p>available off-the-shelf goods or ordinary/regular equipment to be procured directly from suppliers of known qualifications. This method of procurement shall be employed in any of the following cases:</p> <p>a) When there is an unforeseen contingency requiring immediate purchase: Provided, however, That the amount shall not exceed the thresholds prescribed in Annex “H” of this IRR. (P200,000.00)</p> <p>b) Procurement of ordinary or regular office supplies and equipment not available in the Procurement Service involving an amount not exceeding the thresholds prescribed in Annex “H” of this IRR. (P1,000,000.00)</p>

4.3 Evaluation of the procurement system on Common-use Supplies and Equipment (CSE) during the year under audit revealed that the total amount spent for was within the limit of the approved budget. However, implementation of the Annual Procurement Plan was not efficiently carried out in such manner that the mode of procurement employed in most cases was through shopping/canvass, instead of public bidding, even though the conditions warranting procurement through such alternative mode as stated in Section 52.1 (a and b) of the RIRR of R.A. No. 9184 were not met.

4.4 As audited, the University’s Supply Procurement and Property Office (now split into two offices namely Supply and Property Office and Procurement Management Office) performed 868 separate procurement activities amounting to ₱19,555,523.53 through shopping, each with separate sets of documents such as:

- BAC Resolution
- Purchase Request
- Obligation Request and Status (ORS)/ Budget Utilization Request and Status (BURS)
- Request for Quotations (at least three)
- Abstract of Quotation
- Purchase Order
- Inspection and Acceptance Report
- Property Acknowledgement Receipt (for PPE)
- Inventory Custodian Slip (for Semi-expendable property)
- Disbursement Voucher; and
- Check/LDDAP-ADA

- 4.5 With the 236 working days during the CY 2018, it appeared that approximately three to four shopping transactions were made every day, where the canvassers will either use the University's motor vehicles or claim for transportation expenses in going to at least three bonafide dealers/suppliers for each requisition to secure price quotations.
- 4.6 Had the procurement of common-use supplies, materials and equipment used in the regular operation of the University been made in bulk quantities through public bidding at least on a quarterly basis or through the PS-DBM as required under Administrative Order No. 17, s. 2011, the man-hours and funds consumed/spent for each transaction could have been saved, and lower prices could had been availed of by the University.
- 4.7 We recommended that the Procurement Officer and the Bids and Awards Committee undertake future purchases of common-use supplies, materials and equipment in bulk quantities through public bidding or through the PS-DBM in order to minimize additional costs incurred, and obtain prices most advantageous on the part of the University.**
- 4.8 Management agreed with the Audit Team's recommendation.
- 5. Property Acknowledgement Receipts (PARs) were not renewed regularly contrary to Appendix 71 of Government Accounting Manual (GAM), Volume II.**
- 5.1 Appendix 71 of the GAM, Vol. II, states that "The PAR shall be used in the Supply and/or Property Division/Unit to record the issue of PPE to end-user. It shall be maintained by fund cluster. It shall be renewed every three years or every time there is a change in custodianship/user of the property."
- 5.2 Also, the PARs shall be filed alphabetically by the property officer for ready reference and renewed every January of the 3rd year after issue. PARs not renewed after three years shall not be considered in making physical count of the equipment (*Handbook on Property and Supply Management System*).
- 5.3 Contrary to the above provisions, audit and verification of property records disclosed that PARs were not renewed every three years. Most PARs on file at the Property Office pertain to those issued upon receipt of the property. The renewal of the PARs is necessary for reconciliation purposes.
- 5.4 Interview with the property officer revealed that the non-renewal of PARs every three years was due to non-awareness by management.
- 5.5 We recommended that the General Services Officer-Designate maintain an efficient property management by following the prescribed procedures in property recording and maintain accurate property records and regularly renew Property Acknowledgement Receipts.**

- 5.6 The General Services Office agreed with the Audit Team's recommendation and to maintain and update all the Property Acknowledgement Receipts issued to concerned employees.

Gender and Development

6. The GAD Plan and Budget was not used as basis in the preparation of the GAD Accomplishment Report contrary to Section 10 of the PCW-NEDA-DBM Joint Circular No. 2012-01, thus, hampering the evaluation and assessment of the implementation of GAD activities.

- 6.1 Section 10, paragraph 1 of PCW-NEDA-DBM Joint Circular No. 2012-01 provides that *“Attached agencies, bureaus, regional offices, constituent units and all others concerned shall submit their GAD ARs to their central offices. The agency GFPS shall prepare the annual GAD AR based on the PCW-endorsed GPB or the GPB adjusted to the approved GAA following the form prescribed in Annex B. Activities completed until the end of the year may be included in the final GAD AR of agency submitted to PCW in January”*.
- 6.2 Furthermore, paragraph 4 of the same section states that *“The annual GAD AR shall be accompanied by the following: (1) brief summary of the reported program or project; (2) copies of reported policy issuances; (3) results of HGDG tests, if any; and (4) actions taken by the agency on the COA audit findings and recommendations, if any”*.
- 6.3 Review of the University's GAD Accomplishment Report (GAD AR) for CY 2018 disclosed that this was not in accordance with the approved GAD Plan and Budget (GPB), contrary to the above mentioned provisions. There are GAD PPAs that were included in the GAD AR but were not among those programmed in the GPB and vice-versa.
- 6.4 Differences in performance indicators and targets were also noted between the two (2) sets of reports. While the GPB showed a total GAD Budget of ₱25,466,100.00, the GAD Budget per GAD AR amounted to only ₱22,132,200.00 or a difference of ₱3,333,900.00. We, further, noted that the GAD AR was not supported with documents required in paragraph 4 of Section 10 of the JMC.
- 6.5 The inconsistencies between the GAD AR and GPB and the absence of the documents required in paragraph 4 of the same section of the JMC precluded the audit team from assessing and evaluating the efficiency and effectiveness of the GAD PPAs implemented by the University during the year and might resulted in wastage of funds spent towards the implementation of PPAs that failed to attain their objectives and goals.

- 6.6 **We recommended that the GFPS use the GAD Plan and Budget in the formulation of the GAD Accomplishment Report and to attach the documents required in paragraph 4 of Section 10 of JMC 2012-01 to facilitate the monitoring and evaluation of the GAD PPAs implemented during the year.**
- 6.7 Management acknowledged the Audit Team's observations and agreed with the recommendation.

Compliance with Tax Laws

7. **The University has been complying with the tax regulation by withholding taxes from compensation of its personnel and from payments for purchases and contracts pursuant to Bureau of Internal Revenue Memorandum Circular No. 23-2007 dated March 23, 2007 and Revenue Regulation No. 10-2008 dated July 8, 2008.**

GSIS Property Insurance Law under RA 656

8. **Buildings and Structures and other insurable assets of the University were not covered/insured with the General Insurance Fund (GIF) of the Government Service Insurance System (GSIS) as required under R.A No. 656, otherwise known as the "Property Insurance Law", resulting in the non-indemnification of the University in case of loss of government properties thru fire or from natural hazards or disasters.**
 - 8.1 Section 5 of R.A. 656 requires 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. Provided, however, that the System reserves the right to disapprove the whole or a portion of the amount of insurance applied for. Provided, further, that such property or part thereof as may not be insurable or acceptable for insurance may be insured with any private insurance company.
 - 8.2 Verification showed that only three buildings and six motor vehicles of the University were insured for CY 2018 amounting to P183, 698.28 (Annex A). The rest of the buildings and structures, motor vehicles and other insurable properties of the University were not insured contrary to the provisions of R.A. No. 656 which requires that every government should insure its properties with the GIF administered by the GSIS to be indemnified or compensated in case the subject assets of the government will suffer damage or loss due to fire, earthquake, storm or other fortuitous events.

- 8.3 Interview with the concerned employees disclosed that the reason these assets were not insured was because the University did not have enough budget or fund for insurance considering that the University has many buildings and structures.
- 8.4 For continuous failure to secure appropriate insurance from the GSIS, the University may lose the opportunities to recover loss on its Buildings and Other Structures in case of calamities or other fortuitous events and/or be indemnified for any damages on its Motor Vehicles caused by theft or any unforeseen events.
- 8.5 **We recommended that:**
- a. **the General Service Officer ensure that all insurable assets have insurance coverage with GSIS in order to be indemnified for the value of government properties lost or damaged in case of theft, calamities or any unforeseen events; and**
 - b. **the University President take appropriate action to provide funding for the insurance of all its insurable properties with the GSIS in accordance with R.A. No. 656.**
- 8.6 Management agreed with the recommendations and has instructed the General Services Office to comply with the requirements of GSIS for the insurance of all insurable assets.
- 8.7 Management also agreed to provide funding for the insurance of all its insurable assets.

Suspensions, Disallowances and Charges

9. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) which summarizes the total suspensions, disallowances and charges as of December 31, 2018 showed a balance of ₱2,933,404.76.

- 9.1 Section 7.1.1 of COA Circular No. 2009-006 dated September 15, 2009 prescribes the rules and regulations on settlement of accounts which states that the head of the agency, who is primarily responsible for all the government funds and property pertaining to his agency, shall ensure that the settlement of disallowances and charges is made within the prescribed period and the requirements of transactions suspended in audit are complied with.
- 9.2 Statement of the Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2018 shows a total suspensions and disallowances in the amount of ₱0.00 and ₱2,933,404.76, respectively, details are as follows:

	Suspensions	Disallowances
Beginning Balance, 1/1/2018	₱ 0.00	₱ 2,966,104.76
Add: January to December, 2018	0.00	0.00
Total	<u>₱ 0.00</u>	<u>₱ 2,966,104.76</u>
Less: Settlements made	0.00	32,700.00
Ending Balance, 12/31/2018	<u>₱ 0.00</u>	<u>₱ 2,933,404.76</u>

- 9.3 **We recommended that the University President ensure that all suspensions and disallowances are acted upon and/or settled within the period prescribed under Section 7.1.1 of CO Circular No. 2009-006.**
- 9.4 Management agreed with the Audit Team’s recommendation and assured that those that are not under appeal will be settled as soon as possible.